

Development Of Traditional Craft Villages In Northern Vietnam From A Financial Perspective

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Abstract

Traditional craft villages play an important in the rural economic structure of Northern Vietnam, not only preserving national cultural but also providing livelihoods for millions of workers. From a financial perspective, this paper focuses on analyzing three main issues: (1) Mobilization and use of capital; (2) Costs; (3) Revenue and profit. The study shows that most craft villages in the North operate on a small scale, relying mainly on self-financed capital, with limited access to formal credit due to a lack of collateral and financial planning skills. Revenue tends to increase, especially in villages that combine production with tourism, export activities, or technology application. However, profit remains modest, mainly due to high costs of raw materials, transportation, and environmental compliance, along with low productivity. The failure to fully leverage government support resources and the lack of linkages in production and distribution further reduce the overall financial efficiency of traditional craft villages. Based on these findings, the paper proposes a system of solutions to promote sustainable financial development for traditional craft villages.

Keyword: *Development, traditional craft village, Northern, Vietnam, financial perspective*

Date of Submission: 23-07-2025

Date of Acceptance: 03-08-2025

I. Introduction

Traditional craft villages are an important component of Vietnam's rural economy. They not only play a vital role in preserving and promoting national cultural values but also make a significant contribution to local socio-economic development (Ha., N. T. T., 2023). In Northern Vietnam, traditional craft villages have a long history closely associated with the formation and growth of rural communities. These villages are mainly focused on the Red River Delta region, including areas such as Hanoi, Bac Ninh, Nam Dinh, Thai Binh, and others. Many craft villages have existed and thrived for hundreds of years, becoming cultural symbols of their localities and the country as a whole, for example: Bat Trang pottery village, Dong Ho painting village, Van Phuc silk village, Non Nuoc stone carving village, Phu Vinh bamboo and rattan village, Chuong conical hat village, and Dong Ky fine woodcraft village. These villages not only produce valuable handicrafts but also create jobs and increase income for millions of rural workers.

However, in the context of international economic integration and market-oriented economic development, traditional craft villages are facing numerous serious challenges, such as small-scale and fragmented production, lack of investment capital, outdated technology, and environmental pollution. From a financial perspective, the development of traditional craft villages needs to be considered as a distinctive socio-economic system in which the role of capital, financial structure, cash flow, investment efficiency, and public financial policies play a decisive role in sustainable development capacity. Traditional craft villages cannot survive solely through cultural preservation measures; instead, they require robust, transparent, and appropriate financial mechanisms to ensure autonomy in resources, reinvestment, and development accumulation. According to the World Bank (2020), the lack of long-term and flexible financial resources is a major barrier preventing handicraft industries from adapting to new markets, especially in the context of green transition and digitalization. Financial barriers such as small production scale, limited access to capital, and lack of product distribution channels further hinder development. The absence of microfinance models, credit guarantee funds, or simple and appropriate accounting systems for craft villages is also a significant obstacle. (World Bank, 2020)

On the other hand, in the context of implementing the National Target Program on New Rural Development and the Sustainable Rural Economic Development Program under Decree No. 52/2018/NĐ-CP, supporting financial development for craft villages has become an urgent requirement to promote local economic growth, limit labor migration, and preserve traditional cultural values. Decree No. 52/2018/NĐ-CP also sets out specific criteria for the recognition of craft villages and traditional craft villages; however, the actual

implementation has been slow due to a lack of timely and appropriate financial support from the State and the banking system. On this basis, studying the development of traditional craft villages in Northern Vietnam from a financial perspective is not only academically meaningful but also holds practical value. This paper aims to achieve the following specific objectives:

- Systematize the theoretical foundations and policies related to the financial development of traditional craft villages.
- Analyze the current financial situation of traditional craft villages in Northern Vietnam, including capital mobilization, revenue, costs, and profit.
- Propose solutions and policy recommendations to improve financial mechanisms supporting the development of traditional craft villages, ensuring feasibility and sustainability in practical implementation.

