

# CURRENT SITUATION OF FINTECH DEVELOPMENT IN COUNTRIES AROUND THE WORLD AND IN VIETNAM

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**Abstract:** *In recent years, financial technology (Fintech) has emerged as a prominent trend globally, significantly changing the way traditional financial services are provided. Fintech encompasses the combination of finance and technology, offering various conveniences such as electronic payments, personal financial management, online investing, and lending through digital platforms. The robust development of Fintech is not only occurring in developed countries but is also spreading to many emerging markets, including Vietnam. Globally, Fintech has been rapidly advancing with significant strides in major markets such as the United States, China, and the United Kingdom. These countries have established a strong Fintech ecosystem, supported by government backing, developed technological infrastructure, and abundant investment capital. In contrast, in Vietnam, despite being an emerging market, Fintech has witnessed remarkable growth, particularly in the fields of digital payments and digital finance, thanks to the increase in internet users and mobile device penetration. This article aims to analyze the current status of Fintech development worldwide and in Vietnam, clarifying the opportunities and challenges faced by Fintech enterprises. Additionally, the article will provide several recommendations to promote sustainable Fintech development in the context of globalization and digital transformation.*

• Keywords: *fintech, global, Vietnam, digital finance, digital transformation.*

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## 1. Introduction

In the context of globalization and the rapid advancement of technology, Fintech (financial technology) has become an indispensable trend, transforming the way traditional financial services are provided and accessed. Innovations in this field not only help optimize financial processes but also provide convenience, transparency, and cost savings for users. Services such as electronic payments, personal financial management, online investing, and digital lending are gradually becoming popular choices, replacing traditional methods. Fintech is not only developing in advanced economies like the United States, the United Kingdom, and China, but it is also spreading to many emerging markets where the demand for digital financial services is increasingly high. These countries, thanks to government support and favorable policies, have built a robust Fintech ecosystem with active participation from both startups and major financial corporations. They have succeeded in applying technology to address issues related to payments, credit, and investment. In Vietnam, a rapidly developing economy, Fintech has also made significant progress, particularly in the fields of electronic payments and digital finance. With the widespread availability of the internet and

smartphones, Vietnamese citizens are increasingly able to access Fintech services, ranging from money transfers and bill payments to investing and borrowing. However, alongside the vast opportunities, Fintech in Vietnam still faces numerous challenges, including an incomplete legal framework, security risks, and user trust issues. Therefore, researching the current status of Fintech development is not only important for identifying successes but also for highlighting the challenges that need to be addressed. This article will provide an overview of Fintech development worldwide and in Vietnam, along with recommendations to promote sustainable Fintech growth in the context of globalization and digital transformation.

## 2. Current situation of fintech development worldwide

The development of Fintech worldwide is strongly driven by several factors, including the explosion of the internet, the demand for convenient and low-cost financial services, as well as advancements in technologies such as artificial intelligence (AI), blockchain, and big data. Below are some key highlights regarding the current status of Fintech development in several leading countries around the world.

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### 2.1. The development of fintech in the United States

The United States is one of the leading countries in the world in financial technology (Fintech), with strong and diverse development across payment, lending, investment, and personal financial management sectors. Fintech in the U.S. has completely transformed the way consumers and businesses access financial services, providing numerous conveniences and effective solutions. The growth of Fintech in the U.S. has made significant strides, positioning the country as a global center for financial technology.

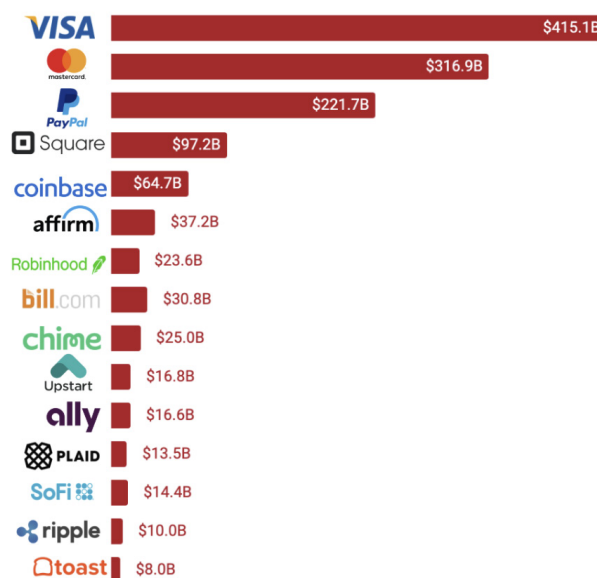
One of the key factors contributing to this development is the emergence of large Fintech companies, such as PayPal, Square, and Stripe. Founded in 1998, PayPal has become one of the largest electronic payment platforms globally, completely changing the way online transactions and international money transfers are conducted, enabling consumers and businesses to carry out financial transactions quickly and securely. Square, established in 2009 by Jack Dorsey, has revolutionized the way small and medium-sized enterprises accept credit card payments through convenient mobile devices and POS systems, simplifying the payment process and increasing business efficiency. Meanwhile, Stripe, a young and dynamic Fintech company, stands out with its online payment services for digital businesses. Stripe provides integrated payment API solutions that easily embed into online platforms, allowing startups and large enterprises to scale their operations globally without encountering complex payment system barriers.

