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Opportunities to Advance Digital Payments in Viet Nam

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BETTER THAN CASH
ALLIANCE



About This Highlights Report

The Government of Viet Nam (GoV) has been a member of the Better Than Cash Alliance (the Alliance) since 2016, with a commitment to increase digital payments across all economic sectors, including rural, banking and retail. In 2017, the Alliance and the State Bank of Viet Nam (SBV) collaborated on a digital payments diagnostic study to identify the priority use cases, barriers to overcome and key initiatives that could accelerate growth in digital payments. The GoV and SBV have since issued several legal and regulatory instruments to clarify the regulation and oversight of digital payment providers. The diagnostic research would have not been possible without the great contributions from SBV colleagues, the Alliance Secretariat team and partners.

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SUCCESS SO FAR

The Government of Viet Nam (GoV) has shown strong leadership in increasing digital payments,* which are a key enabler for inclusive growth and the Sustainable Development Goals (SDGs) through cost savings, increased transparency, financial inclusion and greater women's economic participation. Since 2006, the GoV has articulated clear goals to increase non-cash (digital) payments, backed by policies and regulations, to facilitate the transformation (see "Key changes in policies and regulations"). Viet Nam is in a strong position to achieve these goals as the prerequisites for a rapid shift to non-cash payments exist.

These include a relatively young, well-educated and tech-savvy population, a well-developed telecommunications infrastructure, high smartphone penetration rates, even in rural areas, and a strong interest in digital payments from financial service providers.

The result has been considerable growth in the volume and value of digital payments.

OPPORTUNITY TO SCALE UP PROGRESS BY PRIORITIZING HIGH-IMPACT PAYMENTS

While there has been progress, the volume of micro and small-value retail payments made in cash remains very high. Thus, there remains a major opportunity - and a pressing need - for further action. Prioritizing **three types of payments - person-to-person (P2P), utility bills and smallholder rice farming value chain** - would have a particularly high impact. Scaling progress on these payments will require the public and private sector to address the remaining barriers through enabling regulations, effective customer education and incentives for payers and payees to adopt digital payments.

** Payments made using digital or electronic instruments and channels.*

KEY RECOMMENDATIONS

for public and private sector stakeholders in Viet Nam to accelerate high-impact digital payments

The following use cases have the highest potential to drive digital payments and digital financial inclusion in Viet Nam, though they require tailored actions to remove existing barriers.



Domestic P2P non-commercial transfers, which is particularly beneficial for women, the elderly and the rural poor. Most formal P2P transactions in Viet Nam are still made in cash due to ingrained behaviors, technological challenges, a lack of experience with digital channels and limited financial infrastructure in rural areas. Additionally, progress is impaired by a lack of clarity on some regulatory articles and consumer perceptions that digital P2P solutions are costly and high risk.

Implement enabling regulations

- Implementing proportionate and tiered Know Your Customer (KYC) requirements for lower-tier transaction accounts and introducing agent banking regulations.

Customer education efforts to increase adoption

- Conduct education and awareness-raising campaigns focused on migrants, rural residents and women around the benefits of digital payments and the hidden costs of cash.
- Promote trust in digital payments by increasing digital financial literacy and addressing concerns relating to cybersecurity and fraud. This can be enhanced by committing to the *Responsible Digital Payments Guidelines*, such as treating clients fairly, ensuring the safety and security of client funds and data and providing fair client recourse.





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Payments of public utility bills, which can dramatically increase the number of people that are comfortable making digital payments, since almost all households have access to electricity and more than a quarter of households have access to piped water. Customers could save time and transaction costs. Utility companies could streamline reconciliation and settlement, improve financial planning, reduce costs and improve security.

Enabling bill payments at merchant points

- Fully leverage existing digital infrastructure, including enabling utility bill payments at merchants (through point of sale (PoS) terminals and Quick Response (QR) codes) and automated teller machines (ATMs), as well as through automated bank transfers.

