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Financial literacy and financial inclusion in Vietnam: A way back and forth

Study Report
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Content

1. Introduction

At the global stage, financial inclusion – the access of individuals and businesses to formal financial services – has been defined as one of the most important potential contributors to sustainable and inclusive economic development[1]. Researchers and policymakers have recently turned their attention to the concept of financial inclusion, after the commitment to improve financial inclusion in Asia-Pacific in the 2017 APEC Financial Inclusion Summit held in Vietnam.

Financial inclusion has made a substantial progress in Asia and the Pacific region. New technologies, new products and services, creative public–private partnerships, innovative business models as well as better knowledge of client needs are contributing to the transformation of Asia's financial inclusion landscape. Yet, more than 1 billion people in the region do not have access to formal financial services. Barriers to financial inclusion include ignorance of financial products and services, low financial literacy, and lack of trust. Education, especially financial literacy, is a particular need for improvement. Numerous studies have shown that there is a significant correlation between financial inclusion and financial education.[2] However, many Asian countries do not have a formal national strategy for financial education or have assessed the financial literacy of its population.

Consumer protection is also needed. Households and enterprises require access to appropriate financial products and services, affordable and with adequate consumer protection to avoid risks of indebtedness and unfair commercial practices. Progress will rely on a comprehensive approach of financial services providers, government, regulators, technology, and communications services to adapt and respond to market needs. There is an increasing necessity for all these players to find creative solutions that will allow them to tackle challenges and harness opportunities for a better enabling financial inclusion in a digital age in Asia and the Pacific.

Digital finance has introduced new challenges and opportunities for financial inclusion in Asia and the Pacific. As in other regions of the world, financial services are increasingly being provided through digital channels, including money transfers through mobile phones and the Internet.[3] Digital finance provides new ways of reaching excluded groups and bringing them into the formal financial market, but at the same time opens new challenges in terms of regulation and financial consumer protection. A number of potential users of digital financial services lack

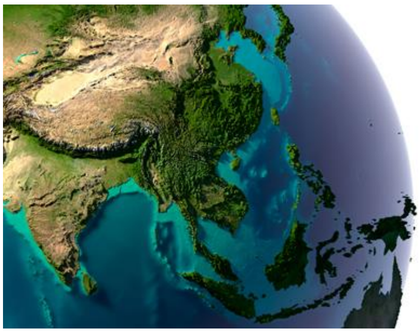
[1] United Nation's Sustainable Development Goals has also embraced the goal of broader access to financial services.
[2] OECD and the World Bank (2012, 2013 and 2014).
[3] For instance, in the Philippines, e-money accounts increased by over 30 per cent between 2010 and 2013, reaching 24 million active accounts in a population of about 98 million people. In Indonesia, the value of e-banking transactions grew by over 20 per cent per year between 2012 and 2014. For Vietnam, see; http://fintechnews.sg/2777/personalfinance/digital-bank-timo-targeting-vietnams-millennials-the-simple-for-vietnam/

both financial literacy and expertise to use new technologies. Financial literacy training in the areas of e-money, digital wallets, mobile payments, and consumers is becoming essential.

2. Financial education in Asia and the Pacific: background

Financial education [4] policies in Asia and the Pacific have been increasingly developing in recent years. In some countries, the development of financial education policies has been mostly boosted by high levels of financial exclusion, both among households and small businesses, in a context of low financial literacy, low general education and high poverty. In others, current or anticipated population ageing is also playing an important role. Various countries in the region have engaged in the development of financial education and financial consumer protection policy responses to help address these issues.

Amongst the triggers for developing financial education policies in Asia and the Pacific there are several factors, including demographic, social and financial aspects. Some countries experience important internal and international migration flows, and others will soon face rapid population ageing. Poverty rates have significantly decreased in some developing Asian countries, but challenges remain in relation to income inequality. In the years following the Asian financial crisis of the late 1990s several emerging Asian economies strengthened their financial systems, at the same time striving to make them more inclusive. However, formal financial inclusion remains very low in some countries of the region. In addition, there are challenges related to financial knowledge and financial behaviour, even though with some variability in countries across the region. [5]



Financial education efforts have been undertaken by many countries in Asia and the Pacific in order to face these challenges. Such efforts included the development and implementation of financial education national strategies. Most national strategies aim at raising awareness of financial issues and improving the financial literacy of their citizens, while at the same time supporting financial consumer protection and

4 According to the OECD, financial education is the process by which financial consumers/investors improve their understanding of financial products, concepts and risks, and through information, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being. In this paper, financial education and financial literacy will be used indistinctively.

