FACTORS IMPINGING ON THE DEVELOPMENT OF TRADITIONAL CRAFT VILLAGE ENTERPRISES: THE CASE OF VẠN PHÚC SILK VILLAGE

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ABSTRACT

Traditional craft villages play a vital role in the development of rural Vietnam. They have created millions of well-paid jobs and helped enhance the rural life. Yet, the number of researches on traditional craft villages could be only counted on the fingers of one hand, especially quantitative ones. By this paper, we would like to prove that the human capital and family traditions are decisive factors which impinge on the size, product quality and marketing strategies silk producing concerns in Vạn Phúc Village in the North Vietnam.

1. Introduction

In essence, the development of small and medium enterprises is seen as a way of raising employment for the poor (Humphrey and Schmitz, 1996; Hayami, 1998; Otsuka, Estudillo and Sawada, 2009). With regard to Township and Village Enterprises (TVEs) of China, their success depends much on the level of education, knowledge and skills of proprietors and workforce (Sonobe and Otsuka, 2006). Besides, the factor of social capital also contributes to the development of enterprises in African industrial clusters (Akoten and Otsuka, 2007). If we would like to work out the most effective policy on traditional craft villages' development, it is a must to handle whether the social and human capital produces the same effectiveness on Vietnam's traditional craft villages.

Enterprises of more than 2,000 traditional craft villages have been operating as household businesses or small and medium enterprises (Japan International Cooperation Agency, 2004). Hereinafter, enterprises of traditional craft villages shall be referred to as "enterprises" for short. Even though several of enterprises keep on traditional crafts, many have veered to new high quality products for export, and so has Vạn Phúc Silk Village. Facts and figures analyzed in this paper were collected from 57 enterprises of Vạn Phúc Silk Village in 2005, 2007 and 2009.

2. History and manufacturing process of Vạn Phúc silk village, and hypotheses

Vạn Phúc Silk Village is 10km far from Hà Nội. It is labeled the realm of original silks; and its products are warmly welcomed by local and foreign customers. Enterprises here has woven silk for over 1,000 years. In 1962, the Vạn Phúc Silk Cooperative was associated with a view to gathering household businesses into the collective production. Until 1992, the production was passed to each household. Due to the lack of market share, Vạn Phúc villagers must ride to Hà Nội to advertise and sell their silk products. After that, thanks to advances in production, Vạn Phúc Silk became more and more well-known. Many customers even take a trip to this village to order and set up long-term business relationships. The silk production of Vạn Phúc was in its heyday over the period 2001-2006. A year later, the production showed its downward trend because the material silk price soared up. This circumstance was worsened when the 2008 crisis occurred. Counting up to the 2010, just approximately 60 households keep on the silk production.

In Vạn Phúc, silk and products made of silk are produced in compliance with the following process. Firstly, the material silk is bought from towns in Sơn Đồng, Đan Phượng, Nam Hà, Bảo Lộc or from other small units. Then, silk cloths will be woven on a wooden loom. The finished textile is sold to retailers, local dyeing factories or out-of-province vendors. After silk cloths are well-dyed, they will be ready to make clothes, or displayed and sold in local shops and others in Hà Nội. In addition to silk shops, textile enterprises are also a good channel for distribution and consumption of these

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products. Several of village enterprises undertake the whole production process to produce end products even though they are just good at certain stages of the process. This paper is going to focus on manufacturers of silk cloth.

If Vạn Phúc village enterprises just produced plain and low-quality products in the past, they have been ceaselessly improving models and product quality. They also renew ways of trading in this kind of product. For example, high-quality silk cloth is usually directly sold to dyeing factories or out-of-province vendors instead of to small traders. Many of previous researches explored that level of education has a vital role in improving the product quality, production process and marketing strategies of enterprises in industrial clusters (Schultz, 1975; Altenburg & Meyer Stamer, 1999; Sonobe & Otsuka, 2006; Akoten & Otsuka, 2007; Vũ Hoàng Nam et al., 2009). Accordingly, we hereby introduce the first hypothesis as follows, "a well-educated proprietor has a tendency to manufacture high-quality products, sell their products directly and expand their scope of business."

57 samples) were chosen to gather information concerning owners' personal data, production, labor, price and marketing in 2005, 2007 and 2009. Due to the fact that information regarding sales and costs is insufficient and inaccurate, we must employ the size of workforce to describe the scope of business instead of the added value.

