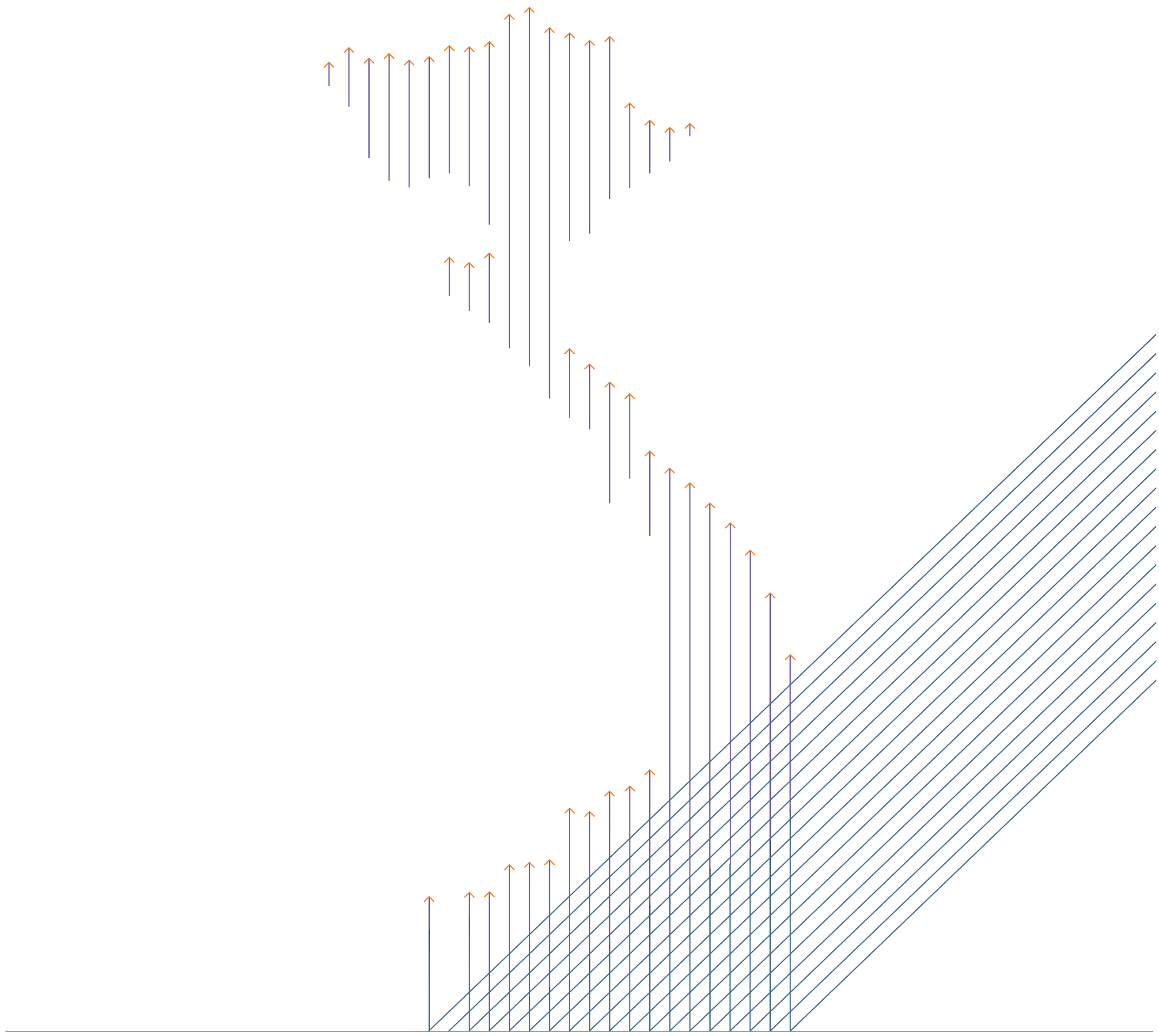
THE BURGEONING CONSUMER FINANCE MARKET IN VIETNAM



Happy Money

OXFORD METRICA

ABOUT OXFORD METRICA

Oxford Metrica is a strategic advisory firm, offering informed counsel to boards.
Our advisory services are anchored on evidence-based research in risk and financial performance.
Our work includes statistical analysis and index construction for banks and insurers, risk and performance analytics for asset managers, due diligence support in mergers and highly customised services for corporate boards.

ABOUT TECHMATE KOREA

Founded in 2009 with exclusively domestic capital, Techmate Korea is a consumer finance company that has achieved sustained growth through advanced technology, disciplined management systems, and a strong commitment to customer satisfaction. Its business model is built on four core pillars—growth, stability, asset soundness, and speciality—balancing expansion with strong risk and credit review processes. Over the past decade, the company has developed differentiated products and deep operational expertise, supporting high customer retention and repeat business. With a clear strategy to become the leading consumer finance provider in Korea and Vietnam through its subsidiary Happy Money, Techmate Korea is well positioned to capture regional growth opportunities while delivering long-term value for investors.

THE BURGEONING CONSUMER FINANCE MARKET IN VIETNAM

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FOREWORD

Dr Rory Knight is the Chairman of Oxford Metrica. Rory is a member of the John Templeton Foundation where he chaired investments. Formerly he was Dean of Templeton College, Oxford University's business college and before that the Vize-Direktor at the Schweizerische Nationalbank (SNB), the Swiss Central Bank.

Oxford Metrica has the pleasure of presenting, in association with Techmate Korea, this whitepaper which focuses on the burgeoning consumer finance (microfinance) market in Vietnam.

The Vietnamese economy is emerging as a regional economic hub in Southeast Asia, fizzing with talent and opportunity. The microfinance market in Vietnam has already attained the same absolute size as that of the Republic of Korea (South Korea), and the sector is expected to increase twofold in the next decade.

The expansion of the Vietnamese economy over the last fifty years is an economic miracle similar to that observed in the Republic of Korea. There are key indicators to suggest that there is room for more growth, including a largely unbanked population of approximately fifty million adults. The role of the microfinance market in fuelling this growth is considered critical. Vietnam introduced the Law on Credit Institutions (2024), which provides a regulatory framework for the orderly development of the microfinance market equivalent to the Loan Business Act (2002) in South Korea some two decades earlier. An orderly development of the microfinance market in South Korea contributed to its development, and that market is now fully mature. We expect the microfinance market in Vietnam to mirror the Korean experience.

There are many opportunities and challenges for investors in the microfinance sector, and there is understandably much competition. However, establishing a nationwide trusted brand with effective use of technology is the key to success.

The report is organised into five sections. After a section reviewing the macroeconomic and demographic context in Vietnam, we explore the microfinance sector in two sections dealing with the opportunities and challenges in this market. The penultimate section presents an exposition on the role of microfinance in the growth of emerging markets with reference to Vietnam and South Korea. The report concludes with a summary of the paper and its key findings.

We hope that this whitepaper stimulates interest in Vietnam, specifically the microfinance sector, and provides a helpful and insightful guide.

Dr Rory Knight
Chairman
Oxford Metrica

PREFACE

We are delighted to partner with Oxford Metrica in the presentation of this paper, which provides an exposition on the great potential we expect in the microfinance market in Vietnam. Our premise is that the Vietnamese microfinance sector will develop along a similar trajectory to that which we have experienced in South Korea. The Vietnamese market has already established the same scale as South Korea, as mentioned in the Foreword to this paper. We expect the pace of growth to be even greater in the coming years, particularly given the technological innovations now available.

We founded Techmate Korea twenty years ago at a similar stage in the maturity cycle as Vietnam is now. We were highly successful in managing a major consumer finance company in the South Korean market through the complete cycle from a nascent market to what is now a fully mature one. South Korea has a well-regulated consumer finance market, and the limit on interest charges has been systematically reduced from 66% to the current level of 20%. Although the regulation of the rate implies a reduced revenue stream, it reflects the maturity of the industry and the mitigation of inherent risk. We now have much more predictable streams of income, albeit with more moderate growth.