5 Messy, F. and C. Monticone (2016), "Financial Education Policies in Asia and the Pacific", OECD Working Papers on Finance, Insurance and Private Pensions, No. 40, OECD Publishing, Paris. http://dx.doi.org/10.1787/5jm5b32v5vvc-en

financial inclusion policies. Some of the financial education initiatives also address other challenges such as supporting people in planning for retirement in ageing countries, and targeting vulnerable and low-income groups. A number of initiatives are also devoted to prepare the youth for the financial issues they may face in the near future and in adulthood, through the inclusion of financial education in school curricula.

Many countries in Asia and the Pacific have started collecting evidence on the financial literacy of their adult populations, either through internationally comparable surveys or through national studies.[6] Low levels of financial literacy are generally shown.[7]

2.1. National strategies for financial education[8]

Some countries in Asia and the Pacific have developed national frameworks to promote financial education. A few started coordinating efforts in the early 2000 while the majority launched national strategies for financial education in recent years (2012-2013) often in combination with strengthened financial consumer protection frameworks. Amongst them, Australia, Japan, Malaysia, New Zealand and Singapore have revised or are revising their national strategies for financial education. India, Indonesia, Israel, Korea and Pakistan are implementing their first national strategies for financial education. China, Hong Kong, China; Kyrgyz Republic, Lebanon, the Philippines, Saudi Arabia, and Thailand and Vietnam[9] are designing and developing their national strategies for financial education.

The main goal of national strategies is to strengthen financial literacy and foster responsible financial behaviour and attitudes. In addition, due to the high levels of financial exclusion, difficult access to and lack of familiarity with formal financial

[6] In terms of adults' financial knowledge, a few countries in Asia and the Pacific have collected cross-country comparable data, using the questionnaire developed by the OECD/INFE (OECD/INFE, 2013) or the World Bank financial capability survey.

[7] Lebanon (2012), Mongolia (2012), the Philippines (2014), Tajikistan (2012). Other countries carried out national surveys, including China (2013), Indonesia (2013), Japan (2012), and Thailand (2013), amongst others.

[8] The High-level Principles on National Strategies for Financial Education developed by the OECD International Network on Financial Education (OECD/INFE). It comprises representatives from over 100 economies, including all G20 members and relevant international organisations). They are based on an international survey and an in-depth literature review process. The OECD/INFE Policy Handbook on National Strategies for Financial Education is a follow up to this report.

[9] Despite Vietnam does not currently have a national financial education policy there are relevant programmes from organisations such as financial institutions, social entities and international NGOs. As these are considered to be too small to have a national impact, the State Bank of Vietnam is developing a National Financial Education Programme based on international good practices, starting by targeting the poor and low-income groups, women in rural areas, and SMEs. Additionally, the inclusion of financial education in school-curricula is underway (partnering with the World Bank).

products, many countries and economies consider financial education particularly linked financial consumer protection policies and to financial inclusion. For instance, China's national strategy for financial education is closely linked to the rapid development of the financial services industry, with more complex financial products and various financial risks being shifted to consumers. Conversely, in India, Indonesia and Malaysia financial education is related to financial inclusion and financial consumer protection: awareness about services and products as well as rights and obligations.

According to the High-level Principles (OECD) there is no one-size-fits-all model for the development of national strategies for financial education. They are aimed at providing general guidance on the main elements of efficient national strategies for financial education, which should be applied taking into account each country's context. In this sense, in some countries, the national strategy for financial education may be developed as part of a wider framework aimed at enhancing financial inclusion through improved access to financial products and services, on the supply side, and enhanced financial literacy and awareness, on the demand side. National strategies for financial education should also be conceived as complements to measures aimed at reinforcing the financial consumer protection framework and related regulatory framework.

International experience shows that a great number of financial education programmes are being developed within and outside the scope of national strategies. These include programmes for specific groups of adults, programmes targeting children and young people in school; programmes targeting a relatively wide audience, including through websites and other online tools, television and radio, as well as public events (such as money, saving, or financial literacy 'days' or 'weeks'). Other channels to reach wide audiences include public events to increase awareness of financial issues and provide information. In addition, different financial education initiatives target more specific groups of vulnerable adults, including the financially excluded and low-income people. Particular attention is given to women. According to an OECD study, across the world many girls and women face more limited economic opportunities than men. Financial education has a role to play in improving their economic and financial empowerment, and their overall wellbeing and, in turn, that of their families.

