

# THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

## Policies to Support Development of Non-agricultural Household Economy in Vietnam's North Central Provinces

Dung Nguyen Thi Thuy

Senior Lecturer, Department of Political Economy,  
Academy of Politics Region I, Vietnam

### Abstract:

*Household economy in general and non-agricultural household economy in particular is necessary economic types in socio-economic development in Vietnam's North Central Coast. On the basis of reviewing the results achieved after implementing a number of policies to support the economic development of non-agricultural households in the North Central Provinces during the past time, the article analyzes some outstanding issues and propose a number of policy recommendations to promote the development of non-agricultural household economy in the North Central Coast in the coming time.*

**Keywords:** Supporting policies; economic development of non-agricultural households; North Central Provinces; Vietnam

### 1. Introduction

Along with the development of the market economy, non-agricultural activities in the North Central Region have also developed strongly and brought many benefits to the people. Structure of non-agricultural employment is changing in a progressive direction with a high proportion of wage and salary workers that is tending to increase. The non-agricultural activities in fact have created many jobs and income for farmers and these activities have made an important contribution to poverty reduction in the rural North Central Region. In addition to those positive changes, it is also necessary to affirm that a quite large part of rural laborers is still out of work and have much idle time. The agricultural sector tends not to create more job opportunities and thus solving the problem in rural areas to ensure household living standards will depend on the development of the non-agricultural household economy.

The aforementioned positive changes as well as limitations cannot be separated from the role of provincial governments in implementing policies to support the economic development of the non-agricultural households. Therefore, it is very necessary to study theoretical as well as practical implementation of the economic development policies for the non-agricultural households in the North Central Region.

### 2. Some General Issues about the Non-Agricultural Household Economy and Policies to Support Its Development

#### 2.1. The Non-Agricultural Household Economy

The household economy can be understood as a business organization owned by a household, in which members have common assets, and contribute their efforts to joint economic activities in agricultural, forestry, and fishery production or some other production and business sectors as stipulated by law. Thus, the non-agricultural household economy is a form of the household economy in which the households carry out production and business activities outside the fields of agriculture, forestry and fishery.

The non-agricultural household economy has the following basic characteristics:

- *Firstly*, the non-agricultural household economy is a type of production and business organization with characteristics of a household.
- *Secondly*, the production and business of the non-agricultural household economy is mainly small-scale with outdated technology, low skilled labor, and ease of fragmentation in the market economy.
- *Thirdly*, the production and business activities of the non-agricultural households both aim to satisfy consumption needs of household members and to gain profits.
- *Fourthly*, the non-agricultural household economy is a type of multidisciplinary production activity, in many different fields in most stages of production - society process. It is present in all areas from urban to rural, and from lowland to mountainous areas.

The non-agricultural household economy in Vietnam, regardless of field, location and environment, has all the above basic characteristics. However, depending on type of the non-agricultural households, the characteristics may manifest varying degrees. With the above characteristics, it can be affirmed that the non-agricultural household economy is

a type of production and business suitable to the circumstances of a developing economy in the process of transition to a socialist-oriented market economy like Vietnam.

## *2.2. Policies to Support the Development of the Non-Agricultural Household Economy*

In addition to the efforts of actors in developing the household economy according to the market rules, the State government and all levels of local governments have an important role in regulating economic activities to overcome the defects of the market. The role of the provincial governments in the economic development of non-agricultural households is most evident in the implementation of a number of policies to support actors in developing the non-agricultural household economy, including:

### 2.2.1. Science and Technology Policies

In the production process, the household economy mainly relies on manual labor and traditional tools, so most of them have low labor productivity. In addition, the household head's management skill and professional qualification which mainly bases on experiences passed down from the previous generation to the next is not enough. Therefore, science and technology policies for household economy focus on the following contents: (i) Dissemination and application of new technologies for manufacturing, processing and providing material services; (ii) Vocational training program, for farmers on production techniques and economic management; knowledge of law, market and international integration...

### 2.2.2. Land Policies

Land resources are main means of both agricultural and non-agricultural production of the households. Therefore, whether or not households have easy access to the land factor is very important to their production and business activities. Land policies for the household economy include: (i) Granting land-use rights to farmer households for land accumulation and consolidation; (ii) Land-use planning for each specific type of land (area, soil quality, ...) that helps the households access land for production and business activities.