We entered the Vietnamese market with the creation of Happy Money prior to the introduction of the Loan Institutions Act (2024) in anticipation of the industry being regulated in a more orderly way. We were able to establish a strong position through organic growth and acquisitions. Happy Money now has 61 branches throughout the country and is already the second most recognised consumer finance operator in Vietnam.

Techmate Korea endows Happy Money with the managerial skills and experience from South Korea, combined with the systems and technology that we have developed over twenty years. We have merged this asset set with the local knowledge and management, and we are well placed to grow with the market in Vietnam with an increasing market share.

Our aim for Happy Money is for it to be the most trusted and recognised microfinance lender in Vietnam.

Shim Hyoung-Seok
Chairman & CEO
Techmate Korea

Mr Hyoung-Seok Shim is a distinguished business leader with decades of experience in financial services, corporate strategy, and executive management. He currently serves as the Chairman and Chief Executive Officer of Techmate Korea. Before this role, he served as Chief Executive Officer of Lead Capital and held a key leadership position within the Corporate Planning headquarters at Rush & Cash. Chairman Shim began his professional journey with Samsung Group, serving at the Gyeong-in regional headquarters of Samsung Fire & Marine Insurance. He also served as a commissioned ROTC officer in the Republic of Korea Army, completing his military service with the rank of First Lieutenant. He holds an International Master of Business Administration (IMBA) from the Graduate School of Business at Sungkyunkwan University and a Bachelor of Laws (LL.B.) from Dongguk University.

EXECUTIVE SUMMARY

Vietnam's economy is emerging rapidly to become an important economic hub in Asia. It is exhibiting the dynamism of Hong Kong and Singapore, and the technical prowess of South Korea, although endowed with the heft of a larger hinterland for economic development.

This whitepaper introduces the potential challenges and opportunities for the Vietnamese consumer finance market in the context of the country's broader economic growth.

THE MACROECONOMIC CONTEXT

- In the last fifty years, the GDP per capita (at current prices) in Vietnam has grown from US$84 (1975) to US$5,000 (2025).
- This phenomenal economic expansion has been fuelled by three primary growth vectors: Free trade & FDI; human capital and political stability.
- In 1993, Vietnam joined the ASEAN free trade area and in 2007 took its place as a full member of the World Trade Organisation (WTO), signalling its entry onto the world stage as a reliable trading partner.
- The Vietnamese population demographics augur well for growth. It enjoys a so-called "golden population structure" where the working-age population of sixty-six million constitutes significantly more than fifty per cent of the total.
- Vietnam has invested heavily in education, especially focusing on STEM, with a noticeably strong female participation in the labour force.
- The current rate of urbanisation is likely to reach 50% by 2045, from the current 38% - a deep hinterland which is likely to boost the middle-income population, promoting further economic growth.
- There is currently strong investment in skills training for the workforce, particularly in digital transformation and AI.

THE MICROFINANCE MARKET

- According to the World Bank, only 31% of adults had a bank account in 2021.
- There is considerable scale for growth considering that the labour force is over fifty-seven million, considerably larger than many Asian markets including South Korea.
- In 2024, the Vietnamese consumer finance market experienced a 24% year-on- year growth in market loan balances to US$7.1 billion. This represents a 45% growth since 2019 when this metric was US$4.9 billion.
- The market is expected to grow at a substantial pace, mirroring the experience in the growth of microfinance in South Korea over the last decade.
- Since the introduction of the Loan Business Act (2002) in South Korea, the microfinance market has enjoyed continuous growth for seventeen years, with an approximately twelve-fold increase in the market for that period from US$1.1 billion (2002) to US$12.1 billion (2019). This represents a compound annual growth rate (CAGR) of more than 15%.
- Vietnam introduced the Law on Credit Institutions (2024), which provides a regulatory framework for the orderly development of the microfinance market equivalent to the Loan Business Act in South Korea some two decades before.
- The microfinance market in Vietnam is expected to follow a similar growth trajectory to that seen in South Korea, but faster. As of 2025, the Vietnamese market has already equalled the size of the Korean market, and it is poised to overtake it in 2026.
- Experts believe that the microfinance market is expected to double in the next decade. The factors driving this growth are scale, lack of access to capital, a lower economic base and enhanced technology now available.

VIETNAM: THE MACROECONOMIC & DEMOGRAPHIC CONTEXT

Vietnam's macroeconomic prosperity over the last forty years has been quite extraordinary and cannot be overlooked in the context of this report. Following the war with the US and the reunification of North and South Vietnam in 1975, the country had a GDP per capita of US$84 (at current prices). This was lower than that of its Southeast Asian neighbours, Thailand and Cambodia, at the time, with GDP per capita of US$379 and US$109, respectively.

Given its communist political ideology, Vietnam effectively had no private sector before the mid-1980s, as it initially tried to mimic the Soviet Union's centralised form of economic planning model. In the mid-1980s, however, the Vietnamese government, partly inspired by China's opening-up policies in the late 1970s, embarked on a series of liberalising reforms to transform the country into a more market-oriented economy, given the economic stagnation that had occurred in the prior decade. Today, Vietnam is benefiting from multiple growth engines simultaneously and is considered one of the most open and fastest-growing economies in the world, with its total cumulative GDP set to overtake Thailand's within the next year. Moreover, current GDP per capita has grown to almost US$5,000 – double that of Cambodia and Laos – and is expected to reach US$7,000 by 2035.

The generally accepted reasons for this economic miracle are threefold:

1. Embracing free trade and FDI
2. Human capital
3. Political stability.

Since joining the ASEAN free trade area in 1993, Vietnam has signed a further seventeen bilateral and multilateral free trade agreements (FTAs) with numerous partner countries and regions, including the US. The most significant milestone arguably came in 2007, when Vietnam became the 150th member of the World Trade Organisation (WTO), signalling it as a robust and committed trading partner for the global community.

One obvious benefit of these FTAs has been to help Vietnam become an attractive investment destination for both importers and exporters. The country achieved a real GDP of VND 6,763 trillion (US$424 billion at constant prices) and over 8% economic growth in 2025 (see *Figure 1*), ahead of forecasts of 6.8%. Moreover, the country is now trade-dependent, with roughly 30% of GDP generated from exports to the US alone.

The shift in export product mix has been a further consequential strategic benefit. FTAs have allowed Vietnam to transition from exporting low-tech manufacturing products to more complex high-tech goods like electronics, machinery, vehicles and medical devices. In fact, such exports as a percentage of total manufactured exports are now larger than those of China. This boost in competitiveness has been attained, firstly, by the country diversifying its sourcing partners through larger trade networks and cheaper imports of intermediary goods from partner countries. Secondly, Vietnam has been the direct beneficiary of partnerships with foreign firms, which have transferred the knowledge and technology required to increase Vietnamese labour productivity and transition into higher value-added production. Vietnamese conglomerate Vingroup, for example, which manufactures Vinfast electric automobiles, has successfully cooperated with international firms such as Intel (US), LG (South Korea) and CATL (China) to produce components for electric vehicles.

Thirdly, Vietnam's entry into these trade partnerships has ensured its alignment with international standards regarding employee rights. For example, both the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

