

## Insights from Evita Lune, PhD

Partner  
Global Head of the FinTech Practice  
Pedersen & Partners



**Edition Focus: Vietnam FinTech Market - Growth and Challenges**

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🤖 The past couple of weeks in Vietnam have been incredibly intense, marked by a rich cultural experience and eye-opening business encounters. I've been collaborating with my FinTech client here while also connecting with our team.

🚀 On one hand, Vietnam stands out as a rapidly expanding economy with a youthful population of 97 million, drawing significant interest from American, Japanese, and Chinese investors. Moreover, there's a substantial number of underbanked customers, widespread smartphone usage, high internet and social media penetration, all against a backdrop of a notably low GDP per capita at \$3,757.

🏛️ On the other hand, it's important to acknowledge that recognizing an opportunity doesn't necessarily guarantee success, as seen in the case of a few neobanks; in fact, quite the opposite.

👛 The National Bank of Vietnam refrains from issuing licenses to neobanks. Consequently, most FinTech scale-ups must function under the license of a universal bank. This intricate regulatory framework hinders the establishment of true neobanks, mainly due to the sluggish processes involved and reliance on third-party procedures and approvals. There's an oversaturation of wallet and app-based offerings, primarily focused on brokering discounts. Therefore, the development of neobank wallets seldom presents a promising business case.

💰 The lending sector, on the other hand, holds substantial potential. However, obtaining the necessary license comes at a steep cost, approximately \$40 million, rendering it unaffordable for many. Those who venture into lending without the proper license have faced severe consequences, including imprisonment.

Both wallets and traditional banks have delivered suboptimal user experiences, marred by bugs in service delivery, limited operating hours (lacking 24/7 availability), and a significant bank run incident in 2022 due to severe liquidity issues. These events have eroded the trust of potential clients.

⚖️ For foreign investors, the recommendation here aligns with that for other emerging markets: it's essential not to be reliant on the legal system. In the event of a dispute with a local company, winning a court case is highly unlikely. For most of local businesses, the shareholding structure might be: someone from the tax office, someone from the police, someone with the money and someone who knows how to run this business.

👤 Despite these challenges, I am undeniably planning to return, not only for the market opportunities but primarily for the people. Despite a relatively recent tumultuous history, the majority of the Vietnamese people are exceptionally kind, optimistic, and forward-thinking. The expat community, too, has been welcoming and eager to collaborate, fostering a special bond that can be truly appreciated when you're so far from home.