

DEVELOPING CONSUMER FINANCE IN VIET NAM

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Abstract: *Consumer finance is a field with great potential thanks to its flexible lending model, which does not require collateral or complicated procedures. In Viet Nam, consumer finance plays an important role in socio-economic development and is also an effective solution to limit the situation of "black credit". However, the consumer finance market in Viet Nam is still relatively young, with significant growth potential. In that context, the development of the consumer finance market becomes an urgent requirement.*

• Keywords: *consumer finance, socio-economic development, loan options.*

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1. Introduction

Consumer finance is a financial arrangement that allows customers to purchase goods and services at the point of sale through different types of loan options. In developed countries, consumer lending is a fairly large capital supply channel, contributing a high proportion to GDP growth.

Consumer finance plays a crucial role in stimulating consumer demand and the economic growth of a country (Vietdata, 2023). As human financial needs go beyond trends of borrowing for buying houses or cars, they encompass various stages of life with diverse products ranging from purchasing assets, and homes, to expenses for education, healthcare, travel, etc. Especially, when income is not sufficient to cover expenses, the emergence of borrowing needs becomes unavoidable.

In Viet Nam, consumer finance plays an important role in socio-economic development and is also an effective solution to limit the situation of "black credit". However, this proportion of consuming consumer finance is still modest, not commensurate with expectations. Meanwhile, Viet Nam's population is large, people's income is increasing, creating a need to diversify capital supply channels in the market. The potential for market share development of Vietnamese consumer finance companies is huge thanks to the simple and fast nature of the products. In this context, developing consumer finance in Viet Nam play the important role.

2. Overview of Consumer Finance

2.1. Definitions

According to Congressional Research Service (2021), consumer finance refers to the saving, borrowing, and investment choices that households

make over time. These financial decisions can be complex and can affect households' financial wellbeing both now and in the future. Understanding why and how consumers make financial decisions is important when considering policy issues in consumer financial market.

Consumer finance is the provision of direct loans by credit institutions to individuals/households for the purpose of purchasing goods and services for consumption (Vietdata, 2023).

Consumer finance is the provision of direct loans by credit institutions to individuals/households for the purpose of purchasing goods and services for consumption purposes. Consumer finance include all products such as: Credit cards, home improvement loans, car purchases, study abroad, health care... Consumer credit providers can be banks or credit institutions (Dang Van Sang, 2024).

Consumer finance refers to the borrowing, saving, and investment choices that consumers and households make over time. Understanding why and how consumers make financial decisions is important when considering policy issues in consumer finance (Schneider, Karl E., 2025).

2.2. Benefits of Consumer Finance

Consumer finance meets the consumption needs of individuals when their financial capacity is not enough to cover their needs, allowing them to consume first - pay later in many forms.

The development of the consumer finance market also brings positive impacts to the whole society. Consumer finance brings many benefits such as: Helping the poor and low-income people to accumulate assets, improve their lives, and unblock the flow of goods in society; Bringing more benefits

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to borrowers is more beneficial; Helping reduce cost and the evil of black credit (Do Hoai Linh, 2023).

In practice, the growth of consumer finance will bring many positive effects to the economy. With the development of the consumer finance market, financial companies have been creating many jobs for society; helping to promote the implementation of comprehensive finance; Helping borrowers increase their financial capacity and meet personal and family needs; Increasing financial literacy for new customer groups, the population with little access to banking services, thereby helping them better manage personal financial transactions and creating a foundation for them to be ready to use other financial services; Reducing black credit thanks to quick and simple procedures... (Dang Van Sang, 2024).

Table 1: Benefits of Consumer Finance

| Benefits | Meanings |
|--|---|
| Knowing the Importance of Financial Literacy | Financial literacy will help you attain your goal and make informed decisions. Developing and knowing how to use financial skills like investing and budgeting will help you achieve financial stability and reduce expenses. |
| Knowing the Strategies for Financial Empowerment | You should know the strategies to make the most of a credit option. If you manage many credit card payments and have other loan liabilities, it is better to consolidate all the debts and go ahead with a consumer finance option. You must know the hidden charges associated with a consumer finance option, like processing fees, late payment fees, etc. |
| Being Aware of Consumer Finance Tools and Resources | When you are availing of consumer finance, prepare to make an informed financial decision with the help of the available consumer finance tools and resources. It will help you make a budget and borrow the exact amount. You can access loan companions tools, an eligibility calculator, etc., and make your borrowing productive. |

Source: Poonawalla Fincorp Team (2024)

2.3. The role of Consumer Finance

The fact shows that consumer finance has the following important roles:

- *Meeting consumer needs:* Consumer finance allows individuals to access loans to purchase goods and services to meet essential needs such as buying a house, buying a car, traveling, studying, repairing a house, medical treatment, etc.

- *Improving the quality of life:* Through the use of consumer finance, individuals can improve their living conditions, access better products and services, thereby improving the quality of life and personal experience.

- *Stimulating consumption and boosting the economy:* When individuals have access to finance to make purchases, consumer demand increases, thereby stimulating production and business, contributing to promoting economic growth.

