



Highlight

Vietnam targets to become a cashless country

VIETNAM BUSINESS REVIEW

What's in it today?

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FINANCE

Vietnam targets to become a cashless country
Fintech service usage in Vietnam increases 3.5 times in 4 years



INVESTMENT

Japanese businesses keep injecting money into Vietnam
Australian businesses keen on investing in Ba Ria-Vung Tau



RETAIL

G Market- the first Vietnamese digital retail platform debuts



E-COMMERCE

Vietnam to be fastest-growing e-commerce market in Southeast Asia by 2026



ENERGY

Offshore wind power capacity of Vietnam to reach 36 GW by 2045
Vietnam among top 10 countries with largest installed solar power capacity



LOGISTICS

Vietnam-Malaysia-India container shipping route to be inaugurated
Railways proposed to serve Vietnam's major ports

FINANCE

Vietnam targets to become a cashless country

Vietnam will continue to implement new technologies and policies in its bid to become a cashless country, said banking experts and policymakers in a conference in 19 November discussing the current situation of cashless technology in the country.



Speaking at the event, the governor of the State Bank of Vietnam (SBV), Nguyen Thi Hong, said the central bank has established numerous policy frameworks for the implementation of electronic payment technologies, such as personal bank accounts based on electronic Know-Your-Customers tech, mobile money and other payment methods including using QR code and chip cards.

In addition, payment solutions and infrastructure have been developing rapidly and integrated with a wide variety of products and services. They have been well-received by consumers for their security, speed and convenience. Government support policies during the pandemic, which included e-banking fee reductions and other incentives to encourage consumers to reduce cash-based transactions, have resulted in the rapid development of cashless payment technology in the country.

Since 2020, banks have cut over VND 2 trillion in banking fees and processed 80 per cent of all personal banking transactions free of charge.

According to SBV Deputy Governor Pham Tien Dung, 95 per cent of all financial institutions in Vietnam have been developing their own digitalization strategy. Currently, over 80 banks have offered customers e-banking services; 44 banks have offered mobile banking services and 45 Fintech firms offer payment intermediary services. Across the country, there are currently over 90,000 stores that accept QR code payments and nearly 300,000 PoS terminals.

Vietnam's objectives, in the near future, is to continue to support banking and payment technologies, to connect isolated and rural parts of the country with banking systems, to provide small-amount transactions electronically nationwide, to provide 24/7 automatic financial services and to update electronic payment security features.

In addition, SBV is to work closely with the press in an effort to encourage Vietnamese consumers to switch to cashless payments with an emphasis on security, speed and convenience.

"Making the switch to cashless payments will result in reduced risks for consumers, lower operating costs for financial institutions and improved transparency," said Le Thi Thuy Sen, head of SBV's Public Communication Department.

During the first nine months of the year, the number of transactions done using the electronic banking system increased by 1.88 per cent and 42.58 per cent in value compared to the same period last year. The number of internet payments increased by 51.16 per cent.

By the end of September, the number of personal bank accounts reached nearly 111 million, a 15.4 per cent increase compared to the same period in last year. VNS

[Back to top](#)

Fintech service usage in Vietnam increases 3.5 times in 4 years

In only four years, the rate of Vietnamese using services of Fintech companies has increased from 16% to 56%. Finance and banking is one of the fields experiencing the strongest digital transformation process, said Bruce Deltiel, Managing Director of McKinsey & Company Vietnam during a recent talk held by the Central Economic Commission and IEC.

Bruce said that digital transformation in the financial and banking industry is changing very quickly. A recent personal finance survey conducted by McKinsey shows that the rate of people using digital banking services at least once a month in Vietnam is 82%, double the previous survey (41%).

The proportion of users of services of Fintech (financial technology) companies in Vietnam has increased from 16% in 2017 to 56% in 2021. McKinsey & Company said the scale of Vietnam's digital ecosystem is estimated at \$50 billion and could increase to \$100 billion by 2025.

Digital users can start their journey from e-commerce platforms, then progress to payment and use of digital banking services. To foster the ecosystem, a seamless experience for users is needed. According to Bruce, unlike many other emerging markets in Asia, cash is still "king" in all payment segments in Vietnam.

