



Received: 02-01-2024
Accepted: 12-02-2024

International Journal of Advanced Multidisciplinary Research and Studies

ISSN: 2583-049X

Developing Electronic Payment forms in Vietnam

Hoang Thi Thu Trang

University of Labour and Social Affairs, Hanoi, Vietnam

Corresponding Author: **Hoang Thi Thu Trang**

Abstract

Cash payments are less popular and are decreasing in most countries around the world. Instead, non-cash payment is an inevitable trend and a driving force in the process of developing global economic and trade. In fact, cash-based economies tend to grow slowly and miss out on significant opportunities in global trade. In contrast, economies that proactively transition to electronic payments achieve more success and take advantage of more advantages such as simplifying payment processes and macro-currency management. The result of a cashless economy is that trade grows, and fraud plummets. For developing economies, digital payments are an effective tool that simplifies financing for key economic players. In Vietnam since the outbreak of the epidemic, the shopping and payment habits

of Vietnamese consumers have changed significantly as people desire to have safer, more convenient shopping experiences, avoiding risks. Transaction risks and asset loss. With e-commerce demand exploding, the electronic payment trend is also growing and more companies are embracing digital forms. The willingness to switch is evidence of how much the effort invested in new technology has been appreciated by consumers and how much they trust the convenience and security that cashless payments bring. This article studies the theory of e-commerce, the benefits that e-commerce brings, the current situation of developing electronic payment forms in Vietnam recently and offers solutions to promote activities. Electronic payments in the near future.

Keywords: Electronic Payment, Electronic Payment by Bank Card, Payment via Payment Gateway, Pay by Mobile, Pay by e-wallet

1. Introduction

Recently, the State Bank has proactively researched and promulgated many appropriate regulations to promote non-cash payments such as the Decree on non-cash payments and the digital transformation plan for the banking industry. Banks, promulgating technical standards for QR Code and chip cards, enhancing standardization of connectivity in the banking industry, between the banking industry and other fields.

At the same time, banks are encouraged to research and invest heavily in technology infrastructure, technical solutions, connect with the national public service portal and other areas of the economy, and establish an ecosystem. Digital technology to have safe products, improve customer experience, and bring great benefits to customers.

Timely policies and regulations have created favorable conditions for banks to invest in technical infrastructure, develop digital payment services, and turn electronic payment into a familiar and popular part. In society, the daily activities of people and businesses, thereby bringing some positive results. By the end of 2022, more than 77.41% of adults in Vietnam will have a bank payment account. In 2023 compared to the same period in 2022, non-cash payments increase by 51.14% in quantity, via Internet channels increase by 66.46% in quantity, via mobile phone channels increase by 63.09% in quantity. Via QR Code increased by 124.15% in quantity. Online account opening has been carried out since the end of March 2021. In 2023, there were nearly 54 million accounts opened using the eKYC electronic method. There are 20.8 million cards in circulation using the eKYC method.

In the coming time, to continue implementing the goal of promoting non-cash and electronic payments in Vietnam, credit institutions and related parties need to continue to coordinate closely and invest in lowering costs. Infrastructure, providing diverse and modern payment products, expanding payment acceptance infrastructure, building synchronous infrastructure to create conditions for people and businesses in remote areas to easily access and use official banking and payment services, contributing to comprehensive financial universalization and preventing black credit.

2. Research overview

Electronic payment concept

Electronic payment, also known as online payment, is a form of payment on the internet, allowing you to make financial transactions using information technology such as the internet or mobile devices, instead of using cash or credit cards. This brings many benefits to users, such as convenience, speed, safety and easy control of financial transactions. Electronic payment is becoming a popular trend in the current technological age and is widely used in the fields of business, e-commerce and financial services.

Benefits of electronic payment

The development of e-commerce can promote the use of electronic payments and vice versa, electronic payments bring benefits to e-commerce businesses, helping to boost sales.

Electronic payment systems allow the creation of financial databases about businesses, customers, and people, from which financial institutions or non-financial organizations can use information to build scores. Credit for loan approval. Financial institutions can also use this data to provide private wealth management and insurance services. For businesses, electronic payments help save time and costs in managing cash transactions such as employee costs, supervision costs, cash protection, etc. For governments, payment systems Electronics can assist governments in designing and implementing appropriate and effective monetary policies. Electronic payments help reduce corruption and increase tax collection efficiency through transparent tracking of all financial transactions.