FIGURE 1

GROWTH RATE (%) - LHS

REAL GDP (VND TRILLION) - RHS

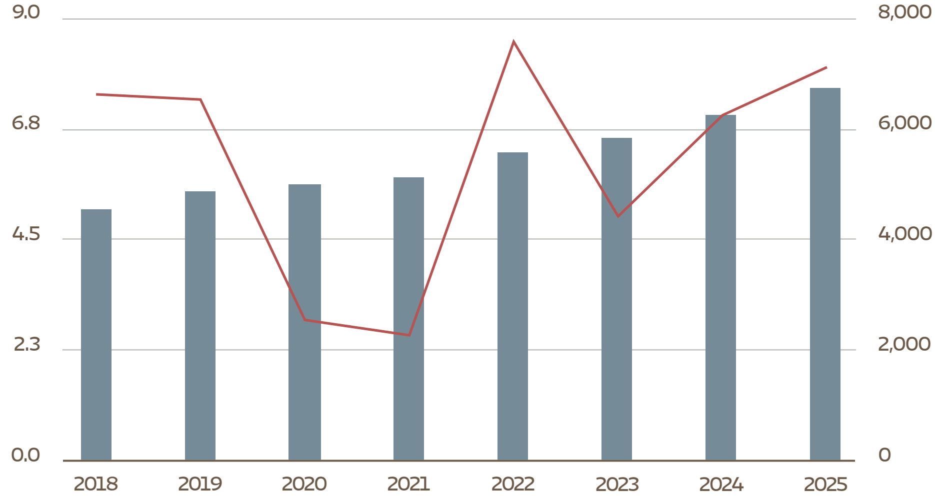


FIGURE 2

GROWTH RATE (%) - LHS

DISBURSED FDI (US$ BILLION) - RHS

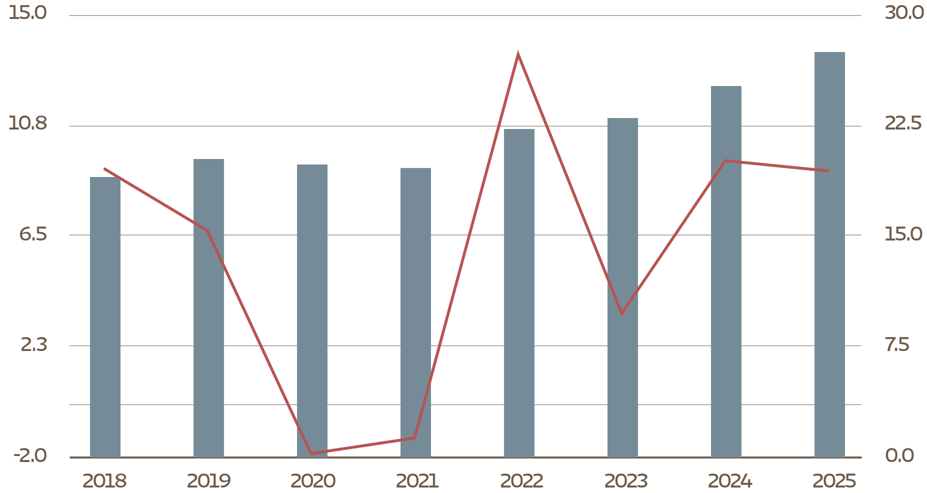
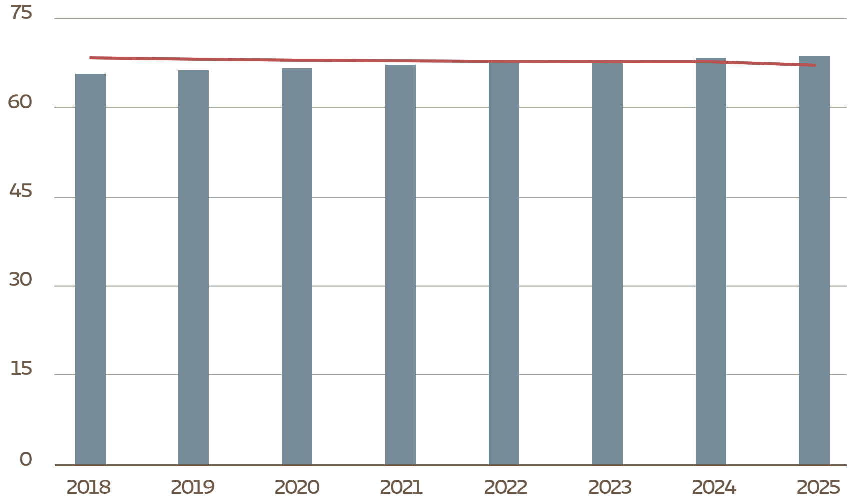


FIGURE 3

% TOTAL POPULATION

WORKING AGE POPULATION 15-64 (MILLION)



(CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) require Vietnam to conform to the International Labour Organisation's (ILO) standards. This is another reason for Vietnam becoming increasingly in favour with international manufacturers in recent years.

Like its Asian counterpart, Singapore, Vietnam has fully embraced the foreign direct investment (FDI) economic model, with disbursed FDI exceeding US$25 billion in 2024 (see *Figure 2*) and newly registered capital reaching roughly US$19.7 billion. A plethora of multinational corporations have established a presence there to take advantage of the low labour costs. Moreover, the country has been a direct beneficiary of international manufacturers' efforts to de-risk their exposure to China, given the tariff wars and trade shocks. In addition to lower labour costs, Vietnam's geographic proximity to China and other Southeast Asian countries makes it an obvious hedge against unpredictable scenarios that may affect global supply chains and helps ensure the country remains competitive. Notable examples of companies that have partially shifted their production to Vietnam, a strategy known as the China Plus One strategy, include Google, Microsoft, and Apple.

Political stability and a gradually more supportive regulatory environment, via a series of government liberalisation drives, have increased the ease of doing business and made the country more attractive to foreign companies, in turn fuelling both FDI and economic growth. Political chaos has remained an impediment to the growth of Vietnam's neighbours, namely Thailand, in recent years.

Human capital, primarily in the form of advantageous demographics, has been another key driving force behind Vietnam's continuing economic success.

The working-age population (15-64) in Vietnam is projected to increase steadily from 65.8 million in 2024 (see *Figure 3*) to a peak of 69.5 million in 2038, driven by the continued expansion of both male and female cohorts entering working age. In 2024, the proportion of the working-age population in Vietnam reached its peak, with the country having, for many years, a so-called 'golden population structure'. According to a report by Vietnam's General Statistics Office (GSO), the country entered a demographic window of opportunity in 2007, when children (ages 0-14) accounted for less than 30% of the population, and the elderly (ages 65+) accounted for less than 15%. During this period, the working-age population is unusually large relative to the dependent-age population (those under age 15 and age 65+), indicating a low dependency ratio. At the same time, despite its low median age of 33, Vietnam is now experiencing population ageing and is projected to exit this favourable age structure in 2036. The nascent nature of this trend is already somewhat evident in Figure 3. Moreover, forecasts by the GSO estimate a decrease in the working-age population to 67.9 million in 2045.

Other social factors, such as a highly educated workforce in Mathematics, a strong female labour participation rate – higher than that of the US and Singapore – and urbanisation augur well for the future of the Southeast Asian economy. The country's middle class, with a higher propensity to spend, is expected to reach 95 million by 2030 and is also spreading to other urban areas apart from traditional hubs like Hanoi and Ho Chi Minh City, which will put upward pressure on gross annual incomes. Whilst Vietnam is still predominantly rural, with an urban population representing only 38.2% in 2024, the proportion of the population living in urban areas is projected to reach 50% by 2045, according to the same report by Vietnam's GSO.

Vietnam is no longer just an emerging market story; it is increasingly becoming a strategic economic hub in Asia and one of the most attractive combinations of growth, demographics, entrepreneurship, and foreign investment anywhere in emerging markets. The opportunities are not without challenges, but the long-term trajectory points to an incredibly bright future. Over the next decade, Vietnam must capitalise on its current advantageous population structure to sustain economic growth and national competitiveness as its population ages in the coming decades. Strong investment in training and skill development for the workforce, especially digital skills, vocational skills and technology adaptation capacity in the context of rapid digital transformation, is but one policy recommendation.

HAPPY MONEY THE ROLE OF FINTECH & AI

Happy Money was established in May 2017 in Hanoi, Vietnam, to address the growing market of those seeking micro-loans and to become the most recognised Vietnamese brand in the sector. Since then, it has achieved tremendous growth and success, with a total loan balance of US$13.5 million and having opened 61 branches nationwide.

Like its founder and holding company, Techmate Korea, Happy Money is actively integrating enhanced AI systems into its business operations, specifically its loan underwriting and collection systems, to maximise operational efficiency and accuracy. An overview of the key technologies that comprise both systems is outlined in this section.