However, the level of openness of Vietnamese users to e-commerce is very high. Consumers are willing to spend digitally, even with complex financial products involving mortgages, investments, and insurance contracts.

In Vietnam, 70% of respondents said they were willing to make a purchase on digital channels, but less than 30% actually did so. The large gap indicates the lack of necessary technical services, the lack of information or an acceptable reason for users to accept the digital transaction channel.

Half of respondents to a survey conducted by McKinsey & Company cited poor digital experiences as the top reason for their decision to change banks. Banks therefore must strengthen the provision of new digital services to compete to make a difference.

"In the coming years, the personalization of digital financial services will be very important. When users use the service, the banking app must know who that person is and make recommendations that suit their individual taste instead of a common product for everyone," said the representative of McKinsey & Company.

Discussing the trend of cashless payment in Vietnam before and after the Covid-19 pandemic, Tran Manh Nam, Head of VNPAY card payment service department, said that people and businesses understand the value of cashless payments.

The technology of electronic payments before and after the pandemic is not different, but its application is. It is still the same payment method, such as scanning QR codes, or paying by cards, but the applicability is now very high. In addition, the coordination between payment solution providers and businesses is getting better, Nam said.

It is not possible to require the buyer to pay by one method or another. The choice of payment method is entirely up to the consumer. However, if there is an "all in one" payment solution, it will be better for everyone.

Nam said that the non-cash payment habit will continue to be promoted in Vietnam after the pandemic.

Previously, because of habit, users were afraid to change. The Covid-19 pandemic forced people to switch to cashless payments more, helping them understand the value of cashless payments. Even after the pandemic, when it is convenient, people will still use this payment method, Nam said. VNN

[Back to top](#)

E-COMMERCE

Vietnam to be fastest-growing e-commerce market in Southeast Asia by 2026

Vietnam is expected to be the fastest-growing e-commerce market in Southeast Asia by 2026, with e-commerce Gross Merchandise Value (GMV) reaching 56 billion USD by 2026, 4.5 times the estimated value of 2021, according to a report by Facebook and Bain & Company.

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In the annual SYNC Southeast Asia report which looks at the digital economy in the region, the two big market observers said located in a vibrant part of the world, Vietnam is at the forefront of driving change and seizing opportunities to thrive based on digital transformation in a post-pandemic future.

The study surveyed about 16,700 digital consumers and more than 20 C-level employees in six Southeast Asian countries, including 3,579 survey participants from Vietnam. The report described Southeast Asia as a leader of digital transformation in Asia-Pacific and Vietnam as one of the best performers.

In Vietnam, seven out of 10 consumers have digital access and the country will have 53 million digital consumers by the end of 2021, the report said. The number of goods categories purchased by Vietnamese online shoppers this year went up 50 percent compared to 2020, while that of online stores in Vietnam also rose by 40 percent year-on-year, resulting a 1.5-fold increase in total online retail sales nationwide.

Some 49 percent of Vietnamese consumers switched to a new online marketplace within the last 3 months, based on considerations of price incentives (45 percent), product quality (34 percent), and availability of goods (33 percent).

For the first time, the payment using cash is at risk of being dethroned with a significant decrease from 60 percent in 2020 to only 42 percent in 2021. Safety, privacy and service fees are the three main concerns of Vietnamese consumers when considering these types of payment.

This year, Vietnamese people spent most of the time on using social networks, texting, watching videos, shopping online, and emailing. They used 72 percent of their time for regular activities at home instead of going out. VNA

[Back to top](#)

ENERGY

Offshore wind power capacity of Vietnam to reach 36 GW by 2045

Vietnam's offshore wind power capacity will increase 36 GW by 2045, according to the latest draft of the Power Development Master Plan VIII.



It will increase to 4 GW by 2030, 10 GW by 2035, 23 GW by 2040. Offshore wind power will account for some 2.6 percent of the total electricity generation capacity in 2030 and 10.8 percent in 2045. Offshore wind power farms will be located mainly in the north and the south of the country.

