

DIGITAL PAYMENT – A DREAM OR REALITY FOR VIETNAMESE IN RURAL AND REMOTE AREAS?

World Bank Social Protection Payments
Assessment for Vietnam

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Hanoi, July 2019

Definitions

For the purposes of establishing a common understanding, some terms are defined here.

Electronic Money: value stored electronically in a device such as a chip card or a hard drive in a personal computer.

Payment (funds transfer): The payer's transfer of a monetary claim on a party acceptable to the payee. Typically, claims take the form of cash or deposit balances held at a financial institution or at a central bank.

IC(integrated circuit) card: a plastic card in which one or more integrated circuits are embedded. Also called chip card.

These definitions above come from the Glossary of Terms¹ of the Committee on Payment and Settlement Systems of the Bank for International Settlements. (CPMI Glossary)

Digital Payments: According to the Better Than Cash Alliance (BTCA)², there is no single standard definition of digital or e-payment. However, BTCA categorises payments in two ways:

1. *the nature of the payment instrument*: through which means—paper or digital—are the instructions carried.
2. *the payer-payee interface*: whether the payer, payee, or both use an electronic medium in a payment transaction.

Digital and electronic payments are widely used to mean the same thing: a transfer of electronic value that is initiated and/or received using electronic or computing (including mobile) devices and channels to transmit the instructions.

E-Money: According to the GSMA³, short for “electronic money,” e-money is stored value held in the accounts of users, agents, and the provider of the mobile money service. Typically, the total value of e-money is mirrored or pre-funded in a bank account or escrow account, such that even if the provider of the mobile money service were to fail, users could recover 100 per cent of the value stored in their accounts. The difference however is that, bank deposits usually can earn interest, while e-money in most jurisdictions, does not.

This report uses both terms electronic payments and digital payments interchangeably.

¹ Glossary of terms, BIS: <https://www.bis.org/dcms/glossary/glossary.pdf?scope=CPMI&base=term>

² Better Than Cash Alliance: <https://www.betterthancash.org/tools-research/toolkits/payments-measurement/focusing-your-measurement/introduction#how-others-are-defining-electronic-payments>

³ GSMA Glossary: <https://www.gsma.com/r/wp-content/uploads/2019/02/State-of-the-Industry-Report-on-Mobile-Money-2018-Appendix.pdf>

Basic Transaction Account: An account with an institution that allows the following basic functions: 1) Cash deposit (physical currency as well as digital credits into the account) 2) Cash withdrawal/payments (physical currency or payments made digitally to another account) 3) Balance check (typically using some mobile phone technology) 4) Mini-statement (the ability to query the last 5 transactions in the account). Such accounts can have simplified KYC norms stipulated by the regulator – such as a list of acceptable ID and address proof documents and can have limits on the account balance. Ideally, these accounts must be registered and solicited by a licensed provider linked to the national payment’s infrastructure.

List of abbreviations

Acronym	Expanded descriptor
ACH	Automated Clearing House; a mechanism to automate interbank clearing of large value payments
DFS	Digital Financial Service Providers; licensed entities that provide alternative means of access to basic banking and financial services
KYC	Know Your Customer; regulatory due diligence required to be done by financial service providers to on-board customers
MNO	Mobile Network Operators
MOLISA	Ministry of Labour, Invalids and Social Assistance
NAPAS	National Payments Corporation of Vietnam
NPCI	National Payments Corporation of India
SA	Social Assistance (type of benefit payments made by Govt of Vietnam)
SI	Social Insurance (type of benefit payments made by Govt of Vietnam)
SBV	State Bank of Vietnam (Vietnam’s central bank)
VNPost	Vietnam Post
VSS	Vietnam Social Security
VST	Vietnam State Treasury
WB	World Bank

1. Introduction

The World Bank has been supporting the Ministry of Labor, Invalids, and Social Affairs (MOLISA) in their efforts to bring about reforms in the administration and efficient delivery of Social Security programs. Several countries have been using technological advances in banking as well as telecommunications to digitize and improve welfare delivery programs.