II. Theoretical Framework

Definition and Characteristics of Traditional Craft Villages

Definition of Craft Villages

According to Article 3 of Decree No. 52/2018/NĐ-CP, “A craft village is one or more clusters of residential communities at the hamlet, village, or similar level that engage in rural craft activities.” Article 4 of the same Decree stipulates that rural craft activities include: (1) Processing and preserving agricultural, forestry, and aquatic products; (2) Producing handicrafts; (3) Treating and processing raw materials for rural craft production; (4) Producing wooden products, bamboo and rattan items, ceramics, glassware, textiles, yarn, embroidery, knitting, and small-scale mechanical products; (5) Producing and trading ornamental plants and animals; (6) Salt production; and (7) Providing services that support production and people’s livelihoods. A craft village shall be recognized if it meets all three of the following criteria:

- At least 20% of total households in the area are engaged in one or more of the rural craft activities specified in Article 4 of this Decree.
- Production and business activities have been stable for at least two consecutive years up to the time of application for recognition.
- It meets the environmental protection requirements for craft villages as prescribed by current laws.

Definition of Traditional Craft Villages

“A traditional craft village is a craft village that has a traditional craft formed a long time ago” (Article 4, Decree No. 52/2018/NĐ-CP). Under this regulation, a village shall be recognized as a traditional craft village when:

- It meets the criteria for a craft village (as stated above).
- It has at least one traditional craft that has been officially recognized according to the law.

Both the craft village and the traditional craft must have existed for a long time, producing products with distinctive characteristics, cultural, technical, and artistic value, passed down through generations and still existing or at risk of fading away. A craft shall be recognized as a traditional craft if it meets all three of the following criteria: (1) The craft has existed in the locality for more than 50 years and continues to develop up to the time of application for recognition; (2) The craft produces products that bear the national cultural identity; (3) The craft is associated with the name of one or more artisans or the name of the craft village. Thus, traditional craft villages are always associated with the duration of activity (over 50 years), the reputation and recognition of artisans, and the production of unique, distinctive products that embody national cultural identity.

In summary, “A traditional craft village is one or more clusters of residential communities at the hamlet, village, or similar level, where at least 20% of households are engaged in long-standing rural craft activities (over 50 years) that continue to develop today, meet environmental protection requirements as prescribed by law, produce products that reflect the national cultural identity, and are associated with the name of one or more artisans or the reputation of the village itself.”

Characteristics of Traditional Craft Villages

- Location Characteristics of Traditional Craft Villages

Traditional craft villages in Vietnam have a long history, closely associated with the formation and development of the local community’s cultural, economic, and social life (Long., P.H & Trang., L.T.H, 2022). These villages are places where the cultural essence of the nation converges, serving not only as an internal driving force for local socio-economic development but also as institutions for preserving traditional cultural values. However, the cultural identity embedded in craft village products is closely tied to local living conditions, customs, and production levels.

From an economic perspective, the development of traditional craft villages contributes to promoting the transformation of the rural economic structure towards industrialization and modernization; utilizing idle local capital; and increasing the added value of agricultural and handicraft products. From a social perspective, craft

villages help create jobs, raise incomes, reduce poverty, and limit spontaneous migration from rural to urban areas. Therefore, developing craft villages also plays an important role in preserving and promoting traditional values in the context of modernization.

- Production and Business Characteristics of Traditional Craft Villages

Production Technology: Most craft villages today still rely on traditional manual methods, although some production stages have been mechanized. The combination of modern technology with traditional craftsmanship techniques has helped improve productivity, enhance product quality, and reduce environmental impacts and labor risks (Man., L.T & Dong. L, 2020). However, the unique value of craft village products still primarily lies in the skills and know-how accumulated over generations, which are difficult to replace with modern machinery.

Production Organization: The organizational structure is mainly household-based, with small-scale operations, limited linkages, financial constraints, and weak management skills; production processes remain largely manual (Man., L.T & Dong. L, 2020). In a competitive market, many establishments lack the capacity to survive or are forced to shift to other sectors. Investment in production development faces major obstacles due to the lack of cooperation among households and the absence of effective business models. To overcome these challenges, it is necessary to promote diversified models of production and business organization, strengthen cooperative linkages, and develop industry associations with appropriate support policies from the State.

- Product Characteristics

Inconsistent Quality: Products from different establishments within the same craft village often vary significantly in quality, as they depend heavily on individual skills and unique techniques. This lack of consistency and difficulty in quality control pose major challenges for building a unified brand and ensuring product quality standards.

Traditional Cultural Value: Craft village products embody folk knowledge and traditional craft secrets. However, the transmission of this knowledge is facing difficulties due to the lack of mechanisms for protecting intellectual property rights related to traditional knowledge and the heavy reliance on the ability of artisans to pass down their skills. The legal framework for safeguarding intangible cultural heritage remains inadequate.