In the previous draft of the plan, the Ministry of Industry and Trade had set a target of lifting offshore wind power capacity to 2-3 GW, or 1.5-2

percent of the total, by 2030.

At a meeting held to discuss the latest draft Friday, Mathias Hollander, senior manager of the Global Wind Energy Council (GWEC), said Vietnam can have offshore wind power capacity of 5-10 GW by 2030. The country's offshore wind power generation has an efficiency of over 50 percent, similar to that of hydroelectricity, he noted.

According to GWEC calculations, Vietnam will have to invest \$10-12 billion for the first 4-5 GW of offshore power wind capacity, but wind is an infinite source, so the country will not have to keep feeding wind power farms as it does with coal or gas-fired plants.

Meanwhile, the unit cost for 1,000 kWh of electricity generated by an offshore wind power farm is around \$83, down from \$255 in 2010. It is expected to further drop to \$58 by 2025.

With a coastline of 3,260 km, low sea levels and high wind speeds (7-10 meters per second at a height of 100 meters), Vietnam is an emerging offshore wind power magnet in Southeast Asia, experts say. VNE

[Back to top](#)

Vietnam among top 10 countries with largest installed solar power capacity

Visual Capitalist has listed Vietnam among the world's top 10 for largest installed solar power capacity.

Country	Installed capacity, megawatts	Watts* per capita	% of world total
China 🇨🇳	254,355	147	35.6%
U.S. 🇺🇸	75,572	231	10.6%
Japan 🇯🇵	67,000	498	9.4%
Germany 🇩🇪	53,783	593	7.5%
India 🇮🇳	39,211	32	5.5%
Italy 🇮🇹	21,600	345	3.0%
Australia 🇦🇺	17,627	637	2.5%
Vietnam 🇻🇳	16,504	60	2.3%
South Korea 🇰🇷	14,575	217	2.0%
Spain 🇪🇸	14,089	186	2.0%
World total 🌐	713,970	83	100.0%

Vietnam ranks 8th place in the list of top 10 countries with largest installed solar power capacity (Photo: Screenshot from Visual Capitalist)

The website quoted data from the International Renewable Energy Agency (IRENA) which mapped the solar power capacity of each country during the year. This includes both solar photovoltaic (PV) and concentrated solar power capacity.

The results indicate that the country ranked in eighth place in the list, with the capacity of installed solar power nationwide reaching 16,504 MW, accounting for 2.3% of global capacity. Indeed, its solar power capacity reached 60 W per capita.

China remains as the undisputed leader in terms of solar installations, with 35.6% of global capacity, according to Visual Capitalist. The country has the world's largest wind and solar project in the pipeline, which could add a further 400,000MW to its overall clean energy capacity.

Following behind China is the United States, which reached 75,572 MW of solar power capacity, making up 10.6%.

The remaining countries among the top 10 include Japan with 9.4%, Germany with 7.5%, India with 5.5%, Australia with 2.5%, the Republic of Korea with 2%, and Spain with 2%.

[Back to top](#)

RETAIL

G Market- the first Vietnamese digital retail platform debuts

The first Vietnamese digital platform for retail necessities named G Market multi-function market was launched in Ho Chi Minh City on November 21.



The event was co-hosted by the municipal Department of Industry and Trade and Grove Fresh Group.

The platform offers over 10,000 key necessities through Farm/Factory-Hub-Door close-ended process.

Accordingly, goods are carefully selected from qualified farms and factories (Farm/Factory), transported and stored in the best temperature conditions at a specialized warehouse system (Hub). At Hub, the products are checked, screened, packed and delivered

to customers (Door) in the fastest time by the staff.

A Grove Fresh representative said for each order successfully placed on www.gmarket24h.com, customers will be given a unique code. By entering the code at the smart automatic warehouse to get the goods, customers could also choose door-to-door delivery in case they do not have time or do not want to directly pick them up.

The application of technology in integrating the website www.gmarket24h.com with intelligent automated warehouses throughout Ho Chi Minh City helps ensure the most flexible delivery time according to the customers' schedule, minimizing human contact or loss of goods.