Electronic payments have the potential to improve client experience and reduce program costs. Social Protection (SP) and Social Assistance (SA), programs will benefit by moving from current models of cash disbursement to non-cash, direct-to-account electronic payment models.

This report provides an assessment of the status of social protection payments in Vietnam, the legal and regulatory framework, and the technical infrastructure for electronic payments and discusses steps towards implementation of digital payment for social protection programs in Vietnam. After assessing payment infrastructure, regulatory framework, and program policies, some significant changes are proposed to enable a transition from cash to non-cash payments. There are also several next steps for MoLISA and VSS to take right away, in addition to actions needed by other key stakeholders.

2. Current status of Social Protection Payments

While there are some payments such as public sector employee salaries and some pensions that are paid directly into bank accounts (only 20% of salary payments are made in physical cash), 80% of the Social Insurance and 100% of Social Assistance payments are made using physical cash⁵. There are in all approximately over 7 million citizens⁶ who receive some form of government payment in Vietnam today. In urban areas, as well as in the case of payment of public sector salaries, the clients already have bank accounts. The payments therefore originate in a government or agency (VSS) bank account and are credited via the banking network into the client account based on a list.

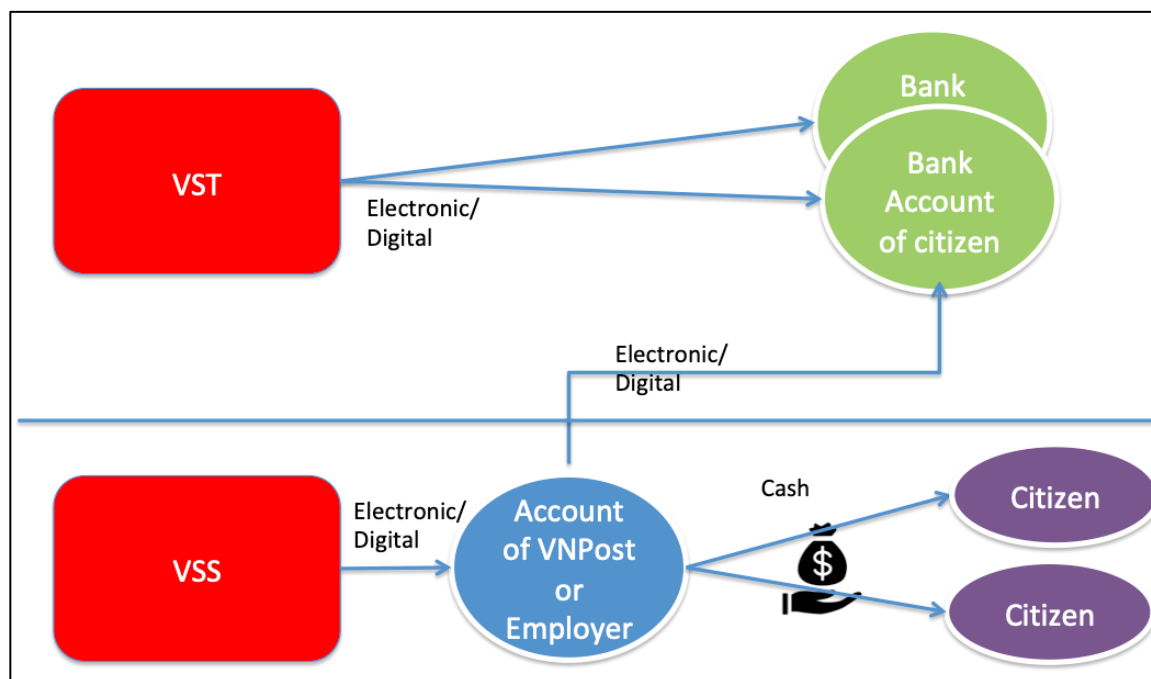
However, a large percentage of clients who are rural or remote, do not have a bank account. In these cases, the VSS currently transfers funds to a designated VNPost account. VNPost in turn, makes payment arrangements based on a given list of clients. It either makes transfer to beneficiaries' bank accounts (for those who have bank accounts), pays cash to clients at

⁵ Data from MOLISA presentation in the WB convened workshop in June, and April discussions. There is a need to establish a common understanding within government officials as well as clients (recipients) of benefit programs that there is no difference between being paid in cash or into an account. An electronic/digital transfer of welfare payments into an eligible client account is now widely referred to as a "cash transfer" program. Cash Transfer programs may be either conditional or unconditional. They are different only from "in-kind" programs where the benefit is either goods or services (hospital care) that cannot be encashed.

