



State Bank of Vietnam

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# **EVALUATION OF FINANCIAL LITERACY IN VIETNAM AND NATIONAL FINANCIAL EDUCATION PROGRAM**

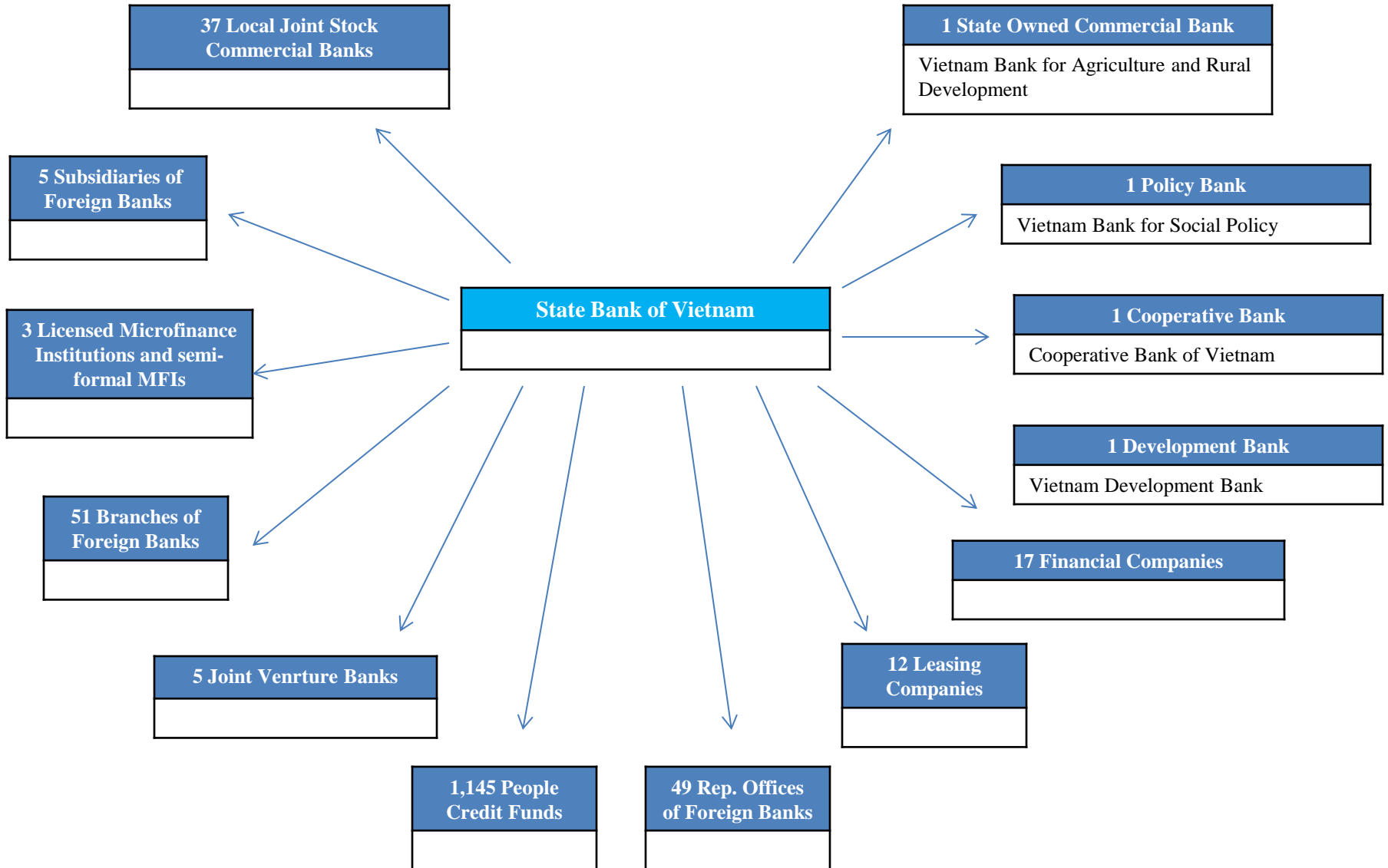
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# OVERVIEW OF VIETNAM'S FINANCIAL SECTOR (1)