The development of these companies is just a small part of the broader picture of the Fintech industry in the U.S. In addition to electronic payments, other areas such as peer-to-peer (P2P) lending, personal financial management, and online investing are also growing rapidly. Platforms like LendingClub and SoFi have transformed the approach to personal and business finance, enabling individuals to easily borrow money and invest without going through traditional financial institutions. Companies like Robinhood have also fueled the boom in stock trading and online investing, providing easy investment opportunities for millions of users with just a click on their phones.

Moreover, the Fintech ecosystem in the U.S. is reinforced by a relatively flexible regulatory environment that allows startups to experiment with new business models. The U.S. government and

financial regulatory agencies have implemented various policies to support innovation and creativity in this sector, providing Fintech businesses with the space to grow. Additionally, with abundant venture capital funding, Fintech companies in the U.S. have the opportunity to access substantial financial resources to expand operations and innovate technology.

**Figure 1. Market valuation of fintech unicorns in the USA market valuation in \$ billion**



Source: CFTE

It is evident that the United States is at the forefront of building and developing the Fintech industry, with the emergence of many innovative startups and advanced payment platforms. The combination of modern technology, a flexible regulatory environment, and strong support from investors has created a robust Fintech ecosystem that not only changes the way financial services are accessed domestically but also has a significant impact globally.

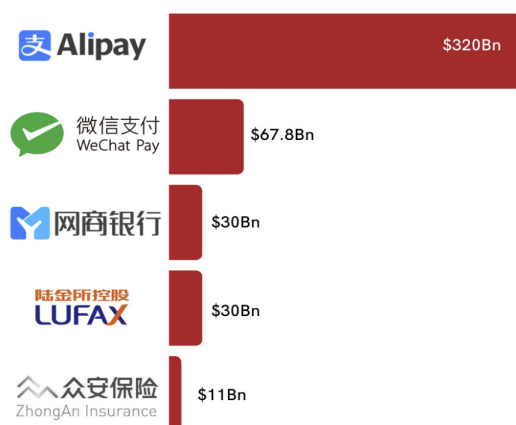
### 2.2. The Development of fintech in China

China is one of the pioneering countries in the Fintech sector, with the rapid and robust development of financial technologies. The Fintech boom in China has transformed the entire financial ecosystem, encompassing electronic payments, lending, personal finance management, insurance, and investment. The country has become the largest Fintech market in the world, surpassing even the United States in terms of the number of users, transaction volume, and market scale.

One of the notable features of Fintech in China is the remarkable growth of electronic payment services.

According to data from the People's Bank of China (PBOC), the value of mobile payment transactions in China reached 393.9 trillion yuan (approximately 60.5 trillion USD) in 2020, an increase of 24.5% compared to the previous year. The mobile payment system is dominated by two giants: Alipay from Alibaba Group and WeChat Pay from Tencent. Alipay holds over 55% of the mobile payment market share in China, while WeChat Pay accounts for about 39%. Both of these platforms have become an integral part of daily life for the Chinese people, facilitating online shopping, bill payments, and transactions at stores and restaurants.

**Figure 2. Market valuation of fintech unicorns in China market valuation in \$ billion**



Source: CFTE

The robust development of electronic payments in China is driven by a vast digital ecosystem and the widespread adoption of smartphones. As of 2021, China had approximately 1.1 billion mobile phone users, of which more than 850 million utilized mobile payments. This development is not limited to major urban areas like Beijing and Shanghai but has also expanded into rural regions, enhancing financial access for millions of people.