High Product Costs: Craft village products are often more expensive than industrial products because manual production processes cannot easily achieve economies of scale. This narrows the target customer segment. Moreover, many craft products are highly localized and do not always align with the demands and living spaces of modern consumers.

Key Financial Indicators for Evaluating Traditional Craft Village Operations

Traditional craft villages are an important economic component, playing a crucial role in rural development and providing livelihoods for local communities. According to development trends, handicraft villages are gradually shifting away from purely agricultural activities while still remaining closely linked to local agriculture. Agricultural production and industrial business activities within craft villages are intertwined, reflecting the intersection of traditional handicraft production and the modern market economy. The distinctive characteristics of craft villages, as analyzed above, lead to varying financial outcomes. Analyzing craft village operations through a financial lens helps identify barriers as well as opportunities for their development.

By nature, traditional craft villages are mostly small-scale household production units or cooperatives that have yet to form a professional financial system. Most production establishments operate spontaneously on a small scale, with capital mainly sourced from internal accumulation or informal borrowing from relatives and friends. The key financial aspects used by the authors in this paper to assess the development of traditional craft villages in Northern Vietnam include:

(1) Capital Mobilization and Utilization

Capital mobilization is the process of attracting financial resources to meet the operational needs of production and business activities. The capital of an economic unit can be divided into two main sources: equity capital and debt capital. Typical channels for mobilizing capital include issuing shares, bonds, bank loans, trade credit, funding from microfinance institutions, or from sponsorships, grants, and joint venture contributions.

Capital utilization reflects the capacity to allocate, deploy, and manage mobilized capital into effective activities, ensuring liquidity and profitability. The principle of effective capital use is to maintain returns on capital (ROA, ROE) higher than the cost of capital, while controlling payment and financial risks (Gitman & Zutter, 2015).

(2) Costs

Costs refer to the total expenditures of resources, money, and time that an organization must incur to produce goods, deliver services, or operate its production and business activities. The costs of craft villages analyzed in this paper include:

- *Environmental costs*
- *Labor costs*
- *Raw material and production costs*
- *Distribution and sales costs*

(3) Revenue and Profit

Revenue is the total value earned from the sale of goods, provision of services, or other investment and financial activities within a given accounting period. Revenue reflects market capacity, sales efficiency, and the level of consumer acceptance of products or services.

Profit is the difference between revenue and total costs over the same period. Profit analysis helps assess an organization's financial performance and serves as a basis for investment decisions, business expansion, or strategy adjustments.

III. Research Methodology

- **Data Collection Method:** The authors employed a literature review method to systematize the theoretical foundations related to traditional craft villages and the indicators associated with the livelihoods of craft village residents (as presented in Section 2.3).

This paper provides an overview of theories selected from databases such as Scopus, specialized journals, online libraries of ministries and agencies, and legal regulations governing craft village operations. These materials were analyzed by topic and examined through synthesis, content analysis, and narrative methods.

To study the current development status of craft villages, the research team focused on examining the scale, structure, and characteristics of typical traditional craft villages that continue to maintain economic activities.

The analysis of the current situation of traditional craft village development from a financial perspective includes: (i) capital mobilization, (ii) costs, and (iii) revenue and profit. The craft village data presented in this paper pertain to traditional craft villages officially recognized by the People's Committees of provinces and centrally governed cities. These data were collected from books, domestic and international scientific journals, aggregated data from the Ministry of Finance, the Ministry of Agriculture and Environment, the Ministry of Industry and Trade, and the official websites of local authorities in Northern Vietnam.

Based on the collected data, relevant information was compiled and selected in line with the research objectives. The authors combined descriptive statistical methods to clarify the current status. Additionally, a synthesis and comparative analysis approach was used to examine and contrast legal provisions, programs, and projects that encourage and support craft villages, alongside the actual situation of traditional craft villages in Vietnam.

Data Processing Method: The collected data were compiled, calculated, and presented in tables and charts. To evaluate and analyze the data, the paper also applies a comparative method to examine the development of traditional craft villages in Northern Vietnam.