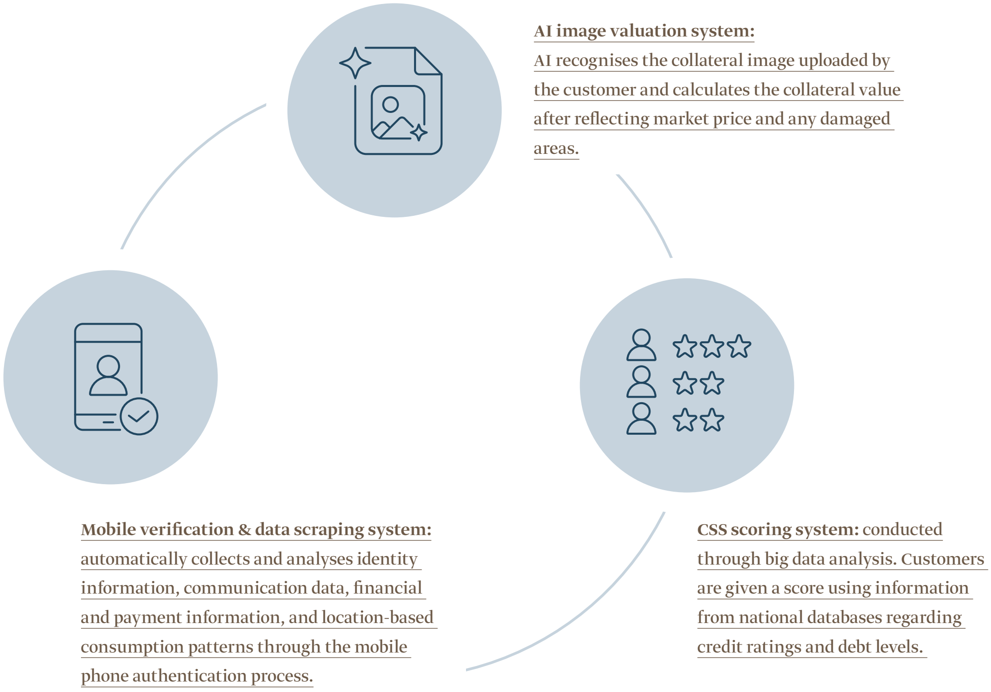


FIGURE 4 Loan Underwriting System

LOAN COLLECTION SYSTEM:

- **AI risk monitoring dashboard:** real-time analysis of repayment status of loan receivables, delinquency rates, recovery rates, etc. AI automatically detects abnormal redemption patterns and increasing risk points and provides visualised reports for management to respond immediately to risky assets.
- **AI repayment pattern analysis and notification:** AI captures past deposit patterns and call response times, etc. An optimal call time is calculated for each customer as well as the expected deposit time. Repayment reminders are also automatically dispatched to borrowers.
- **Delinquent borrower location tracking:** based on communication data, customer credentials, and location logs. The customer real-time location analysis is accessed by the Recovery team, which optimises loan recovery strategies by visualising the density of delinquency occurrences by region.

Both the loan underwriting and collection processes, as well as the technology deployed by Happy Money, mimic those of Techmate Korea's. Visual illustrations are presented in the next section, *The Techmate Strategy*.

THE TECHMATE STRATEGY

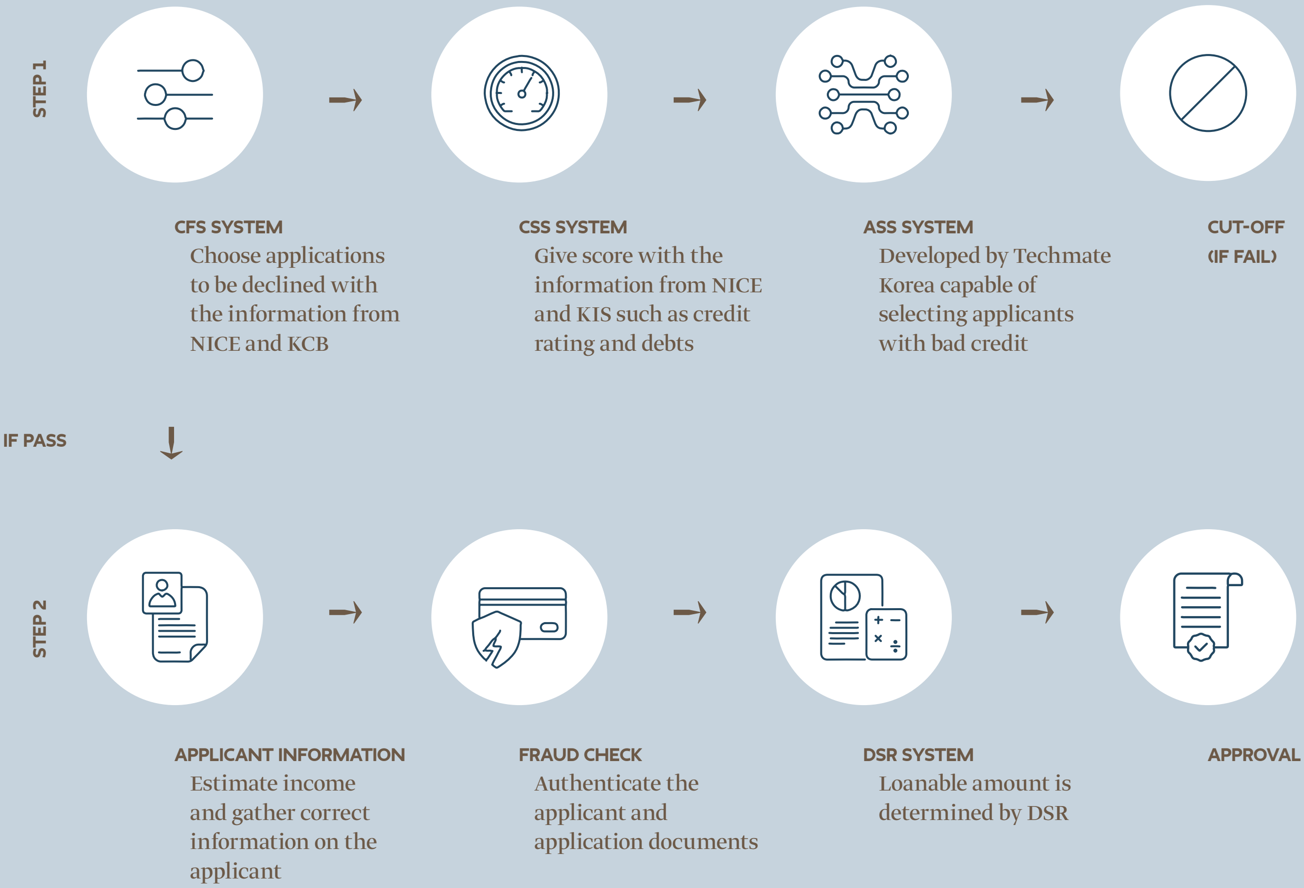
OPPORTUNITY STATEMENT

EMPOWERING FINANCE WITH DATA, AI, AND DIGITAL INNOVATION

Through Techmate Korea's extensive experience in the South Korean consumer finance market and its application of data-driven, AI-powered, and digitally innovative financial services, the company is positioned to become a leading player in Vietnam's consumer finance market, achieving growth at a faster pace than South Korea's historical trajectory. The Vietnamese market is currently valued at **over US$200 billion** representing a substantial growth opportunity.

> "Techmate Korea is committed to integrating technology into finance to enhance the delivery and efficiency of financial services."

LOAN APPROVAL PROCESS



TECHMATE KOREA

COMPANY HISTORY

2009 FOUNDATION
Established consumer finance business in South Korea

2015-2019 SCALE
Established Techmate Korea Daebu Co., Ltd.

