

VIET NAM FINANCIAL INCLUSION STRATEGY

Banking Strategy Institute
State Bank of Vietnam

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PART I
FINANCIAL INCLUSION IN VIET NAM



SOCIAL-ECONOMIC FEATURES

GSO STATISTICS 2017

2017 GDP
**US\$220
billions**

GDP per
capita
2350 USD

Area
**332,000
km²**

Total
Population
93.7 mil
Urban
35.1%;
Rural:
64.9%

Adults
(15+)
77%

Workforce
(15-64)
58.7%

Unemploy-
ment
2.3%

SOCIO-ECONOMIC FEATURES

By January 2017

50.05 mil Internet Users

- Accounting for 53% of population

Numbers of mobile subscribers: **124.7 mil**

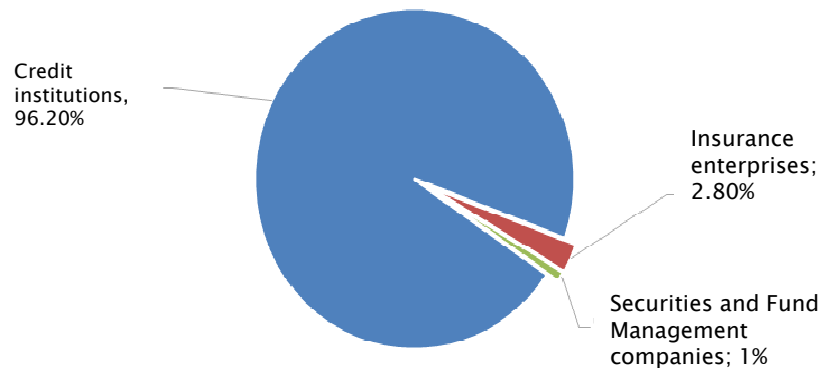
- More than 41 million frequently used mobile phone

55% of users having frequently access to the internet via their mobile phones

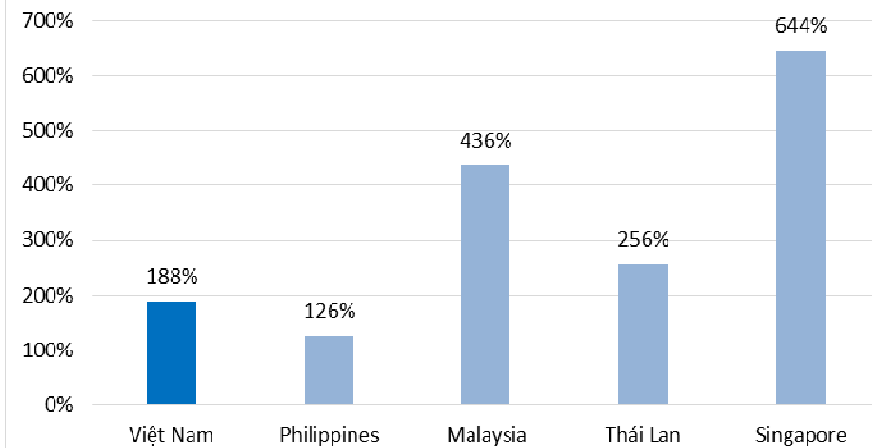
46 mil social network users, accounting for 48% of population

Vietnam Financial System

Vietnam's financial market in asset, 2016

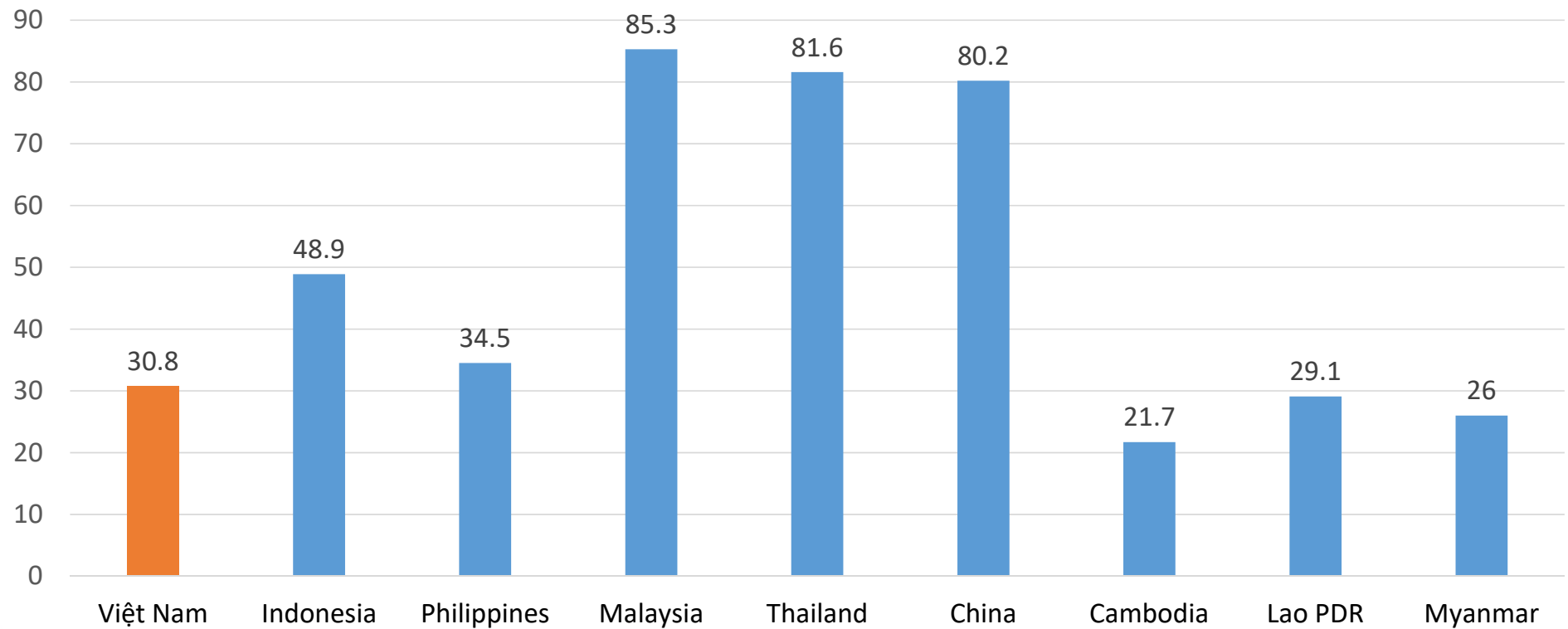


Vietnam's financial system size compared to 5 leading ASEAN countries (in GDP)