IV. Current Situation Of Traditional Craft Villages In Northern Vietnam From A Financial Perspective

Overview of the Scale and Structure of Traditional Craft Villages in Northern Vietnam

- **Regarding Village Scale:** Vietnam has clear regulations on the standards and procedures for recognizing craft villages and traditional craft villages; therefore, to ensure consistency, the data presented in the following section reflect only officially recognized craft villages. In implementing the Strategy for Rural Craft Development to 2030 under Decision No. 1058/QĐ-TTg dated September 14, 2023, the development of rural craft industries and the preservation and development of craft villages have received focused and effective direction, closely linked with the New Rural Development Program and the OCOP (One Commune One Product) Program, as well as the preservation of national cultural heritage. As of 2024, there are 216 recognized traditional crafts, 657 traditional craft villages, and 1,382 craft villages nationwide (an increase of 8 villages compared to 2023), with 39 craft villages, 13 traditional craft villages, and 3 traditional crafts revoked. These villages provide employment for over 11 million direct and indirect workers, including laborers working at production facilities and rural workers engaged in various production stages (Ministry of Agriculture and Environment, 2024).

- Regarding the Proportion of Craft Villages and Traditional Craft Villages in Northern Vietnam: Northern Vietnam consists of two main geographical regions: the Red River Delta and the Northern Midland and Mountainous Region. According to 2024 data from the Ministry of Agriculture and Environment, the total number of craft villages nationwide is 1,382, of which the Northern region alone accounts for 922 craft villages, representing 66.7% of the national total. In terms of traditional craft villages, the Northern region contributes 414 out of 657 villages, equivalent to 62.9%. Notably, although the Northern Midland and Mountainous Region has fewer total craft villages, it possesses up to 235 traditional craft villages, accounting for 35.7% of the national figure - higher than the Red River Delta, which has 179 traditional craft villages, equivalent to 27.2% [Table 1].

Table 1. Distribution of Craft Villages and Traditional Craft Villages in 2024 by Geographical Region

STT	Region	Craft Village		Traditional Craft Village	
		Number	Proportion (%)	Number	Proportion (%)
	Nationwide (2024)	1,382	100,0	657	100,0
1	Red River Delta	654	47,3	179	27,2
2	Northern Midland and Mountainous	268	19,4	235	35,7
3	North Central & Central Coastal	297	21,5	142	21,6
4	Central Highlands	7	0,5	11	1,7
5	Southeast	3	0,2	3	0,5
6	Mekong River Delta	163	11,2	87	13,2

Source: Ministry of Agriculture and Environment (2024) and authors' compilation

These figures clearly reflect the historical and cultural centrality of the Northern region in the formation, preservation, and development of traditional handicrafts. In particular, the Red River Delta is the cradle of crafts associated with ancient urban centers, peri-urban villages, and large-scale commodity production, while the Northern Midland and Mountainous Region is characterized by craft villages rich in ethnic minority cultural identity and located in mountainous and disadvantaged areas. Each craft village is typically associated with one or several traditional crafts such as pottery making, embroidery, bamboo and rattan weaving, conical hat making, papermaking, and various other forms of traditional artistry. Each craft carries its own history and unique know-how, passed down from generation to generation (vietnam.vnnet.vn, 2025). These two regions should therefore be prioritized in terms of financial policies, technical support, training, and market development to enhance the economic and cultural value of the craft village system in the process of sustainable development of Northern Vietnam.

- Regarding the Distribution of Craft Villages: The distribution of traditional craft villages varies and is uneven across regions. This is due to factors such as the convenience of transporting raw materials; the location of craft villages is often close to major transportation routes, sources of raw materials, and consumer markets. These areas are typically densely populated. In addition, the natural conditions of a region can influence the occupational development of craft villages. Areas with natural conditions that are less favorable for agriculture or lack large tracts of land may promote the development of handicraft production in villages (Vuong. B.V, 2002).

In Northern Vietnam, traditional handicraft villages are mainly concentrated in the Red River Delta, including provinces and cities such as Phu Tho, Vinh Phuc, Hanoi, Hung Yen, Bac Ninh, Hai Duong, Nam Dinh, Ha Nam, Ninh Binh, and Bac Giang. Notably, Hanoi is known as the “Land of a Hundred Crafts,” accounting for 56% of the country’s craft villages (Linh, N., 2024). This locality enjoys advantages such as a favorable location and diverse resources, creating favorable conditions for economic development in general and craft villages in particular. Currently, Hanoi has about 1,350 craft villages and villages with crafts, of which 331 craft villages, traditional crafts, and traditional craft villages have been officially recognized by the City (Hanoi People’s Committee, 2024)