2015-2019 SCALE
Expanded through acquisitions of financial / consumer finance companies

2016-2021 INSTITUTIONAL CAPITAL
International investors and strategic shareholders entered the platform

2022-2024 CAPITAL STRENGTHENING
Recognised by FSC and strengthened shareholder base

2025 GLOBAL EXPANSION
Global strategic partnerships and further business expansion

LOAN COLLECTION PROCESS

FRAUD ALARM TECHNOLOGY

- Automatic tracking of customers with changes in credit information and potential delinquency risk
- Introduction of an early warning service for pre-identified customers

MONITORING TECHNOLOGY

Currently operating a real-time monitoring dashboard for loan assets, with two key indicators:

- **Normal status:** dashboard monitoring the maintenance of non-delinquent assets
- **Delinquency occurrence:** dashboard predicting and monitoring the occurrence of delinquency for at-risk assets

D-5 → D-DAY CALL CENTRE	D+1 → D+10 LOAN MANAGEMENT	D+11 → D+30 COLLECTION TEAM	D+31 → LEGAL TEAM
Management by customer grade MMS for due date	Auto-call system	Letter requesting prompt payment	Lawsuit
Auto system	Provide delinquency pattern	Register as bad credit	Inform on enforcement

MICROFINANCE IN VIETNAM THE OPPORTUNITY

The microfinance (consumer finance) opportunity in Vietnam is fundamentally a structural opportunity. Whilst there has been significant progress since 2021, when, according to the World Bank, only 31% of Vietnamese adults had a bank account, Vietnam still has a large, untapped and fragmented lending market, whereby traditional credit products remain inaccessible to a large portion of the population.

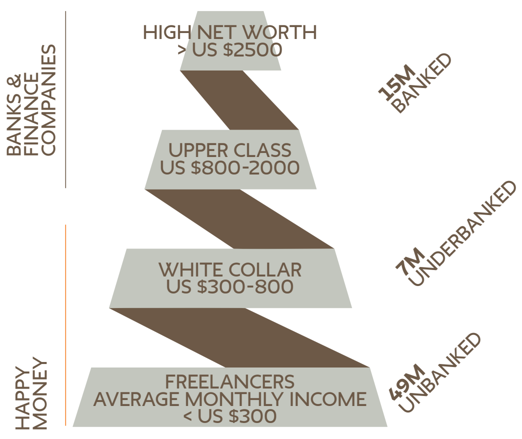
However, for context, it's prudent to first highlight the size of the market as well as some unique macro characteristics of the Vietnamese economy which bode well for the growth of its microfinance industry. Figure 6 offers an insight into the lower degree of saturation in the Vietnamese market compared with a sample of other Asian markets in the region. Like the economic success story, Japan, Vietnam offers an attractive combination of both a very large labour force in absolute terms, over 57 million in 2025, and a relatively lower economically active population as a proportion of the total – 56.1% compared with South Korea's 57.8%, and a labour force half the size of Vietnam's. By this measure, the only less saturated markets are Laos, Burma, and Taiwan, all of which are far smaller in absolute terms – their respective total populations are all smaller than that of Vietnam's labour force. This augurs well for Vietnam, as it indicates more room for potential growth in the form of higher demand for alternative financing options, such as consumer credit, in the long-term.

In 2024, the Vietnamese consumer finance market recorded a loan volume increase, based on market loan balances, of approximately 24% YoY to US$7.1 billion. This represents nearly 45% growth from 2019, where the figure lay at US$4.9 billion (see *Figure 7*). The market is expected to grow at a substantial pace, following a similar trajectory to that of South Korea. Since the enactment of the Loan Business Act in October 2002, South Korea's microfinance market showed continuous upward growth until 2019, going from US$1.1 to US$12.1 billion over that period, representing a CAGR of 15.1%. As of 2024, the total loan balance was US$9.1 billion.

Experts predict that Vietnamese consumer loan demand will surge in 2026, driven by stable interest rates; more flexible credit policies; and economic recovery (8.1% GDP growth in 2025 was ahead of forecasts of 6.8%) from the slowdown in 2023, where the country only achieved a 5.3% annual GDP increase compared to 8.1% in 2022. Oxford Metrica supports a forecast estimating the consumer finance loan volume at over US$20 billion by 2035, indicating a projected 9.9% CAGR from 2024 (see *Figure 10*). The incredibly active consumer market being witnessed in Vietnam is one factor likely to support these forecasts. For example, in 2025, outstanding loans for consumption purposes (from all financial institutions including commercial banks) reached US$114.8 billion, representing 20% of the total credit outstanding to the economy. Other factors likely to support this projected growth of the consumer finance industry are discussed later in the report (see *Microfinance in the Growth of Emerging Markets*).

As mentioned previously, Vietnam has a fragmented lending market, and therein lies the opportunity. Roughly 70% of the population still has difficulty accessing financial support services because of complicated procedures. Moreover, just under 56 million people are still underbanked, equating to approximately 55% of the population, the majority of whom are low- or unstable-income earners. Figure 5 provides an overview of Vietnamese income distribution and each bracket's respective size.

FIGURE 5 Vietnamese income distribution



This degree of fragmentation has fuelled demand for alternative lending solutions such as consumer finance, and among such providers is Happy Money (see *Happy Money: The Role of Fintech & AI*), which primarily targets the freelancer income bracket – representing 54.2% of their customer base. For the purposes of this report, freelancers are defined as unbanked individuals with an average monthly income of less than US$300. Within this income bracket, Happy Money has accumulated just under 16,000 customers with a total loan balance of over US$10 million.

Whilst this fragmented market structure offers tremendous opportunity, it has also resulted in the emergence of fierce local competition over the last decade to meet increasing demand for alternative finance. For example, competing consumer loan provider, F88, has established a strong market share of 86% (based on number of branches nationwide). Additionally, F88 is the leading brand in terms of brand awareness (50%), with Happy Money ranking second (40%[1]).

Competition is but one example of several challenges facing players in this sector. The following section aims to provide an overview of such challenges and discuss the numerous opportunities.

1. Percentages are based on several indicators such as direct website traffic, branded keyword searches, and other online visibility signals. Observation base: ~1 million visits.

FIGURE 6 2025

ECONOMICALLY ACTIVE (% TOTAL POP.)

LABOUR FORCE (MILLION)

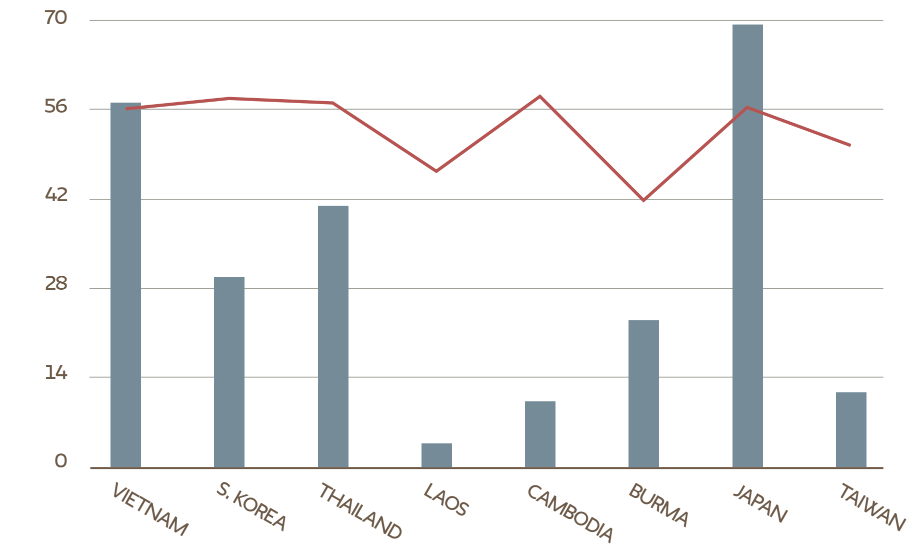
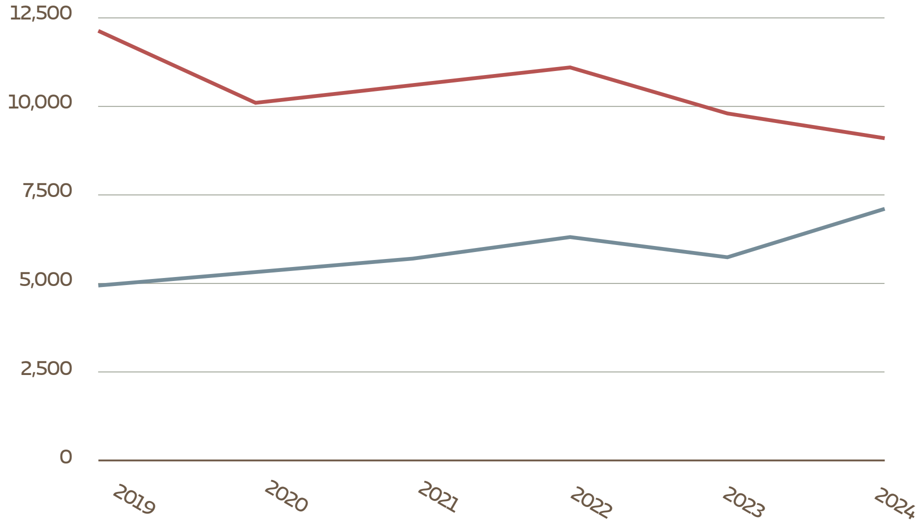


FIGURE 7 Consumer finance market loan balances (US$ Million)

SOUTH KOREA

VIETNAM



THE CHALLENGES AND OPPORTUNITIES

The emergence of fierce local competition over the last decade to meet the increasing demand for microfinance in Vietnam presents an obvious challenge for both aspiring and already well-established industry players, such as Happy Money. Table 1 offers an insight into the competitive landscape based on various metrics, as stated.