- *Supporting business activities:* Consumer loans can also be used to support small business activities,

helping individuals generate income and grow their economies.

- *Helping manage personal finances effectively:* Using consumer finance responsibly can help individuals learn to better manage personal finances, plan spending and save effectively.

- *Promoting the development of the financial system:* The development of consumer finance also contributes to the diversification of financial products and services, while promoting competition and transparency in the financial system.

Table 2: Importance of consumer finance

| Importance | Meanings |
|---|---|
| Increasing revenue with more sales | Customers are often forced to choose between affordability and convenience. Especially, when they must pay a large amount of money upfront while making their purchase. You will be able to increase your revenue by offering customers the opportunity to finance their purchases over time. Providing this option could make the difference between making a sale and having your customer walk away. |
| Customer satisfaction is the key to success | Offering a financing option will give your customers the flexibility to work within a budget they are comfortable with. It will also allow them the benefit of opting for a larger purchase, which may help reassure them that they are not compromising on quality and are making the right investment at the right price point. |
| Creating and retaining a loyal customer base | When you offer customer service that adds value and benefits your customers, they are more likely to stay loyal to you. Once your customers have made a purchase using the financing option you provided, they will appreciate the flexibility that comes with it. Customers already familiar with the option to finance are more likely to make use of it again for any additional services they might need in the future. |
| Maintaining steady cash flow management | While providing financing options will benefit your customers and increase flexibility by allowing them to pay overtime, it also benefits you. Customer financing helps to make your cash flow more predictable. Knowing how much income you can expect in a given month makes it much easier to avoid debt. |
| Enhancing the profitability of business | Consumer financing offers your customers the flexibility of paying over time instead of being burdened by a lump sum transaction. Customers who take advantage of financing don't have to feel anxious about their ability to pay feeling in control is important, and provides customers with the confidence they need, not only to make the current purchase but also to return to you in the future as a loyal customer. |

Source: Shane D'Rozario (2023)

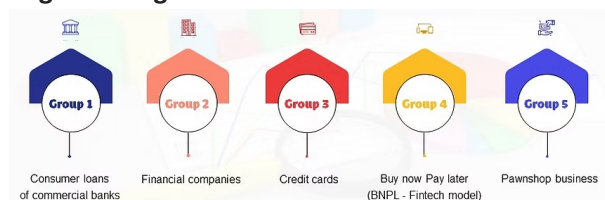
3. The current situation of Viet Nam's consumer finance market

Currently, Viet Nam has 16 financial companies licensed to operate by the State Bank of Viet Nam. Among them, some big names such as FE Credit, HD Saison and Mcredit are leading the market, in addition to: VietCredit, Home Credit, Lotte Finance, TNEX, Mirae Asset Finance Company... (Anh Tuyet, 2025). Consumer finance products in Viet Nam include the following segments: First, consumer loans from banks. Second, loans from financial companies. Third, credit card loans. Fourth, lending through Buy Now Pay Later (BNPL - fintech model). Fifth, pawnshop business (Vietdata, 2023).

Over the past years, consumer credit has grown nearly twice as fast as the entire banking system, thanks to its focus on low-to middle-income customers

of VND5-10 million/month, accounting for 47% of the working-age population, along with an informal workforce of about 33 million people who mainly use cash or informal credit. High GDP growth rates in the coming years will also maintain the growth momentum of consumer credit (Anh Tuyet, 2025).

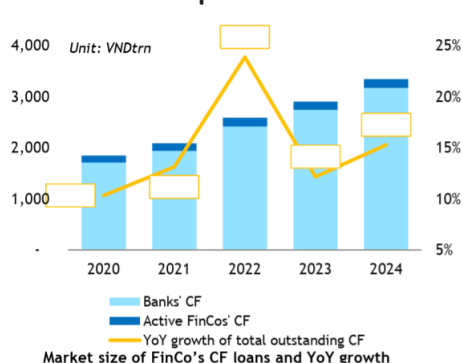
Figure 1: Segments in Viet Nam consumer finance



Source: Vietdata (2023)

According to the report of the State Bank of Viet Nam, consumer credit is growing strongly in terms of outstanding loan size, number of participating credit institutions and diversity of products and services. Up to now, the total outstanding loan balance for living and consumption in Viet Nam has reached about 2.8 million billion VND, accounting for 20% of the total outstanding credit balance of the whole economy (Techcombank, 2024).

Figure 2: The consumer finance market saw remarkable recovery after a prolonged adjustment period



Source: FiinGroup (2025)

Viet Nam's consumer finance market is expected to flourish in the coming time as the economy is forecast to continue to grow positively and new policies promote stronger participation from commercial banks. In the long term, the growth potential of Viet Nam's consumer finance market also comes from the low penetration rate compared to other countries in the region, the increasing income of people, especially the change in perception of the new generation of borrowers, mainly Gen Z, when viewing consumer finance products as a payment option instead of debt.