- Regarding the Structure of Craft Types: In Northern Vietnam, traditional craft villages have formed and developed mainly around the processing of agricultural, forestry, and fishery products, as well as handicrafts. These villages are widely distributed throughout the region, aiming to make use of surplus local labor and readily available local raw materials to produce non-agricultural goods. These products, originally made to meet local needs, are now increasingly supplied to domestic markets and exported abroad. Based on the classification by the Craft Village Association and compiled data from various districts and cities in the North, the occupational structure can be categorized as follows:

Table 2. Structure of Traditional Craft Types in Northern Vietnam

Type of Craft	Typical Traditional Craft Villages
Handicrafts (pottery, bronze, inlay, etc.)	Bat Trang, Dai Bai, Chuyen My
Silk weaving & embroidery (silk, lace, etc.)	Van Phuc, Quat Dong
Bamboo & rattan weaving, bamboo-plastic products	Phu Vinh, Chuong

Woodworking – fine art carpentry	Dong Giao, Canh Nau
Stone, lacquerware, carving	Ha Thai, Chuon Ngo

Source: Compiled by the authors

The Red River Delta and peri-urban areas of Hanoi possess the most diverse range of craft types. Meanwhile, the midland and mountainous regions of Northern Vietnam, such as Thai Nguyen, Bac Giang, and Thai Binh, have also witnessed strong development of traditional crafts, including liquor production, bag making, brocade weaving, and the processing of agricultural spices.

The Current Financial Situation of Traditional Craft Villages in Northern Vietnam

(1) Capital Mobilization and Utilization

Capital mobilization is a key activity that reflects the financial capacity and the ability of craft villages to sustain and expand their production. Capital is sourced from three main channels: (i) Equity capital (self-financing by households or production facility owners); (ii) Loans from credit institutions such as commercial banks, people's credit funds, and credit guarantee funds for small and medium enterprises; (iii) Government support from the state budget and craft village development programs such as the National Industry Promotion Program, OCOP, and the New Rural Development Program.

- *Equity capital*: Most craft villages operate with small-scale capital, primarily from household savings or personal funds. Their ability to expand or reinvest is very limited (Ministry of Industry and Trade, 2022). Production typically utilizes readily available materials, recycles waste and scrap, and makes use of local labor, especially seasonal or part-time rural workers during off-peak agricultural periods. In addition to this internal capital, craft villages can access two external capital sources: support funding and credit access.

- *Regarding Support Funding*: Craft villages and traditional craft villages benefit from a variety of government policies that encourage their development. These include access to development support funds that provide investment credit, interest rate subsidies, investment credit guarantees, and local policy-based assistance. The types and forms of support are fairly diverse, including:

Direct funding specified in the decisions recognizing traditional crafts, craft villages, and traditional craft villages. Funding support for infrastructure development in craft villages.

Funding for implementing environmental pollution reduction measures.

Support for vocational training, skills transmission, and the establishment of local craft clubs, associations, and professional organizations.

Other financial assistance, such as relocation support for rural production facilities from residential areas to planned industrial zones; support for applying science and technology; solutions to enhance productivity and quality; certification, intellectual property rights, and geographical indication registration for rural craft products.

Although the government has implemented numerous supportive policies, such as corporate income tax exemptions, preferential loan schemes, and creative startup initiatives, the effectiveness of these policies remains limited (Prime Minister, 2022). The main reason is that many production facilities are unregistered or lack legal status, making them ineligible to access financial incentives (Son., D.C, 2023).

- *Regarding Credit Access*: In the Red River Delta region, about 93–95% of craft production units are household businesses, with cooperatives and cooperative groups accounting for only about 0.5–1%. The remaining are enterprises (joint stock companies, limited liability companies, and private enterprises). Due to limited market access for craft products, the demand for loans to expand craft villages is low (Thanh., V. D, 2017).

According to the Ministry of Agriculture and Environment (2024), over 70% of production facilities in craft villages still rely on personal capital or informal loans from relatives. Only about 25% of establishments have access to bank loans, and the percentage accessing public support programs is even lower due to lack of business registration, insufficient collateral, or unclear financial records. Capital shortages persist because of weak capital accumulation capacity and limited access to formal or semi-formal funding sources. Additionally, economic linkages between craft producers and other economic entities remain weak and inflexible (Institute of Strategy, Policy on Natural Resources and Environment, 2022). For now, accessing microfinance and preferential credit from the banking system is the most appropriate solution (Banking review, (2024). Priority should be given to preferential loan programs from Agribank, the Vietnam Bank for Social Policies, and selected microfinance funds. A lack of capital or inability to access preferential loans not only limits investment in technological innovation but also leaves many craft village businesses operating in survival mode, unable to compete effectively in the market.

