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THE IMPACT OF FINANCIAL INCLUSION ON ECONOMIC GROWTH IN VIETNAM

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Abstract

Financial inclusion has emerged as a vital component of sustainable economic development, particularly in emerging economies such as Vietnam. It enhances access to financial services for individuals and enterprises, enabling savings, investments, and efficient resource allocation, thereby fostering economic growth. This study investigates the relationship between financial inclusion and economic growth in Vietnam using a qualitative analytical approach based on secondary data from the World Bank, the State Bank of Vietnam, and other national reports. The findings reveal that Vietnam has made remarkable progress in improving financial inclusion over the past decade, reflected in the expansion of banking networks, mobile payment systems, and fintech innovations. These advancements have contributed to increased capital mobilization, greater access to credit for small and medium-sized enterprises (SMEs), and a more dynamic financial ecosystem. However, disparities persist across regions and income groups, as rural and low-income populations still face barriers to accessing formal financial services. The study concludes that financial inclusion plays a significant role in driving Vietnam's economic growth by promoting savings, entrepreneurship, and productivity. Nevertheless, to sustain these gains, it is essential to strengthen digital infrastructure, enhance financial literacy, and implement inclusive financial policies that target underserved communities. The paper provides insights for policymakers and financial institutions on how to leverage financial inclusion as a tool for achieving equitable and sustainable growth.

Keywords: Financial inclusion; economic growth; Vietnam; digital finance; financial literacy; inclusive development; Fintech.

1. Introduction

In recent years, financial inclusion has become a crucial pillar of sustainable economic development, especially in developing and emerging economies. According to the World Bank (2022), financial inclusion refers to the process of ensuring that individuals and businesses have access to useful and affordable financial products and services such as payments, savings, credit, and insurance delivered in a responsible and sustainable way. A well-functioning financial system enables economic agents to mobilize savings, allocate resources efficiently, and manage risks effectively (Demirgüç-Kunt et al., 2018). Thus, enhancing financial inclusion is widely regarded as a powerful instrument for promoting inclusive growth, reducing poverty, and improving social welfare (Sarma & Pais, 2011; Allen et al., 2016).

The relationship between financial inclusion and economic growth has been extensively discussed in global economic literature. Numerous studies have demonstrated that greater financial inclusion contributes to higher investment rates, increased productivity, and improved income distribution (Beck et al., 2007; Levine, 2021). Access to financial services allows individuals to smooth consumption, build assets, and invest in education or entrepreneurship, thereby driving long-term economic expansion (Kim et al., 2018). Furthermore, the spread of digital financial services such as mobile banking and fintech has made financial inclusion more feasible in low- and middle-income countries, reducing geographical and transaction barriers (Ozili, 2020). In this regard, financial inclusion not only accelerates macroeconomic performance but also enhances economic resilience and social equity.

In the case of Vietnam, financial inclusion has gained increasing policy attention as part of the country's vision for sustainable development. The State Bank of Vietnam (SBV) and the Vietnamese Government have implemented various initiatives to promote financial accessibility, including the National Financial Inclusion Strategy to 2025 with Orientation to 2030, and the National Digital Transformation Program to 2030 (SBV, 2021). Over the past decade, Vietnam's financial sector has undergone significant modernization, driven by rapid digitalization, fintech innovation, and the expansion of mobile payment platforms. According to World Bank data (2023), the proportion of Vietnamese adults with access to a formal financial account increased from 31% in 2011 to 69% in 2021. Similarly, mobile banking usage has grown dramatically, reflecting the country's commitment to building a more inclusive financial ecosystem (Deloitte, 2022).

Nevertheless, several challenges continue to hinder Vietnam's progress toward full financial inclusion. Access to formal financial services remains uneven between urban and rural populations, and between high-income and low-income households (Le & Pham, 2020). Small and medium-sized enterprises (SMEs), which constitute the backbone of Vietnam's economy, still face barriers in obtaining formal credit due to information asymmetries and collateral requirements (World Bank, 2022). Moreover, the level of financial literacy among Vietnamese citizens is relatively low compared to regional peers, limiting the effective use of financial products (OECD, 2021). These disparities highlight that while Vietnam has made remarkable progress in expanding financial access, the depth and quality of financial inclusion remain insufficient to support equitable and sustainable growth.

