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Exploring Factors Affect Vietnamese Young People's Usage of Fintech Services

Trong-Minh Pham Nguyen, Linh-Chi Nguyen

Introduction

Fintech, a term introduced in the early 1990s, has gained significant traction in recent years, largely due to its substantial global development driven by the widespread use of financial applications in banking, investment, and insurance (Lee and Teo, 2015). Some experts even suggest that Fintech is poised to shape the future of the financial industry (Mention, 2019).

The term "Fintech," short for "Financial Technology," refers to the application of innovative technology to financial products and services, including financial banking, online lending platforms, digital payment systems, robo-advisors, and blockchain-based applications (Puschmann, 2017).

The technological advancements in finance have simplified access to funds, investment, and payment services. FinTech has garnered the attention not only of practitioners, investors, and regulators but also consultants and academics who are interested in how these innovations influence companies and the financial system at large, with significant implications for the growth of the financial sector itself and supporting other industries (Tun-Pin et al., 2019).

The Fintech ecosystem thrives on innovation in core services, infrastructure, and business models, which are redefined and redirected between key market stakeholders (Estrin et al., 2018). By 2010, global investments in Fintech exceeded

\$50 billion, involving around 2,500 companies, marking significant growth in the industry. Over the past decade, Fintech—encompassing technology applications in financial services and business—has become a globally relevant field, largely due to the prevalent use of financial applications for banking, investment, and insurance (Chemmanur et al., 2020). Specific areas, such as digital currency, open banking, and digital banking, have shown rapid growth (Young, 2021).

Understanding the expansion of Fintech is essential, especially in the context of a developing country as Vietnam, as it serves as an indicator of financial inclusion and the financial development of a country (Arner et al., 2020). Substantial literature links inclusive financial systems with economic growth, particularly in developing nations. Studies have consistently highlighted a positive relationship between financial inclusion and improvements in life expectancy, literacy, and per capita income (Kodan, 2013; Sarma, 2010).

Among them, financial well-being of young people is crucial. Fintech has played a transformative role in lowering entry barriers for young adults in the financial services sector, offering peer-to-peer applications and cost-effective stock trading innovations that enhance financial health. Thus, this paper examines how Vietnamese young people engage with Fintech, with a particular focus on investment behaviors.

Fintech Growth in Asia and Vietnam

Asia's Fintech sector saw a surge in investment between 2013 and 2016, following a quiet period from 2010 to 2012. In 2016, Fintech investments in Asia alone reached \$14.4 billion, a sharp increase from \$0.9 billion in 2013. This growth outpaced that of North America and Europe (Young, 2021). Overall, Fintech has been growing at a great pace in Asia. With the leading Asian countries such as China, Japan applying more and more Financial Technology in terms of investment, lending and payment, Fintech is gaining more and more popularity in Asia. Fintech also applied to payment and investing in developing countries such as Malaysia and Vietnam (Huong et al., 2021). In Vietnam, fintech has received much attention from policy makers, researchers, and especially regulators in the banking industry. Fintech is also the subject of much discussion in forums and conferences (Lien et al., 2020).

Vietnam, with a youthful, tech-savvy population, widespread mobile and internet access, and low financial inclusion, presents a promising market for Fintech expansion. Vietnam's Fintech sector, though still in its early stages, has shown

remarkable growth, with 40 companies in 2016 growing to 150 by 2019. A majority of these companies focus on online payment services (VNPay, MoMo, Banking, etc.) (Morgan & Trinh, 2020), offering a variety of services like digital payments, crowdfunding, peer-to-peer lending, remittances, blockchain applications, and personal finance management.

In 2017, Vietnam ranked fourth in ASEAN for the number of Fintech companies. However, its Fintech investment that year was only \$3 million, the lowest in the region. Unlike other ASEAN nations with Fintech applications spanning payments, lending, consumer finance, and wealth management, Vietnam remains concentrated primarily on payments and lacks a regulatory sandbox (Morgan & Trinh, 2020). Among Fintech services, digital payments are most popular in Vietnam, followed closely by savings and investment options (Nguyen, 2022).