On the other hand, micro, small and medium entrepreneurs are important in several Asia and the Pacific economies, contributing substantial shares of GDP and employment. Lack of financial competences can be an important demand-side barrier to greater access to finance, limiting business skills of owners/managers. Some countries have already started developing financial education programmes addressing SMEs.

3. Vietnam: the big picture

Vietnam has made significant progress in transitioning from a centrally planned economy to a market-oriented system. The political and economic reforms initiated in 1986 (Doi Moi) when the Vietnam's per capita income was only $437, helped the country achieve a lower middle-income status and reach a per capita income of $ 2,185,69 in 2016. As a result, the population living below the national poverty line reached 7 per cent in 2015 from 63.7 per cent in 1993. More than 40 million people escaped poverty over the course of two decades. Vietnam's GDP expanded by 6 per cent in 2016, while the country's main drivers of growth – domestic demand and export oriented manufacturing – remain strong.

The Vietnamese population today is more educated and healthier than two decades ago —and these advances are enjoyed across society, yet disparities exist across regions and populations, disproportionately affecting the poor, ethnic minorities and those living in hard to reach areas. Literacy reaches 94,5 per cent of the total population. Life expectancy at birth is now 76 years (71 in 1993). Access to basic infrastructure has improved substantially: 99 per cent of the population use electricity as their main source of lighting; more than 67 per cent of the rural population enjoy access to sanitation facilities, and more than 61 per cent have access to clean water.

Viet Nam's Millennium Development Goal (MDG) performance has been exceptional, with the majority of targets met and ahead of time. In spite of the overall development success, there is a need to develop a deeper understanding of the multiple dimensions of poverty and the many ways vulnerability is experienced in Viet Nam.

Challenges for advancing development remain. A significant portion of the population, particularly in rural areas and amongst ethnic minorities is vulnerable to falling back into poverty. As a lower middle-income country, Viet Nam is facing new challenges, including slowing economic growth, macroeconomic instability, new forms of poverty and vulnerabilities and increased inequality. Although the Party in 2012 committed to establishing a universal social protection system by 2020, Viet Nam's social protection system remains fragmented.

The Government of Vietnam continues to show commitment to reforms. In their 2011 – 2020 Socio-Economic Development Strategy [10] the need for structural reforms, environmental sustainability, social equity and emerging issues of macroeconomic stability is highlighted. It includes three main areas: a) promoting skills development, particularly for modern industry and innovation; 2) improving market institutions, and 3) further infrastructure development. In addition, the Government has shown interest in promoting financial inclusion in the country. In its plan for microfinance development by 2020 it states that it will "build and develop a safe and sustainable microfinance system to serve the poor, low income and micro and small enterprises".

The State Bank of Vietnam (SBV) is the lead agency for the design and implementation of a national financial inclusion strategy (NFIS). Since 2016 the SBV is partnering with the World Bank on a comprehensive approach to financial inclusion that is expected to result in a NFIS. Though still underway some key elements of the strategy are clear: a focus on digital finance; providing financial services to rural and agricultural communities and ethnic minorities; and strengthening consumer protection as well as financial education.

Designing and developing a NFIS is key for a country to successfully implement envisioned reforms, as it provides a roadmap to achieve their financial inclusion aims. The extension of financial services to those unserved or underserved should help households to better cope with consumption, savings and cash shortages. With more access to finance, micro, small and medium-sized enterprises (MSMEs) would gain a potential source of investment to facilitate competitiveness, productivity, and integration into trade networks, including at international level.

In Vietnam this need is confirmed through the data provided by the Global Findex database as of 2014: only 31 per cent of adults had an account with a formal financial provider, far below the regional average of 69 per cent. As in many other

[10] In addition, United Nations will support the Government of Vietnam through the One Strategic Plan 2017-2021. The Plan is aligned with the Socio-Economic Development Strategy 2011-2020, the Socio-Economic DevelopmentPlan 2016-2020, the Sustainable Development Goals (SDGs) and Viet Nam's international humanr ights commitments. Fore more information, see: http://Vietnam%20One%20Strategic%20Plan%202017-%202021.pdf

countries, women and the poor have even less access to formal services, especially in rural areas, where more than 60 million of Vietnamese people (approximately two thirds of the total population) live working in agriculture. Little use of financial services is partly due to the lack of banking infrastructure in rural and isolated areas, lack of formal identification documents, low incomes. Additionally, financial literacy limitations of the population constrain the management of their potential risks and good financial decisions. There is a need of financial literacy in particular to target groups: students, women, elderly, and adults in rural area, SMEs. Aging of society increases need for financial planning.