(2) Costs

From a production cost perspective, traditional craft villages in Northern Vietnam often face substantial pressure due to unstable input materials, high transportation costs, and particularly, rising environmental

treatment expenses. In many cases, the lack of proper cost forecasting and management results in post-production profits that fail to cover the initial investment. Key cost categories include:

- *Environmental Costs:* The collection and treatment of waste from industrial zones, craft villages, production facilities, and residential wastewater in rural areas remain inadequate. According to the 2024 Environmental Protection Report by the Ministry of Agriculture and Environment, only 21.7% of craft villages have industrial solid waste collection and treatment systems, and just 17.3% are equipped with wastewater treatment systems that meet environmental standards. Environmental quality in most villages falls below standard levels, exposing workers to serious health risks. Statistics indicate that 95% of workers are exposed to fine dust, 85.9% to high temperatures, and 59.6% to hazardous chemicals. In Hanoi alone, approximately 139 craft villages are severely polluted, and nearly 100 others are moderately polluted - primarily in sectors such as handicrafts, agricultural and food processing, textiles, and garments (Hanoi Department of Natural Resources and Environment, 2023).

- *Labor Costs:* The development of craft villages has played a vital role in job creation, poverty reduction, and income enhancement for rural residents. Some villages report high income levels, such as Phu Thong sticky rice village (Tay Ho), with an average of VND 18.5 million/person/month, and Lai Xa photography village (Hoai Duc), at VND 10.8 million/person/month. However, income disparities across occupations remain significant; most workers in craft villages earn relatively low incomes, averaging VND 4.3 million/person/month during 2015–2022. This figure rose to VND 5.72 million in 2022 and maintained at around VND 5.9 million in 2024 (Ministry of Agriculture and Environment, 2024). Low income is also a major reason why many young workers leave their hometowns in search of better-paying jobs in urban areas or shift to different industries.

- *Material and Production Costs:* Improving energy efficiency is one of the key solutions to help reduce business costs, mitigate environmental pollution, and combat climate change. However, many production facilities in craft villages still use outdated, energy-intensive technologies and equipment. Furthermore, the absence of a well-planned, stable supply zone for raw materials forces villages to rely heavily on imports. For example, although Vietnam has around 600 bamboo and rattan weaving villages, the total domestic area for growing these plants only meets 60–65% of demand, leading many producers to import materials from China, Laos, or Cambodia. This dependency drives up input costs and negatively affects product quality, consistency, and competitiveness in global markets.

- *Distribution and Sales Costs:* Many craft villages remain dependent on traditional markets or intermediary traders, lacking the capacity for direct marketing and retail sales. Investment in marketing, logistics, and modern distribution channels is still limited. Additionally, the fragmented nature of production, primarily composed of individual households, makes it difficult to standardize products, consolidate inventory, and build brand identities. Craft villages have yet to fully leverage digital platforms, e-commerce, or national trade promotion programs, resulting in high selling costs but low efficiency. Consequently, profit margins are often eroded during the product consumption stage.

(3) Revenue and Profitability

Despite their development potential, traditional craft villages face limitations in competitiveness due to small-scale production, outdated technology, and insufficient investment capital (Linh, N., 2024). The revenue of these villages mainly derives from the sale of handmade products and supplementary services such as cultural experiences, craft village tourism, and e-commerce activities.

Overall, the revenue and profitability of traditional craft villages in Northern Vietnam have shown an upward trend in recent years. However, further improvements are needed in market access, financial transparency, technology adoption, and brand building to ensure long-term financial sustainability. In the Northern region, particularly in Hanoi, with over 1,350 craft villages and craft-related communities, the estimated total revenue in 2023 reached VND 24,000 billion (approximately USD 1 billion), contributing about 1/50 of the city's GRDP (Ministry of Industry and Trade, 2023). Among them, around 100 villages recorded annual revenues between VND 10 - 20 billion, nearly 70 villages between VND 20–50 billion, and 20 villages exceeded VND 50 billion. This reflects a significant gap between well-positioned village clusters and smaller, self-organized production units. Vietnamese handicrafts are now exported to 163 countries and territories (Ministry of Industry and Trade, 2023), with export turnover in 2023 reaching approximately USD 3.5 billion. Vietnam aims to raise this figure to USD 4 billion by 2025. This indicates positive growth and signals a post-pandemic market recovery supported by initiatives such as OCOP, industrial promotion, and trade facilitation programs.