⁶ Estimate based on data from MOLISA and VSS

VNPost offices⁷ (by verifying against a beneficiary list) or in some cases, visits clients' homes to make the payment. In salary payment cases, payments are made into an employer (account) who is then responsible for paying the employee either into an account or in cash.

Figure 1. Current Payment Methods



For social assistance schemes, VSS allocates⁸ 0.78% of the total benefit payments towards costs. to pay for the salary of one staff per commune. Cost of social assistance scheme is allocated as between 350.000 vnd to 500.000 vnd per commune, equal to salary of one staff per commune. Of this, 37% costs accrue towards meeting administrative costs of VSS and the other 63% goes to VNPost as an administration and cash management fee. One of the objectives of an electronic payments pilot is to gain cost efficiencies. Even a 15 to 18 basis point gain such that the current cost comes down to 0.5% of the benefit payments can translate into very significant absolute savings, which can be otherwise deployed. Besides, directly compensating providers to facilitate payments is a good way in which they can be incentivised to source basic transaction accounts, build distribution networks and employ technology to remove reconciliation overheads.

Direct transfer of funds into client accounts is efficient, accurate, fast and eliminates tasks such as reconciling cash receipts for the department or the agency and limits costs of delivery to the extent of bank charges for the funds transfer and minor administrative

⁷ VNPost has 14,000 payment points across 63 provinces in Vietnam and pays 3.5 million beneficiaries every month (as per VNPost presentation in the June 1 Hanoi Workshop).

⁸ Information provided by MOLISA officials

overheads. Paying clients in cash is complex, time consuming and costly. However, it is necessary as an exception, for clients who are very old, disabled or living in extremely remote areas. Any process to digitize payments will need to be sensitive to the risk of exclusion and identify a list of specific exception cases in which to continue the present process of delivering benefits in cash to such clients. In some cases, with permission and authorization from these group of clients, direct transfer will be done to individual accounts of designated persons who in turn will give cash to clients.

3. Legal framework & Government direction

3.1 Supporting decrees

The legal framework is supportive of delivering social protections payments electronically. The table below provides decrees and circulars that act as the legal foundation to do so.

Table 1. Main legal directions to enable non-cash (electronic) payments

S.No	Legal direction	Summary
1	Decree 101/2012	This Decree ⁹ provides non-cash payment activities, including opening and use of payment accounts; non-cash payment services; payment intermediary services; and organization, management and supervision of payment systems. It vests the State Bank of Vietnam (SBV) with the authority to grant 10 year licenses to payment intermediaries and supervise activities.
2	Decree 80/2016	Amendments to some clauses ¹⁰ of Decree 101 to clearly allow non-banks to apply for licensing. It also defines digital wallet service backed with a bank account.
3	Circular 39/2014	This circular provides further clarifications ¹¹ to Decree 101/2012 specifying risk mitigation measures (Article 3 clause 6) for issuance of accounts and wallets by payment intermediaries.

⁹ Decree 101/2012 on non-cash payments: <http://vietnamlawmagazine.vn/decreed-no-101-2012-nd-cp-of-november-22-2012-on-non-cash-payment-4750.html>

¹⁰ Decree 80/2016 amendments to decree 101: <https://vanbanphapluat.co/decreed-no-80-2016-nd-cp-amend-governments-decreed-101-2012-nd-cp-on-non-cash-payments>

¹¹ Circular 39/2014 on payment intermediaries: <https://vanbanphapluat.co/circular-no-39-2014-tt-nhnn-guiding-the-intermediary-payment-services>

The legal framework cited in Table 1 does not prohibit full-fledged licensing of non-bank payment intermediaries or allow *only* pilot licenses. However, as the designated authority to regulate and supervise payments and the banking sector, the SBV has perhaps cautiously granted pilot licenses to three pairs of entities to demonstrate non-cash payments through new access channels in rural areas.