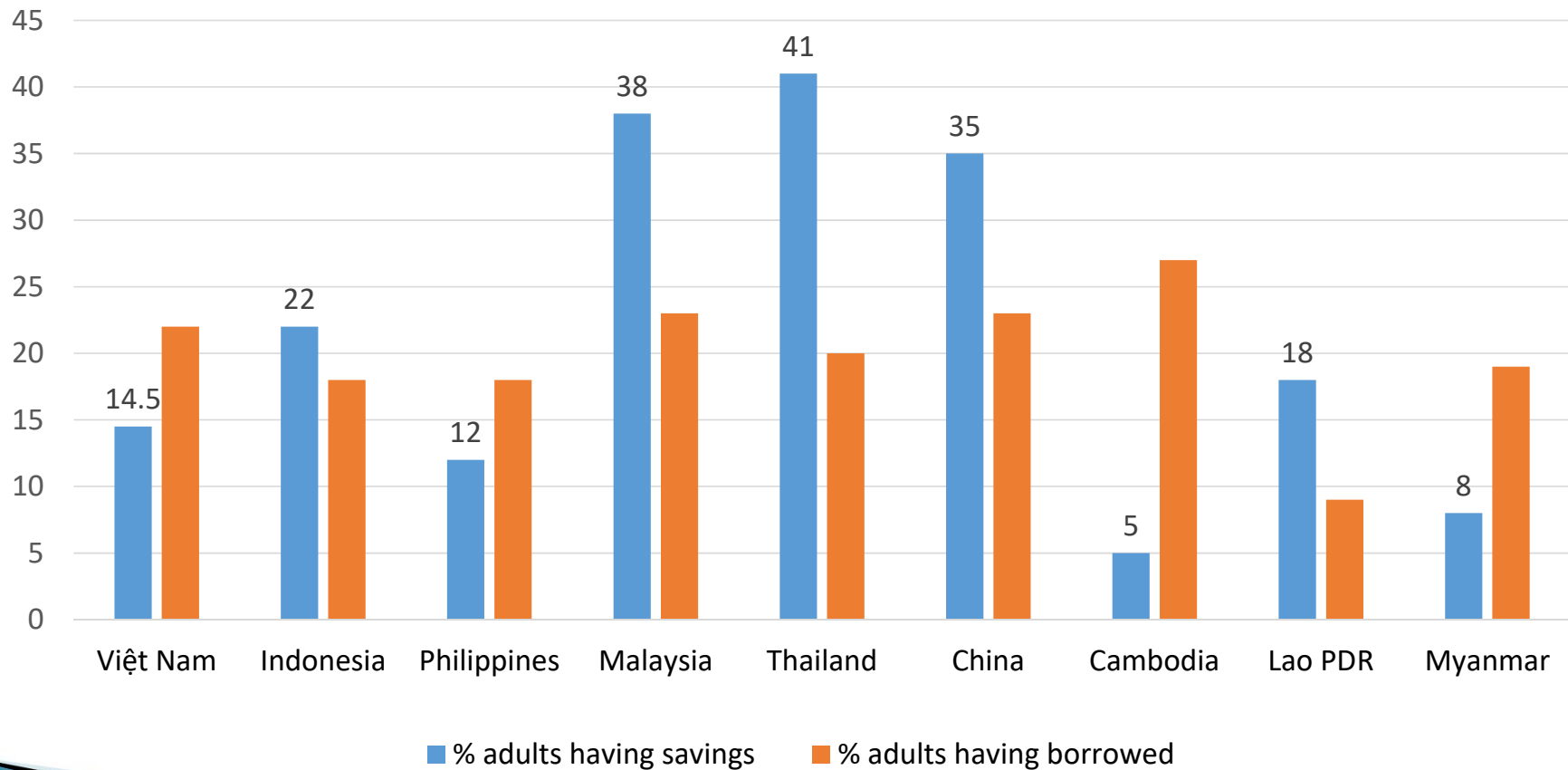


Source: Financial Supervisory Commission 2017

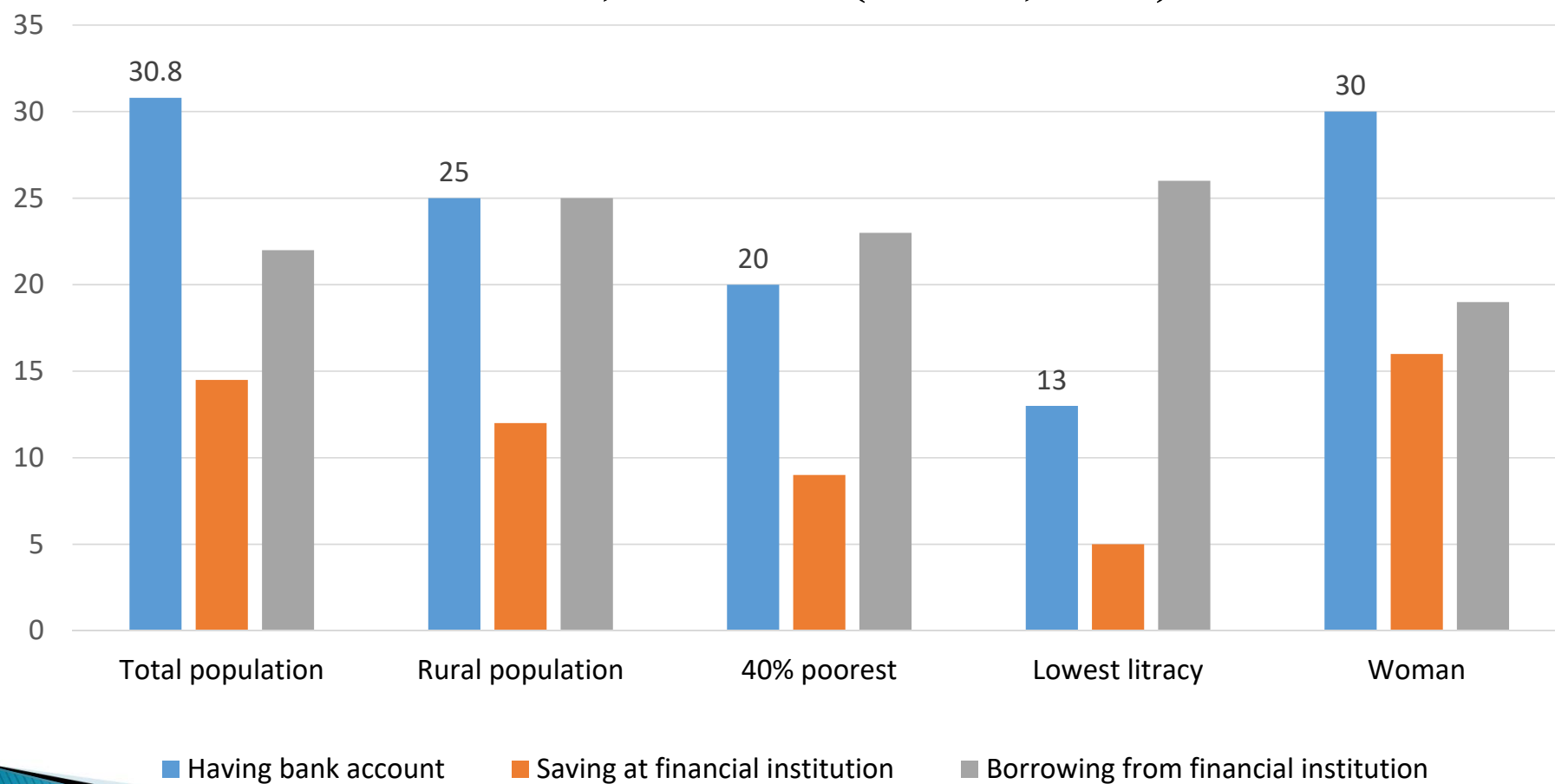
Percentage of adults having a bank account in selected countries, % (Findex, 2017)



Percentage of adults having savings and borrowing at financial institution (Findex, 2017)



Access to financial services by people groups in Vietnam, % adults (Findex, 2017)