Electronic payments in countries around the world

- In Singapore, cashless payments got a big boost in 2017 with the launch of PayNow, a national real-time payments platform.
- Sweden has implemented a series of policies to encourage non-cash payments, aiming to reduce the number of ATMs nationwide through promoting e-KYC and real-time payments. Reducing cash payments has a positive impact on increasing the amount of tax collected by the state, for example, value added tax revenue increased by nearly 30% within 5 years.
- The Reserve Bank of Australia has introduced policies to help reduce the cost of digital payments, for example capping money transfer fees and capping card surcharges for small businesses. These actions significantly reduce merchant payment costs by an estimated \$11 billion and increase the growth rate of card transactions by approximately 8% per year.
- Many initiatives are being implemented in Africa. Ghana, Tanzania, Mali with the aim of improving farmers' access to financial services. Rwanda and Kenya aim to become cashless economies by 2024.

3. Current status of development of electronic payment forms in Vietnam

The covid 19 pandemic has changed consumer behavior around the world and Vietnam is no exception. In particular, it can be clearly seen that electronic payment in Vietnam has had a prosperous development, electronic payment has become the payment method chosen by many Vietnamese consumers. In Southeast Asia, Vietnam is the fastest growing digital economy in the region and has great potential for electronic payment to develop strongly.

According to Visa's 2022 Consumer Payment Attitudes Study, the proportion of Vietnamese users using card or e-wallet payments has increased across all age groups compared to 2021.

- 66% of users pay cards online, 70% pay with e-wallets online or in-app – recording a significant growth compared to 32% in 2021.
- Similarly, the rate of payment by QR code increases dramatically, with 61% (2022) compared to 35% (2021).
- 90% of people surveyed have made cashless payments (2022), up from 77% (2021), and 77% believe they can go cashless for 3 days.

This shows consumers' tendency to say no to cash, as evidenced by the fact that in 2023, they carried less cash and used cash less for payment. The two most common reasons why people limit carrying cash are the risk of it being lost or stolen, and the fact that more and more businesses are facilitating and adopting cashless payment methods.

Almost everyone has used additional methods of transfer and payment via QR codes at commercial locations, including markets or small grocery stores... Showing the development of electronic payment methods. The environment is increasingly expanding and growing strongly.

Cash on delivery used to be the most popular payment method with Vietnamese users, but since the pandemic started, it has tended to decrease. Instead, electronic payment methods tend to increase dramatically:

- 70% of users have the habit of using online banking
- 59% of users have the habit of using e-wallets.

Currently, in Vietnam, according to statistics, there are more than 40 e-wallets, an increase of 800% compared to the development stage 6 years ago (only 5 e-wallets) to meet the increasing needs of the market. School. By the end of 2023, the number of active e-wallets is 36.23 million (accounting for 63.23% of the total of nearly 57.31 million activated e-wallets), with the total amount of money on these wallets is about 2.96 trillion VND.

With e-commerce demand exploding, the electronic payment trend is also growing and more companies are embracing digital forms. The willingness to switch is evidence of how much the effort invested in new technology has been appreciated by consumers and how much they trust the convenience and security that cashless payments bring.

By the end of 2023, non-cash payments will reach about 11 billion transactions, an increase of nearly 50% compared to 2022. The total transaction value will reach more than 200 million billion VND. Of which, payments via internet channels will reach nearly 2 billion transactions, with a value of over 52 million billion VND (an increase of more than 56% in quantity and 5.8% in value compared to 2022); via mobile phone channel, reaching more than 7 billion transactions with a value of more than 49 million billion VND (an increase of more than 61% in quantity and nearly 12% in value); Through the QR code method, there were nearly 183 million transactions, with a value of more than 116 trillion VND (an increase of nearly 172% in quantity and more than 74% in value compared to the previous year). The value of transactions via ATM is about 2.6 million

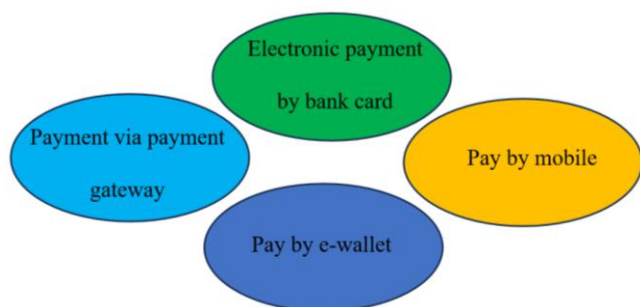
billion VND, down more than 9% compared to 2022. Online account opening has been implemented since the end of March 2021, to date, nearly 27 million payment accounts have been opened. By electronic method (eKYC) is active and 12.9 million cards are in circulation issued by eKYC.