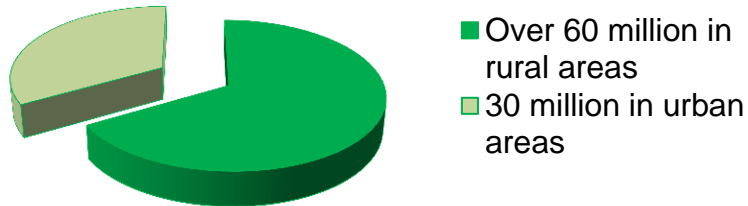
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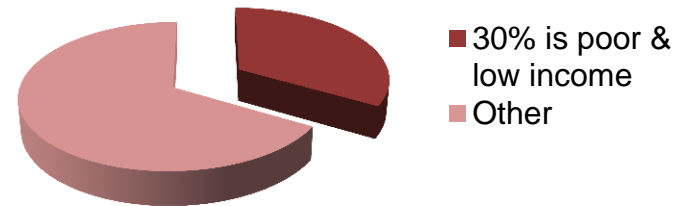
# OVERVIEW OF VIETNAM'S FINANCIAL SECTOR (2)



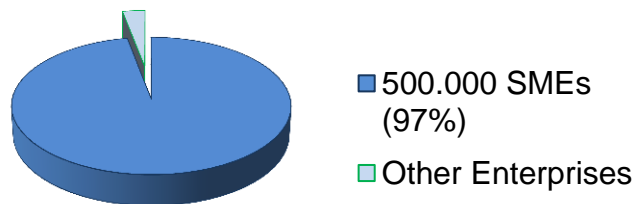
## Geographic Allocation of Vietnam's Population



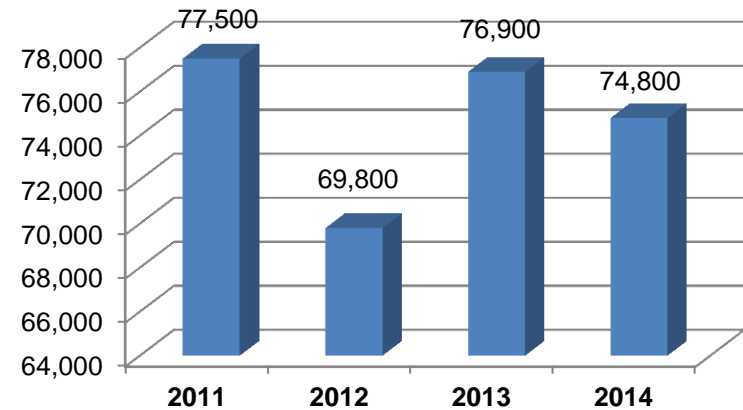
## Poor and low income population



## Number of SMEs



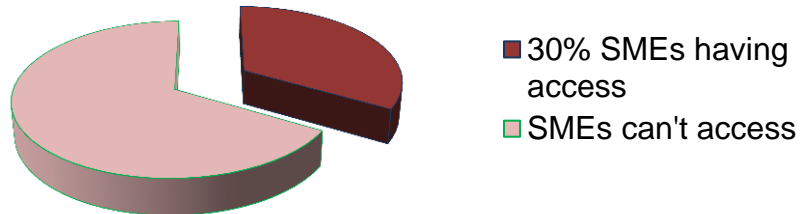
## Number of new SMEs



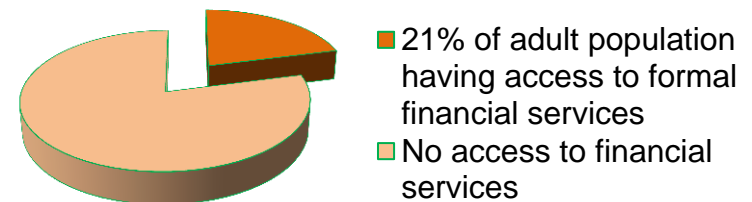


- Vietnam's financial system has developed in term of forms and number of financial institutions and in term of network coverage to serve the financial services demand of people and enterprises.
- In together with the increase of quantity, the quality and diversification of financial services has also improved to meet the increasing demand.
- Financial literacy in Vietnam is not in line with the demand for financial services of the people and enterprises.
- Low financial literacy leads to wrong financial decisions.
- Low financial literacy makes it more difficult for people and enterprises to access financial services, e.g. borrowing from financial institutions, and rely more on informal lenders with negative consequences.
- There is a connection between financial risk of borrowers and credit risk of financial institutions. Increasing financial literacy of borrowers is decreasing credit risk of financial institutions.

## SMEs having access formal financial services



## Population having access to formal financial services



- Overall access to and use of formal financial services is very low in Vietnam compared with other countries in the region.
- Uneducated population segments have almost no access to financial services.
- Informal financial sector is probably the largest provider of financial services for low-income people, especially in rural areas.
- SMEs also have difficulty to access formal financial services.