Institutions such as the Vietnam Bank for Social Policies (VBSP), the Vietnam Bank for Agriculture Development (VBARD) or Agribank, the People´s Credit Funds (PCF) and two licensed microfinance institutions[11] are the leading formal providers of financial services for low-income people. The VBSP is by far the largest provider accounting for seven million clients (including depositors and borrowers). There are also several semi-formal unlicensed MFIs that specialise in delivering financial services for women and the poor.[12] These formal and semi-formal providers serve an estimated total of 10 million of low-income people. However, the informal sector is probably the largest provider of financial services for low-income people in the country. Informal players include moneylenders, rotating savings and credit associations (ROSCAs), pawnshops, relatives and friends.[13]

Other important players in financial inclusion in Vietnam - in turn, a distinctive feature of the country's political and socio-economic landscape – are mass organizations. Amongst them, those involved in financial services include the Vietnam Women's Union with 15 million members, the Vietnam Farmer's Union with 10 million members and the Youth Union. The VWU is a key player in educating and advising low-income clients on financial services.

In 2010, the Government has issued the Credit Institution Law (CIL). Since then SBV has been supervising all the formal institutions, except for the VBSP. The Financial Consumer Protection (FCP) framework is still at an early stage but the Government has repeatedly shown its commitment. The key regulators and supervisors are the Banking Supervisory Authority (BSA) located within the SBV; the Insurance Supervisory Authority (ISA), located in the Ministry of Finance and the Vietnam Competition Authority, located within the Ministry of Industry and Trade.

[11] TYM (Tao Yeu May) Fund. See: http://tymfund.org.vn. And Capital Aid for Employment of the Poor (CEP). See: http://www.cep.org.vn/gioi-thieu.html.en

[12] These include unlicensed NGO-MFIs microfinance programmes within development projects or mass organisations such as VWU and Farmers' Association.

[13] See: http://www.ifc.org/wps/wcm/connect/62dc148045270d65b271bec66d9c728b/IFC+Responsible+Finance+Diagnostic_FINAL.pdf

As mentioned above, microfinance is an important tool for furthering Vietnam government stated goal of financial inclusion, especially at the base of the pyramid. Although traditionally seen as credit for the low-income and poor, the term 'microfinance' includes a many financial services, ranging from microcredit, savings, remittances and insurance. In the next section we will describe the microinsurance landscape in Vietnam.

4. Micro-insurance in Vietnam

Like in many other countries, micro-insurance in Vietnam has been a sprout of microfinance industry. Most low-income people face a number of risks events like illnesses, accidents, disability, deaths and natural disasters. Due to the immediate and/or long-term financial stress such risks create, they push people to deplete savings, household or income generating assets and borrow from a variety of sources. These are all problematic coping mechanisms due to low-income people having fewer assets that can be sold to cover emergency spending, to diversify their sources of income or to offer as security for a loan.

Micro insurance can play a role in providing social and financial protection against such losses by ensuring financial shock absorbency of low-income households to both predictable and unpredictable risks and to maintain wellbeing. Specific micro-insurance products that address specific life cycle or environmental risks can offer low-income people tools to control the negative effects of various risk events in their lives.

Many developing countries have conducted policy interventions by the state and regulators in order to expand the reach of insurance to low-income people, amongst them India, the Philippines, Peru and Mexico. Some lessons learnt from these countries experiences include: i) the need for regulation of the micro insurance industry specifying capital requirements and other compliance requirements for specialised micro insurance providers; ii) incentives are needed for insurance companies to go down market; iii) focus on returns in the medium long term rather than short term.

Further development of insurance in Vietnam will also require to addressing the challenge of integrating micro insurance into the Government policy on social protection framework.[14] A certain degree of concern that micro-insurance could jeopardise the principles of social protection could be overcome with different

[14] Despite its intention, often Governments are not able to provide comprehensive social protection against every negative effect of all relevant risks for each and every household in a country. Micro-insurance can always be an effective instrument to cover risks that are not covered by public social insurance schemes.

policy measures. Micro insurance could play both a supplementary and complementary roles – not a substitute - in a wide range of basic social protection systems combining preventive measures, mitigation and coping strategies with an integrated approach – including communities, civil society organisations, the private sector and the government.[15]

Another important challenge to be overcome is: the low level of financial literacy and the misconceptions regarding insurance in general, as well as the lack of awareness on micro insurance in particular. The insurance industry also face cultural barriers such as the quite common belief that the purchase of insurance is a bad omen. This perception has been reinforced for generations and is likely to continue for many years to come.