These are:

- Viettel in partnership with Military Bank
- Petrolimex in partnership with PG Bank
- M_Service in partnership with Vietcom Bank

What the regulator can do additionally, in order to enable electronic benefit payments is discussed in more detail in Section 7 of this report.

3.2 Government targets

By Decision 241 / QD / TTG the government set a goal to make 20% of social welfare payments through non-cash modes by 2020. In addition, Resolution No. 02 / NQ-CP set a goal for 50% of beneficiaries to receive non-cash pension, social benefit, burial allowance, death allowance, etc. payments in urban areas. It also set the percentage of beneficiaries receiving allowances through non-cash payment channels in urban areas at 10% by the end of 2019 and 30% by the end of 2020¹².

Meanwhile, the SBV is working towards¹³ a number of solutions to enable the achievement of these objectives:

- Developing a new Decree to replace Decree 101 supplementing regulations on appointing banks' paying agents (scope of payment agent activities; entities appointed as payment agents; principles, conditions for operation, business processes assigned to agents, etc.);
- Instructing the National Payments Corporation of Vietnam (NAPAS) to soon complete the development and operation of the Automated Clearing House system to actively support payment of social benefits through banks in the future.
- Amending and supplementing Circular 39/2014 / TT-NHNN on payment intermediary operations, including regulations on e-wallets;
- Considering and submitting to the Prime Minister the pilot of the electronic wallet cash-in/ cash-out without bank accounts, including allowing telecommunications companies to participate in providing payment services with small value (Mobile Money).

¹² According to SBV presentation in MOLISA workshop on 3 June, 2019

¹³ *ibid*

- Strengthening the monitoring of payment means and systems to ensure safe, efficient and transparent payment activities; focusing on confidentiality of customer information and strengthening public trust with electronic payment.
- Developing a draft financial inclusion strategy with an aim of diversifying delivery channels to facilitate access to basic financial services for all citizens in a convenient and affordable manner.

For instance, Article 15 in Chapter III of Decree 101 already suggests the possibility of agents for licensed payment service intermediaries. The SBV may still need to interpret the legal text “Assisting payment services” as the use of agents to assist clients. Of course, the SBV must include requisite supervisory checks upon the regulated entities, keeping in mind the best interests of clients as well as the country’s financial system at large.

Decree 101, Article 15

1. Payment intermediary services include:
 - a/ Supplying electronic payment infrastructure;
 - b/ Assisting payment services;
 - c/ Other payment intermediary services prescribed by the State Bank.

Similarly, Decree 80 amends Decree 101 to provide very clear directions on electronic wallets:

Decree 80, Article 1

1. Clauses 4, 5, 6, 7 and 8 Article 4 shall be amended as follows:
 - “4. Providers of payment intermediary services are:
 - a) Organizations other than banks that are issued with the licenses to provide payment intermediary services by the State bank;
 - b) Commercial banks, branches of foreign banks that are permitted to provide digital wallets.
 5. Payment account owner (hereinafter referred to as account owner) is the person that opens an individual's account or the organization that opens an organization’s account.
 6. Non-cash payment instruments in payment transactions (hereinafter referred to as payment instruments), including: Cheques, payment orders, collection orders, bank cards and other payment instruments as prescribed by the State Bank.
 7. Illegal payment instruments are payment instruments not included in Clause 6 of this Article.
 8. Digital wallet service is the practice that a provider of payment intermediary services provides a customer with an nominal electronic account on an information carrier (such as electronic chip, mobile phone sim, computer, etc.) that enables the customer to store a sum of money in the form of deposit equivalent to the sum of money transferred from the customer’s payment account at a bank to a secured payment account of the provider of digital wallet service with the ratio of 1:1.”

