
Innovate, Implement, Impact (i3) Program in Vietnam: Leveraging technology to improve the financial health of LMI communities



About eight years ago, 33-year-old Lan took charge of a grocery shop from her parents. Lan lives in a village in the southern province of Ben Tre in Vietnam. Until now, she continued to make her daily transactions in cash, much like the way her parents did. These include receiving payments from her customers and making payments to the suppliers. “I do not have a bank account as all my inflows and outflows are in cash and in small amounts,” Lan said.

In Vietnam, approximately [62 million people](#) living in rural areas have limited access to formal financial services due to low incomes and a lack of banking infrastructure. The lack of access continues to be a substantial problem and affects the low- and moderate-income (LMI) segments in particular.

It is in this context that an initiative like the [i3 program](#) becomes significant. The program, which denotes “Innovate, Implement and Impact”, seeks to use digital technology and uncover the needs, aspirations, perceptions, and behaviors of LMI segments. It will work closely with implementation partners to improve the financial health of LMI clients like Lan through interventions on both the demand- and supply-sides.

[MSC](#) (MicroSave Consulting) and [MetLife Foundation](#) flagged off the program in Vietnam at a country launch event in Hanoi in November 2018. The 36-months long i3 program receives support from the MetLife Foundation, which shares the belief that everyone needs access to the right financial tools to achieve their financial goals. MSC will implement the i3 program in Vietnam with the support, cooperation, and partnership of leading financial service providers and FinTechs in the country. By the end of three years, MSC will make a “direct impact” on at least 150,000 underserved LMI clients across Vietnam.

The launch event saw more than 100 financial inclusion industry experts in attendance, including regulators, bankers, microfinance institutions leaders, mobile financial service providers, and FinTechs. The event highlighted the vision of the i3 program and new perspectives on the role of technology in achieving financial inclusion. A major highlight of the event was a panel discussion on the importance of financial health for the LMI segment. The panel saw participation from leaders of [State Bank of Vietnam](#), [BIDV MetLife Life Insurance LLC](#), [Vietnam Bank for Social Policies](#), [MoMo \(M_Service JSC\)](#), and [The Asia Foundation](#), all of which are committed to building financial health for LMI communities in the country.

Speaking at the event, Mr. Gaurav Sharma, CEO and General Director, BIDV MetLife Life Insurance LLC said,

“Vietnam [has been] undergoing a historic and exciting growth phase, making this the right time and perfect opportunity to ensure the growth is inclusive and equitable. MetLife Foundation is well aligned with the Vietnam government’s priority of improving the financial health of low- to moderate-income people, and the i3 program is a great example of that. We hope to create a positive impact on the financial lives of 2 million people across Vietnam with this initiative.”

The launch had three overarching takeaways, which we think are worth remembering.

#1: The value proposition of digital financial services

Why is financial inclusion important for the LMI segments of society?

Vietnam is a lower middle-income country with more than [70.38% of the population](#), on an average, earning under USD 10 per day. The government wants to work for LMI communities across the country to improve the nation's financial health so that people can plan, save money for future investments, and borrow to start businesses. Vietnam is classified as a country with low levels of access to financial services. According to the [Global Findex Database](#) published by the World Bank in 2017, only 30.8% of the adult population own bank accounts. This is much lower than China (80.2%), Malaysia (85.3%), and Thailand (81.6%).

However, Vietnam has a high percentage of internet users (52% of the population) and an increasing rate of smartphone ownership (55% of the population). This implies that the Vietnamese have embraced the internet and consume it through their mobiles. This shift allows service providers to offer a wide range of digital financial services, such as online banking, mobile banking and payments, and e-wallets to bring more unbanked people into the formal financial system.

Mr. Pham Xuan Hoe, the Deputy Director of Banking Strategy Institute at the State Bank of Vietnam said,

“The use of DFS will make use of the digital transformation in the banking sector to create quick access to digital financial services, such as internet banking and mobile banking for the LMI segment. Microfinance products, such as microcredit or micro savings, provided on mobile applications would be convenient for people who live in remote and rural areas where the formal financial services from the banks are not available.”

#2: Enhancing the user acceptance of DFS

How can service providers improve the customer experience to lower the usage thresholds for DFS?