4.1. Micro-insurance milestones

The micro insurance market in Vietnam is relatively in its nascent stages. While its need is rooted in various kinds of risks that low-income households face, the availability of micro insurance products is limited. This is due to a number of reasons: the Government provides a wide range of social protection mechanisms to the Vietnamese population; there is no specific regulatory framework; and awareness of insurance usefulness is scarce. In addition, insurance companies have had limited success or interest in targeting low-income households. This reluctance is due to various reasons, such as: i) lack of experience and limited understanding of micro insurance segment; ii) business and corporate models of insurance companies being structured to cater to middle to upper-end of the market; iii) limited availability of data and iv) limited research and understanding of client needs.

The development of micro-insurance in Vietnam has been marked by the following events:

- In 1996, TYM (Tinh Thuong Microfinance Institution), the very own micro finance organisation of the Vietnam Women's Union, launched the Mutual Assistance Fund (MAF) to protect against the death of a client or a family member. With a premium flat rate, upon the client's death, her outstanding loan balance would be written off and her family would receive funeral expenses. The MAF was touted as a community-based financial support rather than a financial product aimed at mitigating key risks of poor households.

[15] Sustainable Development Goal 17 explicitly states: "a successful, sustainable development agenda requires partnerships between central and local governments, the private sector, academia and civil society".

- In 1999, GRET, a French NGO, has begun to provide livestock insurance in areas of the Red River Delta to help farmers insure against illnesses of their pigs. While the insurance product was effective in improving farmer´s ability to respond fast to treat the animal's illnesses, the product was resource intensive and expensive to run and replicate on a broader scale.

- In 2009, Manulife provide life insurance products[16] with premium options as low as $US 1 per person per year.

- In 2011, VBARD or Agribank provided insurance for agricultural production which cover crops, livestock and flood.

- In 2015, IAG's AAA Assurance launched microinsurance products including personal accident, surgery and hospital cash, motorbike loss, theft and home fire protection.

- In 2015, the VWU established the Microinsurance Fund. The Microinsurance Unit served as the provider of responsive microinsurance products and services for the clients of TYM. At the end of 2016, the Fund had 54,233 insured clients with 19 payout cases insuring a total benefit payment of 294 million VNDs.[17]

4.2. Regulatory framework for micro-insurance

As mentioned above in this document, the Ministry of Finance through its agency ISA is the main supervisor of insurance companies, including micro insurance providers. In particular, ISA is responsible for developing the legal framework and managing micro insurance activities. Existing regulations related to micro insurance[18] include:

- Law on Insurance Business dated December 9, 2000, ammended in 2010.[19] It replaced early attempts to regulate insurance providers, and developed a comprehensive approach to the insurance business.

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[16] This product had not significant impact due to the fact that the company did not manage to successfully develop a cost effective distribution cannel to the low-income sector of the population yet.
[17] The microinsurance product originated from all of the best practices and experiences of the VWU pilot microinsurance project
'Mutual Assistance Fund operations (1996-2012).
See:
http://www.mefin.org/files/businessmodels/FactSheet%20on%20Microinsurance%20Fund%20Business%20Model%2021Feb.2017_VN_Final.pdf
[18] The Vietnamese legal system operates hierarchically. The National Assembly passes law. The particular ministries then issue Decrees, Ordinances and Circulars to interpret and administer those laws. All of these are relevant in the regulation of the Vietnamese insurance industry.
[19] Decree 76/2016 which implements the LOIB and Law 61 came into effect in 2016. It can be seen as an appropriate synchronization of various documents that implement the LOIB.

- the Decision Nº 2195/QD-TTg Microfinance Development Strategy of December 2011, through which the Ministry of Finance encourages the development of microinsurance products targeting low-income people by researching and proposing relevant regulations for microinsurance activities;

- Following the letter of the Prime Minister detailing the development and implementation of microinsurance pilot tests in Vietnam, the MoF issued a letter No. 10418/BTC-QLBH dated 29/7/2014 that provides the guidelines for Vietnam Women's Union on microinsurance particularly on products (four types: health insurance, term life insurance, micro pension and credit life insurance), reserves, and risk management and reports.

- Following the letter of the Prime Minister, the Ministry of Finance issued letter nº 16037/BTC-QLBH (20/11/2014) to provide guidelines to CFRC on products, reserve, risk management and report.

