

Promoting The Development of Fintech in Vietnam in The Era of Growth

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ABSTRACT

In the current context of globalization, the development and explosion of the 4.0 industrial revolution has been bringing many changes to the Vietnamese financial technology market. In recent years, this market has had new and impressive transformations, reflected in the rapidly increasing number of Fintech businesses, companies, products and services. It can be said that the emergence of Fintech has changed the face of the financial services industry with the advantages of speed, efficiency, security, privacy and potential. Will the financial technology market in Vietnam continue to grow strongly? This article will research the current situation of Fintech in Vietnam to propose some solutions for government agencies, especially the State Bank, related to the development of Fintech in Vietnam.

Keyword: *Fintech, financial technology market, Vietnam.*

1. CONCEPT OF FINTECH

Fintech (Financial Technology) is financial technology. Fintech refers to the creative use of technology in financial service activities. There are many definitions of financial technology (Fintech).

According to Huffington Post (2017): Fintech is defined as a new financial industry that applies technology to improve financial performance. As defined by the Financial Stability Board (FSB), Fintech is financial innovation powered by technology that aims to create new business models, processes, applications or products that have a significant impact. important to financial markets and institutions as well as the provision of financial services. This definition has also been accepted by the Basel Committee on Banking Supervision (BCBS), partly because this broad definition is considered useful by BCBS in the context of the continuous development of Fintech today (Bank for International Settlements, 2018).

In general, Fintech is understood as applying innovative, creative and modern technology to the financial and banking sector (banking, insurance, securities, etc.). Accordingly, the characteristic of Fintech is the provision of technology-based products and services through software applications that users can easily download and install on smart devices with transparent financial services. and conveniently at a lower cost than traditional services.

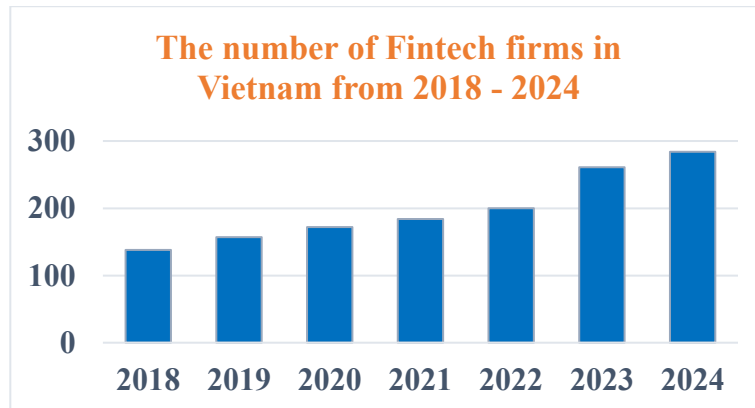
Fintech fields include: (i) Credit, deposit and capital mobilization services; (ii) Payment, clearing and settlement services, including digital currencies; (iii) crowd-funding; (iv) peer to peer lending, (v) Personal Finance, (vi) Insur-Tech, (vii) Crypto Blockchain, (viii) Data Management,... Thus, it can be seen that the diverse applications of Fintech is affecting almost every area of banking and financial activities such as payment deposits, savings deposits, payments, insurance, securities, credit, and risk management. Not only that, Fintech also affects the market structure, product structure, development strategy and all business aspects of the entire banking and financial system.

2. CURRENT SITUATION OF FINTECH IN VIETNAM

In recent times, the Vietnamese Fintech market has made quite impressive developments. According to a report from UOB, Vietnam has increased from nearly 150 Fintech companies in 2018 to more than 180 companies in 2021. After the Covid-19 pandemic, the number of Fintech companies is not only unaffected but also tends to increase rapidly, reaching more than 260 companies by 2023. With the current growth rate in the number of companies to more than 280 companies in 2024 as well as capital scale, the Fintech market in Vietnam is forecast to reach 20 billion USD by 2025, an increase of four times compared to 4.5 billion USD last year. About 93% of venture capital investment in this market focused on e-wallet and electronic payment. According to forecasts of the International Monetary Fund (IMF), by 2025, Vietnam's economy will rise to third place in Southeast Asia in terms of economic scale with a GDP of 571.1 billion USD because of the market. Vietnam's Fintech market possesses many factors to become one of the

most attractive markets in the region, including a large population that brings attractive development potential to this market.

Table 1. The number of Fintech firms in Vietnam from 2018 – 2024

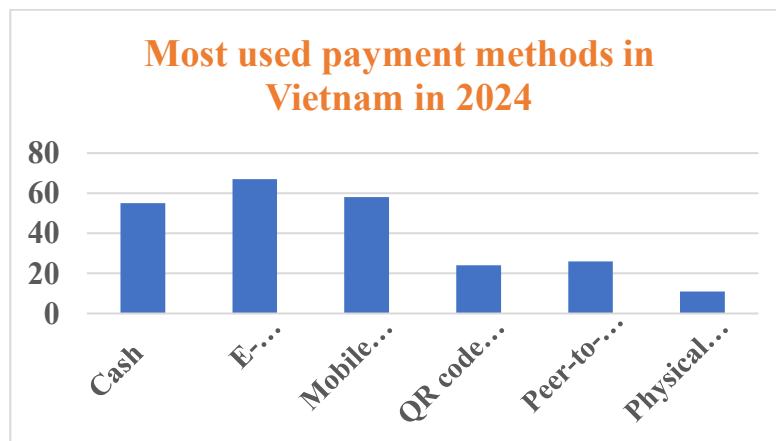


Source: UOB (2024)

However, this growth also presents many challenges. Despite the rapid rise in the number of enterprises, most remain small startups, with few Fintech companies reaching regional or international levels. Additionally, risks related to data security, financial fraud, and the lack of a clear legal framework remain significant barriers. Furthermore, compared to Fintech pioneers like Singapore or China, Vietnam is still in the formative stage, requiring stronger support from the government, traditional financial institutions, and investment funds.