Existing research on financial inclusion in Vietnam has largely focused on descriptive analyses or micro-level effects, such as household income or SME performance (Nguyen & Le, 2021; Pham, 2022). However, there is limited evidence examining the broader macroeconomic relationship between financial inclusion and economic growth in the Vietnamese context. In particular, few studies have adopted a qualitative analytical perspective that synthesizes secondary data from national reports, financial institutions, and international databases to capture the multifaceted nature of financial inclusion.

Therefore, this study aims to analyze the impact of financial inclusion on Vietnam's economic growth through a qualitative approach, using secondary data from the World Bank, the State Bank of Vietnam, and other institutional sources. The research explores how financial inclusion through access to credit, savings, payments, and digital financial services contributes to investment expansion, productivity improvement, and overall economic performance. Furthermore, the study identifies persistent barriers and proposes policy recommendations for promoting inclusive finance as a driver of long-term, sustainable growth.

By focusing on Vietnam's unique socio-economic conditions, this paper contributes to the growing body of literature on financial inclusion in emerging markets. It provides policymakers, financial institutions, and researchers with valuable insights into how inclusive finance can serve as a catalyst for equitable growth and sustainable development. The findings reinforce the notion that financial inclusion is not merely a social objective but a strategic economic imperative for countries transitioning toward a digital and inclusive economy.

2. Literature review

Financial inclusion refers to the availability, accessibility, and usage of affordable financial products and services by all segments of society, particularly low-income individuals and small businesses (Demirgüç-Kunt et al., 2018). According to the World Bank (2022), financial inclusion encompasses not only access to financial services such as payments, savings, credit, and insurance but also their effective and responsible use. A key premise is that an inclusive financial system enables individuals to manage resources efficiently, mitigate financial shocks, and invest in productive activities, thereby contributing to long-term economic growth (Allen et al., 2016). Theoretical foundations of financial inclusion are rooted in financial intermediation theory and endogenous growth theory. The financial intermediation theory posits that a developed financial system mobilizes savings and channels them into productive investments, enhancing capital accumulation and efficiency (Schumpeter, 1911; Levine, 2005). The endogenous growth theory further argues that inclusive financial systems foster innovation and human capital formation, which are crucial for sustained economic growth (Romer, 1990). In essence, financial inclusion strengthens the link between savings and investment, reduces information asymmetries, and facilitates resource allocation, ultimately improving productivity and income distribution (Beck et al., 2007).

A strong body of literature has established that financial inclusion exerts a positive impact on economic growth through multiple channels. First, access to credit enhances entrepreneurship, particularly among small and medium-sized enterprises (SMEs), which serve as engines of employment and innovation (Kim et al.,

2018). Second, financial savings and investment mechanisms allow individuals to accumulate wealth and invest in education, housing, and business ventures, thereby increasing aggregate demand and economic output (Sarma & Pais, 2011). Third, digital financial services including mobile banking, e-wallets, and fintech applications reduce transaction costs, increase efficiency, and expand access to underserved populations (Ozili, 2020). However, the magnitude of the impact of financial inclusion on growth depends on the quality and depth of financial access. Mere account ownership does not guarantee financial empowerment; instead, effective utilization of financial services is essential (Allen et al., 2016). Moreover, excessive credit expansion without proper risk management can lead to financial instability (Khan, 2011). Therefore, financial inclusion contributes to economic growth most effectively when accompanied by sound regulation, financial literacy, and institutional integrity.