Profitability reflects the actual financial efficiency of traditional craft village operations. However, profit margins vary considerably among different village groups. Some villages have successfully established stable markets, especially those with export capabilities, brand recognition, or technological support, yielding high profit margins. In contrast, most small-scale producers with no supply chain integration and a localized customer base earn profit margins below 5%, or even experience losses during market disruptions or cost surges (Ministry of Industry and Trade, 2023). Contributing factors include slow capital turnover, high input and logistics costs, misalignment with consumer preferences, and lack of branding or modern sales channels. According to the World

Bank (2020), the shortage of long-term, flexible financing hinders the adaptability of traditional industries, particularly in the context of green transition and digital transformation. While rural credit programs exist, they remain fragmented, burdened with bureaucratic procedures, and are often incompatible with the characteristics of traditional craft households.

Another critical barrier is weak financial management capacity. Most household business owners lack skills in developing business plans, preparing financial statements, or conducting cost-benefit analyses, which diminishes their credibility when applying for loans. A survey by the Journal of Finance (2023) found that up to 60% of producers were unable to provide balance sheets, cash flow statements, or repayment plans. The dominance of fragmented production, lack of value chain linkages, and dependency on middlemen results in unstable and unsustainable profit flows.

Revenue and profit in craft villages typically come from three main sources: (1) handmade production, (2) land or capital rental and partnerships, and (3) value-added services such as tourism, product promotion, and trade fair participation. There is a growing trend to diversify income sources by combining traditional product sales with service offerings. This model adds value and helps improve revenue and profitability. Nationwide, 175 out of 1,951 craft villages (about 9%) have integrated tourism development, attracting hundreds of thousands of visitors annually (Ministry of Agriculture and Environment, 2021). However, most craft village tourism remains spontaneous, with limited visitor retention and minimal spillover effects.

Box 1: Case Study – Revenue and Profit Growth in Traditional Craft Villages in Northern Vietnam

- **Tourism-Integrated Craft Village Model in Bac Ninh Province:** With 65 craft villages, including 41 recognized traditional ones, Bac Ninh boasts a diverse range of craft products - from agricultural processing, food production, and household goods to fine arts and creative handmade items. The craft village tourism model in Bac Ninh offers a variety of services, allowing visitors to both sightsee and actively participate in the crafting process. Tourists can experience hands-on activities, engage in certain stages of production, and interact with local artisans. Since 2010, Bac Ninh has piloted community-based tourism in three craft villages: Diem Xa Quan ho Folk Song Village (Bac Ninh City), Phu Lang Pottery Village (Que Vo District), and Dinh To Fermented Soybean Sauce Village (Thuan Thanh District). These pilot programs have helped preserve and revitalize the villages (*Bac Ninh Provincial People's Committee & bacninhonline.com.vn*)

- **Integration of Traditional Craftsmanship and Modern Technology in Bat Trang Pottery Village and Van Phuc Silk Village (Hanoi):** These two villages are prime examples of successfully combining traditional craft production with modern technology and tourism development. Bat Trang now hosts over 1,000 household producers and 200 enterprises, attracting millions of visitors annually. By adopting gas kilns, advanced glazing techniques, and e-commerce platforms, the village has achieved annual revenue exceeding VND 1,000 billion (approx. USD 40 million), with average monthly incomes of VND 6 - 8 million per person (Vietnam.vnanet.vn, 2025).

- **Technology Investment Model in Phung Xa Mechanical Craft Village (Thach That, Hanoi):** Through modern technological investments, Phung Xa Mechanical Village has generated annual revenues over VND 1,200 billion, becoming a regional hub for household and industrial support equipment. Other villages like Binh Minh (Nam Dinh) and Tong Xa (Y Yen District) have also boldly adopted CNC machines and 3D casting technology, boosting productivity by 25–30% and reducing production costs by up to 20% (Vietnam.vnanet.vn, 2025).

- **Linking Craft Products with the OCOP Policy:** Hanoi has significantly motivated craft villages to innovate designs, ensure product quality, and build strong brands through the OCOP initiative. As of 2024, Hanoi has over 2,000 OCOP-certified products rated three stars or higher. Many of these include handicrafts, textiles, bamboo and rattan goods, and lacquerware, which are now exported to the U.S., Japan, South Korea, the EU, and other potential markets (sovhth.hanoi.gov.vn, 2024)

V. Recommendations

To achieve sustainable financial development for traditional craft villages in Northern Vietnam, the following groups of solutions should be implemented simultaneously. These efforts must leverage all available social resources while optimizing the effectiveness of state support policies aimed at preserving and developing traditional craft villages:

(1) Capital Expansion Solutions

- Diversify investment sources: Craft villages should proactively access diverse financial sources, including state budget allocations, preferential loans, private sector investments, cooperatives, microfinance funds, and credit guarantee funds for SMEs. Utilizing programs such as OCOP, New Rural Development, and industrial promotion can enhance financial capacity for development.

