

SOLUTIONS TO ENHANCE THE POSITIVE IMPACTS AND MITIGATE THE NEGATIVE SOCIAL IMPACTS OF FINTECH IN VIETNAM

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Abstract: *Fintech, with its combination of technology and finance, has quickly become an important driving force in the development of the digital economy. In Vietnam, Fintech not only promotes the growth of modern financial services but also contributes to expanding financial access for various groups, from rural residents to small and medium-sized enterprises (SMEs). The positive impacts of Fintech, such as increased convenience, improved income, and the promotion of financial inclusion, have brought numerous benefits to society. However, alongside these advantages, Fintech also poses potential negative impacts, including cybersecurity risks, imbalances in financial access, and issues related to online fraud. In this context, seeking solutions to enhance the positive impacts and mitigate the negative social effects of Fintech has become an urgent requirement. This article analyzes the social aspects influenced by Fintech, including both positive and negative impacts. It also proposes solutions to optimize the benefits that Fintech brings while minimizing the negative impacts, thus aiming for a safer and more effective Fintech ecosystem for all stakeholders in Vietnam.*

• Keywords: *positive impact, negative impact, society, fintech, Vietnam.*

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1. Introduction

In the context of the rapidly advancing Fourth Industrial Revolution, financial technology (Fintech) has become a key factor in reshaping the global financial market, and Vietnam is no exception to this trend. Fintech not only expands the scope of financial service offerings but also changes the way consumers, businesses, and even financial institutions access and use these services. In Vietnam, the explosion of electronic payment platforms, e-wallets, online lending services, and digital financial investment opportunities has brought significant opportunities to the economy. These services help bridge the financial gap between urban and rural areas, reduce traditional barriers to accessing financial services, and enhance financial inclusion. Additionally, Fintech has brought about important changes in consumer payment habits, encouraging the shift from cash payments to electronic transactions, thereby reducing social costs and improving transparency in personal and business financial management. However, alongside these clear benefits, the growth of Fintech in Vietnam also presents numerous social challenges. Issues such as financial fraud, cybercrime, privacy violations, and data security risks have become significant concerns for consumers and regulators alike. In particular, for consumers with limited financial or technological knowledge, accessing Fintech products and services

could become a potential risk. Therefore, an important question arises: How can we maximize the positive impacts of Fintech while minimizing its negative effects on society? Developing and implementing effective solutions is not only the responsibility of Fintech service providers but also requires close cooperation from the government, regulators, and consumers.

2. The positive social impact of fintech in vietnam

Fintech has been and continues to bring significant social benefits in Vietnam, particularly in promoting financial inclusion and improving the financial efficiency of individuals and businesses. To highlight the positive impacts of Fintech on Vietnamese society, several aspects can be considered:

Firstly, promoting financial inclusion

Fintech has become a powerful tool in promoting financial inclusion in Vietnam, especially for areas and groups that are difficult to reach through traditional banking systems. Rural areas and remote regions often face challenges in accessing basic financial services due to underdeveloped banking infrastructure, sparse bank branches, and limited access to formal financial services. In this context, the development of Fintech platforms has created significant opportunities to address these issues, enabling millions of people to

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easily access financial services, thereby improving their quality of life and supporting economic development in underserved areas.

A prime example of Fintech's success in promoting financial inclusion in Vietnam is the MoMo e-wallet. Known as one of the fastest-growing digital payment platforms, MoMo had attracted over 31 million users by 2023. The platform is popular not only in urban areas but also has a widespread presence in rural areas, where people often face challenges in accessing traditional banking services. With a partner network covering a range of sectors such as supermarkets, restaurants, retail shops, and small merchants, MoMo enables people to easily carry out daily transactions without the need to visit a bank or use cash. This is especially important for small traders and businesses, who previously had limited access to formal financial services like cashless payments or effective business financial management.