The Table 1 renders the business performance of enterprises classified according to the level of education of each owner on the basis of the size of workforce , the highest selling price and the percentage of revenue from products directly sold to dyeing factories and out-of-province vendors. Enterprise owners are divided into two distinct groups on the ground of the number of schooling years, namely smaller or equal to nine and larger or equal to ten. The difference in scope of business of these two groups in terms of the size of workforce is not substantial. Yet, with regard to owners finishing at least 10 schooling years, their product quality is higher than that of others and so is their direct sale of goods . This result is compatible with the first hypothesis.

Table 1: Performance of enterprises classified according to the level of education of owner

Schooling year	Workforce			The highest selling price (actual price)			Percentage of direct sales (%)		
	2005	2007	2009	2005	2007	2009	2005	2007	2009
≤ 9	2.2	2.2	2.1	11.7	13	15.5	40.7	42.5	37.2
≥ 10	2.5	2.4	2	47.4**	52.0**	62.0**	59.8*	59.8*	45.8

Note: (*) & (**) reflect the difference and have the significance at 10% and 5% respectively.

Source: Authors' calculation

Like other craft villages, family tradition also contributes to the development of Vạn Phúc silk village. Besides, the skills of silk weaving are traditionally handed down from generation to generation. Thus, our second hypothesis is that "the family tradition of silk-weaving enterprises has positive impacts on improvement in product quality, direct distribution of their products and expansion of their scope of business."

3. Numerical data

We carried out our research in Vạn Phúc Silk Village in February 2010; and the list of enterprises was collected from the Vạn Phúc People's Committee and Vạn Phúc Craft Guilds Association. Among them, 57 silk-making enterprises (or

The Table 2 also analyzes the business results of each group yet classified according to the family tradition. The group of those whose biological parents and parents-in-law used to be silk-weaving workers will be compared with the other. The results point out that although some of enterprises with the long-standing family tradition even cannot work better than those without, the figures in the table are overall acceptable and compatible with the second hypothesis.

The Table 3 renders the personal background of enterprise owners. Apparently, most owners in Vạn Phúc silk village completed the secondary education and have the low average age yet the longer working experience. The percentage of owners whose parents used to be silk-weaving

Table 2: Performance of group of enterprises classified according to the family tradition

	Workforce			The highest selling price (actual price)			Percentage of direct sale (%)		
	2005	2007	2009	2005	2007	2009	2005	2007	2009
Biological father									
· Not used to be silk-weaving worker	1.9	1.8	1.6	11.6	13.3	14.7	30	30	17.9
· Used to be a silk-weaving worker	2.5*	2.5*	2.2*	32.9	35.6	42.5	55.6**	56.6**	48.5**
Biological mother									
· Not used to be silk-weaving worker	2	1.9	1.7	11.9	13.6	14.9	30.8	30.8	16.7
· Used to be a silk-weaving worker	2.4	2.4	2.1	31.8	34.5	41.2	54.2**	55.2**	47.4**
Father-in-law									
· Not used to be silk-weaving worker	2	2	1.8	28.6	30.8	35.5	39.5	41.5	42.1
· Used to be a silk-weaving worker	2.7**	2.7**	2.2	26.4	29.3	36	60.4**	60.4*	39.6
Mother-in-law									
· Not used to be silk-weaving worker	2.1	2.1	1.9	30.1	32.3	36.9	40.5	42.6	43.3
· Used to be a silk-weaving worker	2.6	2.6	2.2	25.1	27.9	34.5	57.9*	57.9	38.6

Note: (*) & (**) denote the difference and have the significance at 10% and 5% respectively.

Source: Authors' calculation

workers is enormous. It explains why the owners' starting capital is just some 14% . Also, as the Table 3 puts it, the age of enterprise is much lower than its owners' years of working experience.

4. Results of regression analysis

In order to test the two mentioned hypotheses, we estimate parameters of functions of the workforce, the highest selling price in the year and the

Table 3: Personal background of the enterprise owners (2009)

Level of education	9
Years of working experience	24.4
Age	29
Sex (Female =1)	0.5
Biological father used to be a silk-weaving worker (yes =1)	0.8
Biological mother used to be a silk-weaving worker (yes =1)	0.8
Father-in-law used to be a silk-weaving worker (yes =1)	0.5
Mother-in-law used to be a silk-weaving worker (yes =1)	0.5
The number of siblings owns a silk enterprise before the surveyed owner	1.2
The percentage of owner's starting capital (%)	13.9
Age of enterprise	13

Source: Authors' calculation.

percentage of revenue from direct sale of goods to dyeing factories and out-of-province vendors. In regard to the functions of the workforce and the highest selling price of the year, we employ the Ordinary Least Square (OLS) model with the t-statistics based on heteroskedasticity-robust standard errors to run the regression analysis. Due to the fact that the percentage of revenue from direct sale of goods to dyeing factories and out-of-province vendors accepts many values of zero and one, the Tobit model shall be employed for the regression analysis. Besides, we also include figures of the years 2005, 2007 & 2009 and employ dummy variables for the last two years within three regression equations. The independent variables stay the same in all three equations. We also test for the presence of multicollinearity in independent variables. The results prove that it does not matter to the regression equations (VIF = 3.17).