Empirical studies worldwide have provided strong evidence supporting the positive relationship between financial inclusion and economic growth. Beck et al. (2007) demonstrated that deeper financial systems are associated with lower income inequality and faster growth in developing economies. Using panel data from 52 countries, Sarma and Pais (2011) developed a Financial Inclusion Index (FII) and found a significant positive correlation between financial inclusion and GDP per capita growth. Similarly, Kim et al. (2018) analyzed data from 55 Organization of Islamic Cooperation (OIC) countries and confirmed that broader access to banking and credit services leads to higher growth rates. In Africa, Babajide et al. (2015) observed that financial inclusion supports growth through increased savings and capital formation, while in South Asia, Sharma (2016) found that financial inclusion boosts economic output by improving access to microfinance and digital payments. The advent of fintech has also played a transformative role in expanding financial inclusion in countries such as Kenya, India, and China, where digital payment systems like M-Pesa and Alipay have brought millions into the formal financial sector (Ozili, 2020). At the same time, several scholars highlight potential nonlinear effects of financial inclusion. For instance, Park and Mercado (2018) argued that while initial stages of inclusion stimulate growth, excessive or poorly regulated credit expansion can destabilize the financial system. Hence, the relationship between financial inclusion and economic growth is context-dependent and mediated by institutional quality, digital infrastructure, and regulatory frameworks.

In Vietnam, the concept of financial inclusion has gained significant attention only in recent years, following the adoption of the National Financial Inclusion Strategy (NFIS) in 2020. According to the World Bank (2022), the percentage of adults with access to a formal financial account increased from 31% in 2011 to 69% in 2021, indicating remarkable progress. The expansion of mobile banking, fintech platforms, and microfinance institutions has played a critical role in extending access to financial services, especially in rural areas (Deloitte, 2022). Nevertheless, several studies reveal persistent challenges. Le and Pham (2020) found that geographic and income disparities remain significant, as rural and low-income populations still face limited access to formal credit. Nguyen and Le (2021) observed that while financial inclusion improves household welfare and reduces poverty, it has not yet translated into uniform economic empowerment due to limited financial literacy and inadequate digital infrastructure. Pham (2022) further emphasized that fintech-driven inclusion has the

potential to promote economic growth but requires supportive regulation and stronger cybersecurity frameworks.

Despite a growing body of literature, research on the macroeconomic relationship between financial inclusion and Vietnam's economic growth remains limited. Most existing studies adopt micro-level or quantitative perspectives, focusing on household income, SME financing, or mobile payment usage. There is a lack of qualitative and integrative analysis that synthesizes policy frameworks, institutional performance, and financial data to provide a holistic understanding of how financial inclusion drives national economic growth.

The existing literature indicates a broad consensus that financial inclusion promotes economic growth by expanding access to credit, mobilizing savings, and fostering entrepreneurship. However, the nature and strength of this relationship depend on the institutional and socio-economic context of each country. In Vietnam, while substantial progress has been made in expanding access to financial services, gaps remain in usage quality, regional equality, and financial literacy. Therefore, this study contributes to the literature by conducting a qualitative analysis based on secondary data to explore how financial inclusion influences Vietnam's economic growth. It seeks to synthesize findings from both domestic and international sources to highlight key drivers, challenges, and policy implications. The research aims to provide a comprehensive understanding of financial inclusion not only as a development goal but also as a structural mechanism for achieving inclusive and sustainable economic growth.

3. Current situation of financial inclusion in Vietnam

Over the past decade, Vietnam has made significant strides in promoting financial inclusion, recognizing it as a cornerstone of sustainable and inclusive economic growth. The State Bank of Vietnam (SBV) launched the *National Financial Inclusion Strategy to 2025 with Orientation to 2030*, aiming to ensure that all individuals and enterprises especially those in rural, remote, and low-income areas have access to formal financial services (SBV, 2021). This initiative aligns with the broader goals of the National Digital Transformation Program to 2030, which identifies digital finance as a key driver of socio-economic modernization (Vietnamese Government, 2020). According to the World Bank's Global Findex Database (2023), the proportion of Vietnamese adults with access to a formal financial account rose from 31% in 2011 to 69% in 2021. This growth reflects Vietnam's progress in expanding its banking network, improving accessibility, and adopting digital technologies. The expansion of microfinance institutions, cooperative banks, and state-owned commercial banks such as Agribank has also contributed to extending services to underserved populations. Furthermore, the increase in internet and smartphone penetration has supported the spread of mobile banking and e-wallet services, helping Vietnam transition toward a more inclusive financial system (Deloitte, 2022).