In addition, these expectations of consumer finance market growth are largely driven by recent policy

changes and improvements, such as the State Bank of Viet Nam recently issued Circular No. 12/2024/TT-NHNN, which amends and supplements certain provisions of Circular No. 39/2016/TT-NHNN, regulating the lending activities of credit institutions and foreign bank branches to customers. In which, this policy promotes stronger participation from commercial banks in consumer lending activities, thereby promptly and fully meeting the legitimate borrowing needs of the population. The circular also allows credit institutions to lend amounts under 100 million VND without requiring customers to provide a viable plan for using the funds (Dang Van Sang, 2024).

According to Viet Nam Consumer Finance Report 2025 (FiinGroup, 2025), Viet Nam's consumer finance market is entering a new phase of recovery and transformation. After a period of economic slowdown and heightened credit risks, 2024 has marked a turning point, as both banks and finance companies have regained growth momentum. This rebound is driven by internal restructuring, digital innovation, and a resurgence in credit demand, fueled by rising domestic consumption and a new generation of young, tech-savvy consumers.

4. Challenges

Despite many recovery signals, the consumer finance market faces numerous challenges, especially as bad debt trends increase in credit institutions (Anh Tuyet, 2025). The bad debt situation in the consumer lending sector remains a concern. Recently, groups have emerged on social media, encouraging and teaching others how to evade debt and delay payments. Although lenders and regulatory agencies have implemented measures, debt recovery for this customer segment faces many difficulties and challenges. Therefore, significant changes are needed for the consumer finance market to truly recover and achieve sustainable growth, particularly in improving the legal environment, especially regulations guiding debt recovery.

However, the use of consumer finance also requires consideration and responsibility. Individuals should carefully understand the terms, interest rates and related fees before borrowing, and ensure the ability to repay the loan to avoid falling into debt.

According to VIS Rating, although there is still a lot of room for growth, risks and profits of consumer finance companies will tend to be clearly differentiated. Accordingly, units focusing on low-

risk segments such as Home Credit or HD Saison are able to maintain stable operations. Meanwhile, companies promoting cash loans and credit cards such as Mcredit, FE Credit... face higher asset risks. The reason is that loans are often unsecured and are easily affected if the borrower encounters financial difficulties. The risk increases in the context of many economic fluctuations, including the US's increased tariffs, which can affect economic growth and people's income (Anh Tuyet, 2025).

At the same time, the market continues to face both domestic and global challenges. On the external front, renewed U.S. tariffs and escalating trade tensions under the "Trump-era 2.0" protectionist agenda could pressure Vietnam's export-driven economy particularly labour-intensive sectors like textiles and garments, aquatic products, leather and footwear, and electronics. These disruptions are expected to affect household income, employment, and ultimately, debt repayment capacity of borrowers and funding from corporates customers to banks and finance companies (FiinGroup, 2025).

5. Solutions

5.1. For state management agencies

- Continue to review and improve the legal framework for lending activities to serve living needs and consumer lending to meet practical requirements, create a transparent and favorable legal environment for the operation of credit institutions and protect the rights of consumers.

- Strengthen communication about consumer finance to people. Consumer finance is a commonly used term in modern life. However, in order to provide a comprehensive understanding of consumer finance and how to effectively utilize consumer financial products, state management agencies and finance companies should strengthen dissemination and communication about consumer finance to people.

- Strengthen policies, solutions and the role of relevant organizations to protect the interests of consumer loan customers; Strengthen management, inspection and supervision of consumer lending and lending for living purposes.

- Support credit institutions in sharing consumer borrower data and guide the development of consumer loan credit scoring technology based on artificial intelligence and big data technology.

5.2. For banks and finance companies

- Diversifying product portfolio associated with refining loan portfolio. Commercial banks and

consumer credit lending companies need to design each type of consumer finance product to suit each type of need and each customer segment.

- In addition to being transparent in debt collection activities and lending costs, lending institutions also need to implement measures to check and monitor the use of borrowed funds according to the purposes committed and the repayment capacity of customers. This will help credit institutions limit bad debt, ensuring full and timely recovery of principal and interest as agreed. Moreover, borrowers must be aware of responsible consumption and timely debt repayment.

- Providing reasonable interest rate policy to attract customers and simplifying loan procedures.

- Increasing investment in technology to prevent risks. Focusing on developing technology platforms for consumer lending, reducing costs, increasing labor productivity, and coordinating the development of new business models (Fintech, peer-to-peer lending, Mobile money, etc.) to increase customer satisfaction.

- Focusing on training staff, especially consumer credit analysis skills, customer care skills, debt collection skills, consulting skills, information technology application skills in operations...

6. Conclusion

Consumer finance has developed significantly worldwide, especially in developed economies, where a large portion of the population carries consumer debt. However, the consumer finance market in Viet Nam is still relatively young, with significant growth potential (Vietdata, 2023). With the new legal frameworks, the consumer finance market is expected to be more vibrant in the coming time with stronger participation from commercial banks. The development of the consumer finance market becomes an urgent requirement, contributing a high proportion to GDP growth of Viet Nam economy.

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