Beyond payments, MoMo also provides a variety of other basic financial services, such as mobile phone top-ups, money transfers, utility bill payments, and even insurance and small consumer loans. This makes it easier for people in remote areas to access financial services quickly and conveniently. With just a smartphone, individuals can actively manage their finances, saving time and costs compared to traditional methods. Not only MoMo, but many other Fintech platforms in Vietnam, such as ZaloPay, ViettelPay, and VNPay, are also making positive contributions to expanding financial services to people across the country. These platforms offer simple, user-friendly financial solutions that do not require users to have traditional bank accounts. This is a major step forward in reducing dependence on the banking system and providing more options for people to manage their personal finances. This not only improves people's quality of life but also boosts economic growth. When people have access to financial services, they can easily manage spending, save, invest, and grow their businesses.

Fintech has also played a significant role in enhancing transparency and security in financial transactions. In rural or remote areas, where financial management still relies heavily on cash, people often face safety risks when holding money or making transactions. Fintech platforms like MoMo and ZaloPay have helped minimize these risks by digitizing transactions, allowing users to store and carry out financial transactions in a safer, more secure, and transparent manner. This not only benefits

consumers but also creates a more trustworthy financial environment for the economy. Thus, the development of Fintech in Vietnam, through platforms like MoMo, has been creating a financial revolution, enabling millions of people to access financial services more conveniently and efficiently. Fintech not only helps narrow the financial gap between regions but also plays a crucial role in building an inclusive economy, where all people, regardless of economic or geographic conditions, can easily and equally participate in the financial system.

Figure 1. Popular Types of E-Wallets in Vietnam



Secondly, enhancing transparency and security in financial transactions

Transparency and security in transactions are among the major benefits Fintech brings. For example, the online money transfer platforms of banks and e-wallets in Vietnam allow users to track all of their transactions, including the date, time, amount, and recipient. This helps minimize fraudulent activities and asset losses during transactions, while also enabling users to manage their finances more effectively. For instance, the MoMo e-wallet app provides users with detailed transaction history and monthly spending reports, helping them better control their personal finances. Many Fintech users in Vietnam report feeling more secure when using digital payment services due to the transparency and security they offer. At the same time, the development of biometric security systems, such as facial recognition and fingerprint scanning, has significantly improved the safety of online transactions, reducing the risk of fraud and information theft.

Thirdly, promoting digital transformation and changing consumer habits

The COVID-19 pandemic has significantly increased the use of digital financial services in

Vietnam. The pandemic led to a surge in demand for online shopping and payments, thus driving the growth of cashless payment solutions. Services such as QR code payments, mobile money transfers, and online bill payments have become everyday habits for many Vietnamese consumers. In the first six months of 2024, cashless payment transactions reached 7.83 billion, with a total value of 134.9 trillion VND (a 58.23% increase in number and a 35.01% increase in value) compared to the same period in 2023. This included: a 49.97% increase in the number and a 32.13% increase in value of transactions through the internet; a 59.3% increase in the number and a 38.53% increase in value of mobile phone transactions; and a 104.2% increase in the number and a 99.5% increase in value of QR code transactions. The total number of registered and used Mobile-Money accounts was approximately 9.13 million, with about 72% of users from rural, mountainous, remote, border, and island areas (Doan Hang, 2024).

Fourthly, creating job opportunities and promoting entrepreneurship in the fintech sector

The rapid development of Fintech companies in Vietnam has significantly contributed to job creation, especially in fields such as information technology, data management, cybersecurity, and financial analytics. As Fintech startups continue to flourish, they not only create direct employment but also generate a multitude of indirect opportunities in areas like marketing, customer service, and business development. For instance, companies like Tima, Finhay, and Trusting Social have directly employed thousands of young professionals and also supported a wide range of service providers, from developers to marketing consultants. Finhay, a micro-investment platform, has gained traction with hundreds of thousands of users and attracted substantial foreign investment, further stimulating the creation of new jobs and the development of a skilled workforce in the financial technology sector. This rapid growth of the Fintech ecosystem has fostered a vibrant entrepreneurial culture, offering opportunities for both seasoned professionals and young entrepreneurs. The sector has encouraged innovation in the development of financial products tailored to local market needs, ranging from micro-investment solutions to accessible credit offerings. In addition, the rise of Fintech startups has also created a ripple effect in other sectors, such as education, where training programs and boot camps focused on Fintech and financial technology skills are becoming increasingly

popular. Furthermore, the success of Fintech startups in Vietnam has established the country as a growing hub for Fintech entrepreneurship in Southeast Asia. This development has allowed local entrepreneurs to compete on a global scale, contributing to the country's economic transformation and technological advancement.