Since the fourth COVID-19 outbreak, Grove Fresh Group has actively partnered with Ho Chi Minh City in the supply of goods, especially necessities via its retail and wholesale models on both face-to-face and online platforms. VNA

[Back to top](#)

LOGISTICS

Vietnam-Malaysia-India container shipping route to be inaugurated

The Vietnam Maritime Corporation (VIMC) announced on November 23 that it will inaugurate a container shipping route linking Vietnam, Malaysia and India on November 25.



A VIMC representative said the route is expected to ease pressure on cargo transportation, stabilize the supply of transport services and support domestic firms.

On October 26, the first Vietnamese container ship passed through Malacca Straits to bring goods to Malaysia and India - major markets of the domestic exporters and importers.

The Hai Phong – Klang Port – Calcutta – Klang Port – SP-ITC route will link Ho Chi Minh City and Hai Phong’s ports with the largest gateways of India, saving transport time by over 10 days.

Next year, VIMC will continue investing in a fleet of specialized, high-capacity and modern container ships, seeking cooperation opportunities with foreign partners, perfecting its management model to become a national container transport group.

Due to COVID-19 pandemic, Vietnamese exporters and importers incurred higher logistics costs, including container shipping costs on waterway. Delivery time also prolonged, affecting their orders and prestige.

[Back to top](#)

Railways proposed to serve Vietnam's major ports

Vietnam Railway Authority has suggested foreign investment could aid the construction of two railways to Lach Huyen and Cai Mep – Thi Vai international ports.



In a proposal sent to the Ministry of Transport Tuesday, Vietnam Railway Authority (VRA) said the railway project to Lach Huyen port in northern Hai Phong City would start from Du Nghia station of the Gia Lam – Hai Phong railway between Hanoi and Hai Phong.

The project will cost an estimated VND32.6 trillion (\$1.43 billion), with an expected capital recovery period of 25 years.

The other project proposed is the Bien Hoa – Vung Tau railway that would run 84 kilometers (52 miles) parallel with National Highway 51. It is expected to cost VND56.8 trillion and involve 19 years for capital recovery.

The railway will run through Cai Mep – Thi Vai port in Ba Ria – Vung Tau Province that borders Ho Chi Minh City.

Currently, goods from Vietnam's two major sea ports are mainly transported by road, leading to high logistics costs and resulting congestion. VNE

[Back to top](#)

INVESTMENT

Japanese businesses keep injecting money into Vietnam

Despite the adverse impacts caused by the COVID-19 pandemic, Japanese investors have continued to inject their money into the nation, according to industry insiders.



Most notably, the local retail and service industries have recently become more attractive to financiers from the East Asian country with a large capital inflow being poured into these fields.

This comes after Japanese global fashion retail brand Uniqlo officially opened its largest store in the country, thereby bringing the number of stores in the nation to nine just after two years after initially entering the Vietnamese market.

Furthermore, Japanese brand MUJI also opened its first store in Ho Chi Minh City last year and officially launched another shop in Hanoi in early July.

Tetsuya Nagaiwa, general director of MUJI Vietnam, said the company has chosen the nation as it is a promising market, adding that it plans to open between eight and 10 stores locally in the future.

Japan's AEON Group has also moved to expand its shopping malls in six provinces and cities across the country, with further intentions to start new investment plans soon.

Takeo Nakajima, chief representative of the Japan External Trade Organization (JETRO) in Hanoi, revealed that Japanese capital inflows have continued to pour into the nation, especially with the COVID-19 pandemic being brought under control.

May saw Japanese investor Fujikin Inc begin construction on a research and Development (R&D) centre in Da Nang, with the site featuring a total investment of US\$35 million.

Moreover, Sumitomo Group has continued implementing the second phase of the Thang Long Industrial Park in the northern province of Hung Yen, while also proceeding with the Van Phong 1 BOT Thermal Power Project.

Japanese firm NSG Vietnam Glass Industry Co., Ltd have also injected US\$626 million into deploying two production lines featuring a total capacity of 500 tonnes per day in the southern province of Ba Ria - Vung Tau, while there are also plans to operate the third production line, scheduled to be put into operation by the end of 2025.