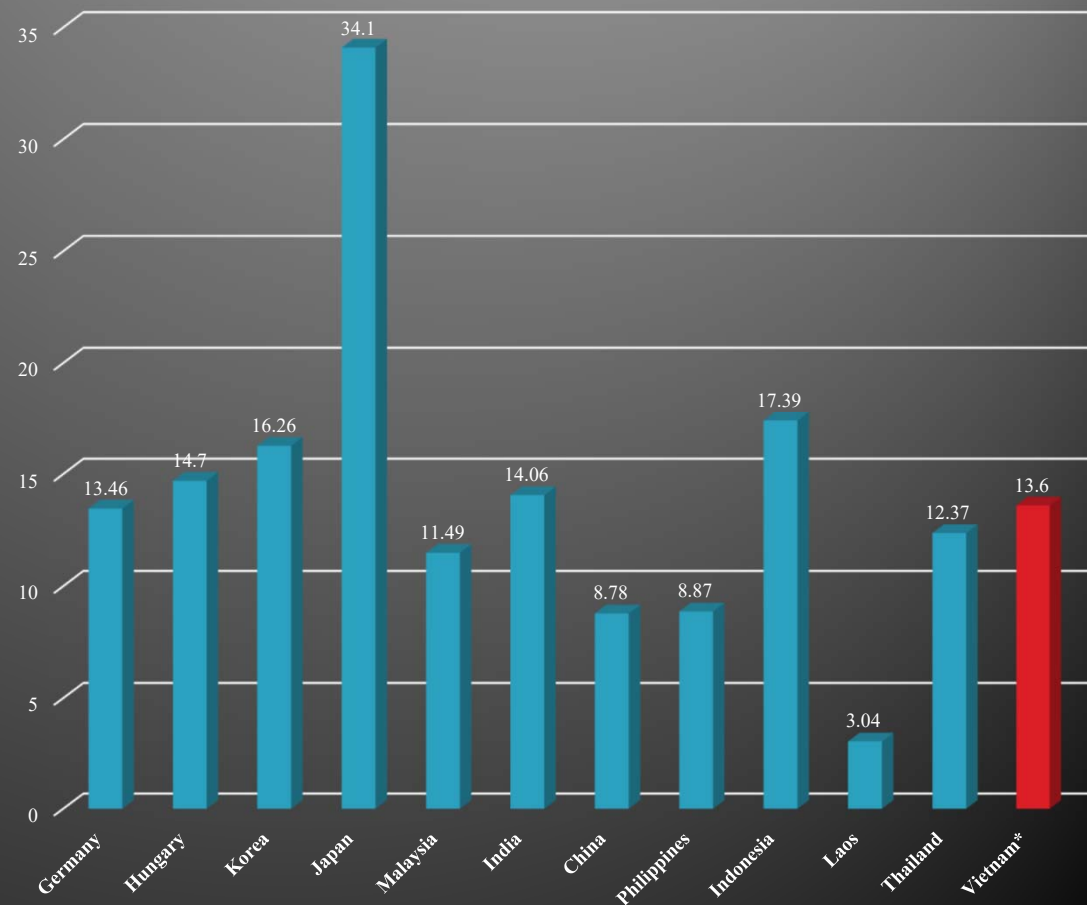
BASIC FINANCIAL SERVICES – INSURANCE

- As of December 15, 2017, 13.57 mil having social insurance, 80.83 mil health insurance, and 11.49 mil unemployment insurance
- Health insurance covered 86.5% of population nationwide
- Agricultural insurance pilot program has been conducted since 2011 in 20 cities and provinces with the participation of more than 300 thousand households (mainly poor households – 76,8% and near poor households – 15,1%)
- In October 2017, Ministry of Finance submitted the draft Decree on Agricultural insurance to the Government

NETWORK OF BANK BRANCHES AND TRANSACTION OFFICES

- ▶ By December 31, 2017, credit institutions system includes
 - 04 state-owned commercial banks,
 - 03 banks acquired by SBV,
 - 02 policy banks,
 - 28 joint stock commercial banks
 - 27 non-bank credit institutions,
 - 01 cooperative bank,
 - 09 100% foreign-owned banks,
 - 02 joint venture banks,
 - 51 foreign banks' branches,
 - 1.170 people credit funds,
 - 04 microfinance institutions.
- ▶ Total number: **9,787 branches and retail outlets**, or 13.7 points of services/100,000 adults.

Banks' branches/100,000 adults in some countries in 2016



Source: FAS, IMF, 2017

ATM NETWORK

Source: SBV

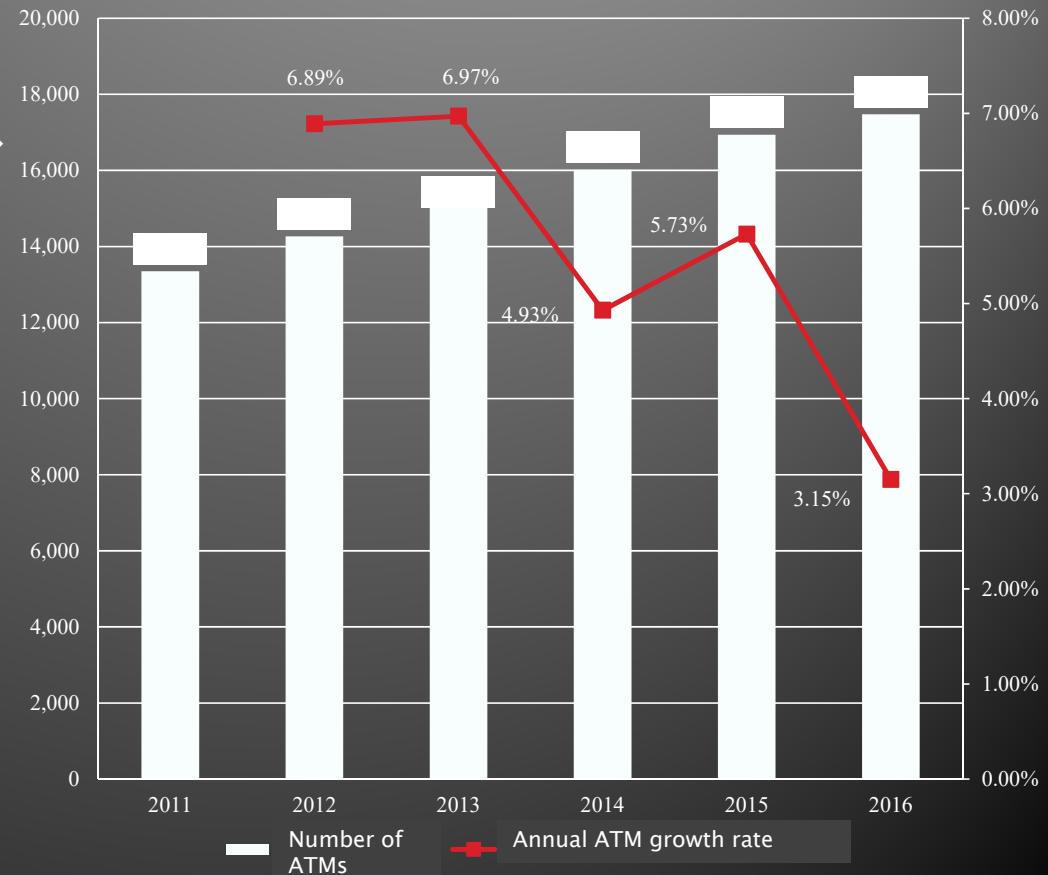
Number of ATMs and their growth rates
(2011 – 2016)

As of end 2016: **17,472 ATMs**

Number of ATMs per 100,000 adults
in Viet Nam is **24.50**.

Number of ATMs per 1000 km² is
56.35 (lower than those of India,
China and Thailand)

Number of transactions : **717 mil**
With transaction value of **VND 1.8**
trillion.