Financial inclusion in Vietnam has improved significantly across three key dimensions: access, usage, and quality of financial services (World Bank, 2022). First, financial access has expanded with the growth of banking infrastructure and digital channels. As of 2023, Vietnam had more than 11,000 bank branches and over 20,000 ATMs nationwide, along with over 200 licensed fintech companies operating in various segments such as payments, lending, and wealth management (Fintech Vietnam Report, 2023).

The rise of mobile money and e-wallet platforms such as MoMo, ZaloPay, and ShopeePay has been particularly transformative. According to the Vietnam Banks Association (2023), more than 80% of adults now use mobile payment applications at least once per month. Second, financial usage has increased markedly. The share of adults saving or borrowing from formal financial institutions has risen, and access to credit for small and medium-sized enterprises (SMEs) has expanded due to digital lending platforms. Microfinance and community-based credit funds continue to play an important role in reaching low-income groups and women entrepreneurs (Nguyen & Le, 2021). The government's efforts to promote cashless payments, particularly through e-Government and public utility payments, have accelerated the formalization of financial transactions. Third, the quality of financial services has improved due to innovation in product design and delivery. Banks and fintechs are integrating data analytics and artificial intelligence (AI) to tailor products for customers who previously lacked credit histories. For instance, VPBank and TPBank use AI-based credit scoring to evaluate borrowers with limited financial records, expanding credit access while mitigating default risk (Pham, 2022).

Technological innovation has been a crucial catalyst in advancing financial inclusion in Vietnam. The rapid growth of fintech has revolutionized the accessibility and affordability of financial services, particularly among young and tech-savvy populations. According to Deloitte (2022), fintech transactions in Vietnam reached an estimated US\$20 billion in 2022, a tenfold increase from 2017. Fintech platforms have complemented traditional banking by bridging service gaps for underbanked populations, enabling real-time payments, and supporting digital lending. The government has encouraged innovation through regulatory support, notably with the Regulatory Sandbox for Fintech, launched by the SBV in 2021 to allow pilot testing of digital banking and payment solutions. Partnerships between commercial banks and fintech startups such as between Techcombank and Moca or MB Bank and ZaloPay have further enhanced the digital finance ecosystem. These collaborations help lower transaction costs, improve convenience, and reduce the geographic barriers that have historically excluded rural populations from financial services (OECD, 2021). Digital financial inclusion has also been strengthened through mobile money services introduced by major telecom providers like Viettel and VNPT, allowing users without bank accounts to perform electronic transactions. As of mid-2023, mobile money had reached more than 3.4 million users, of which nearly 70% live in rural or remote areas (SBV, 2023). These developments mark a major step toward bridging the financial inclusion gap between urban and rural communities.

Despite considerable progress, Vietnam continues to face multiple challenges in achieving comprehensive and equitable financial inclusion. First, regional disparities remain substantial. While urban areas such as Hanoi and Ho Chi Minh City exhibit high levels of financial access, rural and mountainous regions lag significantly behind. A study by Le and Pham (2020) found that only about 45% of adults in rural provinces hold a formal financial account, compared to over 80% in urban centers. Second, financial literacy remains a key constraint. The OECD (2021) reported that Vietnam's financial literacy score is below the ASEAN average, with limited understanding of credit, savings, and digital security among rural and low-income populations. This lack of knowledge restricts the ability of individuals to use financial services effectively and safely. Third, gender disparities persist. According

to World Bank (2023) data, only 66% of Vietnamese women have a financial account compared to 72% of men, highlighting the need for gender-responsive financial policies. Fourth, the regulatory framework for digital finance remains incomplete. While Vietnam has made strides in licensing and supervising fintech companies, comprehensive regulations on data privacy, open banking, and consumer protection are still evolving (World Bank, 2022). Weak cybersecurity infrastructure also poses growing risks amid increasing digital financial activity (MIC, 2023). Lastly, credit access for SMEs and informal sectors remains limited due to collateral requirements and incomplete credit information systems. Many small businesses still rely on informal borrowing sources, reducing their ability to scale and formalize operations (Nguyen & Le, 2021).