The development of Fintech in Vietnam cannot be limited to merely increasing the number of companies; more importantly, it must focus on enhancing service quality, creating groundbreaking products, and building consumer trust. If properly guided and supported, Vietnam can leverage the Fintech wave to not only modernize its domestic financial system but also expand its presence on the global digital economy map.

Table 2. Most used payment methods in Vietnam in 2024



Source: UOB (2024)

The innovation and diversity of payment forms of Fintech firms have also shown new and breakthrough steps in the process of developing and promoting Fintech development in Vietnam. According to a report by United Overseas Bank (UOB), E-commerce payment platform is the most commonly used form of payment with 67% of users, showing the strong development of e-wallets such as ShopeePay and Lazada Wallet. As consumers become increasingly accustomed to online shopping. Next, Mobile Card payment form is accounting for 58%, such as Apple Pay and Samsung Pay, showing an increase in the use of mobile payment applications. Ranked third with cash payment with 55%, although there are many modern payment methods, cash still accounts for a large proportion, showing that the habit of using cash has not changed much. Some other forms such as QR code payments, peer-to-peer payment services, physical credit/debit cards with 24%, 26% and 11% respectively.

According to reports from Google, Bain&Company and Temasek, Vietnam is one of the fastest growing digital economies in the region. This country is expected to grow from 16.62 billion in 2025 to USD 41.76 billion by 2029, at

a CAGR of 20.23% during the forecast period (2025-2029). To continue this remarkable growth, the Government is prioritizing digital transformation in the public and private sectors as a major national strategy through 2025. In particular, the financial sector in Vietnam is transforming rapidly as traditional banks and Fintech companies seek to capture a significant digital consumer base. Meanwhile, Vietnam's Fintech industry is heating up and has ample room for growth within the next few years and even the next decade. Most of the existing Fintech startups in Vietnam focus on e-wallets and payment facilitations, which are based on the rapid growth of e-Commerce and digital payments in the past 5 years. As a result, this creates an opportunity for investors and product developers to expand their businesses in other Fintech categories. Investors who can provide a diverse range of Fintech services can leverage this foundation to offer a comprehensive and innovative value proposition to their customers, thus capturing loyal customers from the outset.

3. SOLUTIONS TO PROMOTE THE DEVELOPMENT OF FINTECH IN VIETNAM

Firstly, improving the legal framework: The regulatory environment for Fintech activities is currently unclear and incomplete, posing significant challenges to the development of the Fintech ecosystem. Enacting well-defined regulations on data protection, risk management, and customer rights will help create a supportive environment for Fintech growth. The government should expedite the completion and official issuance of a decree on a sandbox testing mechanism for Fintech activities in the banking sector. Additionally, specific regulations for non-banking institutions engaged in Fintech should be established to enhance the ecosystem. This approach allows businesses to test new products and services within a controlled environment before officially launching them, fostering favorable conditions for deploying new technologies and promoting collaboration between Fintech companies and the banking system.

Secondly, encourage cooperation between Fintech and banks: Promoting cooperation between Fintech companies and traditional banks will help expand the scale of financial services and create a sustainable financial ecosystem. At the same time, strengthen coordination between functional agencies to improve the quality of management and supervision of new fields to perfect institutions and Fintech management apparatus.

Thirdly, enhance security and network security: The State, businesses, and banks need to develop strict regulations on data security and user information to create trust from customers in their services. Besides, both customers and Fintech companies need to be equipped with knowledge about network security to prevent the risks of fraud and cyber attacks.

Fourthly, develop high-quality human resources: Human capital is a crucial factor influencing the growth of the Fintech market. Fintech development requires a workforce with specialized expertise and proficiency in technologies such as artificial intelligence, big data, and blockchain. To meet this demand, Fintech companies should support the development of Fintech-related training programs at universities and research institutes, providing skilled professionals in areas like AI, big data, and blockchain. Additionally, fostering innovation and entrepreneurship can create favorable conditions for Fintech startups by offering financial support, training, and tax incentives.

Fifthly, enhance international investment attraction: Attract international investors to the Fintech sector by improving the investment environment, offering preferential tax policies, and expanding market access. This approach enables the country to learn from global experience and adopt advanced technologies from nations with well-established Fintech ecosystems.

4. CONCLUSION

The current situation of the financial technology (Fintech) market in Vietnam shows that this market is going through a period of extremely strong development. With a combination of supportive policies from the Government and continuous innovation from businesses, Vietnam's Fintech market is gradually affirming its potential to become a leading digital financial center in Southeast Asia region. If we can take advantage of these advantages effectively, Vietnam is fully capable of becoming a leading Fintech center in the region, making an important contribution to promoting the digital economy and building a modern, sustainable society in the future.

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