POS NETWORK

As of end-2016, : **263,427 POS/EDC terminals** with transaction value of **VND 250 bn**

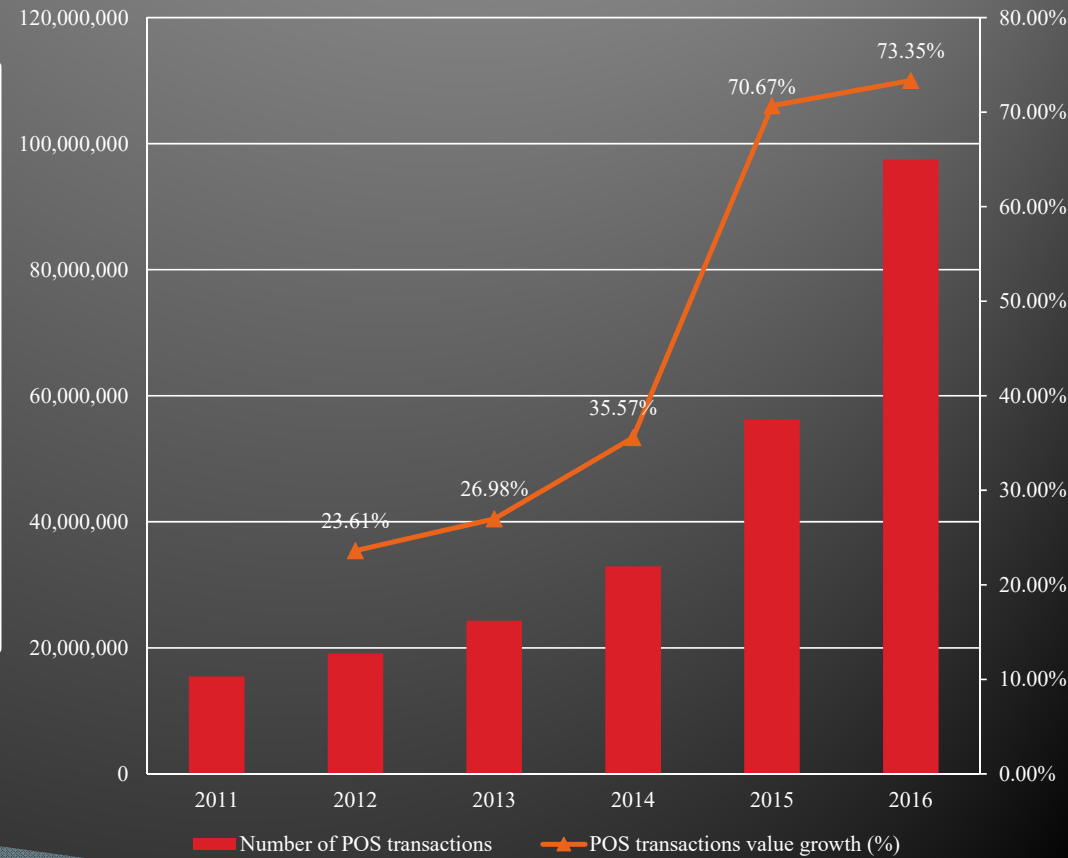
On average **2.9 POS terminals /100,000 people**,

which is very low compared to others in region such as Thailand (5 terminals), Malaysia (8 terminals)

Shared card switching system in Viet Nam links all ATMs and POS

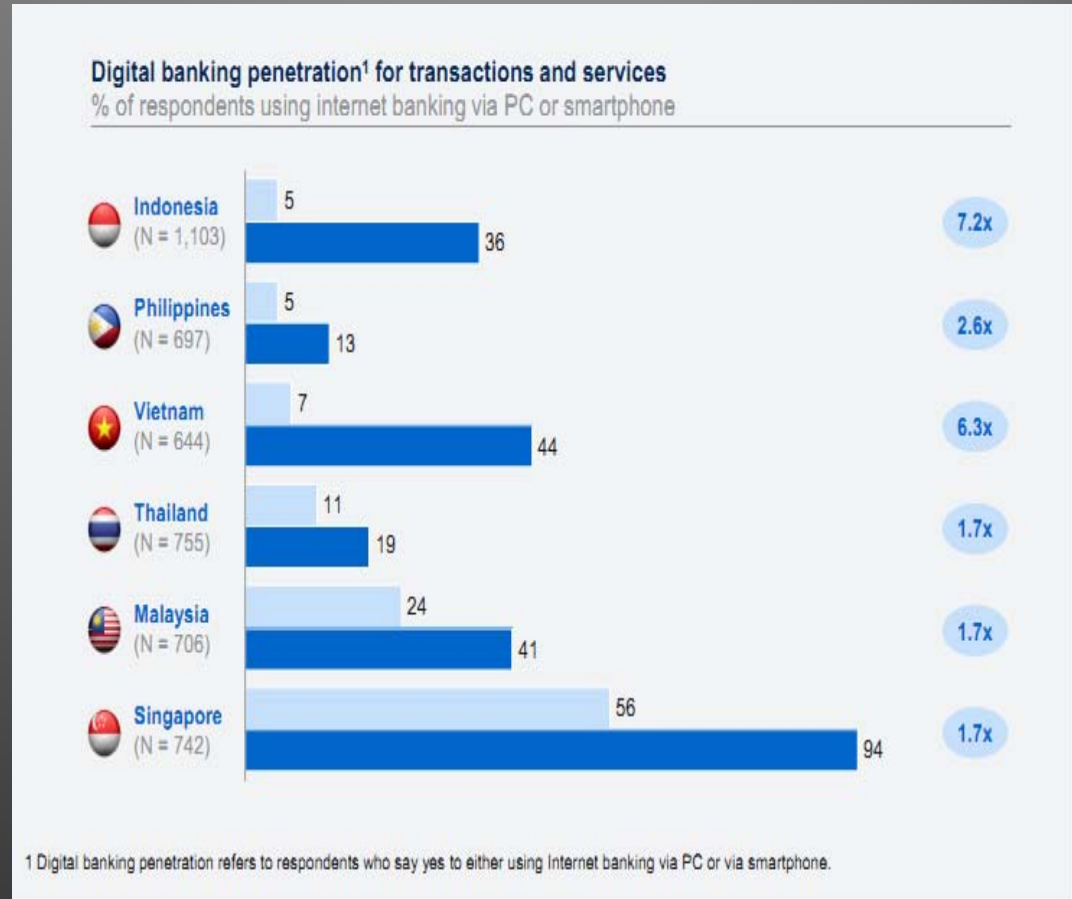
Source: SBV

Number and growth of POS transaction period 2012 - 2016



INTERNET BANKING AND MOBILE BANKING

- ▶ There are 76 commercial banks providing Internet Banking service, 41 commercial banks providing Mobile Banking service;
- ▶ Number of payment transactions via Internet reaches over 125 mil with total value of above VND 7.2 quadrillion (increased by 51% compared to 2015's)
- ▶ Number of transactions via mobile phones reaches over 97 mil with the value of VND 303 trillion (increased by 126% compared to 2015's).



