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Vietnam's Deputy Prime Minister Says It Will Be Piloting P2P Lending Soon

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Deputy Prime Minister Vuong Dinh Hue announced during a ministerial meeting recently that the Vietnamese government will soon issue a decision to allow a pilot implementation of peer-to-peer (P2P) lending before officially developing a regulatory framework for the new fundraising method.

During the pilot, P2P lending would be restricted to connecting lenders and borrowers. P2P lending companies would not be allowed to mobilize capital but will only act as intermediaries to connect lenders and borrowers, [according](#) to a report by Vietnam News.

“Authorities must quickly have access to new business models, and at the same time, enhance supervision to discover and deal with any legal violations related to the activities,” Hue said.

Vietnam’s decision to regulate P2P lending is part of the government’s broader desire to facilitate the development of the “sharing economy,” which has developed in recent years around six major sectors including transportation, room sharing, e-commerce, employment, financial services and online advertising, Hue [said](#) at a conference in February. He said that Vietnam will develop specific regulations for specific sectors of the sharing economy.

According to the Vietnamese ministry of planning and investment (MoPI), promoting the development of a sharing economy together with a proper framework for management will help improve budget revenue, enhance resource efficiency, encourage innovation and offer abundant choices for customers.

In recent years, P2P lending has experienced rapid growth in Vietnam partly due to the lack of access to financial services.

Besides domestic players which have mushroomed in recent years, foreign players too have begun tapping into the Vietnamese P2P lending opportunity. Validus Capital, a Singapore-based SME financing platform, [announced](#) earlier this month plans to expand to Vietnam and Indonesia after closing a US\$15.2 million Series B funding round. Last years, Indonesian P2P lending marketplace Investree [launched](#) in Vietnam under the name eLoan.

According to Pham Chi Quang, deputy director of the State Bank of Vietnam (SBV)’s monetary policy department, if P2P lending is well managed, it would [facilitate inclusive finance](#), especially in remote areas. P2P lending can also help customers,

especially household businesses and small and medium-sized enterprises (SMEs) access banking and finance services at low costs.

Though these platforms are providing an alternative to traditional financial services institutions, experts warn that their rapid growth might lead to the rise of loan-sharking.

Can Van Luc, chief economist of BIDV and director of the BIDV Training School, noted that Vietnam does not have a legal framework for P2P lending yet, and that, therefore, the activity had many potential economic and social risks. He cited the case of China, where the unregulated activity [has led to a wave of defaults, scams and bankruptcies](#).

[According](#) to Solidiance, an Asia-Pacific (APAC) focused consultancy firm, the Vietnamese fintech market was worth US\$4.4 billion 2017 and is expected to reach US\$7.8 billion by 2020.

Experts believe that the fast-paced development will be driven by numerous factors including regulatory efforts to increase financial inclusion and to [reduce cash payments](#), rising income and consumption, high Internet and smartphone penetration rates and a young, digitally-savvy population.