- The Decision 20/2017 QD-TTg on regulations on activities of microfinance programmes and projects of political organisations, socio-political organisations and NGOs: microfinance organisations can provide insurance service to microfinance clients in accordance with regulations of law.[20]

Although Vietnamese regulation has paved the way for civil society organisations enabling them to perform as a distributor and also as an underwriter of insurance products, there are limited signs of success in the registration of partner agent delivery or Mutual Insurance Organisations. The gap may be attributed to the government's preference to work with mass organisations such as the VWU that are close to the Party rather than encouraging other civil society organisations.[21]

As described above, an increasing regulatory framework and a set of initiatives - some of them supported by external donors - have contributed to develop the microinsurance sector. GIZ-RFPI-II with its extensive experience could play an important role in further development of inclusive insurance in Vietnam. Being Vietnam a country member of the Mutual Exchange Forum on Inclusive Insurance Network (MEFIN), it could benefit from the best practices and lessons learnt in other

[20] Some interviewee during the mission carried out in Hanoi (30/10-11/11 2017) pointed out that an upcoming decree was to be released by the pertinent authorities.

[21] Decree 28/2005/ND-CP on the Organisation and Operation of Small-Sized Financial Institutions that enables such institutions to distribute microinsurance products. And Decree 18/2005/ND-CP on Regulating the Establishment, Organisation and Operation of Mutual Insurance Organisations Operating in the Insurance Business Domain that permits the development of regulated Mutual Insurance Organisations (MIO) and specifies, amongst others, members' rights and obligations, voting rights, participation in meetings and guidance on governance. See: http://www.microinsurancenetwork.org/sites/default/files/MICRO_Network-Vietnam%20Paper%20A4%20%283%29final_0.pdf

peer countries in the region. GIZ-RFPI-II could support the VWU and other relevant stakeholders on the development of new products, the promotion of a public-private dialogue between important players in the microinsurance arena, and the development of an awareness and literacy campaign, amongst other interventions.

4.3. Meso-level players

The insurance industry in Vietnam has experimented a dramatic evolution in the last two and a half decades. Prior to 1994 state-owned Bao Viet had a monopoly on the insurance industry, offering non-life products only. At the time, insurance penetration was very low: less than 0.4% of GDP, according to the OECD. A series of reforms in the 1990s created the basis for the fast-growing industry that exists today. In 1994 Bao Minh Insurance Corporation was incorporated as a 100 per cent state-owned insurer under the MoF. In 1995 the government permitted the sale of life insurance products and the formation of joint stock insurance companies. In 1996 joint ventures with foreign insurers were allowed, and in 1999, 100 per cent foreign-owned insurers, were given permission to operate on the market.

In 2016, estimations about insurance penetration are 2,4 per cent of GDP[22] – still relatively low by most standards – indicating substantial room for growth, particularly given Vietnam's rapid economic growth and trends such as its changing demographic profile, urbanisation and rising internet penetration.[23] Although the Vietnamese insurance sector is still strongly agency led (approximately 93 per cent of premiums sales), direct and digital marketing is very low, but has considerable potential. Vietnam's internet penetration stands at approximately 44 per cent, and is growing rapidly. An increasing number of Vietnamese now own smart-phones[24], and mobile data is the primary means of accessing the internet. In addition, though insurance is not widely perceived as a tool to manage risk, increasing awareness of the benefits of insurance is growing, particularly for the middle-class families acquiring assets and planning for the future.

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[22] For purpose of comparison, the ASEAN insurance penetration average is 3.55 per cent of GDP; across Asia, is equivalent to 5.37 per cent of GDP; and the global average is around 6.3 per cent.

[23] Ministry of Finance. Department of Insurance Supervisory and Authority (2016): Overview of Vietnam insurance market.

[24] Statistics show that by 2017, 28,77 per cent of Vietnamese population is using a smartphone and it is foreseen that this will increase up to 42 per cent by 2021.

As of the end of 2015, there were a total of 61 insurance companies operating in Vietnam. This included 29 non-life insurers, 17 life insurers, 12 insurance brokers and two reinsurance companies. At 2016-end, gross annual premiums stood at $US 3.91 billion, increasing 22.64 per cent if compared to 2015. Both life and non-life insurance have seen growth, but the growth in life-insurance sector is significantly higher. Amongst the leading companies in the life insurance market are Prudential Vietnam Assurance Private, Bao Viet Life, Manulife Vietnam, (the first 100 per cent foreign-owned insurance company in Vietnam). The non-life market leaders in terms of premium income are Petro Vietnam Insurance Joint Stock Corporation, followed by Bao Viet Holdings (Bao Viet), the former monopoly holder which remains majority state-owned; Bao Viet was Bao Minh Corporation, Post and Telecommunication Insurance, and Petrolimex Joint Stock Insurance Company.

Other meso level players include industry associations such as the Association of Vietnam Insurers founded in 1999, whose main responsibilities are representing and protecting the rights of Vietnamese insurers, reinsurers, and brokerage firms; representing the insurance industry in the process of drafting laws and regulations on insurance; providing education, training services and mediation.