Basic access to banking services and products remains a challenge in Vietnam as the branch networks of banks and transaction offices have not reached remote areas due to high costs. Panelists at the launch event argued that the proposed National Financial Inclusion Strategy (NFIS) should allow FinTechs or MFIs to provide financial services through low-cost alternatives like agent banking. The Government of Vietnam and State Bank of Vietnam are expected to formulate and adopt the NFIS by 2020.

The barriers to financial inclusion in Vietnam range from a strong preference to cash to the high costs of providing financial services. Participants at the event's panel discussion reiterated these barriers, stressing that Vietnam is a cash-dominated society and these habits are hard to change. To change them, experts highlighted the importance of educating people on new concepts of digital financial services that would instill greater confidence in new forms of payments. These new concepts include mobile wallets and new ways of transactions via QR codes or mobile payments.

The panelists highlighted another challenge of convenience and user acceptance as digital financial service providers approach the LMI segment. They discussed the importance of understanding the attitudes and preferences of LMI customers towards digital modes of payments. The results of these discussions will help the providers to address essential aspects of the customer adoption journey, which spans creating awareness, generating user interest, improving customer experience, and leading to trust in digital channels. The idea is to make it easier for LMI customers, who may not be familiar with the technology, to adopt and use digital services through intuitive user interfaces and good user experiences.

Speaking on the issue of access barriers, Mr. Bui Quang Vinh, Deputy General Director of Vietnam Bank for Social Policies (VBSP) said,

“The cooperation with MicroSave Consulting (MSC) at the i3 program would help VBSP to raise digital financial literacy for the poor. I hope that this will accelerate economic opportunities for low-income households and women-led microenterprises.”

#3: Innovation and partnership-driven business case for providers of digital financial services

What drives the business case for the private sector and the government to use digital solutions to serve LMI customers?

There is evidence to suggest that Vietnam today has the right drivers to growth for digital financial services. The Government of Vietnam has prioritized both financial inclusion and digitization for its “Cashless 2020” economic policy framework. [Key policy-level](#) measures undertaken by the Government of Vietnam and the State Bank of Vietnam are expected to encourage a noticeable shift towards digital payments. Given the policy-level and regulatory commitment and the sheer size of the unbanked population numbering 66 million people, Vietnam’s FinTech sector has seen significant growth and investment. The FinTech players in Vietnam have huge potential to address the key constraints that hold back financial inclusion and to facilitate the integration of underserved segments into the formal financial services sector.

The FinTech sector has seen significant growth and investment in the country. It is expected to increase [from 4.4 billion USD in 2017 to 7.8 billion USD by 2020](#). Representatives in the panel discussion agreed that FinTechs that provide services, such as mobile wallets and QR code payments, would be important for financial sector development as they can be deployed faster than traditional banking services. However, experts also emphasized that most customers still do not trust financial services applications provided on mobile phones as they do not understand the technology and are afraid of security risks.

Mr. Pham Xuan Hoe, Deputy Director of Banking Strategy Institute, said that one of the institute’s recent research studies suggested that most of the banks (84%) expected an inevitable trend of collaboration between banks and FinTechs in Vietnam. As FinTechs provide digital platforms for banks to sell their financial products, such as credit and savings, they can also leverage customer insights to build and offer the right product mix to customers.

On the point of innovation and partnership-driven business case, a representative from MoMo said,

“MoMo had engaged in a wide partnership network with banks, merchants, agents, insurance companies, telecom service providers, and utility providers. This helped MoMo reach more than 10 million users with a monthly growth rate of 15%.”

We may expect technology-driven and innovative solutions to emerge in the country through active collaborations between FinTechs and incumbent financial service providers. This is especially considering a combination of the government’s push towards a cashless economy by 2020, a growing FinTech sector, and an increasing customer preference for electronic payments.

Other highlights from the event

MSC signed two Memoranda of Understanding with its program partners, Vietnam Bank for Social Policies (VBSP) and MoMo. The signing was part of the common objective to enhance the digital financial inclusion for the mass market in Vietnam. The MOUs outlined the formation of a technical partnership and collaboration to build products and services specifically for the financially excluded and underserved people of Vietnam.

MSC will be preparing a series of blog posts that examine the barriers discussed at the launch, and the role of technology to deliver meaningful financial inclusion for Vietnam. We look forward to continued dialogue, learning, and supporting financial inclusion in Vietnam. Stay tuned for more updates on www.i3program.org