### 2.2.3. Credit Support Policies

Capital is a very important condition to carry out production and economic activities for households. To develop production, especially large-scale production and business, it requires households to have capital. Currently, the households depend mainly on two sources of capital: loan and accumulated capital. The problem to discuss is that high / low interest rates will greatly affect efficiency of their production and business processes. This is the basis for the credit support policies in the local household economic development policy system.

### 2.2.4. Market Policies and Policies to Support Product Consumption

In the context of the market mechanism and economic integration, competition is becoming fiercer. Therefore, the role of market development is more important than ever. If production development is not associated with market development to solve "output" for consumption of products and services, it will face immeasurable consequences and risks for economic entities.

### 2.2.5. Labor and Employment Policies

Labor and employment play a vital role in social life, it is indispensable for each individual and all economic sectors, and is a core and cross-cutting issue in socio-economic activities. When the laborers have jobs, they will have income to eliminate hunger and reduce poverty sustainably. Therefore, to meet the employment needs of the whole society, it is required that the State have appropriate policies on labor and employment.

## **3. Policies to Support the Development of the Non-Agricultural Household Economy in the Northern Central Provinces of Vietnam over the Past Time**

### *3.1. Regarding Science and Technology Policies*

The North Central Coast have gradually paid attention to implementing science and technology policies for the household economic development, on the basis of promoting the application of advanced science and technology. They have provided technical assistance, production facilities, business guidance, and legal support for households to gradually convert to enterprises or cooperatives; to form marketplaces and concentrated trading areas; to develop production in the direction of serving urban areas, focusing on increasing productivity, quality and efficiency. The households were supported with training in new technology, investment in technical equipment, so they started to produce on abandoned land and brought high economic efficiency to themselves.

### *3.2. Regarding Land Policies*

Agricultural and non-agricultural households that have business registration or no business registration in the North Central Coast are affected by the land policies. The pressures and current land use status shows that land resources are increasingly scarce and limited. Therefore, the economical, reasonable and effective use of land is the top requirement. After the implementation of the 2013 Land Law, granting certificates of land use rights, ownership of houses and other land-attached assets to organizations, households and individuals in the North Central Coast achieved remarkable results. Up to now, the provinces have basically completed the granting of land use right certificates to households.

The local governments of the North Central Provinces have regularly reviewed land use plans, announced adjustments or canceled less feasible plans. These governments also allow issuing certificates of land use rights to households in projects that are slow to be implemented, and projects that have adjusted plans. Especially, households and individuals that are using land parcels whose actual areas are larger than the areas stated in the granted certificate on land use rights, may be granted certificates of land use rights for the increased land areas. This is one of the conditions to promote internal resources, promote the development of the household economy.

### *3.3. Regarding Credit Support Policies*

Besides agricultural extension policies, seed policies and tax incentive policies, the State has also provided interest rate support for organizations or individuals in both agricultural and non-agricultural sectors. This policy is clearly shown when farmers borrow money from banks (Bank for Social Policies, Bank for Agriculture and Rural Development) to purchase machinery, agricultural equipment, goods and services.

The Banks for Agriculture and Rural Development in the North Central Provinces also mobilizes people to participate in revolving capital cycles to boost production. In addition, the households in the North Central Coast can enjoy the credit policies of the Bank for Social Policy which contribute to job creation for poor and near-poor households with preferential interest rates.

### *3.4. Regarding Market Policies and Policies to Support Product Consumption*

The market policies and policies to support product consumption in the North Central Region aim to advertise, promote and attract investment in production, processing and consumption of products. In addition, the Farmers' Union in coordination with the Economy Departments and the Justice Departments of the districts/towns propagate, advocate, and provide legal support to encourage households to consume goods under contracts. The non-agricultural households often produce and find ways to sell their products by themselves. However, there is an emerging trend that the households develop export-oriented non-agricultural activities, implement joint ventures with export enterprises, produce and process for these enterprises. In order to have legal status, more convenience in commercial transactions and also to enjoy incentives for enterprises, many households have registered their businesses. The provinces have established Entrepreneur Clubs to facilitate exchange experiences among enterprises and support small businesses to develop. They act as a bridge to help households receive contracts for processing apparel, footwear, handicrafts...