Vietnam's relative openness to foreign players in the sector[25] as well as the economic growth potential will probably encourage new players to enter the market. From 2018, the implementation of the ASEAN Economic Community (AEC) rules, will oblige the country to further open its market to players from the other nine ASEAN member states, including Malaysia and Singapore - both countries with particularly strong financial services sectors.

For micro-insurance, the natural partnership extend beyond conventional insurance players to stakeholders such as donors and development institutions, micro-finance organisations, and sector representatives, amongst other stakeholders. Moreover, members of Vietnamese microfinance institutions and mass organisations like VWU (who already reach out to a substantial population) benefit from micro-insurance products development around their core microcredit business, such as credit life, health and pensions.[26]

[25] Under its WTO Commitments (January 1, 2008), Vietnam began giving equal treatment to both foreign and domestic insurance enterprises. Foreign insurance enterprises provide insurance services to foreign invested and wholly foreign owned companies in Vietnam. They may also provide reinsurance, international transport insurance, and insurance brokerage services. Foreign invested insurance enterprises may also deal in compulsory insurance products, such as liability insurance for vehicle owners.

[26] Letter No.10418/BTC-QLBH dated 29/7/2014 (MoF) including guidelines for VWU on micro-insurance particularly four types of products: health insurance, term life insurance, micro pension and credit life insurance), reserves, and risk management and reports.

Against this background, the development of a specific Micro-insurance Strategy[27] in Vietnam would be key to address all the interlocked challenges with regard to the expansion of micro-insurance. Micro-insurance would be most effective when conceptualised within the new social protection resolution 2012-2020 and if the required capacity building on integrated social protection is provided to all stakeholders. Then micro-insurance could contribute to extending coverage to vulnerable persons and improving benefits while supporting the Government's principles of universality, solidarity, equitability, sustainability and promotion of individual responsibility.

4.4. Micro level players, the clients

The potential market for number of policies in Vietnam is huge. Fast growth in income and assets ownership along with an aging population and support from government [28] to the insurance sector presents interesting prospects for insurance development. With more than 90 million population, low penetration and low insurance density, Vietnam market remains appealing for many insurers.

There are no official estimations for the market size for micro insurance but it appears to be largely underdeveloped. With approximately two thirds of the population living in rural areas, an informal sector that represents nearly 20 per cent of Vietnam's GDP [29], poor households still depend on traditional risk management mechanisms to cope with financial shocks (illness, crop failure, livestock death, unstable employment opportunities or natural disasters) and key life-cycle events (marriage, childbirth, education, business set up, amongst others). They have very little or no awareness with regard to insurance.

Vietnam has achieved remarkable economic growth and has done well in diminishing poverty. However, economic growth has not reduced the vulnerability of poor households to external shocks or enhanced their ability to deal with different types of risks. Micro insurance could be not only instrumental to help low-income people to cope the risks they face but also to complement and supplement the social protection scheme offered by the Government of Vietnam, which includes a

[27] Noteworthy to mention that governmental activities regarding micro-insucrance are included in its microfinance strategies. The microfinance sector is seen as an enabler of micro-insurance and provider of risk solutions to the low-income people.
[28] Decision no. 193/QD-TTg, (2012), issued by the PM with regards to the development strategy for the insurance market in 2011-2020, include: complete the system of legal instruments that regulate the insurance business; raise the safety of the operating system, operational efficiency, and competitiveness of insurers; encourage and assist enterprises to develop and diversify insurance products; diversify distribution channels; strengthen the effectiveness of the State's administration of the insurance business, and, promote international co-operation and international integration in the insurance industry.
[29] See: http://www.ilo.org/wcmsp5/groups/public/@asia/@ro-bangkok/@ilo hanoi/documents/publication/wcms_171370.pdf

substantial range of social protection programmes. In this particular case, microinsurance being part of the public social protection system could contribute to extending coverage to vulnerable persons and improving benefits while supporting the government's principles of "universality, solidarity, equitability, sustainability, promotion of individual responsibility as well as prioritising the poor."[30]

4.5. Challenges for the development of micro-insurance

The identification of the specific needs of the Vietnamese low-income population can be a first step ***to develop insurance products*** aimed at the target population. The market is dominated by credit life products, which are often mandatory when applying for a loan. The demand for accident/disability, livestock, agricultural products against weather-related risks, and for products that combine insurance with savings is often neglected.