Create and implement a clear legal and regulatory framework

- Continue to develop clear and inclusive electronic money (e-money), agent banking, and tiered KYC regulations.
- Consider a phased approach, focusing first on larger cities where uptake of digital payments and other technological solutions is already higher, which would help build momentum for a later phase targeted at rural areas.

Building customer awareness and incentivizing use

- Adopt measures to incentivize consumers to use digital payments, such as developing a joint awareness-raising campaign, improving visibility of existing digital payment options, such as online portals, and exploring financial incentives to encourage uptake.



Payments in the smallholder rice farming value chain, which has the potential to increase financial inclusion among the rural poor and increase efficiency in one of the country's most important export sectors.

Large companies and the GoV back the digitization of these payments and mobile coverage and smartphone access is strong in rural areas. Despite this, smallholder farmers and small retail input supply shops have yet to widely adopt digital payment services, partially due to the unfamiliarity with new technology and related security concerns.

Focus on catalytic actions for rural impact

- Promote the development of cost-effective rural financial infrastructure, creating agent banking regulations and a more comprehensive regime for e-money.
- Foster the rural adoption of digital payments by prioritizing P2P and utility bill payments, which will serve as a stepping-stone to broader adoption. Leverage the existing Technology and Payment Advisory Council of the State Bank of Viet Nam (SBV) in order to prioritize initiatives to increase rural adoption, as per the objectives of the National Financial Inclusion Strategy.

Building awareness and trust

- Take bold steps to address the lack of experience of formal financial services and digital payments, which is particularly acute in rural areas.

A COLLABORATIVE APPROACH AMONG KEY PUBLIC AND PRIVATE SECTOR STAKEHOLDERS is the common thread uniting the recommendations for the three key use cases. It is crucial to improve regulation, infrastructure, commercial incentives and consumer uptake in order to fully harness the potential of digital payments and to continue building a responsible and inclusive digital payments ecosystem in Viet Nam.



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Key changes in policies and regulations

In addition to the high-level strategies for facilitating non-cash payments, the GoV and SBV have issued several legal and regulatory instruments aimed at clarifying the regulation and supervision of digital payment providers. These include:

- governing payment accounts, non-cash payment services and payment intermediary services (Decree No. 80/2016/ND-CP amending and supplementing a number of articles of Decree No. 101/2012 on non-cash payments)
- maintaining confidentiality and disclosing customer information by credit institutions and branches of foreign banks (Decree No. 117/2018/ND-CP)
- announcing the domestic chip card standard (Decision No. 1927/QD-NHNN in 2018)
- specifying merchant-presented QR codes for payment (Decision No. 1928/QD-NHNN in 2018)
- intensifying payment via banks for public services: tax, electricity, water and social security payments, as part of a scheme approved by the Prime Minister (Decision No. 241/QD-TTG in 2018)
- regulating oversight and supervision of payment systems (Circular No. 20/2018/TT-NHNN)
- regulating the opening and usage of payment accounts at payment service suppliers (Circular No. 02/2019/TT-NHNN amending and supplementing a number of articles of Circular No. 23/2014)
- regulating intermediary payment services, such as provision of digital wallet services (Circular No. 23/2019/TT-NHNN amending and supplementing a number of articles of Circular No. 39/2014)
- providing further guidance on certain types of non-cash payment services (Circular No. 46/2014)
- regulating bank card operations (Circular No. 28/2019/TT-NHNN and Circular No. 41/2018/TT-NHNN amending and supplementing a number of articles of Circular No. 19/2016/T-NHNN)
- amending a number of articles related to the implementation of electronic customer identification (e-KYC) when conducting transactions related to new technologies (Decree No. 87/2019/ND-CP)

The SBV has also taken steps to promote and support financial technology (fintech) development, including the establishment of a Steering Committee on Financial Technology.

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About The Better Than Cash Alliance

The Better Than Cash Alliance is a partnership of governments, companies, and international organizations that accelerates the transition from cash to digital payments to help achieve the Sustainable Development Goals. Based at the United Nations, the Alliance has 75 members, works closely with other global organizations, and is an implementing partner for the G20 Global Partnership for Financial Inclusion.