The peer-to-peer (P2P) lending sector is also a highlight of Fintech in China. Platforms such as Lufax and Ant Financial have enabled millions of individuals and small businesses to access loans without going through traditional banking systems. By the end of 2020, the total value of online loans in China was estimated to exceed 1.5 trillion yuan (approximately 230 billion USD). However, this sector also faces numerous risks and challenges related to management and supervision. The explosion of P2P lending platforms has led to several financial scandals, prompting the Chinese government to intervene more forcefully in regulating and overseeing this activity.

By 2021, many P2P platforms had been shut down or forced to change their business models to comply with new regulations.

China also plays a significant role in the development of blockchain technology and cryptocurrencies. The Chinese government has recognized the potential of blockchain and has implemented a national strategy for its development. By 2020, China held approximately 25% of the global total of blockchain-related patents. Major banks and companies in China are actively experimenting with blockchain across various sectors, including payments, supply chain management, and financial services.

One of the prominent moves by the Chinese government is the development of the central bank digital currency (CBDC), known as e-CNY. This is China's first national cryptocurrency project, piloted in several major cities such as Shenzhen, Suzhou, and Beijing. E-CNY is expected to gradually replace cash and create an entirely new digital payment system, with management and control from the central bank. By 2021, over 140 million people had registered to use e-CNY, with a total transaction value exceeding 87.5 billion yuan.

The asset management and online insurance sectors are also rapidly developing in China, thanks to the emergence of Fintech platforms. Yu'e Bao, a wealth management product from Alipay, has become the largest money market fund in the world, boasting over 600 million users. This fund allows users to easily transfer money from their payment accounts to investment accounts with just a few clicks, generating annual returns that significantly exceed traditional savings interest rates.

In the insurance sector, Fintech companies like ZhongAn have opened a new market with online insurance products. ZhongAn is China's first digital insurance company, offering fully online insurance products ranging from health insurance to travel insurance. In 2020, ZhongAn served over 500 million customers, with more than 10 billion insurance contracts signed through its online platform.

The rapid development of Fintech in China is closely linked to the crucial role of the government and supportive policies. The Chinese government has taken proactive steps to promote innovation in the digital finance sector. Financial regulatory agencies, such as the People's Bank of China and the China Banking and Insurance Regulatory Commission, have implemented various policies and regulations



aimed at fostering sustainable Fintech development while minimizing risks related to fraud and security. Additionally, China has made significant investments in digital infrastructure, including 5G networks and big data systems, facilitating the growth of Fintech companies. By 2021, China had over 40 major cities covered by 5G, supporting the rollout of new-generation Fintech services.

### 2.3. The development of fintech in the UK

The United Kingdom is one of the world's leading financial centers and a pioneer in the development of financial technology (Fintech). With a combination of a favorable regulatory environment, advanced financial infrastructure, and a highly skilled workforce, the UK has become one of the most dynamic Fintech markets globally. London, the capital of the UK, is regarded as the "Fintech hub" of Europe, attracting Fintech companies and investors from around the world. The development of Fintech in the UK is not limited to the payments sector; it also extends to areas such as lending, investment, insurance, and asset management.

According to a report by Innovate Finance, in 2021, Fintech companies in the UK raised \$11.6 billion from investors, accounting for approximately 50% of the total Fintech investment in Europe. This figure is double that of 2020, indicating a strong boom in the industry. London ranks at the top of the list of leading Fintech cities worldwide, competing with major financial centers like New York and San Francisco.

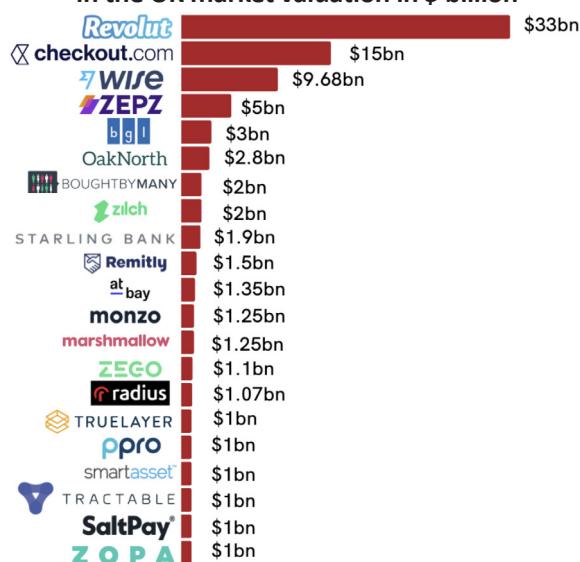
With over 2,500 Fintech companies operating in the UK (according to Deloitte data from 2021), the country has the highest number of Fintech firms in Europe. Many prominent startups like Revolut, Monzo, Starling Bank, and Wise (formerly TransferWise) have quickly become "unicorns" in the global Fintech scene, each valued at billions of dollars. These companies are not only changing the way financial transactions are conducted but also offering innovative solutions to enhance user experience in traditional financial services.