### *3.5. Regarding Labor and Employment Policies*

The local authorities at all levels (from provinces and districts to communes, wards, and towns) in the North Central Coast have focused on propagating the labor and employment policies of the Communist Party, the State and themselves. The authorities have prioritized the policy of job creation in matters of social security for people, especially for those whose land is acquired by the State. At the same time, the localities have also set up teams mobilizing and surveying the people, and assisting each project in order to know their needs and wants. Then the authorities will consider lending capital; vocational training in different age groups (18-30; 31-40 ...); and will help the workers choose jobs that match their ability and aspirations. Besides, the authorities of the North Central Province also coordinate with other departments, sectors, industries, and business associations..... to act as a bridge between workers and businesses; to develop a scheme to change occupations and create jobs for farmers; and to organize direct dialogues with the people...

## **4. Some Outstanding Issues and Policy Recommendations to Promote the Development of the Non-Agricultural Household Economy in the North Central Provinces in the Coming Time**

### *4.1. Some Outstanding Issues*

In addition to the remarkable achievements of the provincial government in the development of non-farm household economy in the North Central Region, there are still the following issues of concern:

- *Firstly*, the household heads are aware of the efficiency of investment in science and technology. Many households have bravely applied technical advances in production, equipped with machinery, and used advanced farming techniques, etc. However, because the provinces are in the process of urbanization, the call for investment as well as the application of science and technology in the development of the household economy is still spontaneous. The support of the local authorities is still limited. They only provide technical support in training households.
- *Secondly*, there are still some problems in the land policies, mainly due to unauthorized allocation of land, encroachment on public land, illegal land use change; illegal transfers of lands; violations against regulations on land management, land use, and planning management that has not been handled and resolved completely.
- *Thirdly*, after receiving many pressing requirements of non-agricultural enterprises, some banks have moved more attention to lending to these enterprises. However, conditions for re-borrowing are much stricter. For example, pledged assets are often priced below their fair market value, consideration of business plans and ability to repay is tighter than before...
- *Fourthly*, communicating and disseminating information about the market, economy and products need to be improved. The households' products have not yet reached the consumer market. Consumers still do not know about the products.
- *Fifthly*, the policies of vocational training and job creation for people whose land is acquired by the State is slowly implemented. There are no practical mechanisms and policies for the workers to stick with their jobs.

#### 4.2. Some Policy Recommendations

- *Firstly*, stepping up support for households in the application of modern and advanced science and technology in production and business. For the non-agricultural economic activities, especially handicraft industries, the application of science and technology is essential for improving quality, design, and lowering cost of the products; overcoming the situation of simple and manual management; applying modern management theories appropriate to each household's level; making a practical contribution to the development of the household economy.
- *Secondly*, increasing the ability of non-agricultural households to access production sites in North Central Provinces. For non-agricultural households, the need for land is the first step in establishing and expanding business. Therefore, the People's Committees of the North Central Provinces need to specify the land registration and land lease procedures to make them simpler and more compact; implement "one door, one seal" model in the land lease procedures to avoid troublesome procedures causing difficulties for non-agricultural households; issue regulations on obligations of land users, sanctions on handling or recovering land for non-agricultural households that fail to comply with commitments in land lease agreements; and improve land management practices of the State agencies.
- *Thirdly*, meeting capital needs of non-agricultural households. Lack of capital is a big immediate problem for businesses and households to maintain and expand their non-agricultural economic activities. Recently, the State has had support measures such as disbursement, interest rate support, delaying repayments of term loans, ... However, most of these households find it difficult in accessing preferential loans, or do not meet lenders' requirements. To solve this problem, banks should consider conditions for loans based on business performance or the number of jobs created in this non-agricultural field. Thus, the businesses in this field can access capital and create more jobs for laborers.
- In addition, it is necessary to diversify sources of capital, businesses cannot depend only on credit sources which are already limited by banks. In fact, there are many ways to diversify funding for non-farm businesses. In addition to banks' capital, there are other sources of capital such as other credit institutions, people's credit funds, funds of people's unions (women, farmers, ...), mutual funds of social organizations (professional associations, craft village associations ...).
- *Fourthly*, doing well in communicating and disseminating information about the market, economy and products. In addition, the local government should pay attention to strongly develop the consumption market in rural areas, expand both input and output market in order to promote commodity - monetary relations in the rural areas to a new level; consolidate and expand activities of rural markets and purchasing and selling cooperatives. The active and dynamic activities of this system will make the rural market more vibrant and make the products easier to sell.
- *Fifthly*, attaching great importance to training, retraining and improving skills for the workforce; fully implementing measures of labor protection and health protection; ensuring good working conditions for laborers to stick with their jobs.