In summary, Vietnam has achieved remarkable progress in advancing financial inclusion through the expansion of banking infrastructure, fintech development, and supportive government initiatives. Digital finance has become the primary enabler of inclusion, driving access to payments, savings, and credit. However, disparities persist across regions, income levels, and genders. Addressing these structural challenges requires a combination of digital innovation, financial education, and inclusive policy frameworks. The evolution of financial inclusion in Vietnam illustrates a dual reality: rapid technological advancement on one hand, and persistent socio-economic inequalities on the other. To achieve the full benefits of inclusive finance, Vietnam must ensure that technological progress translates into genuine empowerment for all citizens particularly those historically excluded from formal financial systems.

4. Conclusion

Over the past decade, financial inclusion has emerged as one of the most powerful tools for promoting economic growth and social development in Vietnam. This study demonstrates that improving access to financial services such as payments, credit, and savings—has significantly contributed to Vietnam's economic expansion, poverty reduction, and entrepreneurship development. The government's proactive policies, particularly the National Financial Inclusion Strategy to 2025 with Orientation to 2030, have enabled a growing number of individuals and businesses to engage with formal financial institutions. Moreover, the rapid adoption of digital finance and fintech innovations has transformed the country's financial landscape, making financial services more accessible, efficient, and inclusive.

The evidence shows that financial inclusion has enhanced capital mobilization, increased investment in small and medium-sized enterprises, and promoted consumption and innovation. Fintech platforms, mobile banking, and e-wallets have successfully extended financial services to rural populations, thereby supporting Vietnam's inclusive growth agenda. However, despite these achievements, several limitations continue to hinder the full potential of financial inclusion. Regional inequalities, gender gaps, and low levels of financial literacy remain major challenges. Many rural households and informal sector workers still depend on unregulated credit sources, while the legal and institutional frameworks for digital finance are not yet comprehensive. These issues suggest that while Vietnam has made progress in financial inclusion, the quality, depth, and sustainability of inclusion need further improvement.

To address these challenges, several policy implications can be drawn. First, it is essential to strengthen the regulatory and institutional framework for financial inclusion. The State Bank of Vietnam should establish clear guidelines on digital banking, open finance, and consumer protection, ensuring transparency and security in digital transactions. A robust open banking ecosystem would also promote fair competition and interoperability between traditional banks and fintech firms. Second, enhancing financial literacy is crucial for ensuring that individuals not only have access to financial services but also use them effectively. Financial education programs should be integrated into school curricula and community-based training, focusing on the safe use of digital financial tools and responsible borrowing.

Third, policymakers should continue to expand digital and financial infrastructure, particularly in rural and remote areas. Improving broadband connectivity, mobile payment systems, and credit information databases will help reduce geographical and informational barriers. Collaboration between the public and private sectors can accelerate the development of inclusive financial infrastructure. Fourth, it is important to design inclusive financial products that target vulnerable groups such as women, farmers, and micro-entrepreneurs. Microfinance programs, low-interest credit schemes, and gender-sensitive financial policies can foster entrepreneurship and reduce inequality.

Fifth, fintech innovation should be encouraged as a driver of inclusive growth. The government can support innovation through the expansion of the Regulatory Sandbox for Fintech, which allows safe experimentation with digital financial services. At the same time, stronger cybersecurity measures and risk management systems must be implemented to protect consumers and maintain financial stability. Lastly, developing a comprehensive national database on financial inclusion would enable policymakers to monitor progress, assess regional disparities, and design targeted interventions. Reliable data collection and analysis are critical to ensuring that financial inclusion efforts remain evidence-based and equitable.

In conclusion, financial inclusion has played a transformative role in Vietnam's economic growth by promoting financial accessibility, efficiency, and social equity. Yet, sustainable progress requires an integrated approach that combines technology, education, and governance. By fostering a resilient financial ecosystem that balances innovation with inclusivity, Vietnam can ensure that financial inclusion becomes not merely a social goal but a strategic driver of long-term economic prosperity. Strengthening the institutional foundations of financial inclusion will not only enhance Vietnam's competitiveness in the global economy but also advance its vision of an equitable, digitally empowered society.

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