One of the most rapidly growing areas of Fintech in the UK is digital banking and electronic payments. Digital banks like Revolut, Monzo, and Starling Bank have attracted millions of customers by providing convenient banking services through mobile applications, eliminating the need for physical branches, and minimizing service fees. Revolut, one of the fastest-growing digital banks in the UK, had over 18 million users globally by the end of 2021.

Revolut offers a wide range of services, from account management and international money transfers to cryptocurrency trading and insurance services. Monzo and Starling Bank have also attracted millions of users in the UK, thanks to user-friendly features such as automatic spending management, easy account creation through mobile apps, and 24/7 customer support. While Monzo focuses on creating a simple and intuitive banking experience, Starling Bank stands out with solutions tailored for small businesses, enabling them to manage their finances more easily.

According to UK Finance data, by 2020, over 40% of consumers in the UK used digital banking services as their primary means of managing personal finances. This percentage continues to rise as traditional banks are forced to undergo digital transformations to compete with Fintech companies. The peer-to-peer (P2P) lending and online lending sectors have also seen robust growth in the UK, led by platforms like Funding Circle, Zopa, and RateSetter. These platforms allow users to borrow and lend directly to one another, bypassing traditional financial intermediaries like banks. Funding Circle, established in 2010, is one of the largest P2P lending platforms in the UK, having lent over £13.7 billion (approximately \$18.4 billion) to small businesses globally by the end of 2021.

**Figure 3. Market valuation of fintech unicorns in the UK market valuation in \$ billion**



Source: CFTE

Zopa, one of the oldest P2P lending companies in the UK, transformed into a fully digital bank in 2020, expanding its services to include traditional banking products but with a fully digitized model. Since its

inception, Zopa has provided over £6 billion (about \$8 billion) in loans. According to a report by Nesta, the P2P lending market in the UK reached over £8 billion in 2020 and continues to grow due to demand from individual users and small businesses.

The UK is also one of the pioneering countries in the development and application of blockchain technology. Many Fintech startups in the UK have utilized blockchain to enhance financial services, particularly in the areas of payments and security. Elliptic, a Fintech company based in London, uses blockchain to monitor and analyze cryptocurrency transactions, helping to detect fraud and money laundering. Elliptic has attracted the attention of banks and financial institutions worldwide.

Cryptocurrency has also become an essential part of the Fintech ecosystem in the UK. Cryptocurrency trading platforms like Bitstamp, Binance, and Coinbase have established a presence in the UK, attracting millions of users who trade cryptocurrencies daily. The UK government and the Financial Conduct Authority (FCA) have also begun to develop regulatory frameworks to oversee cryptocurrency activities, aiming to ensure transparency and safety for users. Fintech in the UK is not only growing in banking and lending but is also expanding into the insurance sector, with the emergence of Insurtech companies. Companies like Zego and Lemonade have provided flexible and accessible insurance solutions through mobile applications. Moreover, traditional insurance companies in the UK have also begun to adopt Fintech technology to digitize their services, enhancing efficiency and improving customer experience.

### 3. Current situation of fintech development in Vietnam

Financial technology (Fintech) has been rapidly developing in Vietnam in recent years, becoming one of the sectors attracting significant interest from investors and the startup community. Vietnam has a large percentage of young people who are tech-savvy and can quickly access online services. As a result, Vietnam is gradually emerging as a potential market for the Fintech boom. The growth of Fintech in Vietnam is driven by various factors, including the increase in internet and smartphone usage, the trend towards cashless payments, and government support in promoting digital transformation. However, this sector also faces considerable challenges regarding legal frameworks, information security, and building user trust.

Electronic payments are one of the most rapidly developing areas in the Fintech ecosystem in Vietnam. The swift rise of e-wallet services and payment gateways has encouraged people to shift from cash payments to cashless methods. The leading e-wallets in Vietnam include MoMo, ZaloPay, VNPAY, and Moca (from Grab). Among these, MoMo is the largest e-wallet, with transaction volumes reaching billions of USD each year. The popularity of MoMo and other e-wallets demonstrates the significant potential to change the payment habits of the Vietnamese people.

