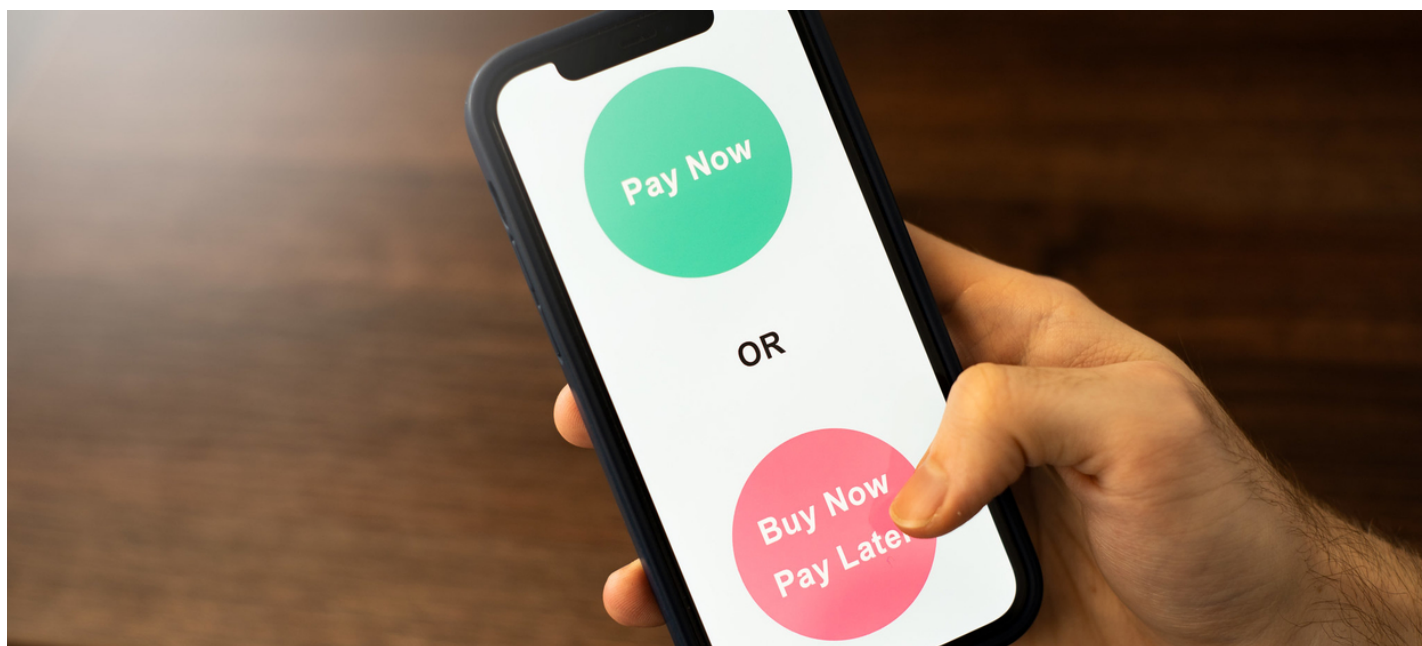


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In Southeast Asia, it is no surprise that BNPL will be especially popular among many consumers given low credit card usage. Some of the biggest players in this region are GrabPay and GoPay. (Photo: [Dealdrop.com Images](#), Flickr)

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## Buy Now Pay Later in Vietnam: Expectations and Challenges Ahead

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**NICOLAS LAINEZ | TRỊNH PHAN KHÁNH**

## **The Buy Now Pay Later (BNPL) fintech segment has promising prospects in Vietnam. But care must be taken to mitigate against potential pitfalls for less financially literate consumers.**

**B**uy Now Pay Later (BNPL) is a new fast-growing fintech segment that is becoming increasingly popular in Vietnam despite the economic slowdown caused by the pandemic. What is BNPL exactly, why is it gaining momentum, and what challenges does it raise in Vietnam and beyond?

### **Buy Now, Pay Later**

Unlike traditional instalments and layaway plans, BNPL allows consumers to purchase goods by making a partial initial payment and paying the remaining amount in pre-arranged weekly, bi-weekly or monthly instalments.

Financial tech companies, merchants and banks develop these payment plans for online purchases through smartphone apps. Consumers are required to sign up for a BNPL account on an app, a process that takes a few seconds. When making a BNPL purchase, these apps perform a soft credit inquiry of users to assess their repayment capacities and, depending on lenders, allow for linking payments to their bank cards. An arrangement typically consists of a 25 per cent deposit and three equal interest-free instalments, each made every two weeks.