SBV may find ways to expedite solutions in light of these.

4. Challenges in delivering benefit payments electronically

According to World Bank data¹⁴, Vietnam has a population of 95.54 million people (2017) and a geographical surface area of 331.2 square km. The country is administratively divided into 63 provinces, comprising 700 districts and 11,000 communes. World Bank data also puts the mobile cellular subscriptions at 125.6 per 100 people indicating a high level of penetration.

Key challenges facing Vietnam as it seeks to move to electronic payments include,

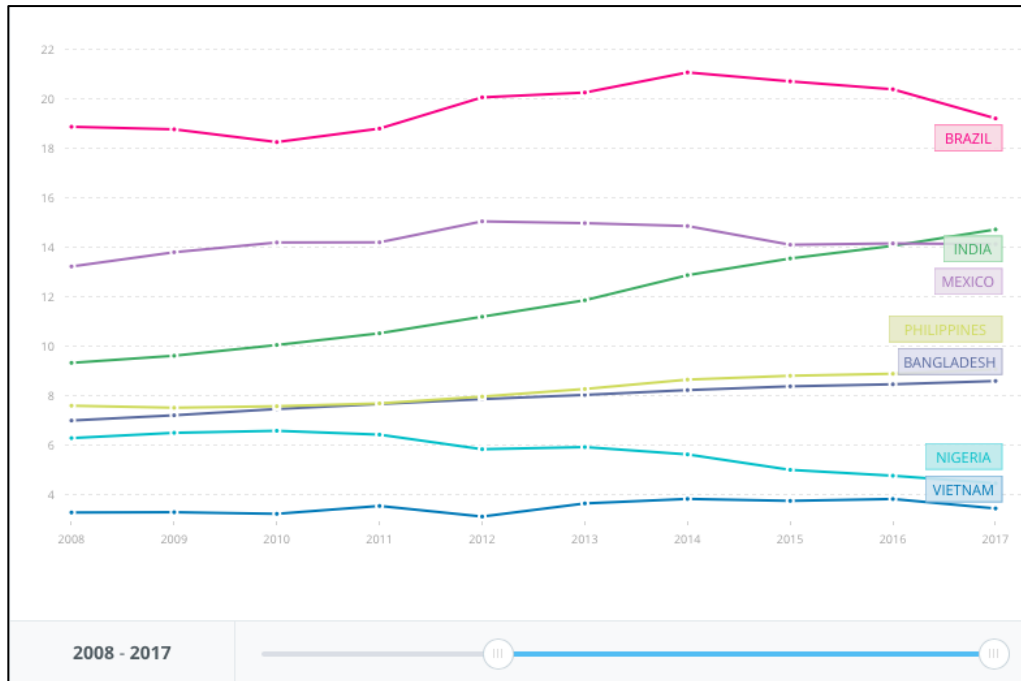
- Low bank branch penetration at 3.4 bank branches per 100,000 people, owing to which traditional bank branch based benefit delivery is infeasible in rural areas
- Lack of standardized identification proof which means customers cannot complete Know Your Customer (KYC) checks of banks in order to open accounts
- Expensive account opening and maintenance fees levied by banks act as a disincentive for low income customers to want a formal account
- Difficulties in accurately measuring, reporting and reconciling cash payments (which is the bulk of benefit transfers), in addition to the cost of cash
- The absence of any government mandates to make benefit payments through non-cash modes means that it is hard to bring about a change in client behaviour to encourage acceptance of electronic payment modes
- Lack of digitization of eligibility information and decision making to determine conditional benefit payments also results in avoidable expenditure. For instance, paper-based periodic determination of proof-of-life can mean that a pension continues to be paid to a deceased person for several months after the event
- Understanding and creating exception processes to continue cash payments for marginal groups such as those with special needs, the very elderly or disabled and with limited physical mobility so that a transition to electronic modes of payments does not result in exclusion of benefits for legitimate clients
- As shown in Figure 2., the biggest challenge for now, is the number of access points: the unavailability of a wide network of cash-in / cash-out points that can allow people to open some form of electronic money account, and deposit or withdraw