- Improve the effectiveness of support policies: Although Decision No. 801/QĐ-TTg (2022) outlines priority project categories and funding sources for 2021–2030, implementation across Northern provinces remains inconsistent. It is essential to strengthen monitoring mechanisms and tailor capital access procedures to the specific conditions of craft villages, for example by reducing requirements for complex financial records or collateral.

- Encourage investment cooperation models: Craft villages should explore public-private partnership (PPP) models to co-develop raw material zones, infrastructure, and craft production clusters.

(2) Revenue and Profit Enhancement Solutions

- Develop product markets: Strengthen market linkages with major urban centers and diversify distribution channels, including design-exhibition centers, e-commerce platforms, OCOP fairs, and international trade exhibitions. Priority should be given to building local brands, protecting geographical indications, and registering collective trademarks.
- Integrate production with tourism: Craft tourism models, as seen in Bac Ninh, Bat Trang, Phung Xa, and Phu Lang, have proven effective in increasing income and product value. These models should be scaled up through partnerships with travel companies, industry associations, and local governments.
- Apply design and innovation technologies: Promote the use of modern technologies to improve product design, while training skilled personnel with aesthetic and creative capabilities that align with domestic and international market demands.

(3) Cost Reduction and Input Efficiency Solutions

- Develop concentrated raw material areas: Local authorities should plan and invest in raw material zones for industries such as bamboo, rattan, sedge, and medicinal herbs. Enterprises should be encouraged to engage in value chain integration from harvesting to processing and distribution.
- Support production technology upgrades: Introduce policies that support investment in energy-saving equipment, green production processes, and environmental pollution treatment. Special attention should be paid to relocating polluting facilities from residential areas and establishing centralized craft production zones.
- Reduce distribution and sales costs: Improve transportation infrastructure and regional logistics, upgrade warehouse systems and product distribution centers to reduce delivery costs and professionalize commercial activities.

(4) Digital Transformation and Financial Management Solutions

- Provide financial management training: Organize workshops on financial planning, accounting software, and cost-profit analysis for craft village owners. Provide consultancy services for loan applications and investment evaluation.
- Promote digital finance (FinTech): Encourage the use of digital accounting systems, e-wallets, and smart sales management platforms. FinTech applications enhance financial transparency, credit ratings, and access to formal financing.
- Digitize craft village data: Build digital archives including 3D product models, production process diagrams, and historical information about notable artisans to support tourism, education, and cultural preservation.

(5) Integration and Branding Solutions

- Standardize products according to international norms: Guide craft villages in adopting standards such as ISO, FSC, and FDA to meet export requirements and enhance global competitiveness.
- Promote international trade: Increase participation in international trade fairs, programs organized by the Ministry of Industry and Trade, craft village festivals, and overseas handicraft cultural weeks. Additionally, develop a team of international marketing specialists for craft products.
- Build regional brands and geographical indications: Support the registration of geographical indications for distinct craft sectors such as Bat Trang ceramics, Van Phuc silk, Hai Hau shell inlay, and Phu Vinh bamboo and rattan. This will increase brand value and product recognition in international markets.

VI. Conclusion

This paper aims to assess the development of traditional craft villages in Northern Vietnam from a financial perspective, including capital mobilization, costs, revenues, and profits. The findings show that these villages typically operate on a small scale, with manual production methods and limited raw materials, resulting in modest revenues and profits. High costs stem from the scale of production, labor characteristics, technology constraints, and the localized nature of craft activities. Based on the analysis, the authors propose a series of recommendations for the sustainable development of traditional craft villages in Vietnam. Future research may delve deeper into specific financial aspects, such as credit access, production planning, product diversification (especially in tourism-related crafts), and distribution channels. Research could also narrow its scope to individual provinces or conduct comparative studies with other regional craft villages, applying modern research methodologies that combine both qualitative and quantitative approaches. Such studies would offer more comprehensive and in-depth insights into this important topic.

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