#### 5. Conclusion

The provincial governments in the North Central Coast have directly organized and managed the development of the non-agricultural household economy through the implementation of a number of policies on science, technology, land, credit capital, market development, labor and employment. However, the implementation of these policies in recent years still reveals some limitations. Therefore, in the coming time, it is necessary to quickly overcome the limitations through the synchronous implementation of the aforementioned policy recommendations in order to promote the development of the non-agricultural household economy in the Northern Central Provinces. /.

#### 6. References

- i. Le Xuan Ba et al. (2006). *Factors affecting the process of labor restructuring in rural Vietnam*. Hanoi, Vietnam: Central Institute for Economic Management.
- ii. Communist Party of Vietnam (2021). *Document of the 13th National Congress of Delegates, Volume I*. Hanoi, Vietnam: National Political Publishing House of Vietnam.
- iii. Birthal, P.S, Negi, D.S., Jha, A.K. and Singh, D. (2014). Income Sources of Farm Households in India: Determinants, Distributional Consequences and Policy Implications. *Agricultural Economics Research Review*, 27(1), 37-48.
- iv. Ha Van Dong (2019). *Rural Economic Development in Thai Binh Province*. Ph.D. Thesis in Political Economy. Hanoi, Vietnam: University of Economics and Business - Vietnam National University.
- v. Pham Hong Duc (2019). *Implementation of the policy of developing household economy in Cam Le district, Da Nang city*. Master thesis in Public Policy. Hanoi, Vietnam: Vietnam Academy of Social Sciences.
- vi. Hoang, T. X., C. S. Pham, and M. A. Ulubas, oğlu (2014). Non-Farm Activity, Household Expenditure, and Poverty Reduction in Rural Viet Nam: 2002-2008. *World Development*, 64, 554-68.
- vii. Imai, K. S., Gaiha, R., and Thapa, G. (2015). Does Non-Farm Sector Employment Reduce Rural Poverty and Vulnerability? Evidence from Vietnam and India. *Journal of Asian Economics*, 36(2), 47-61.
- viii. Lanjouw, P. (2001). Nonfarm employment and poverty in rural El Salvador. *World Development*, 29(3), 529-547.
- ix. Lanjouw, P., Murgai, R., and Stern, N. (2013). Nonfarm diversification, poverty, economic mobility, and income inequality: a case study in village India. *Agricultural Economics*, vol. 44, issue 4-5, 461-473.

- x. Nasrin, N. and Wahid, T. (2015). Contribution of Rural Non-farm Activities in Household Income Generation: A Study on Khulna Region. *IOSR Journal of Humanities and Social Science (IOSR-JHSS)*, Volume 20, Issue 10, Ver. I (Oct. 2015), 1-12.
- xi. Newman, C. and Kinghan, C. (2015). Economic transformation and the diversification of livelihoods in rural Vietnam. *WIDER Working Paper 2015/064*. Helsinki, Finland: United Nations University World Institute for Development Economics Research.
- xii. Odoh, N.E. and Nwibo, S.U. (2017). Socio-Economic Determinants of Rural Non-Farm Households Income Diversification in Southeast Nigeria. *International Research Journal of Finance and Economics*, Issue 164, 116 – 128.
- xiii. Olugbire, O. O., Falusi, A. O., Adeoti, A. I. and Oyekale, A. S. (2012). Determinants of Non-Farm Income Diversification among Rural Households in Nigeria. *Journal of American Science*, 8(1), 77–82.
- xiv. Nguyen Minh Tu (2014). *Economic development of non-agricultural households in Ha Dong district, Hanoi city*. Master's thesis in Political Economy. Hanoi, Vietnam: Ho Chi Minh National Academy of Politics.
- xv. Mai ThiThanh Xuan, Dang Thi Thu Hien (2013). Developing the Vietnamese household economy. *VNU Journal of Science, Economics and Business*, Volume 29, No. 3 (2013)