¹⁴ Vietnam Country Profile:

https://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&bar=y&dd=y&inf=n&zm=n&country=VNM

cash conveniently, not too far from their homes severely constrains the transition to electronic benefit payments

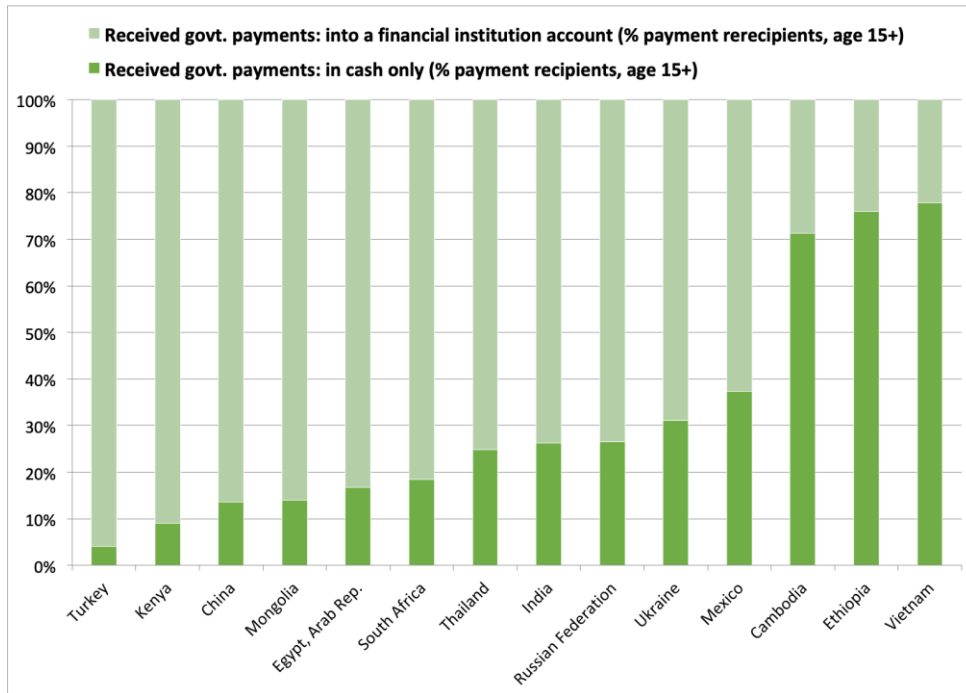
Figure 2. Bank branches per 100,000 people across various countries



Source: International Monetary Fund, Financial Access Survey

- As is evident from Figure 3, Vietnam still lags peer economies significantly in converting benefit payments into non-cash or electronic methods.

Figure 3. Benefit payments across countries



Source: Chart based on data from Global Findex 2018¹⁵

5. Is Vietnam Payments Infrastructure ready?

An assessment of the readiness of Vietnam to move to electronic benefit payments must be done in two parts:

- 1) Is the supporting banking and payments infrastructure ready to support electronic payments? In this report, we will refer to this as back-end infrastructure.
- 2) Are access points available to allow clients to open bank accounts and withdraw cash easily, cheaply and conveniently? We will refer to this as customer access points.

Even if MOLISA does not exercise direct authority over the changes required to the banking infrastructure, experience from other countries suggests that government benefits can “grease the wheels” of electronic payments. This softens the trust, marketing and to some extent even the cost burden for the early ecosystem providers of distributed banking access points. Hence MOLISA should engage with SBV and other stakeholders and explain how benefit payments can play a crucial role in furthering financial inclusion.

¹⁵ Global Findex 2018: <https://globalfindex.worldbank.org>

There is a broader question of whether processes to collect information and determine eligibility of clients for social protection payments have been digitised by the administrative arms of government. That discussion is out of the scope of this report, even though it is an important piece of the puzzle to effectively make benefit payments electronically. It is something that MOLISA can independently assess and implement.