According to experts, the launch of the eighth phase of the Vietnam-Japan Joint Initiative, coupled with the upcoming official visit to Japan by Prime Minister Pham Minh Chinh from November 22-25, are anticipated to create a wealth of opportunities for promoting economic, trade, and investment co-operation between the two sides.

On the sidelines of the 26th UN Climate Change Conference of the Parties (COP26) in the UK recently, PM Chinh and his Japanese counterpart Kishida Fumio agreed to maintain business and investment activities as the pandemic is gradually brought under control.

Japanese enterprises have invested approximately US\$3.4 billion in the Vietnamese market during the 10-month period, representing a year-on-year rise of 89.9% and increasing total registered capital in the country to nearly US\$64 billion so far. VOV

[Back to top](#)

Australian businesses keen on investing in Ba Ria-Vung Tau

Vietnam, especially the southern province of Ba Ria Vung Tau, represents a promising investment location for Australian investors, according to industry insiders.

The assessment was made at a virtual event to announce the report “A vanguard for advancing the Australia-Vietnam economic relationship” released by the Perth US Centre on November 23.

The report outlines that the Vietnamese economy is characterized by high-speed growth, open trade policies, and policy frameworks, all of which are designed to attract foreign investment, while the country’s participation in the international economic architecture has been instrumental behind its continued growth.

This has therefore paved the way for the nation to become a preferred destination for firms seeking alternatives to China as a manufacturing hub under the so-called “China plus one” strategy.

The industrialization process represents an engine for continued high-speed growth of the kind that will propel the nation to join the ranks of the world’s top 20 economies by 2050, the report noted.

It also pointed out several attractive factors in the eyes of Australian investors, such as an ideal geographic gateway for international trade for the greater Ho Chi Minh City metropolitan region, available infrastructure such as ports, international airports, and the location of national LNG import infrastructure.

These factors, coupled with the province's policy aimed at supporting local investment, have contributed to making Ba Ria - Vung Tau province a vanguard in terms of economic linkages between both countries, thereby turning the locality into one of the most attractive Vietnamese locations for foreign financiers, Kyle Springer, a Policy Fellow at the Perth USAsia Centre stressed.

Krista Dunstan, high commissioner in charge of Investment and Trade with ASEAN under the Government of Western Australian, revealed that bilateral trade ties have blossomed during the COVID-19 pandemic, particularly as exports surged by 25% to reach US\$1.6 billion last year.

Alongside Australian firms operating in the Vietnamese market such as BHP Group, BlueScope, and Interflour, other companies have continued to maintain a presence locally, including CBH Wheat Company and global shipbuilder Austal.

Rebecca Ball, senior trade and investment commissioner in Vietnam, said Australian firms has viewed Ba Ria Vung Tau as a potential locality to promote co-operation in the fields of energy, supply chain, logistics, and education.

Tran Van Tuan, vice chairman of the People's Committee of Ba Ria - Vung Tau province, shared that the locality is keen to attract foreign investment, including financiers from Australia, especially in four key economic sectors such as industry, seaport and logistics, tourism, and high-tech agriculture.

Ba Ria - Vung Tau also has great potential for the export of processed forestry and fishery products, with the locality being keen to seek an Australian partner in the area, he noted.

Vietnamese Ambassador to Australia Nguyen Tat Thanh emphasized that Ba Ria - Vung Tau is a locality with an important strategic geographical position, particularly as it is home to the country's largest seaport Cai Mep-Thi Vai.

She pointed out that trading ties between both sides have been consistently growing, with turnover reaching US\$10 billion during the initial 10 months of the year, up 50% against the same period from last year, noting that Australia-Vietnam Enhanced Economic Engagement Strategy has also opened up a wealth of opportunities for future economic co-operation.

Furthermore, the establishment of strategic partnership framework in 2018, coupled with the participation in new-generation FTAs such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Partnership Agreement and the Regional Comprehensive Economic Partnership (RCEP), are expected to provide a solid foundation for further development of joint economic ties. Indeed, Ba Ria Vung Tau can be viewed as an ideal focal point for efforts to upgrade Australia-Vietnam economic ties. VOV

[Back to top](#)

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