

# VIETNAM FINANCIAL AND PROFESSIONAL SERVICES



## Overview

In the recent years, Vietnam has become one of the most attractive locations for foreign investor. In 2018, Vietnam's GDP reached its 10-year high of 7.1%. With its strategic location, Vietnam is undergoing rapid development and its youthful citizens are now among the most confident consumers in the world. This development has brought increasing salaries and with that, a market for more sophisticated financial and professional services. Combined with increased affluence and economic opportunities, the appetite for financial services is likely to grow. Currently only half of the potential market use banking, insurance and other financial services, there is significant demand that can be tapped in this sector. Moreover, Vietnam's participation in numerous FTAs has attracted foreign investments in the recent years and helped to provide a market entry alternative for both new and existing participants.

Nevertheless, there are concerns over the complicated nature of Vietnam's regulatory and tax regimes for foreign investors. Furthermore, investors also identified challenges related to management and accounting standards when entering the country. Privatization roadmap is making slow progress and government shows their reluctant and protective attitude towards opening market in financial industry.

## Banking sector

Vietnam's banking sector has shown significant improvement which results from stable inflation and interested rate, favorable environment for foreign direct investment. This sector plays a crucial role in Vietnam's economic development in recent years, in which State owned commercial banks account for more than 40% of market share.

The government is making effort to reform banking system via M&A activities, taking part in various trade agreements and facilitate foreign ownership and investment. There is a great opportunity for banking services development in Vietnam in the context of stable economic growth, low wage costs, a large population with a high savings rate and lack of innovative approach to the market.

## Capital market

In recent year with the macro-economy in good shape, export surpluses and increasing inflows of FDI and portfolio investment, the stock and bond market has so far become an important channel of investment for Vietnam's economy. Total value of capital market is now nearly 108% of GDP. After 10 years of restructuring, the capital market now has a better structure with a derivative market. Stock and government bond market are being refined and diversified. Vietnam also aims to launch the corporate bond market in the near future.

However, Vietnam's financial system is still bank-based. Vietnamese regulators are keen to revising legal framework to make more room for foreign investors and increase transparency and access to information. M&A, financial, legal and accounting consulting have growing opportunities in the emerging Vietnamese market.

## Fintech

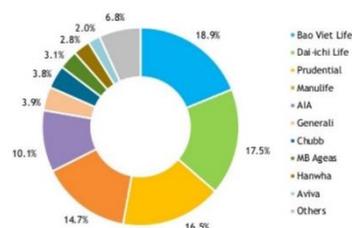
Currently there are about 100 Fintech firms operating in different segments in Vietnam. Total foreign investment into Vietnam Fintech sector is approximately USD129 million from 2016-2017. Payment is the leading sector of Fintech.

29 non-bank firms have been licensed by SBV as payment intermediary service providers. Mobile payment is becoming popular among users with new technology.

In the upcoming time, Vietnam will continue to improve legal framework for innovative services, create enabling legal environment for promoting innovations for Fintech start-up including developing Regulatory Sandbox Framework and formulate incentive policies to attract talent and help Fintech businesses meet higher working requirements in the context of industry 4.0.

## Insurance

Vietnam's insurance industry recorded USD5.76 billion in premium revenue in 2018, up 24% from the previous year. General insurance companies contributed USD1.96 billion, while life insurers as the key segment brought in USD3.78 billion. Foreign companies are leading the life insurance market while domestic ones concentrate on non-life.



Along with product diversification, insurance companies continue to invest in technology and expand partnership to broaden distribution and enhance customer experience. Better income and higher awareness are key drivers for the market's performance. Vietnam insurance market has great potential with top rated performance as the penetration rate is still low.

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