Fifthly, supporting small and medium enterprises (smes) in accessing capital

Another key benefit of Fintech is its ability to offer financial solutions that cater to the needs of small and medium-sized enterprises (SMEs), a crucial sector of Vietnam's economy. While SMEs are essential for job creation and economic growth, they often face significant barriers when it comes to accessing traditional forms of financing, such as bank loans. The lack of credit history, the complexity of loan approval processes, and the stringent collateral requirements make it difficult for many SMEs to secure the funds they need to grow. Fintech platforms, particularly peer-to-peer (P2P) lending services like Tima and Vaymuon, have emerged as game-changers in this regard. By using technology to match lenders directly with borrowers, these platforms have made it much easier for SMEs to access capital quickly and with fewer bureaucratic hurdles. Businesses can apply for loans online, often without the need for physical documentation or lengthy approval processes that typically come with traditional banking systems. Moreover, these Fintech platforms utilize innovative credit scoring models based on alternative data sources, such as transaction history, social media activity, and even mobile phone usage. This allows them to assess the creditworthiness of SMEs that may not have a traditional credit history, helping to bridge the financing gap. By offering faster, more accessible loan approval processes, Fintech platforms have opened up new avenues for business growth, particularly for startups and small businesses that might otherwise be excluded from traditional lending systems. The impact of Fintech on SMEs goes beyond just access to capital. The introduction of digital payment solutions, financial management tools, and even platforms for invoice factoring or trade financing has empowered SMEs to manage their cash flows more effectively, automate their processes, and make more informed financial decisions. This has not only improved the overall operational efficiency of SMEs but also strengthened their position in the market by enabling them to scale up, innovate, and compete more effectively.

As Fintech continues to grow, it is expected to provide even more tailored financial services to SMEs, further promoting entrepreneurship, and driving economic growth in Vietnam. By offering affordable, efficient, and scalable solutions, Fintech is contributing to the development of a thriving SME ecosystem that will help power Vietnam's economic future.

3. Some negative social impacts of fintech

While Fintech has brought significant benefits to society, it has also introduced certain negative effects that need to be addressed. The rapid expansion of financial technology in Vietnam, though largely positive, has created new challenges in various areas, such as data privacy, financial security, and consumer protection. These negative impacts can undermine the trust and reliability that are essential for the sustainable growth of the Fintech sector. Below are some of the key negative social impacts of Fintech:

Firstly, data privacy and security concerns

One of the most significant concerns regarding Fintech is the security of personal data. As financial services become increasingly digitized, the amount of sensitive information being shared and stored online has grown exponentially. This includes personal financial data, identification information, and transaction history, which are vulnerable to cyberattacks and data breaches. In Vietnam, the use of mobile wallets, online payment systems, and P2P lending platforms has increased, but these platforms are often targeted by hackers looking to steal customer data. This presents a serious risk to the privacy and safety of users, especially in a country where many individuals may not fully understand the potential risks involved in sharing their financial information online. Furthermore, the proliferation of data has led to concerns over how personal information is being used by Fintech companies. Many companies collect large amounts of user data for targeted marketing, profiling, and even credit scoring, often without sufficient transparency or user consent. The lack of clear data protection regulations and consumer rights has made it difficult for individuals to fully control how their personal information is handled, leading to concerns about potential misuse or exploitation.

Secondly, increased risk of financial fraud and scams

The rise of Fintech has also opened the door to new forms of financial fraud and scams. While Fintech platforms provide numerous benefits in terms

of convenience and accessibility, they have also created new opportunities for fraudulent schemes. For example, phishing attacks, where scammers impersonate legitimate Fintech companies to steal personal information, have become more prevalent. Additionally, fraudulent investment schemes, fake loan offers, and Ponzi schemes are being promoted via social media, targeting unsuspecting individuals, especially those who are not well-versed in financial technology. In Vietnam, where financial literacy is still developing, many individuals, particularly in rural areas, may be more vulnerable to these scams. The ease of accessing financial services online means that users are often not fully aware of the risks involved, and in some cases, may fall victim to fraudulent platforms that appear legitimate. This not only causes financial losses for consumers but also undermines trust in the Fintech ecosystem as a whole.