TABLE 1 Competitor analysis

COMPANY	NO. OF BRANCHES	BRAND RECOGNITION (%)	GOOGLE TRAFFIC (AVG. MONTHLY SEARCH VOLUME)	AVG. LOAN BALANCE PER BRANCH (US$)
HAPPY MONEY	61	40	330.000	325.720
F88	962	50	1.000.000	289.010
TRUE MONEY	36	7	10.000	63.350
FINY	43	3	1.000	94.160
VIET MONEY	22	-	-	-
TIMA	8	-	-	-

Transparency about what a market player is offering, and its unique selling point (USP), will be a determining factor in who emerges as the winner in this fast-paced industry. Moreover, a firm's willingness and ability to adopt and integrate new technology in the form of AI into their business operations, aiming to improve user experience (UX), presents an obvious opportunity and will be critical in terms of staying competitive in the sector. The potential of the digital economy in Vietnam is one of the largest in Asia, with digitalisation having grown considerably in the last five years as the pandemic forced a lot of firms to either partially or fully digitalise their operations. Vietnamese consumers have since been demanding an ever-increasing seamless UX, or rather, the *as few clicks as possible* experience. The consumer trend of wanting goods immediately is also evident in the Vietnamese e-commerce sector, the fast-paced development of which is discussed later in this section as a potential challenge to the consumer finance industry.

In addition, credit providers will need extremely high competence in risk management practices. Given that the majority of these are now mostly carried out by AI, it renders the adoption of this technology a necessity, as well as an opportunity. The need for this expertise stems from the fact that approximately 55% of the Vietnamese population is underbanked, classifying such individuals as either low- or unstable-income earners. When looked at in isolation, this figure could indicate a high non-performing loan (NPL) rate going forward. Happy Money has, however, made innovative strides in both UX and risk management by integrating numerous AI functionalities into their loan approval and collection processes (see *Happy Money: The Role of Fintech & AI*). Its technological prowess is arguably one reason for its high brand recognition, despite the significantly lower number of branches compared with its competitor, F88 (see *Table 1*).

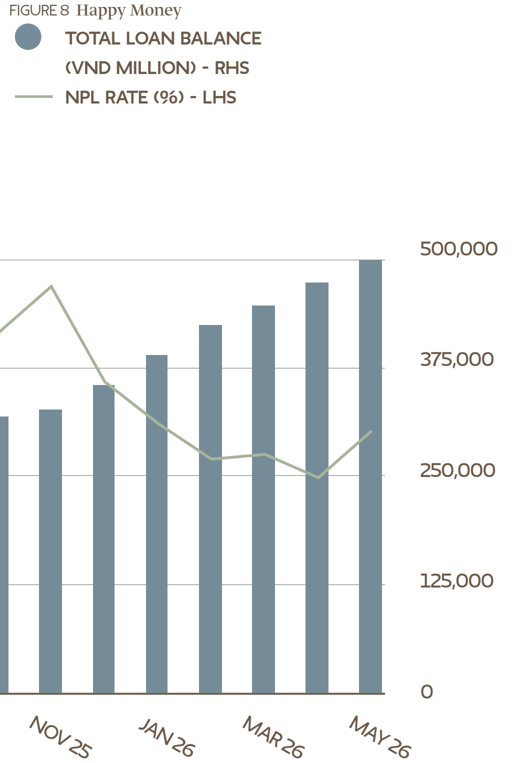
For a firm to ensure long-term success, a balance will also need to be struck between customer satisfaction and the provider's legal obligation to follow data protection and cybersecurity laws. Moreover, partnerships in the industry between local innovative Fintech companies and experienced traditional banking institutions will be a distinguishing factor.

The threat of competition is, although somewhat mitigated insofar as the competing providers will most likely remain local. Under the current regulatory regime, the burden on foreign firms who wish to enter the Vietnamese consumer lending market is rather onerous. For example, the legal environment remains restrictive because the State Bank of Vietnam maintains stringent control over credit activities and licensing, resulting in foreign entities typically facing high barriers to entry for obtaining an independent license. Moreover, they must navigate complex regulations regarding data protection and physical collateral requirements.

An intrinsic challenge posed to all credit providers, including commercial banks, is their NPL rate, i.e., NPLs as a proportion of total loan assets on the balance sheet. However, by its very nature, the consumer finance industry is at far higher risk of customer default. Whilst some Vietnamese microfinance providers have automated creditworthiness approval systems in place, the default risk remains prevalent. As discussed in the previous section, providers such as Happy Money are targeting the unbanked, low- and unstable-income bracket of consumers, meaning they are compensated with a higher interest rate owing to the increased risk of default. As has been painfully discovered over the last two decades, a financially unstable customer base has resulted in the bankruptcy of even the most, at the time, reputable credit institutions. Washington Mutual is one of the largest bank failures in US history, collapsing in 2008 owing to excessive exposure to risky/toxic loans to not properly vetted borrowers. The value of such assets plummeted once homeowners started defaulting at unprecedented rates when the housing market collapsed.

However, the leading Vietnamese consumer finance firms have, up until now, maintained solid risk management procedures to screen borrowers and keep the NPL rate stable. An obvious example is Happy Money. Figure 8 shows that whilst their delinquent loans temporarily peaked at ~11% in November 2025, asset quality has since improved, with the ratio falling back to ~7% (as of May 2026) - a rate which has more or less been sustained since July 2024. Furthermore, when analysing Happy Money's new loan disbursement over the two years January 2024 to December 2025, the following can be observed: 53.8% were fully repaid; 35.2% remained either new or not overdue; only 7.4% became NPLs (30+ days overdue).

FIGURE 8 Happy Money



Whilst the inherent risk of NPLs is higher than with more traditional creditors, such as commercial banks, systematic steps can be taken by microfinance providers to improve asset quality and reduce NPL rates. In the short term, providers should strive to ensure that their loan products are as transparent and easy to understand as possible regarding the terms and conditions, i.e., interest rate, repayment date, and procedures upon default. In the long term, consumer finance providers could adopt corporate strategies which involve investing in financial literacy education for youths, such as students, as well as individuals from poorer backgrounds. This could be done through regular financial education workshops nationwide, fully sponsored by the company. Not only would this represent a sustainable and potentially lucrative risk management practice by helping reduce the NPL rate in the long term, but it would also bring about positive social change in Vietnam. The inherent opportunity for companies nowadays being ESG-oriented is discussed later in this section.

The growing, more affluent Vietnamese middle class and urbanisation are two other key drivers of consumer finance demand and present an opportunity for its sustained growth. As mentioned earlier in the report, the middle class is expected to reach 95 million by 2030 and is spreading to other urban areas apart from Hanoi and Ho Chi Minh City. This affords individuals more opportunities such as access to higher-paying jobs, but will likely come with an associated higher cost of living. Moreover, the aforementioned 'golden population structure' (see *Vietnam: The Macroeconomic & Demographic Context*), as well as the almost universal access to smartphones creating a platform for people to easily conduct financial transactions, supports the consumer finance industry's growth in tandem.