The ATM and POS network covers all provinces and cities across the country. By the end of November 2023, the whole market has 21,014 ATMs and 513,550 POS machines (an increase of 0.6% and 26.89%, respectively). Compared to the same period in 2022).

As of the end of December 2023, the State Bank has issued licenses to provide intermediary payment services to 51 organizations that are not banks providing intermediary payment services in the market. In particular, financial switching services and electronic clearing services: 1 organization, electronic payment gateway service; 49 organizations and services supporting collection and payment; 49 organizations and services supporting electronic money transfer; 14 e-wallet organizations and services. By the end of 2023, the number of active e-wallets is 36.23 million (accounting for 63.23% of the total of nearly 57.31 million activated e-wallets), with the total amount of money on these wallets being about 2.96 trillion VND.

After 2 years of piloting, Mobile Money has had good growth. At the end of 2023, the number of registered accounts is nearly 6 million, of which nearly 70% are accounts registered in remote areas and islands; the total number of transactions is about 47 million, the total transaction value is over 2.4 trillion VND. Three businesses participating in the Mobile Money pilot (Viettel, VNPT, MobiFone) have opened 11,700 business points; More than 195,000 units accept payments, creating conditions for vulnerable people in remote areas to access financial services.

4 popular forms of electronic payment in Vietnam



Payment by card

This is the most typical form of payment, accounting for 90% of all e-commerce transactions. A payment card (payment card) is a type of card capable of paying for goods and services at several locations, including online shopping websites if consumption with that card is accepted. Or you can use it to withdraw cash directly from banks or automatic teller machines. Currently, payment cards are divided into two types, which can be issued by banks and financial institutions. Eg:

Payment by international credit or debit card: If customers own cards such as Visa, Mastercard, American Express, JCB, they can pay at more than 60 websites connected to the OnePay payment gateway.

Payment by domestic debit card: This type is not really popular in Vietnam but is quite developed abroad. With this

payment method, cardholders at Connect24 of Vietcombank or multi-function cardholders of Dong A Bank can make electronic payments at websites connected to these two banks as well as OnePay payment gateway.

Payment through the portal

Payment gateway is essentially a service that allows customers to transact at e-commerce websites. Payment gateway provides a secure connection system between the customer's account (card, e-wallet, etc.) and the sales website account. Helps consumers and businesses pay and receive money on the internet simply, quickly and safely. There are also some banks implementing payment gateways. Typically, as:

Payment via electronic payment gateway F@st Mobipay: This is a service within Techcombank's payment solution. Allows customers to open accounts and perform bill payment transactions by sending phone messages to switchboard 19001590. To ensure safety and confidentiality for customers, transfer payments can be made using the Internet system. Banking is very convenient.

Payment via Dong A payment gateway: Since 2007, Dong A Bank has also allowed multi-function cardholders to pay online on "Dong A Electronic Bank" using Internet Banking, SMS Banking, Mobile Banking.

Pay by e-wallet

An e-wallet is an online account that can be used to receive, transfer money, buy phone cards, movie tickets, pay online for internet fees such as electricity and water bills, telecommunications charges, and you can also buy goods online. From e-commerce sites. Users must own a smart mobile device with an integrated e-wallet and link with a bank to be able to pay online using this form.

Pay using smartphone device

Via Mobile Banking

This form is gradually becoming popular because almost everyone owns a smartphone. Therefore, when shopping, customers do not need to bring cash, instead they can pay by phone with Mobile Banking service. The phone payment system is built on a linkage model between banks, telecommunications providers, and users.

Via QR Code

Technological advances are also the reason why QR Code payments are increasingly popular. This method is quite simple, compact, easy to use and friendly to consumers. QR Code feature is currently integrated on mobile applications of banks, Google products and services such as Google Chart or Google Map, on signs, buses, business cards, magazines, websites, etc. goods at supermarkets, convenience stores, etc. Even on some super applications like VinID of Vingroup.

Users use the phone camera to scan QR codes to quickly perform transfer transactions, pay bills, and make purchases. With just one scan, after a few seconds, you can successfully pay at restaurants, supermarkets, convenience stores, taxis, even e-commerce websites or on any product with a code attached. QR without using cash or cards, without worrying about revealing personal information at payment points.