Thirdly, exclusion of certain social groups

Although Fintech has greatly expanded access to financial services, it has also, in some cases, excluded certain social groups from fully benefiting from these advancements. A major issue is the digital divide: individuals who lack access to smartphones, the internet, or even basic digital literacy skills are at a disadvantage when it comes to using Fintech services. In rural and remote areas of Vietnam, where internet connectivity is limited, many people remain excluded from digital financial services. Additionally, individuals who are not familiar with technology—such as the elderly or those with low levels of education—are often unable to take full advantage of Fintech platforms. This technological gap can create a form of financial exclusion, where certain populations are unable to access the benefits of financial innovation, such as easier payments, digital loans, or investment opportunities. This problem may exacerbate existing inequalities, leaving vulnerable groups at a greater disadvantage and widening the gap between the digitally connected and the disconnected.

Fourthly, over-indebtedness and financial instability

Another concern with the rapid growth of Fintech is the potential for over-indebtedness. The rise of digital lending platforms and micro-loans, often with quick approval processes and high-interest rates, has made it easier for individuals to access credit. While this can be beneficial for those who need short-term financial assistance, it can also lead to irresponsible borrowing and a cycle of debt. Many borrowers,

especially those with limited financial knowledge, may take out loans without fully understanding the repayment terms, interest rates, or the long-term consequences of borrowing. This can lead to a situation where people become over-indebted and unable to repay their loans, thus falling into financial instability. As digital lending platforms are often less regulated than traditional financial institutions, the risk of predatory lending practices is also high, further exacerbating the problem.

Fifthly, job displacement and the impact on traditional financial services

While Fintech has created many new job opportunities, it has also led to job displacement, particularly in traditional financial services. As Fintech platforms automate many financial processes, such as payments, loans, and investment management, the need for traditional banking staff, insurance agents, and other financial intermediaries has declined. This has affected many employees who were previously employed in traditional banks, insurance companies, and lending institutions. For workers in these sectors, the transition to the digital economy may be difficult, especially if they lack the necessary skills to work in the Fintech industry. This can lead to unemployment or underemployment, particularly among older workers or those without access to retraining opportunities. The shift toward digital financial services could, therefore, contribute to rising inequality and create economic challenges for those unable to adapt to the changing job market.

4. Some solutions to enhance the positive impacts and minimize the negative social impacts of fintech in Vietnam

To maximize the positive impacts and minimize the negative effects of Fintech on society in Vietnam, a comprehensive set of solutions must be implemented at the levels of government regulation, businesses, and consumers. Below are some specific solutions:

Firstly, improving the legal framework and strengthening fintech regulation

To ensure the sustainable and safe development of Fintech in Vietnam, the improvement of the legal framework is a prerequisite. Currently, while Fintech is growing rapidly, many areas still lack clear legal regulations, which poses risks not only for businesses but also for consumers. Regulatory bodies such as the State Bank of Vietnam, the Ministry of Finance, and the Ministry of Public Security need to coordinate to issue and update legal regulations related to Fintech,

especially in areas like data protection and transaction safety. These regulations should ensure that all Fintech services operate transparently, protect user rights, and create a healthy competitive environment among businesses. Additionally, strict supervision of Fintech companies must be implemented to ensure that only licensed firms, meeting financial and security standards, are allowed to operate. This will help reduce legal risks and prevent the misuse of financial technologies for illicit activities. At the same time, establishing regular dialogue mechanisms between the government and Fintech companies is crucial. Through such dialogues, the government can listen to the challenges and difficulties faced by Fintech businesses during their development. This will help adjust policies in a flexible and timely manner to keep up with the rapid pace of technological change, ensuring that regulations protect consumers while not hindering innovation and business creativity.