Source: Mc Kinsey. Digital Banking in ASEAN, (2014)

AGENT BANKING MODELS

Since 2015, several banks have partnered with ICT companies to provide payment/money transfer services for remote population, improving their financial access

Rapid money transfer service provided by **PGBank** in partnership with **Petrolimex** using network of **gas and petrol stations**

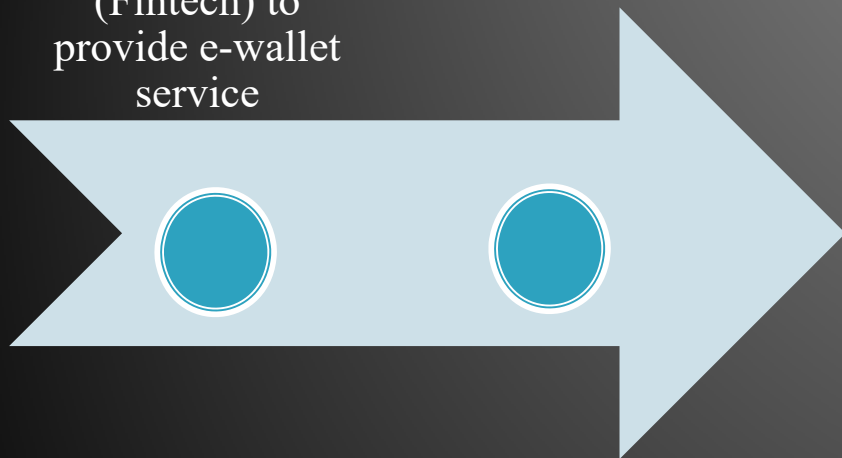
Small value money transfer service provided by **Vietcombank** via **telecommunication agents of M-Service Company (MoMo e-wallet)**

Total number of customers: over 1 million, of which 40% living in remote areas.

Money transfer service provided by **Military Bank** via **telecommunication network of Viettel (e-banking Bankplus)**

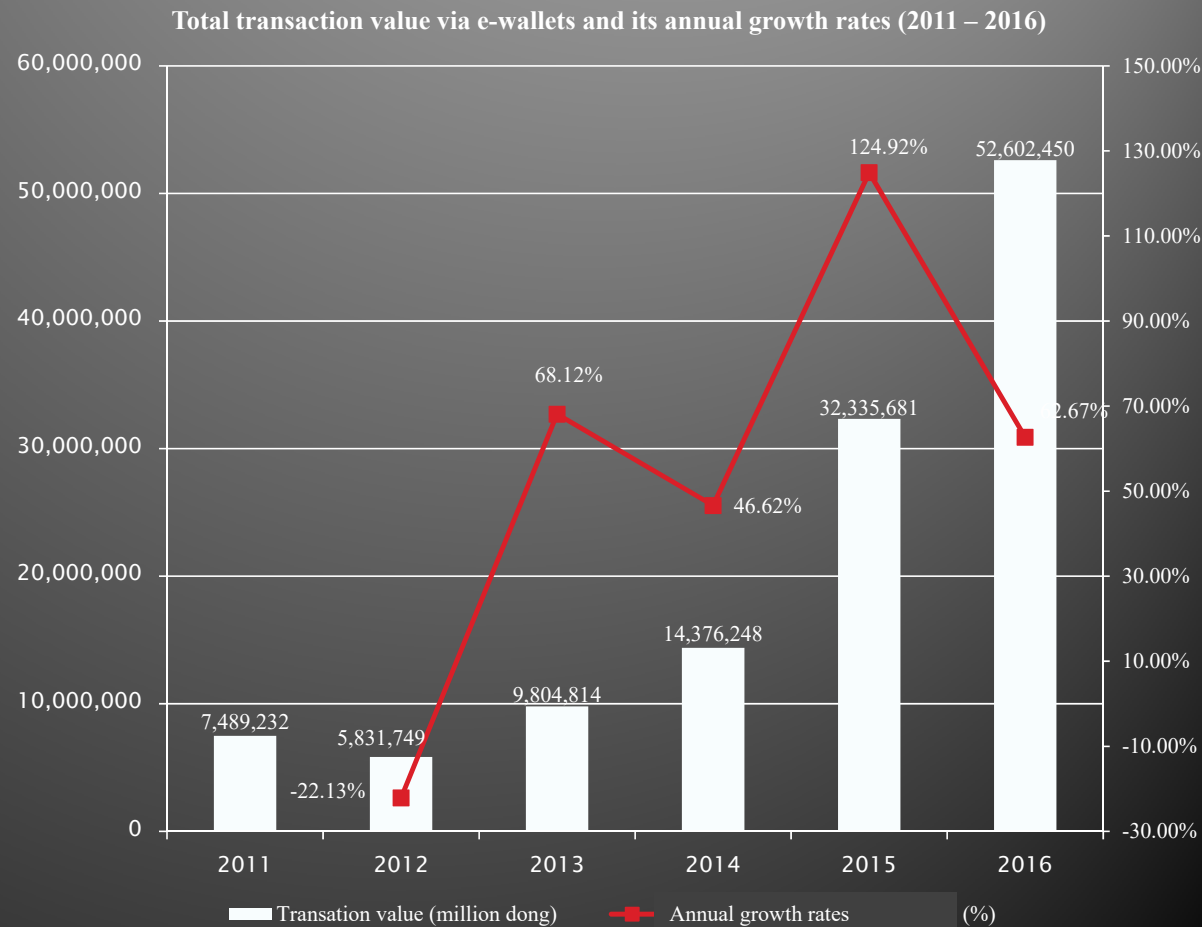
Total number of customers: 3.8 million, of which 57% living in remote areas.

40 commercial banks in partnership with payment intermediate service providers (Fintech) to provide e-wallet service



As of 3rd quarter of 2017: 20 e-wallets with 9.6 million accounts, increased by 152% compared to 2016's (3.8 million accounts)

E-WALLET



Source: SBV (2017)

GOVERNMENT PAYMENTS AND PUBLIC UTILITIES PAYMENT SERVICES

- **36 commercial banks provided** public payment services through **Internet banking** and **22 commercial banks provided** public payment services through **Mobile banking**.

- The collection services consist of: utility, telephone, telecommunication, cable TV, gas and petrol bills, insurance premium, tuition fee, electronic toll collection (ETC), hospital fee and charge, social and health insurance, etc... through banks, decreasing cash collection.

- **40 commercial banks cooperate with General Department of Customs in tax collection;**
- The collection of tax via electronic means accounts for 90% of total GDC's revenue collection.

- The General Department of Customs issued Decision No. 2121/QĐ-TCHQ dated June 22, 2017 on the establishment of a Taskforce to formulate and implement Plan on ***“24/7 E-tax collection via designated banks and custom clearance service”***.