The Table 4 expresses results of the regression analysis of factors affecting the operation of enterprises. Generally, important variables affirm the two mentioned hypotheses. The number of schooling years of owners bears the positive value and very high significance among three equations. It also proves that the higher the level of education is, the larger the scope of business is. Accordingly, the product quality and the percentage of direct sale of goods is much higher. Moreover,

Table 4: Factors affecting the operation of silk enterprises

	Workforce	The highest selling price	Direct sales (%)
	OLS	OLS	Tobit
	(1)	(2)	(3)
Schooling years of owners	0.135**	34.831***	0.469***
	(2.02)	(3.63)	(3.79)
Age of enterprise	0.016	-0.887	-0.031
	-0.82	(-0.61)	(-0.85)
Years of working experience	-0.050**	0.942	-0.022
	(-2.42)	(0.33)	(-0.87)
Age of owners	0.046**	8.379***	0.033
	(2.33)	(3.30)	(1.22)
Gender of owners (Female=1)	-0.135	-51.053***	0.049
	(-0.60)	(-2.73)	(0.14)
Biological father of owner used to be a silk-weaving worker (yes =1)	1.493***	13.372	0.699
	(4.89)	(0.46)	(0.77)
Biological mother of owner used to be a silk-weaving worker (yes =1)	-0.272	-8.722	2.391**
	(-0.73)	(-0.44)	(2.09)
Father-in-law of owner used to be a silk-weaving worker (yes =1)	0.877**	37.392**	2.359***
	(2.51)	(2.11)	(2.75)
Mother-in-law of owner used to be a silk-weaving worker (yes =1)	-0.151	-31.627	-1.189
	(-0.50)	(-1.09)	(-1.51)
The number of siblings owns a silk enterprise before the surveyed owner	-0.050	-9.879*	-0.100
	(-1.23)	(-1.86)	(-1.11)
The percentage of owner's starting capital (%)	0.001	-0.746**	-0.004
	-0.33	(-2.20)	(-0.63)
The dummy variable for the year 2007	-0.026	-9.402	0.079
	(-0.10)	(-0.56)	(0.22)
The dummy variable for the year 2009	-0.351	-8.286	-0.248
	(-1.32)	(-0.42)	(-0.64)
Constant	-1.025	-586.323***	-7.267***
	(-0.84)	(-3.46)	(-3.54)
R-2	0.22	0.38	0.08
Left-censored : Right-censored observation			79:56
Number of enterprises	170	170	170

Note: the figures in the parentheses are t-statistics based on the heteroskedasticity-robust standard errors.

(*), (**) & (***) denote the statistical significances of 10%, 5% & 1% respectively.

age of owners also bears the positive value and its statistical significance is higher than that of the first two functions. This is to say, the human capital plays a vital role in the development of Vạn Phúc silk village enterprises. These results affirm our first hypothesis is true and accurate.

The results of regression analysis also support our second hypothesis. The variable 'the biological father of owner used to be a silk-weaving worker' produces the positive value and has the statistical significance in the first equation. So does the variable 'the biological mother of owner used to be a silk-weaving worker' in the third equation. Especially, the variable 'the father-in-law of owner used to be a silk-weaving worker' is extremely significant within three equations . By means of these results, we can infer that if the owner's family has a long tradition of weaving silk, their scope of business is often bigger than that of others. The product quality and the direct sale of goods is also higher.

As the Table 4 puts it, if owners are female, the product quality is often lower compared with male owners. In addition, if the owner's capital is tremendous, the enterprise has a tendency to manufacture low-quality products. This is compatible with our statistical data in the Table 3.

5. Conclusion

Many researches on industrial clusters in the world have proven the role of educational level in the development of enterprises. Yet, the number of researches on Vietnam's traditional craft villages is able to be counted on the fingers of one hand. This paper figures out that the educational level of owners (measured by the number of schooling years) and family tradition (measured by working experience of biological parents and parents-in-law) are vital factors impinging on the operation of Vạn Phúc silk village enterprises. This also explains why Vietnam's traditional craft villages often have a long-standing history and are developed in a certain region that makes them distinct from others. By the way, if we like to develop craft villages, owners must ceaselessly broaden their knowledge. In the further researches, we hope to apply and test conclusions of this paper in other craft villages in Vietnam■

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