Earlier this month I accompanied the UNSGSA, Queen Máxima, on a visit to Viet Nam. My first trip there took place 20 years ago. At that time the country was considered poor; the largest urban centers were still full of bicycles and relatively few cars. Poverty is now down to six percent and GINI index data suggests that society has remained relatively equal.

But the Vietnamese economic model is now at a crossroads. To continue its economic growth, the country will need to depend more on its domestic market and less on exports. With 42 percent of the population engaged in agriculture and most farmers owning less than a hectare of land, agriculture will need to transform itself to remain profitable.

In spite of significant progress on financial inclusion, only 31 percent of Vietnamese had a formal account as of 2014. In rural areas, where most of the remaining poverty is located, the figure was 27 percent. Financial inclusion is notably lower than regional averages.

Digital finance started a few years ago when the State Bank of Viet Nam (SBV) granted authorization for a few pilots such as ViViet, Momo, BankPlus and Flexipay. But the number of customers is still small and activity rates can go as low as 10 percent. The digitization of payments is also relatively low with more than 90 percent of the population paying their bills in cash.

Sustaining economic growth in Viet Nam will require a deeper, more modern, and more sustainable financial sector.

During her visit, the UNSGSA highlighted three key moves that could help the country succeed in rapidly expanding financial inclusion. The first is to develop a national financial inclusion strategy together with private sector based on a clear understanding of the market. The second is to fully utilize technology to leapfrog unbanked people directly into digital finance. The third priority is to explore innovative ways of financing and supporting agricultural production.

For the national strategy, the good news is that the leadership of the country is very supportive, including the President, the Chairwoman of the National Assembly, the Deputy Prime Minister, the Governor of the State Bank of Viet Nam, and others. The UNSGSA shared global lessons on how to set up the strategy during a SBV roundtable with key ministries.

Regarding digital finance, a reform of the regulatory framework is needed, including agent regulations. This would enable new types of players to enter the market (e.g., mobile network operators) and use their large on-the-ground presence to deploy thousands of agents to serve the financially excluded.

The use of mobile financial services is particularly promising in Viet Nam, where close to 80 percent of people own a mobile phone. (Some estimate that more than half use a smartphone.) The fintech sector is growing rapidly and the SBV is setting up a fintech working committee, so it is fair to say that technology holds great promise for Viet Nam. Financing agriculture will be complex and the sector's transformation will require farmers to acquire new skills in marketing, business planning, and production methods.

It is not a new idea that technology presents Viet Nam with great opportunities to expand financial inclusion dramatically. What has been missing so far is a vision for financial inclusion shared by the political leadership of...
the country. After the Special Advocate's visit, it feels that the country is on the verge of a new financial inclusion era.

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