The average monthly income of Vietnamese workers reached VND 7.5 million (~US$285), a 7.4% increase over the same period in 2023, in the first half of 2024 and was followed by increased discretionary spending on fashion, electronics, travel and personal care products. The proliferation of the e-commerce industry in Vietnam over the last five years is an obvious, perhaps unintended, consequence of this increased wealth, with over 55 million Vietnamese consumers now shopping online – more than 40% of whom belong to the Gen Z demographic. Whilst this development might seem innocuous, or even irrelevant for this report, it represents a growing challenge because Vietnamese consumers are known for their very high adoption rate of new technologies. For example, the *buy now, pay later* (BNPL) financing model has had an enormous uptake in Vietnam, and its integration into major e-commerce platforms has further accelerated its adoption, providing the seamless checkout experience and general UX demanded by younger buyers. The Vietnamese BNPL market was valued at US$2.8 billion in 2025 and is projected to reach US$3.8 billion in 2026. This could easily be achieved when one considers the nature of this payment model: by offering no- or low-interest instalment plans without requiring traditional credit histories, BNPL services enable younger first-time borrowers and informal sector workers to access credit for essential purposes. Should BNPL continue to grow at its current rate, consumer finance providers are at risk of losing market share. It will therefore be critical that these firms invest significantly in their offering going forward, to ensure that their UX and USP are as seamless and transparent as possible to retain and attract new customers.

As already outlined, the potential of the digital economy in Vietnam is one of the largest in Asia. Therein lies yet another opportunity in the form of environmental, social, and governance (ESG) practices, which are intertwined with digitalisation. One reason for this is that fully digital companies have a smaller carbon footprint. Perhaps more relevantly, an increasing number of consumers are becoming educated about ESG and asking more often whether the credit provider is ESG-oriented. There is also significant state and regulator support for local companies adopting sustainable practices. It could therefore be reasonably concluded that companies which adopt such an ESG stance going forward will have a competitive advantage over those which don't. Providers such as Happy Money are leaving an indelible mark through corporate social responsibility (CSR) initiatives, such as the regular organisation of charitable activities at local hospitals to support underprivileged patients, alongside providing scholarships to outstanding finance students. In June 2024, they launched the *Exam Support Campaign 2024* during the national high school graduation exam. Initially planned for three schools, the initiative expanded to eleven sites.

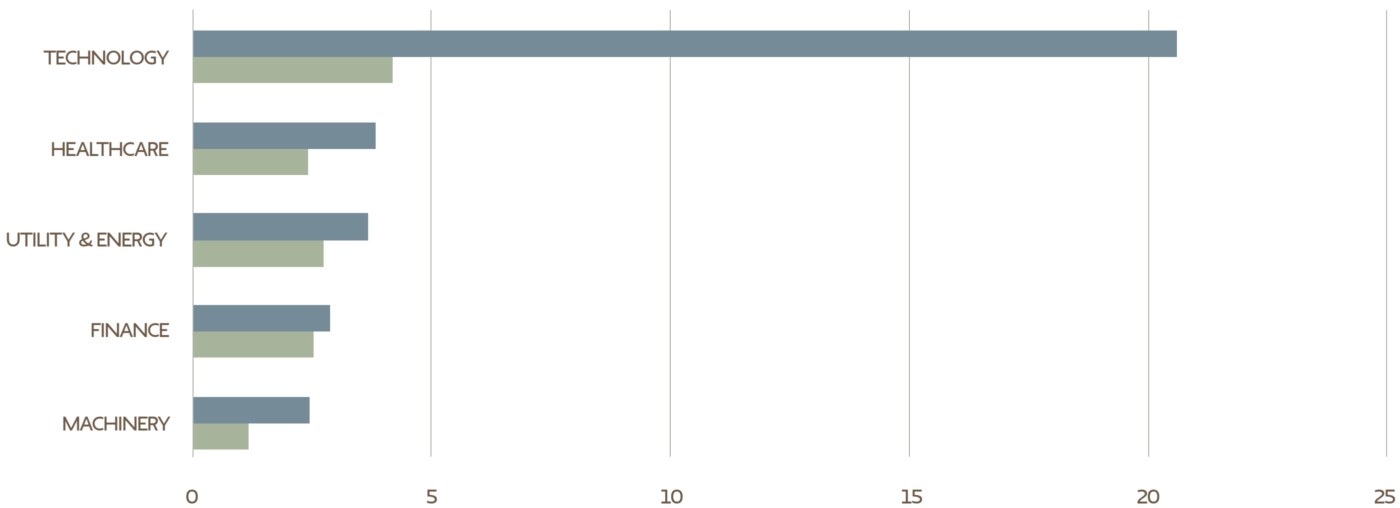
This section has presented a non-exhaustive list of some of the most glaring challenges and opportunities for the Vietnamese consumer lending market. There are, of course, many more, such as the introduction of new regulations like larger interest rate caps, which are already in law in other markets like South Korea and the UK. How the industry develops in the future will depend on how microfinance providers navigate through these challenges and seize the various opportunities.

This will also ultimately determine their success in capitalising on the thriving IPO market in Asia. US$160.4 billion has been raised through IPOs in the Asia (ex-Japan) region since the beginning of 2024, with IPO proceeds peaking in the fourth quarter of 2025, when the figure exceeded US$27.5 billion. Moreover, when one analyses the top five IPO sectors in 2026 year-to-date, technology stocks are without question attracting the most attention compared with those of finance and healthcare stocks, amongst others. According to Figure 9, year-to-date IPO proceeds in the technology sector amounted to US$20.6 billion (as of July 2026). Moreover, a clear year-on-year increase in investor interest in technology stocks can be observed. One logical conclusion to be drawn is that consumer finance providers, such as Happy Money, which embrace technology and AI in their business models, will be more in favour with investors (and customers) than those which don't.

It shouldn't be overlooked, however, that whilst this favourable fundraising environment affords market players a tremendous opportunity, the opportunity for international investors in this sector is equally as great. An insight into the various investment implications is presented in the conclusion of this report.

FIGURE 9 Top 5 Asia ex-Japan IPO sectors YoY, July (US$ Billion)

2026 (YTD)
2025 (YTD)



MICROFINANCE IN THE GROWTH OF EMERGING MARKETS

The term microfinance covers a wide range of financial services that are offered to the underserved sector of the economy, very often self-employed, lower income individuals without any alternative access to financial services. It usually takes the form of unsecured micro-loans, however it also includes micro-savings accounts with no minimum balance. The distinctive features of these loans are that they do not require collateral but carry a high interest charge.

Microfinance has matured across emerging economies over the last thirty years from being an aberration or market inefficiency to being a critical element of financial policy.

Initially microfinance tended to be tolerated as a necessary response to help alleviate poverty, however a body of literature has emerged that demonstrates that the effects of microfinance reach beyond poverty alleviation and indeed are an important driver of economic growth.

Progressive economies such as the Republic of Korea (South Korea) and Vietnam, more recently, have harnessed the sector with light regulation to optimise the benefits to the individual and the economy at large.

The Republic of Korea enacted the Loan Business Act in October 2002 creating a market that grew from an informal market of US$1 billion to over US$6 billion over the next decade, which then doubled to US$12 billion at its peak in 2019. The market is now an orderly mature market with outstanding loan balances in 2025 of over US$9 billion. In the same period (2002 to 2011) GDP per capita doubled in Korea from around US$13,000 to over US$26,000, in 2025 GDP per capita was over US$36,000 – a staggering 300% gain since the start of the millennium. The regularising of microfinance has been highly beneficial for the Korean economy. Its primary purpose was to bring the informal loan market into a regulatory framework, *inter alia*, to prevent predatory lending and to protect vulnerable borrowers. The key provisions are:

Mandatory Registration: Individuals or businesses engaging in the loan or lending brokerage business must register with the appropriate local or national authorities.

Interest Rate Ceilings: The Act dictates the maximum legal interest rate that lenders can charge. Any interest charged above this legally mandated cap is null and void, and violators face criminal penalties.

Contractual Protections: Lenders are legally required to verify the identity of the borrower, provide written loan agreements, and thoroughly explain the terms—including the principal, interest rates, repayment periods, and delinquency rates. In some instances, key terms must be handwritten by the borrower.