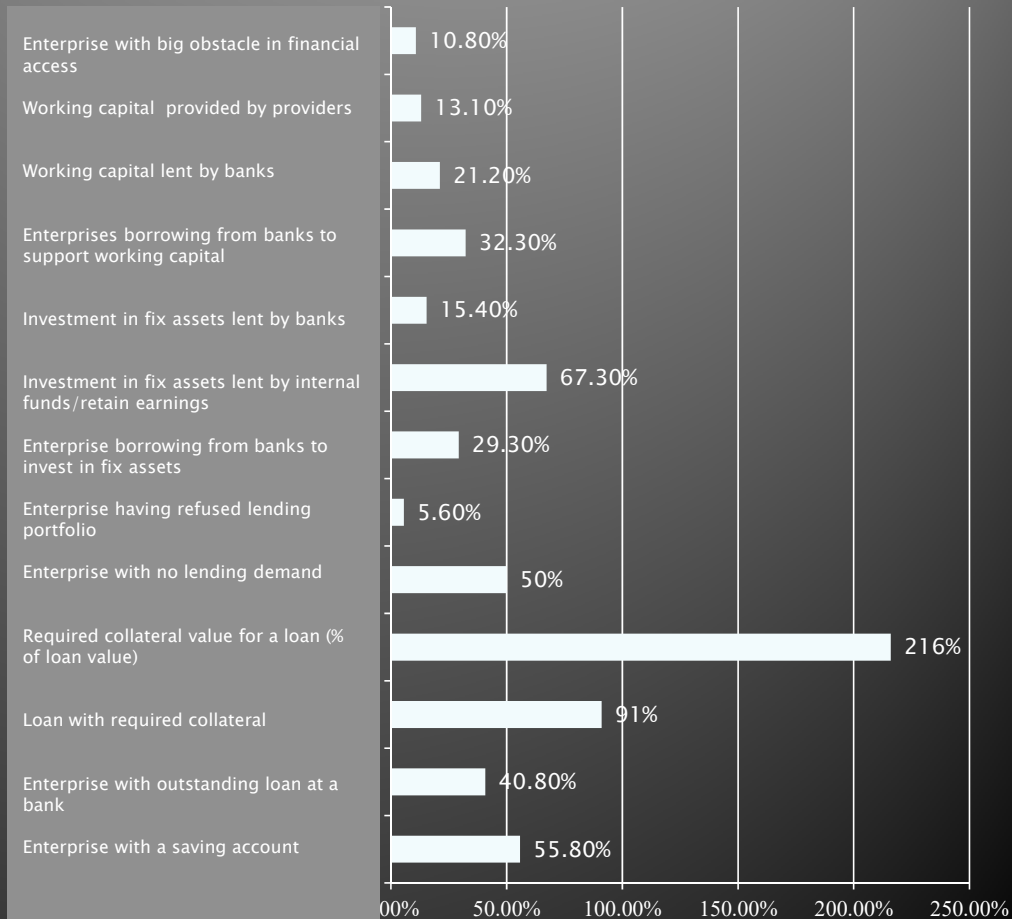
FINANCIAL ACCESS OF SMEs

Financial access indicator of enterprises in Viet Nam, 2015

Over 600 thousand operating enterprises, of which 97% being SMEs and MSMEs

About 30-40% of total number of SMEs having access to bank credit

Lack of collaterals is the biggest barrier



Source: <http://www.enterprisesurvey.org>

RURAL FINANCE

According to the nationwide rural, agricultural and aqua-cultural survey in 2016, there are **8,978 communes and 79,898 villages**, 16 million households and 31 million people in working age or 57% of total population.

Average income is VND 2.45 mil/month;

19.65% of total communes having the presence of banks/people credit funds; Red River Delta having the highest concentration (36.09%); The Midlands and Northern mountainous areas having the lowest concentration (8.67%)

Nearly 27% of rural adults having a bank account, compared to Thailand (78%), Malaysia (74%), Indonesia (38%) and India (50%). (Findex, 2014).

Financial services in rural areas are less diversified, mainly credit and savings. Payment and insurance services are not yet popular.

SPECIALIZED FINANCIAL INSTITUTIONS

Agribank:

2,233 branches/transaction offices nationwide, and 2,560 ATMs

Lien Viet Post Bank:

136 branches/transaction office and 1,067 post office transaction points belonging to 63 post offices in cities and provinces are present at communes, villages

Cooperative Bank:

27 branches, 63 transaction offices and 04 saving funds supporting capital allocation for their member PCFs in cities and provinces

1,170 PCFs operating in 57/63 cities and provinces

SPECIALIZED FINANCIAL INSTITUTIONS

11 Consumer Finance Companies

The biggest companies include FE credit with about 3 million customers (52.67%); HD Saison with about 3 million customers (12.24%); Home credit Vietnam with 6,76 million customers (16.24%).

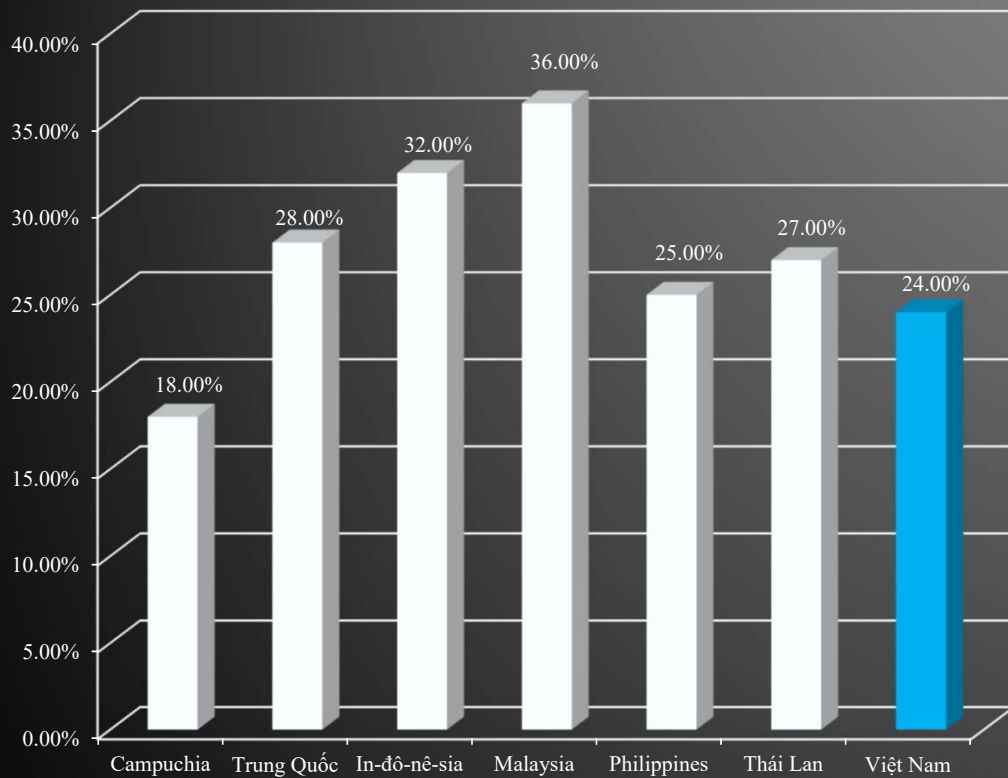
Vietnam Bank for Social Policy with 10,974 transaction points at the office of communes' People committees (accounting for 95.5% of total communes nationwide); 187,151 saving and lending groups providing trusted lending in villages.

In the past 15 years, 31.8 million poor households and other policy beneficiaries get loans from VBSP, which helps 4.5 million poor households overcome poverty.

04 Microfinance institutions (MFIs) are licensed to operate in 136/703 districts, communes, towns of 34/63 cities and provinces with 50 big semi-official microfinance programs/projects and more than 250 smaller microfinance projects.