Factors Influencing Vietnamese Youth's Use of Fintech Services

Access to Smartphone and Internet

Vietnam boasts a high smartphone penetration rate in Southeast Asia, with over 51 million users, representing 55% of the population. Additionally, internet and banking access have seen significant growth, with 50 million internet users (52% of the population) and 45.8 million adults with bank accounts (63%) as of 2018 (Hao, 2020). The Digital Vietnam report reveals a substantial surge in online spending in 2018, with consumer goods purchases rising nearly 30% compared to the previous year (Nguyen & Hossain, 2019).

These figures indicate significant potential for Fintech expansion, particularly in areas where traditional banking falls short.

Demographic characteristics

According to a research by Peter J. Morgan and Long Q. Trinh, the adoption of fintech services tends to be higher in male respondents than female. Also the number of individuals using Fintech in Vietnam tends to be young people rather than old people.

Research results also state that Fintech adoption tends to be common in households with higher income with statistics showing that less than 5% of those whose annual household income is less than VND 85 million use at least one Fintech service, while

the figures for those who makes annual household income of VND 190 million are from 23% to almost 36%, depends on the type of Fintech service.

The research also shows that the financial literacy scores are likely to be higher among those who adopt Fintech services, which is expected and can be concluded that there is a positive relation between Fintech adoption and financial literacy scores.

The research also shows how respondents are aware of five types of Fintech services. It is apparent that people who are aware of digital borrowing made up the largest proportion when compared to other Fintech products, with the proportion stated at 45.7%, while digital lending and digital money (e-wallets) are 36.3% and 39.8%, respectively. The lowest awareness among people was about digital insurance and digital financial advisors with 18.9% and 15.7% respectively. The graph also indicated that male have more tendency to be aware of Fintech services than females.

Government Policies

The Vietnamese government has actively supported Fintech industry growth through key initiatives, including establishing a Fintech steering committee, creating a national financial inclusion strategy, and designing supportive regulatory frameworks (Nguyen, 2020). Research shows that over the past three years, the number of Fintech companies in Vietnam has nearly quadrupled, with a market value estimated at \$9 billion in 2020. This rapid growth, supported by 72% smartphone usage and nearly 64% internet penetration, highlights Vietnam as a promising environment for tech startups (Hao, 2020).

Improving financial literacy remains a central policy objective. In January 2020, the Prime Minister endorsed the “National Comprehensive Financial Strategy until 2025, with visions towards 2030,” aiming to promote awareness of financial products and services among citizens (Nelito Systems Pvt. Ltd., 2020). Although no national financial education program has been formally established, the government is focused on building favorable legal frameworks and encouraging private and public sector contributions to advance these objectives. Government initiatives thus both support Fintech sector growth and positively influence Fintech adoption among Vietnamese citizens (Ha, 2023).

Intention to Use Fintech Services

Research on Vietnamese youth's adoption of Fintech often applies the Technology Acceptance Model (TAM) and the Theory of Reasoned Action (TRA) frameworks (Nguyen et al., 2022).

The Technology Acceptance Model (TAM), developed by Davis in 1985 (Davis, 1985), is widely recognized for explaining how users adopt new technologies. TAM posits that two primary factors—perceived usefulness and perceived ease of use—shape individuals' attitudes toward new technology. In essence, users are more likely to adopt a technology if they perceive it as beneficial and easy to operate.

Similarly, the Theory of Reasoned Action (TRA), introduced by psychologists Martin Fishbein and Icek Ajzen, emphasizes that intention directly influences behavior. According to TRA, positive, negative, or neutral attitudes toward a behavior impact the likelihood of that behavior's occurrence, with positive attitudes generally predicting favorable outcomes (Ajzen & Fishbein, 1975).