Collection Restrictions: The Act strictly regulates debt collection practices by limiting the frequency of contact, prohibiting harassment or abusive language, and restricting public exposure of the debtor's status.

As the market has matured in Korea the interest rate ceiling has been progressively reduced every three or four years from 66% in 2002 to 20% currently. This explains the evolution of the market which has now settled at approximately US$10 billion in loans outstanding, as depicted in Figure 10. In short, mission accomplished in two decades: (1) for individuals; improved financial inclusion through increased self-employment income and increased consumption. (2) for enterprise; increased credit, improved productivity and innovation and increased employment. These factors have a multiplicative effect on the economy and deserve some credit for the miracle on the Han River that has been manifest in the last 25 years. The providers of the capital are compensated for the significant risk inherent in microfinance.

The reference to Korea is salient for two reasons. Firstly, Techmate Korea has participated successfully in the Korean microfinance market through the full cycle and it lends this experience to Happy Money in the Vietnamese market which is at a much earlier stage of development, and where financial accessibility has great room for improvement. Secondly, Vietnam is following rapidly the Korean development trajectory. The Vietnamese government only recently provided a regulatory framework for microfinance. Microfinance institutions in Vietnam are primarily regulated under the 2024 Law on Credit Institutions and supervised by the State Bank of Vietnam.

Figure 10 reports three time series for the consumer finance outstanding loan balances in US$ million; in Korea from 2011 to 2025; Vietnam from 2019 to 2025 and the projected data for Vietnam for the next decade.

It will be observed that the Vietnamese market has already achieved the same scale as Korea in dollar terms. Furthermore the Vietnamese market in 2021 was the same size as the Korean market in 2011, this ten-year gap has been closed in only four years illustrating the accelerating pace of growth in Vietnam compared to Korea. Oxford Metrica has projected the scale of growth of microfinance in Vietnam and the expectation is that the market will reach maturity in ten years which is half the time it took in Korea. Furthermore, it should be noted that the market is expected to settle at around US$20 billion in 2035, which is double that of the Korean market. There are several factors that are modelled to achieve this pace of growth.

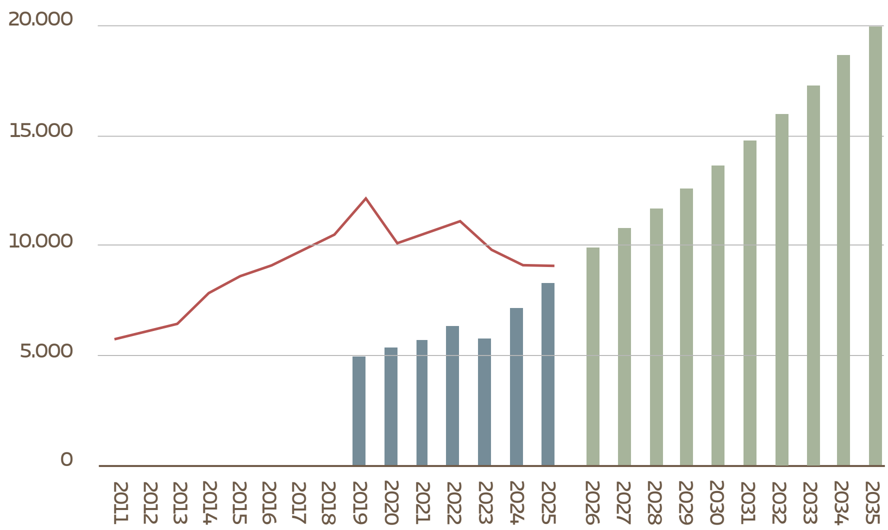
Firstly, the Vietnamese population is almost double that of Korea, 100 million against 51 million currently. *Secondly,* the degree of financial accessibility is much lower than it was in Korea. *Thirdly,* the Vietnamese economy is at a much earlier stage of development than Korea was in 2002 when the Loan Business Act was promulgated. GDP per capita in Korea at that time was US$ 16,491 whereas the comparable number in Vietnam was only US$ 4,717 in 2024 when the equivalent act was introduced. Korea was fourfold as wealthy by this metric and the Vietnamese metric is overstated by 20 years of inflation. The total GDP in Korea was almost twice as large as Vietnam at the beginning of the microfinance cycle which would be significantly more if these data were inflation adjusted. *Fourthly,* the technology attending these markets is almost unrecognizable with social media applications and machine learning accelerating the impact of microfinancing.

In summary, these factors of scale, lack of access to finance, the lower economic base and the enhanced technology augur well for the growth of microfinance in Vietnam over the next decade. These factors presage a more important role for microfinance in propelling the growth in the Vietnamese economy by alleviating poverty through access to finance, improving education and health choices, funding small scale entrepreneurs and allowing SMEs to flourish. The government is taking an enlightened approach to regulating microfinance to allow it to grow, but with restrictions on usurious practices and exploitation. Although there are no ceilings on interest rates at the moment, it is expected that these will be progressively introduced as the market matures as was the case in Korea.

FIGURE 10 Outstanding loan balances in consumer finance (US$ Million)

SOUTH KOREA
VIETNAM
VIETNAM (FORECAST)

There is strong empirical evidence on the benefits for properly regulated microfinance markets which more than mitigates the arguments of exploitation. Vietnam is at a most exciting moment in its development and the microfinance market presents an exciting opportunity for an experienced backed firm such as Happy Money which is locally based, with Korean oversight.



CONCLUSIONS AND INVESTMENT IMPLICATIONS

The paper makes the evidence-based case for the likely burgeoning of the microfinance sector in Vietnam. The key drivers reviewed are: (1) the demographics; the country has huge potential given the enviable age structure of the population and the degree of under banking, (2) the rate of urbanisation; the country is enjoying a rapid expansion in the number of middle income families that are creating demand for microfinancing, (3) the favourable macroeconomic conditions; expanded international trade, an educated young labour force and political stability are conspiring to generate significant growth, (4) an enlightened regulatory framework for microfinance; the government has recently implemented regulation which has created an orderly context for the growth of the market, and (5) adoption of new technologies; Fintech and AI applications not only facilitate growth but also improve all aspects of the business from customer risk assessment to loan collections.

There is, however, considerable competition for market share in a setting where scale is critical for success. The market is maturing and is likely to be dominated by two or three strong nationwide brands. It is, therefore, imperative for the key participants to establish a trusted reputation. There are significant barriers to entry, especially for foreign entrants. The extant market leaders, including Happy Money, are consolidating their position with increased investment in acquisitions, nationwide marketing, and enhanced systems and technology.

Given these market conditions, an exciting investment opportunity arises in what is still a market in the early stages of maturity. It is very likely that in the next two years this sector will attract the attention of leading foreign financial institutions seeking to establish a presence in Vietnam. A rational entry strategy will be the acquisition of one of the leading brands. Such firms are currently trading at attractive multiples relative to other markets in the region and represent an opportunity worth evaluating.

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FIGURE & TABLE SOURCES

FIGURE 1: Trading Economics & General Statistics Office of Vietnam.

FIGURE 2: Trading Economics & General Statistics Office of Vietnam.

FIGURE 3: World Bank Open Data & General Statistics Office of Vietnam.

FIGURE 4: Techmate Korea & Happy Money internal data.

FIGURE 5: General Statistics Office of Vietnam.

FIGURE 6: World Bank Open Data & International Labour Organisation (ILO).

FIGURE 7: Financial Services Commission (FSC) Korea, Financial Supervisory Service (FSS) Korea & Fiin Group's Vietnam Consumer Finance Report (2025).

TABLE 1: Techmate Korea & Happy Money internal data and research.

FIGURE 8: Techmate Korea & Happy Money internal data.

FIGURE 9: EY & Dealogic.

FIGURE 10: Financial Services Commission (FSC) Korea, Financial Supervisory Service (FSS) Korea & Fiin Group's Vietnam Consumer Finance Report (2025).

NOTES

NOTES

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BANKING

BNY Mellon
Credit Suisse
Deutsche Bank
Invesco
Schroders
Templeton & Phillips
UBS

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