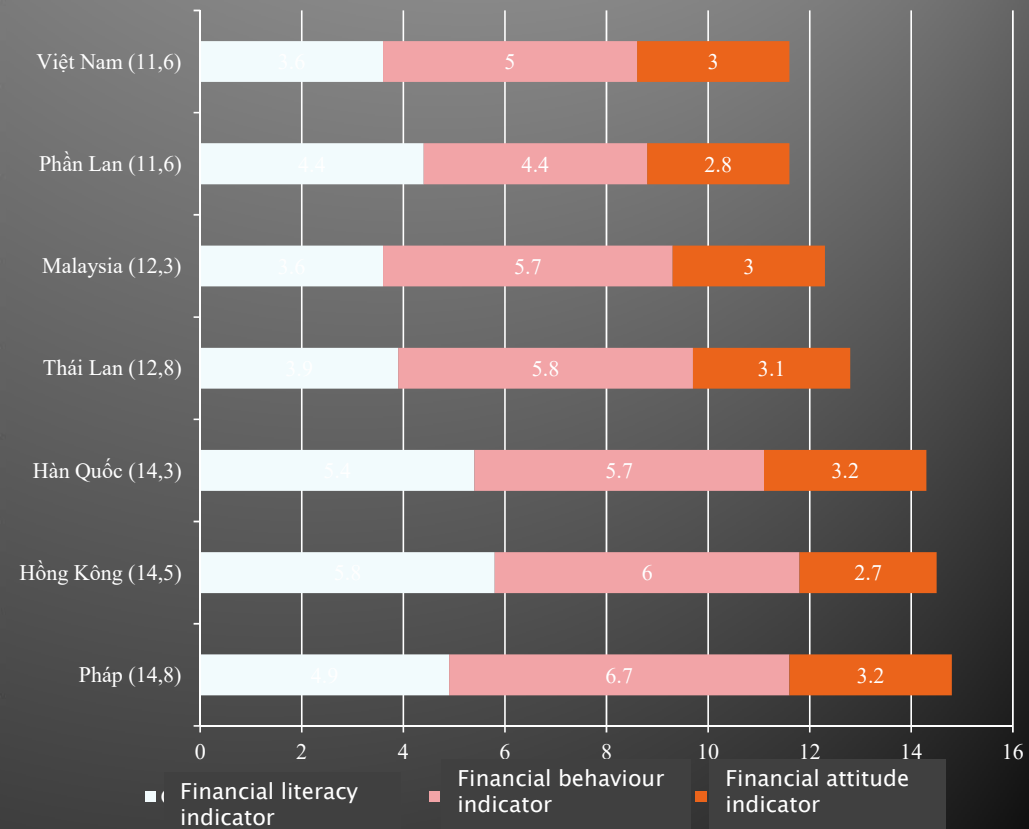
FINANCIAL LITERACY

Adults with financial knowledge in some countries 2014



Source: Standard & Poor (2014)

Financial literacy indicator in some countries 2016



Source: OECD & ADBI (2016)

FINANCIAL INFRASTRUCTURE

IBPS (Interbank electronic payment system)

Is the backbone for other payment systems; Annual transaction value is 10 times higher compared to GDP
Operating in a rapid, accurate, convenient and confidential manner to meet payment needs of credit institutions

Card switching system

NAPAS is the national united card switching center, with 45 banks members, and straight-through connection to almost 90% of ATMs/POS over the country;

Credit information centre

CIC collects information from 122/122 credit institutions (including VBSP, foreign banks, non-bank credit institutions), 1175 people's credit funds and 28 volunteer organizations (including VDB, Fund for Environmental Protection, investment funds and financial companies).

The database consists of information of 33.3 million borrowing customers (749,000 organizations and more than 32 million individuals);

National citizen information database

Ministry of Social Securities have issued 8 million personal identification numbers in form of citizen identification cards; and nearly 800,000 newborns identification numbers for birth registration purpose. Full population information is expected to be completed by 2019.

PART II
BARRIERS TO FINANCIAL INCLUSION



ON FINANCIAL SERVICES PROVIDERS' SIDE

- **Low capability to meet demand** due to weaknesses in providing sufficient and quality banking products and services.
- Based on simple competitive models, **mainly relying on advantages of wide networks concentrating in urban areas.**
- **Complicated and troublesome procedures of transactions**, discouraging customers to use;
- **Low coverage of service network.** Lack of specialized institutions and appropriately designed products for rural customers, households, SMEs, and MSMEs.
- **Limitations in e-delivery channels** (debit card, credit card, ATM, internet banking, mobile banking...), including utility and experiences, resulting in low transaction value and economic efficiency.
- **Insufficient focus on safety and security...** leading to the reluctance of using electronic banking services.

ON CUSTOMERS' SIDE

People and enterprises, especially rural people and SMEs lack **financial knowledge**, and haven't yet fully trusted in the safety and benefits of financial products and services.

People **keeping cash, gold and valuable assets under the pillow** is still a popular practice in the society.

Cash using habit remains popular, many individuals and organizations prefer traditional channels.

PART III
NATIONAL FINANCIAL INCLUSION
STRATEGY



PRINCIPLES

Advancing FI should be in line with ensuring a safe, effective and sustainable financial system and financial consumer protection

The Government is in charge of creating an enabling environment to promote financial inclusion in a market-oriented basis

Facilitating the application of technology and innovation in a way that serves the designing and provision of financial services and products in convenient manner and with lower cost

Paying much attention to the safety, confidentiality and all risks related to the provision of financial services and products, particularly digital products which should be adequately managed, oversighted and handled.

Ensuring closely involvement and collaboration among public and private sectors and the whole civil society organizations.

GOAL

Ensure that *All adults and enterprises are able to access and use financial products and services suitable with their needs in a convenient manner and at affordable cost provided by formal financial institutions in a responsible and sustainable way.*

SPECIFIC OBJECTIVES

1. Innovate and diversify the financial service providers, delivery channels and services/products in order to meet the needs of unserved and underserved in a cost-effective manner. Promoting the use of digital technology and innovation in design and provision of financial services and products in a simple, convenient, user-friendly, lower-costly, demand-based and affordable manner to all people and enterprises, especially MSMEs, and rural, remote, low-income and disadvantaged people

2. Improve financial knowledge and skills of financial consumers and enhance financial consumer protection in financial transactions. Implementing the financial education to ensure that the consumers have knowledge, skills, attitude and behaviors to select and use appropriate financial products. Develop financial consumer protections to ensure that consumers are provided with clear and relevant information and are treated equally

3. Develop an enabling ecosystem with appropriate financial legal framework and infrastructure to encourage competition, diversification and innovation. Facilitating diversification of financial services providers and creating equal competition among financial services providers. Encouraging innovation and managing risks based on an appropriate legal framework. Developing robust financial infrastructure to ensure effective information provision and transactions to all market players

TARGET GROUPS OF THE STRATEGY

UNDERBANKED AND UNBANKED

The poor,
low income
people, the
vulnerable

People
living in
rural and
remote
areas

Migrant
workers,
self-
employed
people

Women
and
youth

MSMEs

Driver 1. Diversify delivery channels to facilitate the access of basic financial services of all people and enterprises in a convenient and affordable manner

Develop agent banking model to expand the coverage of banking services points in areas that have limited or no access to banking services, including rural, remote and economically disadvantaged areas.

- issue regulations on the operations of *agent banking* allowing non-bank entities to provide several basic banking services
- expand access points in forms of agents;
- allow eligible banks to open service points through agents;
- encourage microfinance institutions to become banks' agents.

Driver 1. Diversify delivery channels (continued)

Rapidly develop modern and digital – based delivery channels to expand the provision scope of affordable products and services, particularly through internet and mobile phones.