In Vietnam, multiple studies indicate that factors influencing Fintech adoption among Vietnamese youth include perceived usefulness, perceived ease of use, brand image, perceived risk, and user innovativeness. Research identifies user innovativeness as the most influential factor, reflecting an individual's willingness to experiment with new products, technologies, or services (Hu et al., 2019). High user innovativeness correlates with a greater acceptance of technological innovations and a lower perception of associated risks.

Further studies focusing on Generation Z reveal that social influence and effort expectancy are critical in shaping this demographic's intention to use Fintech applications (Phuong et al., 2022). Consistent findings across various studies reinforce the TAM model's applicability to Fintech usage among Vietnamese youth. However, the broad scope of research has yielded diverse results.

Conversely, factors such as perceived risk—particularly financial, legal, and activity-related risks—negatively impact the intention to use Fintech services, though security risks do not appear to significantly influence adoption (Linh & Tuyen, 2022; Ngo & Nguyen, 2024).

Financial Literacy

Financial literacy is important in promoting the growth of FinTech because it enables customers to make well-informed decisions about FinTech offers, instills trust and confidence in the FinTech business, and advances financial inclusion. A growing body of evidence demonstrates the relationship between financial literacy and FinTech growth (AlSuwaidi & Mertzanis, 2024).

Nguyen (2022) found that financial literacy in Vietnam remains relatively low compared to international standards. While limited research exists on global financial literacy levels, studies within Vietnam suggest that financial knowledge among Vietnamese individuals lags significantly behind. According to an assessment by the OECD International Network of Financial Education, which evaluated financial literacy across 30 countries, Vietnam scored 12.5 out of 21, noticeably lower than the average score of 13.3 (OECD/INFE, 2016). This score also placed Vietnam below other developing Asian countries, such as Malaysia (12.3) and Thailand (12.8). Further findings from a 2013 VISA survey highlighted that Vietnamese women ranked 25th out of 27 countries in financial knowledge (VISA, 2013).

Despite these relatively low scores, Vietnamese respondents tend to have a realistic understanding of their financial literacy levels. Research from the Asian Development Bank Institute in 2019 revealed that approximately 82.9% of Vietnamese individuals self-assessed their financial knowledge as average to very low, demonstrating an awareness of their own financial capabilities (Morgan & Trinh, 2017).

This lower level of financial literacy represents a significant factor influencing the adoption of Fintech services among Vietnamese youth. Limited financial knowledge may restrict young people's ability to effectively engage with Fintech applications, making financial literacy a critical area for future educational initiatives and interventions in Vietnam's Fintech landscape.

Conclusion

Overall, technological developments in finance make it easier for people to locate funds, invest and pay. FinTech has piqued the interest of not just practitioners, investors, and regulators, but also consultants and academics interested in how these innovative technology and innovations affect companies and the financial system as a whole, offering greater prospects for the growth of the financial system itself (Chuang et al., 2019), as well as supporting other industries (Stanko et al., 2017; Yu et al., 2017).

In time of certain and risk, individuals are expected to engage with financial products and services as the main way of protecting themselves from uncertainties and risks, and their welfare, security and autonomy are construed as depending largely on their own financial decisions (Maman & Rosenhek, 2019). This situation create great opportunity for Fintech services, especially those to make money like investment, to thrive.

This paper examines the literature on Vietnamese youth use of fintech services and factors affecting their usage. Fintech adoption among Vietnamese youth is influenced by several key factors, including the accessibility of technology, perceived usefulness, government support, and financial literacy.

The Vietnamese government's proactive approach—promoting financial inclusion strategies and developing supportive regulatory frameworks—has facilitated Fintech's expansion, although gaps remain in national financial education initiatives. Furthermore, Vietnamese youth's engagement with Fintech applications is significantly shaped by perceived ease of use, user innovativeness, and social influences, while concerns about financial risks still present adoption barriers.

For sustained growth, targeted financial literacy programs and continued regulatory enhancements are essential. This study highlights the critical importance of understanding these factors to ensure Fintech's potential in fostering financial inclusion, economic development, and improved financial well-being for Vietnamese youth.

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