

Vietnam Consumer Finance Comprehensive Report 2017

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Abstracts

As Vietnam has targeted the credit growth of 18-20% in 2016, banks also expect lending this year to surpass target, some even show optimism by aiming high goal. Since the SBV implemented 'Restructuring the system of credit institutions in 2011-15' project, NPL ratio of the banking system has declined but the size of NPLs has not been improved significantly.

In scale, Vietnam's banking assets are still modest compared to regional countries'. The banking system and financial market are developing at a rapid rate, thus improving substantially the market penetration. However, the increase in quantity does not keep up with the advancement in quality.

While large state-owned finance companies are still in the divestment, foreign ones have expanded and dominated the market. In that context, banks are speeding up acquiring finance companies. Many banks even prepare to apply for new finance company license.

Total credit outstanding grows at an average pace of 14% per annum, among which consumer finance part increased considerably from 5.1% in 2013 to 8% in September 2015. Consumer credit started to soar since the end of 2012 and reached an average growth rate of over 34% by the end of Sep 2015.

Consumer finance market in Vietnam is soaring but still considered to be primary compared to other markets. Home purchase, construction and renovation loans and home appliances loans still take up a majority of total consumer loans outstanding in 2015.

The stiff competition still occurs in the market among domestic banks, foreign banks and finance companies. While banks supply large and medium loans with interest rates controlled by the government, the appraisal process in finance companies is more simple and less strict, however the interest rates in these companies are very high.

Among domestic banks, Techcombank and Sacombank still take majority of consumer lending into account, there are also several remarkable newcomers such as TP Bank or HD Bank. However, due to complicated application process in banks, customers still require collaterals over the unsecured loans. Under those circumstances, an accelerating number of commercial banks plan to establish their own finance company, for example: BIDV, VietinBank, MBBank, ACB, Sacombank, NamA Bank, etc.

In order to differentiate themselves in the market, foreign banks mainly focus on middle high customers. Some large banks can be named as HSBC, ANZ or Citibank

Finance companies provide loans with much easier conditions compared to commercial banks, thus the loan portfolio of those companies are riskier, therefore they have to increase their interest rates to compensate the risks. Home Credit, FE Credit, HD Saison and ACS Trading are leading finance companies in the market. Three out of four are foreign-owned, only FE Credit belongs to a Vietnamese entity (VP Bank).

Contents

Executive Summary

1. BUSINESS ENVIRONMENT

- 1.1 Macroeconomic Situation
- 1.2 Banking Sector Situation
- 1.3 Non-bank Sector Situation
- 1.4 Major Legal Policies
- 1.5 Foreign interest in Vietnamese market

2. VIETNAM'S CONSUMER FINANCE MARKET

- 2.1 Market Structure
- 2.2 Market Size and Growth
- 2.3 Competitor
- 2.4 Informal Finance Activities

3. CONSUMER FINANCE PRODUCTS

- 3.1 Overview
- 3.2 Detailed Product Survey
- 3.2 Detailed Product Survey

4. BUSINESS METHODS

- 4.1 Sales Channels and Marketing Campaigns
- 4.2 Payment Methods

5. KEY PLAYER PROFILE

- 5.1 Local Banks
- 5.2 Foreign Banks
- 5.3 Finance Companies
- 5.4 Others

6. MARKET POTENTIALS AND CHALLENGES

- 6.1 Key Growth Drivers
- 6.2 Development Trends
- 6.3 Challenges
- Appendices

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