- encourage credit institutions to promote the application of technology in developing remote delivery channels (ATMs, mobile banking, and internet banking)
- issue connectivity standards among financial services providers to serve payment transactions in the economy
- develop regulatory sandbox;
- encourage financial institutions to develop new payment technology solutions (QR code, NFC...) that are user-friendly, at low-cost, safe, convenient and appropriate for transactions of individuals

Driver 1. Diversify delivery channels (continued)

Expand the coverage of service points of credit institutions in rural areas to enable rural residents' access to formal financial services

- issue policy incentives to encourage credit institutions to expand their branches and outlets in rural areas with the more relaxed requirements and conditions in licensing new branches and outlets compared to those in urban areas;
- issue policy incentives to promote the installation of ATM/POS in rural and remote locations;
- allow non-credit institutions to own and operate ATM and POS system to facilitate market competition

Driver 2: Develop diverse basic financial products and services toward the poor, low income, rural, remote and economically disadvantaged people, MSMEs and business households

Develop tiered account system in proportion with the nature of transactions risks to expand the coverage of and rapidly increase the number of people having access to formal financial services, targeting at each people having at least one account

- issue regulations on *no-frills account* with no account maintenance charge and minimum balance for pensioners, beneficiaries of social subsidies, migrant workers, freelancers, students, etc. to use services such as money transfers with small amount, pensions receipt and bills payment
- issue regulations for simplifying KYC procedure and process depending on the types and natures of services provided to the costumers
- Study and issue regulations on e-KYC to early apply when possible

Driver 2: Develop diverse financial products and services (continued)

Promote non-cash payment in the economy, enabling targeted groups to have access to and use non-cash payment services

- promote direct payments from the state budget to beneficiaries' accounts (G2C));
- promote non-cash payment used by individuals and enterprises for periodical collections and payments such as taxes, fees, charges and bills (C2G, C2B)
- encourage domestic financial institutions to develop domestic money transfer services;
- promote Government's procurement of goods and services using non-cash payment;
- encourage enterprises to pay salaries to employees through accounts;
- issue regulation on e-money and e-money accounts as prepaid payment instrument without requiring customers to have payment accounts at a bank.

Driver 2: Develop diverse financial products and services (contd)

Develop appropriate financial services to poor, low income people, business and households in rural, remote and economically disadvantaged areas and MSMEs

- review current credit guarantee regime;
- amend existing legal framework to improve the efficiency of civil contracts to promote lending forms of agricultural value chain;
- encourage commercial banks to expand the provision of small-value savings and credit products without collaterals;
- diversify microfinance institutions' products and services, including acting as bank's agents;
- complete the policy framework for micro-insurance;
- develop agricultural insurance products.

Driver 3: Financial education, improving financial capacity and literacy; financial consumer protection

Developing and implementing comprehensive measures to improve financial knowledge and literacy of the people so that they are able to use, assess and select appropriate financial services and products provided by formal financial institutions

- Developing and implementing the National Strategy on Financial Education;
- Credit institutions are in charge of developing and implementing financial literacy programs;
- Enhancing financial skills, especially on risk management instruments, insurance, leasing, IT application and climate control, etc. for farmers;
- Improving the capacities on accounting and management of agricultural and rural organizations and cooperatives;
- Strengthening communication and dissemination of financial knowledge and literacy on public media for all groups of people

Driver 3: Financial education (Contd)

Establishing legal framework on financial consumer protection approaching international standards and practices.

- issuing regulations on financial consumer protection which clearly identifying financial consumer protection mechanism in the event of unequally treatment of financial institutions;
- promoting the role of responsible lending and controlling over lending of financial institutions;
- establishing an unit overseeing the protection of financial consumers at the State Bank of Vietnam.

ENABLERS: Developing financial infrastructure to meet the needs of advancing financial inclusion

- ▶ Developing payment infrastructure to promote strong development of electronic delivery channels such as online banking, internet banking, mobile banking, ATM and POS; QR code payment.
- ▶ Accelerating the completion of citizen's identification information system, allowing financial institutions to exploit biometric data and personal information from the national citizen information system for e-KYC purposes
- ▶ Establishing a national database on financial inclusion, regularly updating data for the purpose of monitoring and evaluating the implementation of the National Financial Inclusion Strategy
- ▶ Developing the National Credit Information Center (CIC) to become an unified, comprehensive and high quality data center on credit relations of customers; Providing diversified products and services; Expanding data collection to PCFs, microfinance institutions, VBSP and insurance companies; Connecting with databases of other services providers in electricity, water, communication, insurance, public registration, etc.;

PART IV
IMPLEMENTATION,
MONITORING AND EVALUATION



NATIONAL STEERING COMMITTEE

Chairman: 01 Deputy Prime Minister
Vice Chairman: Governor of the State Bank of Vietnam
Members are Deputy Ministers of line ministries and Representatives from some associations

STANDING STEERING COMMITTEE

Head: Governor of the State Bank of Vietnam
Deputy Head: Head of Secretariat
Members are representatives of related department leaders of the State Bank of Vietnam

SECRETARIAT

Head: 01 Deputy Governor
2 Deputy Heads
staff of SBV and representatives of working groups

Working group on Digital Finance

Working group on SME Finance

Working group on Agricultural Finance

Working group on Financial Infrastructure

Working group on Insurance

Working group on Financial Education

Working group on Financial Customer Protection

MONITORING AND EVALUATION

No	Indicator	Base level (data of recent year)	Target level (2022)	Data source	Frequency level	Separated unit/Notes
I	Developing delivery channels					
1a	Number of branches, transaction centers of commercial banks /100,000 adults	13.7 (2016)	19.2	SBV	yearly	Urban, rural
1b	Number of branches, transaction centers/1,000 km2	29.6 (2016)	41.6	SBV	yearly	Urban, rural
2a	Number of ATM/100,000 adults	24.3 (2017)	32.5	SBV	yearly	Urban, rural
2b	Number of ATM/1,000 km2	52.01 (2017)	69.6	SBV	yearly	Urban, rural
3a	Number of POS/100,000 adults	372.2 (2017)	658.8	SBV	yearly	Urban, rural
3b	Number of POS/1,000 km2	811.6 (2017)	1,436.5	SBV	yearly	Urban, rural
4	Percentage of adults taking less than 30 minutes (by available means of transportation) to get the nearest point of service			National demand side survey		

II Developing products and services						
5	% of adult account (including mobile money account)	57.8	75	SBV	yearly	Classified by sex, age, income, rural area
6	% adults having mobile money accounts	3.5	6.7	Findex**	Every 3 years	Classified by sex, age, income, rural area
7	% of adults who make or receive digital payments	22.7	48.1	Findex	Every 3 years	Classified by sex, age, income, rural area
8	Number of domestic non cash transactions per capita	8,86		SBV	Yearly	Classified by non cash means of payment
9	% adults transferring or receiving money (domestically) through an account	9.6	20.3	Findex/National Demand Survey	Every 3 years	Classified by sex, age, income, rural area
10	% adults have savings at a financial institution	14.5	26.5	Findex/National Demand Survey	Every 3 years	Classified by sex, age, income, rural area
11	% adults have outstanding loans at financial institutions or in credit card	21.7	23.4***	Findex/ National Demand Survey	Every 3 years	Classified by sex, age, income, rural area
12	% SMEs have outstanding loans at financial institutions /Total outstanding loans of the economy	22		SBV	Yearly	Classified by size, area, gender ownership
13	% credit for agriculture/ Total outstanding loans of the economy	8.11		SBV	Yearly	Classified by type of financial institutions
14	% adults ha at least one product of insurance			Ministry of Finance	Yearly	Classified by sex, age, income, rural area

III	Financial Literacy and Consumer Protection					
15	Index of Financial Literacy	58 (2015)		Survey on Financial Literacy (MasterCard)	When data available	Classified by sex, age, income, rural area
16	% adults show the trust in financial system			National Demand Survey	When data available	Classified by sex, age, income, rural area
17	% adults get information on his credit history from system of credit bureau			CIC	Yearly	Classified by sex, age, income, rural area
18	% financial institutions comply with requirements of information disclosure			SBV	Yearly	Classified by type of financial institutions
19	% complaints are settled through internal dispute settlement of financial institutions			SBV	Yearly	Classified by type of financial institutions
20	% complaints are settled through general dispute settlement (of total received complaints)			SBV	Yearly	Classified by type of financial institutions

Thank You