**BNPL has recently taken Vietnam's retail market by storm thanks to a massive boom in e-commerce penetration and the digital economy.**

Industry pioneers such as Klarna, [Afterpay](#), and [Sezzle](#) have led an accelerated growth of the BNPL market in Europe, North America and Asia Pacific, with the latter expected to be the fastest-growing region in the near future. This fintech segment's growth can be attributed to drivers such as a superior purchasing experience that combines zero to low-interest rates and [convenience](#), a [growing number of internet users](#) and mobile commerce economy, and [a tech-savvy generation](#).

In Southeast Asia, it is no surprise that BNPL will be especially popular among many consumers given low credit card usage. Some of the biggest players in this region are GrabPay and GoPay.

### **The Market in Vietnam**

BNPL has recently taken Vietnam's retail market by storm thanks to a massive boom in e-

commerce penetration and the digital economy. A [survey](#) by Research & Markets suggests that BNPL payments in the country are expected to grow on an annual basis by 137.3 per cent (US\$491.3 million) in 2021, compared to the fourth quarter in the prior year. There is a promising growth projection of this industry, as it is expected to have a CAGR of 36.5 per cent from 2021 to 2028.

BNPL growth is predicated upon the rise of online shopping, which involved [53 per cent](#) of the Vietnamese population in 2020, according to the Ministry of Industry and Trade. Given these prospects, BNPL is an attractive payment option for individuals of all backgrounds.

Major BNPL players in Vietnam include Fundiin, Litnow, Grab, and AfterPay. Grab has partnered with Credit Saison, the Japanese investor of the financial company HD Saison in Vietnam, to incorporate BNPL into their app e-services for customers considered creditworthy based on their financial behaviours and brand loyalty. More established lending platforms across ASEAN are also expected to expand into Vietnam's market. Recently, Indonesia's largest BNPL platform Kredivo announced its entry into the Vietnamese digital economy to [establish a joint venture with Phoenix Holdings](#), a Vietnam-based family investment office.

Fundiin, a domestic BNPL platform start-up founded in 2019, aims to expand its services marketed towards a younger customer base, namely Gen Z and Millennial Vietnamese. It offers customers a three interest-free instalments service. It takes advantage of a low credit card penetration rate standing at 4 per cent, few payment options available to consumers, and market for instalment plans filled with costly, complicated and risky loans.

Vietnam already sees great prospects for the BNPL model to develop in its consumer market. Fundiin has taken the first-mover initiative in establishing partnerships with Vietnamese retail firms, such as [Sapo](#). This is said to facilitate retailers and merchants "increase conversion, average order value, and reach new customers", [according to Nguyen Anh Cuong, Fundiin's CEO](#).

It is no surprise that economic drivers that were observed in Europe, Asia Pacific, and North America now find salience in Vietnam. With a growing digital economy, an increasingly affluent consumer population, and low credit card usage, many credit-hungry borrowers may find BNPL as a strong and convenient alternative to satisfy their financial needs.

## Challenges ahead of the road

Despite these promising developments, BNPL may present challenges in Vietnam, which have been raised in Singapore and elsewhere. A few of them are worth mentioning.

Firstly, over-spending may present itself as a challenge among the young and financially illiterate. Singaporean Gen Z consumers have been observed to make financial decisions that make them worse off. Given Vietnam's young population with an average age of 32, its tech-savvy generation may find itself in a similar predicament. According to [a report from Findex](#),

27 per cent of young Singaporeans said they were financially worse off due to a BNPL purchase, 17 per cent of them admitting to making an impulsive purchase, 9 per cent said they had to pay late penalties.

That said, these penalties have raised concerns over the transparency of repayment conditions. These can be understood as ‘hidden costs’ that accumulates in the credit balance. This can lead to future repayments being declined by credit service providers and late BNPL payments. [Grab](#), for instance, have been reported to charge late payers US\$10. Vietnamese consumers may therefore find themselves purchasing a product for a higher total price than initially intended.

And finally, given its recent entry into Vietnamese markets, the legal landscape of BNPL industries remains nebulous and must therefore be navigated with caution. According to Dr [Nguyen Huu Huan](#), from Ho Chi Minh City University, “There are still causes for concern, as some black credit institutions can hide behind fintech companies to lend perfidiously and make borrowers pay the same way that online lending apps have done in the past”.

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