Secondly, promoting digital financial literacy and raising consumer awareness

One of the key factors to fully harness the benefits of Fintech is enhancing awareness and technological skills for consumers. Currently, not everyone has the necessary knowledge to use digital financial services safely and effectively, especially older individuals or those living in remote areas. Implementing digital financial education programs is essential so that people can access and use Fintech services responsibly. National awareness campaigns about Fintech should be intensified, helping consumers understand digital financial products, identify potential risks, and learn how to protect their personal information when transacting online. Moreover, digital financial education should be integrated into the educational system from secondary schools to universities. This will allow young people to be introduced to and familiarize themselves with digital financial services early, thereby improving their financial and technological skills. In particular, programs focused on digital financial literacy should emphasize skills to protect oneself from online fraud and use Fintech services securely. When consumers have the necessary knowledge and skills, they will not only avoid risks but also be able to maximize the benefits offered by Fintech.

Thirdly, enhancing the application of security and cybersecurity technologies

Information security and cybersecurity are top concerns when discussing the development of

Fintech. Fintech companies in Vietnam need to invest heavily in security technologies to protect customers' personal information and financial data from cyberattacks. This will not only build consumer trust in Fintech services but also help prevent financial fraud and cybercrimes. Modern security technologies, such as data encryption, two-factor authentication, and artificial intelligence in detecting suspicious transactions, should be widely implemented. Additionally, there should be close cooperation between Fintech companies, financial institutions, and government agencies to share information about cybersecurity threats and coordinate responses to cyberattacks. Regulatory authorities must also increase monitoring and periodic security audits of Fintech platforms to ensure that companies comply with information safety standards. At the same time, establishing consumer support centers to assist and protect users facing security or cybersecurity issues is essential, helping to reassure people when using Fintech services.

Fourthly, developing a comprehensive and integrated digital infrastructure

Developing digital infrastructure is a core factor for Fintech to reach all segments of society, especially in rural and underserved areas. Currently, some regions in Vietnam still lack full access to the internet and digital services, which creates inequality in benefiting from Fintech. The government needs to continue investing in the development of internet infrastructure, ensuring that people in remote areas can also access digital financial services conveniently. Telecommunication services should be upgraded to meet the demand for high-speed and stable internet access, supporting seamless transactions and the use of Fintech applications. At the same time, it is essential to implement technical support programs for citizens to help them access and use digital technologies. In particular, training and support programs for low-income individuals or those who are not familiar with using technological devices should be provided. This will help reduce the digital skill gap between different groups of people and ensure that everyone has the opportunity to access and benefit from Fintech's development.

Fifthly, promoting collaboration between fintech and traditional banks

To alleviate pressure on traditional banks and create a harmonious financial ecosystem, it is

essential to promote collaboration between Fintech companies and banks. Rather than engaging in fierce competition, both parties can collaborate to create innovative financial products and services that benefit both businesses and consumers. Traditional banks can leverage advanced technologies from Fintech to improve their services, while Fintech companies can use the extensive customer networks of banks to expand their market share. This collaboration will not only help reduce competitive pressure but also generate many innovative financial products that meet the diverse needs of customers. The government should also encourage these collaborative models through preferential policies or tax incentives, contributing to the development of a comprehensive and sustainable financial ecosystem in Vietnam.

Conclusion: The development of Fintech in Vietnam has brought many positive social benefits, enhancing access to financial services, promoting the digital economy, and improving the efficiency of both businesses and individuals. However, alongside these positive impacts, Fintech also presents several challenges, including risks to information security, financial fraud, and the widening inequality in technology access. To fully harness the benefits of Fintech while minimizing its negative effects, strong collaboration between all stakeholders, including the government, businesses, and consumers, is required. Improving the legal framework, enhancing financial literacy, investing in digital infrastructure and security technologies, and promoting collaboration between Fintech companies and traditional banks are crucial solutions for guiding the sustainable and socially beneficial development of Fintech. Only through the coordinated implementation of these measures can Vietnam fully unlock the potential of Fintech, making it a vital tool for economic growth and improving the quality of life for its citizens.

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