## **Financial Institutions**

- Repayment capacity.
- Transparent information on financial situation.
- Capacity to manage the business effectively and safely.
- Administration cost. Technology investment consideration.
- Operational network.
- Collateral.

## **Households and SMEs**

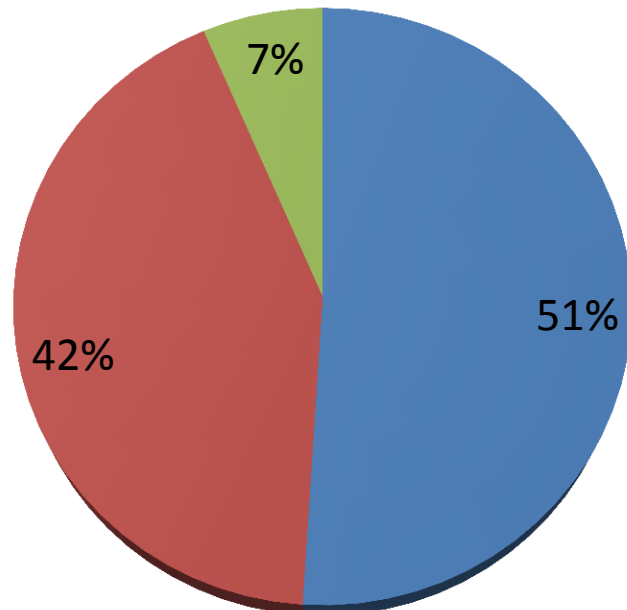
- Low financial literacy, unable to manage potential risks.
- Low financial literacy, unable to make wise financial decisions.
- Low financial literacy, unable to prove with the banks their capacity of financial management and repayment.
- Collateral.

## **Consequences of informal financial services**

- Fraud cases of informal lenders with domino effect.
- Serious consequences with huge losses.

## Literacy of consumer credit

■ Good knowledge    ■ Limited knowledge



- Consumer credit is an important method of purchasing goods and there is an increasing demand for consumer credit in Vietnam, especially in young and middle-income groups of population.
- Consumer credit provided by banks and financial companies is still new in Vietnam. Limited financial literacy of users of consumer.
- Home Credit Vietnam conducted a survey in July 2013.