Figure 4. Fintech Vietnam startups map



Source: Hyperlead, 2023

Peer-to-peer lending (P2P Lending) is a rapidly developing area of Fintech in Vietnam, allowing users to access loans quickly without going through the complex procedures of traditional banks. Some notable P2P Lending companies such as Tima, Vay Mượn, and Interloan have developed platforms that connect borrowers with lenders. However, this sector also faces many challenges regarding legality and transparency. Currently, there is no specific legal framework for P2P lending operations in Vietnam, making it difficult for some P2P Lending companies to build trust with users. Regulators are also concerned about risks related to unsecured loans and the potential growth of illegal lending.

Although Vietnam does not yet have a clear legal framework for cryptocurrency, blockchain technology has garnered significant attention from investors and domestic businesses. Many Fintech companies in Vietnam have applied blockchain in financial solutions, ranging from developing cryptocurrency trading platforms to asset management and information security. In addition to these areas, digital insurance (Insurtech) is also beginning to develop in Vietnam, with the emergence of several startups in the online insurance field. Companies like Papaya, Inso, and FWD are exemplary in providing flexible and easily accessible insurance products through digital platforms.

The Vietnamese government has implemented various policies and programs to promote the development of Fintech. In 2020, the State Bank of Vietnam issued a plan to develop cashless payments for the period 2021-2025, aiming for at least 50% of the Vietnamese population to use cashless payment services by 2025. This plan is seen as a crucial driving force for the development of Fintech, particularly in the payment sector. Additionally, the government has launched several programs to promote innovative startups, including Fintech companies, such as the National Innovation Fund (NATIF) and support centers for startups in major cities. However, a significant challenge for Fintech in Vietnam is the lack of a complete and unified legal framework to regulate the activities of Fintech companies, especially in areas like P2P lending and cryptocurrency.

While Fintech in Vietnam has achieved significant milestones, the sector still faces many major challenges. An incomplete legal framework, underdeveloped technological infrastructure, and information security issues are key barriers. Moreover, user trust in Fintech products and services remains low, especially for complex digital financial products like online lending and cryptocurrencies. Nevertheless, Vietnam also faces many significant opportunities to promote the development of Fintech. The rise of the internet and mobile devices, along with the increasing demand for convenient and flexible financial services, creates favorable conditions for Fintech companies to expand their markets. The government is also working to build and improve the legal framework to create a more conducive environment for the sustainable development of Fintech.

#### 4. Some solutions to promote fintech development in Vietnam

To promote the sustainable development of the Fintech sector in Vietnam, several key solutions can be implemented.

**First**, it is essential to improve the legal framework by establishing and refining policies to create a clear and flexible legal framework for Fintech activities such as electronic payments and peer-to-peer lending. This will facilitate Fintech businesses to operate in a stable and transparent legal environment.

**Second**, enhancing collaboration among stakeholders is crucial. The government should encourage partnerships between traditional banks and Fintech companies to leverage new technologies and create a wider variety of financial products that better meet consumer needs. Moreover, organizing forums

and workshops will provide opportunities for Fintech startups, banks, and regulatory agencies to meet, share experiences, and seek cooperation opportunities.

**Third**, investing in technological infrastructure is also an important solution. The government needs to upgrade telecommunications infrastructure to ensure that the internet and mobile networks are robust enough to support Fintech services, especially in rural and mountainous areas. Simultaneously, developing security technology should be prioritized to enhance consumer trust in online financial services.

**Fourth**, training and raising awareness about Fintech are indispensable. It is necessary to develop specialized training programs in Fintech for students and professionals in the finance sector to prepare a high-quality workforce for this field. Additionally, organizing communication campaigns to raise consumer awareness of the benefits and risks of Fintech services is also an important task.

**Fifth**, promoting innovation is a key factor in the development of the Fintech sector. The government and organizations need to support incubator and accelerator programs for Fintech startups, facilitating the realization and development of innovative ideas. At the same time, encouraging research and development of new technologies will enhance competitiveness and innovation within the industry.

**Sixth**, it is necessary to promote the application of new technologies such as blockchain, artificial intelligence (AI), and big data to optimize business processes and enhance customer experience.

**Finally**, fostering international cooperation is also an important solution. Opportunities should be created for Vietnamese Fintech companies to participate in global networks, share experiences, and learn from developed markets. At the same time, seeking foreign investment partners will help enhance the financial and technological capabilities of domestic startups.

In summary, by implementing these solutions, Vietnam can create a favorable environment for the sustainable development of the Fintech sector, contributing to the robust transformation of the digital economy in the future.

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