Electronic payment restrictions in Vietnam

Usage rate: Although the electronic payment usage rate in Vietnam has increased, it is still low compared to other countries in the region. According to the World Bank, by 2022, the electronic payment rate in Vietnam will only reach 26%, while in Thailand it will be 58% and in Singapore it

will be 80%.

Cybersecurity: Cybersecurity is an important issue for electronic payments. There are still many cybersecurity risks, such as cyberattacks, fraud, and spoofing.

Limited knowledge and skills: Some people, especially the elderly and people in rural areas, have limited knowledge and skills in using electronic payments.

4. Solutions for developing electronic payment forms in Vietnam

The solution comes from the government

The Vietnamese government has policies to expand investment incentives for financial investors. This is also the premise for non-cash payment models in the world to enter the Vietnamese market. However, to promote card and electronic money payment methods in Vietnam, in the coming time, solutions need to focus on the following key issues:

First, reassess the effectiveness of solutions to limit the use of cash in payment to adjust policy mechanisms. Electronic payment is a global consumer trend, but in Vietnam, cash transactions are still the main thing, accounting for 65% of the total payment methods.

Second, encourage management agencies and businesses to provide many services using non-cash payment. To encourage people to use payment cards, the Government and businesses need to provide more services for payment card use; Commercial banks need to introduce a reasonable fee policy related to card use to encourage more individuals to participate in using payment cards; Continue to promote the number of POS to serve people's daily payment needs.

Third, it is necessary to build a legal basis for electronic payments to enhance payment safety and security. Developing electronic banking services, developing infrastructure and investing in modern technology is a vital issue for every bank.

The solution comes from banks

The State Bank of Vietnam needs to continue to direct payment service providers and payment intermediary service providers to apply new and modern technologies to payment products and services. Ensuring convenience, safety, security and at the most reasonable cost, continuing to reduce fees for using electronic payment facilities via banks.

Continue to promote synchronous and effective communication activities in disseminating knowledge, raising awareness, changing consumer behavior and payment methods of people and businesses, thereby improving the ability to communicate. Access the benefits of payment services for the community, encouraging the use of electronic payment methods.

Ministries and branches need to have specific solutions to direct their affiliated units to promote coordination with commercial banks to deploy payment via banks for the collection of public service fees, contributing to the majority of public service fees. Diversify collection and payment channels to create more conveniences for businesses and people.

Commercial banks need to strengthen marketing activities to guide customers in opening accounts and making payment transactions via electronic means with all customers, especially customers in rural and remote areas. Actively link with wallet owners and organizations with payment functions to carry out money transfer transactions from

payment deposit accounts of individual and collective customers to e-wallets. Continue to strongly apply modern technology to payment activities; Coordinate with payment units, goods and service providers to connect and integrate the information technology systems of these units with the unified payment system of the banking industry; At the same time, continue to promote communication, propaganda, and encourage people and businesses to use electronic payment methods.

Solutions come from businesses providing products and services

Enhance the development of e-wallets or link with e-wallets as well as banks so that customers can easily make electronic payments.

Strengthen the construction of infrastructure for easy and convenient electronic payments.

Associate with electronic payment intermediaries to develop promotional packages and incentives to motivate customers to increase non-cash payments.

5. Conclusion

The growth prospects of the electronic payment market in Vietnam continue to be driven by business potential with a large population and golden population structure, predictions of an increase in both quantity and quality. The number of people using electronic payments, as well as the popularity of smart mobile devices, cheap mobile Internet prices and the digital ecosystem are on the rise. Most important are the government's orientations and great efforts in creating a safe, transparent environment and encouraging the development of electronic payment activities. To take advantage of the market's potential requires the participation of all three parties: the Government, credit institutions and people using electronic payment to bring the development of electronic payment in Vietnam to a higher level. New heights, commensurate with the inherent potential and efforts of the entire system.

6. References

1. Statista. 2020 Cash use in Sweden.
2. Statista. 2020 South Korea Share of cash in total transaction.
3. IFC & MasterCard. 2018 Digital Financial Service for Agriculture Handbook.
4. Visa. 2021 Survey spots momentum for cashless payments.
5. BCG. 2019 Cashless payments help economies grow.
6. World Bank. 2019 Digital Payment - A Dream or Reality for Vietnamese in Rural and Remote Areas.