With regards to regulations, ***harmonisation regarding reporting on insurance and micro-insurance*** is demanded. Currently, while the insurance industry reports to the Ministry of Finance, small financial institutions report to the State Bank of Vietnam.

Likewise, ***improving the understanding of the different stakeholders on micro insurance*** could contribute to a better dissemination of the insurance culture. Mass organisations such as the Vietnam Women's Union – with a strong network across the country – could play a key role in the awareness campaigns on micro insurance. The development of high-quality training materials is also a need for capacity building of micro insurance agents.

5. Financial education in the context of financial inclusion improvement

There is a growing awareness in Vietnam about the importance of financial education but still there is not a national strategy on financial education or a legal framework that would allow implement it. The ADB has recently conducted a country survey on financial literacy (together with Cambodia). The findings of this research could contribute to the future design of a national financial literacy strategy. There are other public sources that can provide data on financial literacy such as the study focusing on financial capability of women in 27 countries funded by VISA (2013), which has ranked Vietnam at the bottom (25th out of 27 countries).

[30] Vietnam Government aims to provide universal social protection by 2020 through a basic package of social protection including the informal sector.

Existing financial literacy activities are mainly funded by financial providers and donors, and reach few people. Amongst them are:

- Dariu Foundation provides financial literacy training – which reaches thousands of micro-entrepreneurs each year (since 2008);

- The Practical Money Skills curriculum supported by Visa in collaboration with the Citi Foundation, public relations firm Ogilvy, and the Central Committee of Vietnam Students'Association. These videos, uploaded in 2012, have received more than a million views. The program is still underway fostering participation through on lie financial literacy games, financial football, amongst other initiatives.

- HSBC Vietnam launched a financial literacy programme for elementary schools (2012).

- Save the Children International and Citi Foundation launched a financial education project for secondary school implemented in 1,000 schools in Ho Chi Minh city (2009-2013).

- SBV and VTV24 News Centre developed a campaign"Smart kids, the first reality TV show wich teaches children (6 to 15 years old) basic financial skills.

- The Vietnam Financial Literacy Network, inserted in the VNU University of Economics and Business, is developing high-quality research in the field of financial literacy in selected provinces in Vietnam. It is also developing financial training activities focusing on kids, young people and trainers (since 2015).

- The Prudential Foundation launched Cha-Ching, a series of three-minute music videos to help children learn about the fundamental money management concepts (2017).

In Vietnam, awareness about insurance in general and microinsurance in particular is low. There are no education programmes devoted to promote the matter. A few mass organisations, in particular the Vietnam Women's Union, micro-finance institutions and social funds enhance the outreach of microinsurance. They educate low-income people about the benefits of insurance and risk, but additional education is needed.

A campaign to boost financial literacy and awareness on the purpose, functions and benefits of insurance, as well as inform clients about their rights and responsibilities, and how to protect themselves from fraudulent schemes in the country is needed. This will contribute to the creation of insurance culture amongst the Vietnamese people and help the low-income people and those working in the informal sector to protect their assets and effectively manage their resources for risk and social protection. Additionally, key stakeholders also need to increase their knowledge and improve their skills to contribute to the promotion and provision of micro-insurance.

These initiatives should customise financial education to the specific group needs taking into account differences regarding gender, age, geographic location, and economic activities. In addition, they should allow to continuation and comprehensiveness, including basic and advanced content. The aim is to achieve behavioural and attitudes changes resulting in higher uptake and better utilisation of insurance products.

Although awareness is also a function of time and needs patience on part of all stakeholders, targeted interventions can help boost the process. Building on its extensive experience gathered over the years GIZ RFPI II could further contribute with the design and implementation of an awareness campaign in partnership with VWU, which is one of the leading institutions advancing micro-insurance.

6. Conclusion

Financial literacy strategies and programs need to be improved in Vietnam. A survey on financial literacy has just been conducted and its findings need to be shared with the relevant stakeholders. A tailored made financial literacy survey for Vietnam taking into account the distinctive features of the country would be an advantage.

There are few programs in place in the public or private sectors regarding financial literacy and a national strategy on financial literacy needs to be developed. Regulators still play a limited role in relation to improving financial literacy.

The VWU has played a unique role in Vietnam for both the empowerment of women and microfinance that has contributed to the country’s development. Now, in Vietnam’s emerging economy, people’s financial needs are not only growing but also becoming more diversified. Deeper financial knowledge is needed to be able to benefit and prevent the risks of the changing economic and financial environment. Against this background, the development of tailor-made awareness campaigns and financial literacy in particular on micro-insurance will enhance women’s financial behaviour and thus contribute to its family welfare and happiness.

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