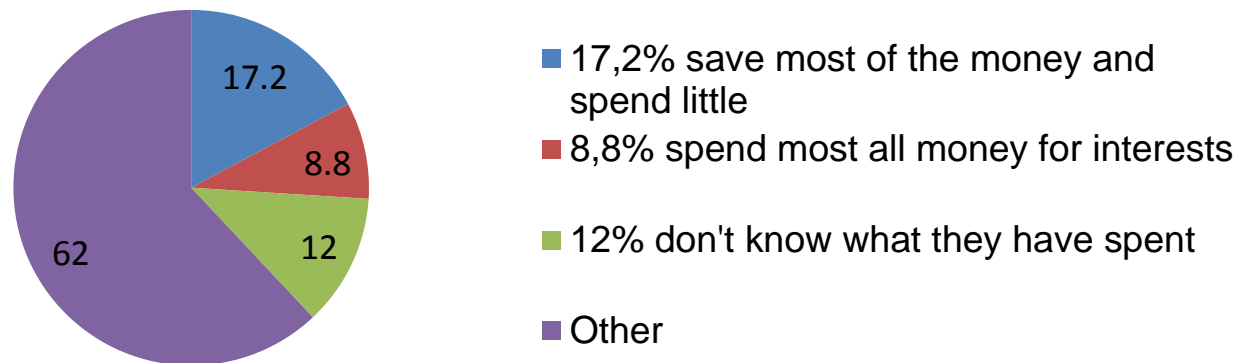
# EXAMPLE OF FINANCIAL LITERACY: MONEY MANAGEMENT BEHAVIOR OF CHILDREN



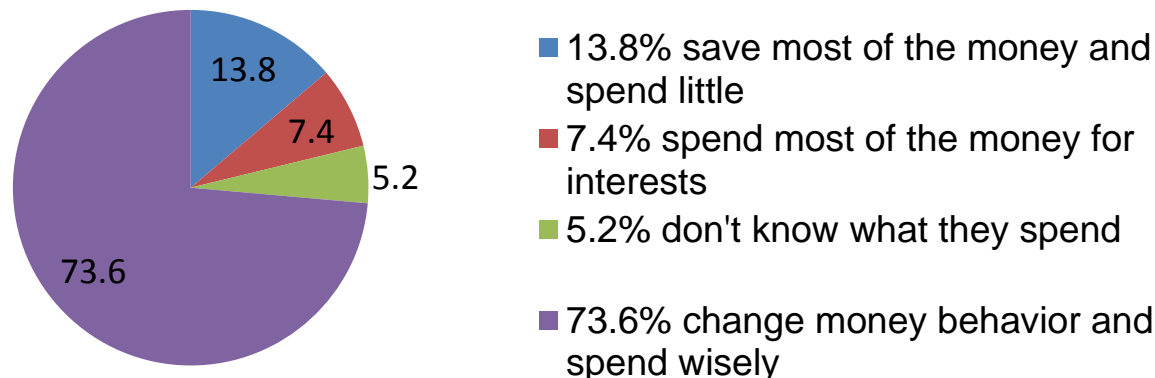
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- Survey of Department of Education and Training of Ho Chi Minh City at 7 high schools in 2012 and 2013 on money management of children from 13 to 18.

## Before finance education program



## After finance education program





- Most SMEs and households (esp. the poor and low-income) don't have appropriate financial education.
- Formal financial education in schools and universities is for certain groups of pupils and students
- Formal financial education curriculums is of academic nature and for business
- No national financial education program and policy
- There are some financial education programs of financial institutions, training centers, social entities, NGOs, for borrowers, consumers, pupils and students.



## Vietnam Bank for Social Policies

- Financial education program started in 2007 and financed by Citi Foundation. The program is for borrowers of the bank, who are the poor in Hanoi and neighboring provinces.

## HSBC Vietnam

- In 2012, HSBC Vietnam initiated financial education program, including online library of financial education with 10 modules (personal finance and enterprise finance) and pilot training program in elementary schools, namely “*Junior Achievement More than Money™*”

## Home Credit

- The program started in 2013 and in cooperation with large shopping centers. This is financial knowledge consultation program “*Think it through, sign it wisely*”. The program is for consumer credit.



## **Visa International**

- The program started in 2013 and in cooperation with Central Student Association of Vietnam. The program's purpose is to educate financial literacy for students in universities.

## **Save the Children International and Citi Foundation,**

- Financial Education Project for secondary schools is in cooperation with the Department of Education and Training of. The project implemented in 100 Secondary Schools in Ho Chi Minh City with more than 3.000 pupils and 300 parents are benefited directly from the project.

## **Aflatoun Program for Children**

- In cooperation with Hue City people committee and Vietnam Association for the Protection of Children's Rights (VAPCR). This is a financial education program for children from 6-14.



## **Drawbacks of current financial education programs**

- Small and for certain groups of population.
- Some are targeted and bias by entities' benefit.
- Continuation of education is limited.
- Comprehensiveness of the curriculums is limited.

## **Vietnam needs a national financial education program**

- The overall financial literacy of the population is low, especially vulnerable groups.
- The comprehensive national financial education program will benefit not only the people and enterprises but also the financial system and the economy in general.
- State Bank of Vietnam's study on access to financial services



- Financial education needs to be facilitated by government regulations.
- The participation of all relevant entities.
- Need assessment of financial education of various groups of population and SMEs and correlation between financial literacy and using financial services of certain groups.
- Establishment of a national financial education strategy for the country with two targets: to protect the consumers of financial services and to improve financial literacy.
- Establishment a cooperation and supervision mechanism for the program. Coordinating agency for the program.
- Resources to implement the national program.



- Provide a common guidance or standards for specific financial education programs, ensure them practical.
- The national financial education program should cover wide range of location and beneficiaries.
- The national financial education program should be continuous.
- The program should follow a national strategy.
- Promotion the involvement of various parties in the program. Principles of sharing responsibilities, efficiency, expansion of good models.
- Develop action plan for the program and establish a roadmap with milestones within a timeframe.



- Since financial education is a long and continuous process, involved various entities, efficient cooperation and effective management is necessary.
- It is necessary to have a coordinating agency for national financial education program to coordinate joint efforts of relevant entities.
- This agency should have adequate resources and authority to coordinate various entities.





**Phase 1:** Financial education for the poor, low-income, women in rural areas and SMEs

- Specification of a national coordinating agency for the program.
- Development of national financial education program.
- Development of a set of basic standard modules for financial education as a platform for specific training programs.
- Development of capacity of human resources and physical resources for financial education.
- Recommendations to amend or establish new government policies and regulations to support the national program.

**Phase 2:** General financial education for all groups of population via formal education system.

- Incorporation of financial education as formal units in the curriculums of schools from elementary to high schools) and universities.
- Establishment of financial education training centers or financial education supporting centers for various demands.
- Requirement and establishment of financial education services for clients at banks, financial companies and other financial institutions.