5.1 Back-end infrastructure

Before the advent of banking software such as core banking systems (CBS) that linked the operations of banks branches to a central accounting system, banks used to maintain individual accounts and physical ledgers at every branch. Much effort had to be expended in reconciling accounts for (cash) transactions. Inter-bank transactions were even more cumbersome. With the widespread implementation of core banking systems across banks in Vietnam the landscape looks very different now.

Table 2. Vietnam Banking Infrastructure overview

Infrastructure type	Number per 100,000 people
Commercial bank Branches	2.83
ATMs	18.10
POS	238.65
Credit cards in circulation	2,547.51
Deposit transaction accounts	66,010.31
Debit cards in circulation	68,586.08

Source: Global Payment Systems Survey, 2015 data

Among the major developments is the modernisation of Vietnam’s financial market infrastructure led by SBV. The establishment of the National Payments Corporation of Vietnam (NAPAS) dramatically improves the ability to make electronic benefit payments.

NAPAS¹⁶ has been licensed by SBV to provide financial switching services and electronic clearing services in Vietnam. The largest shareholder¹⁷ of NAPAS is the State Bank of Vietnam, which accounts for 49% of the charter capital of the corporation. NAPAS is currently administering and operating a switching system interconnecting more than 17,000 ATMs, 270,000 POS machines, and 300 electronic payment companies in the fields of aviation, telecommunication, hotel industry and tourism, and serving over 100 million cardholders of 46 domestic and international commercial banks operating in Vietnam.

In meetings with the WB mission team in April 2019, NAPAS officials said that over 40 Commercial Banks, Agribank, and payments intermediaries like Viettel Pay, VNPost, and

¹⁶ Information from NAPAS website: <https://www.napas.com.vn/en-us/about.aspx>

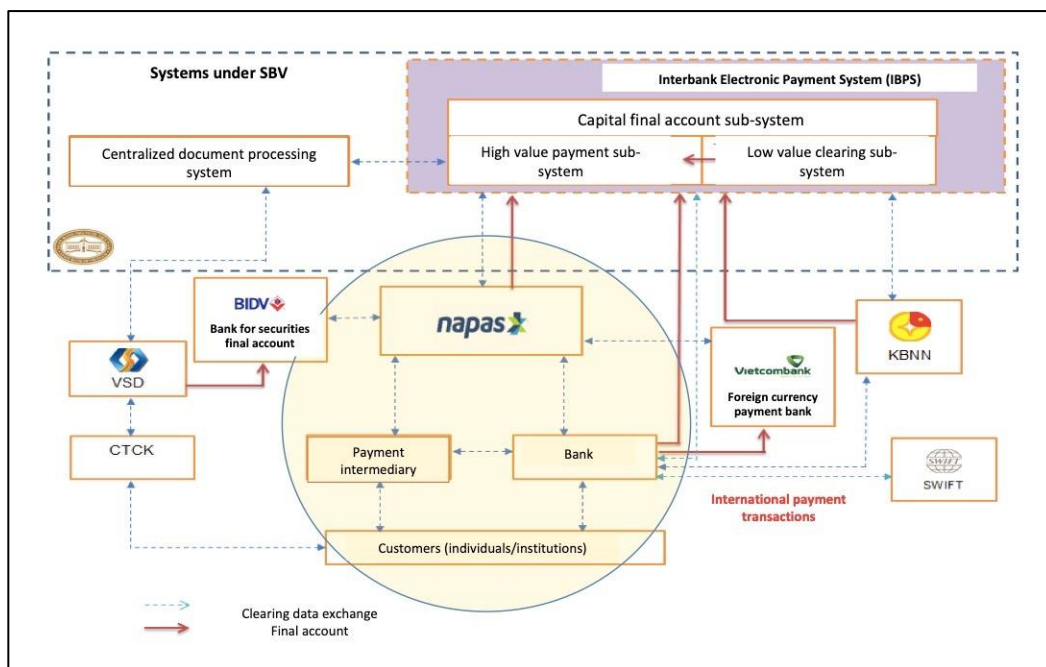
¹⁷ The other shareholders are “15 great commercial banks” according to NAPAS: <https://www.linkedin.com/company/national-payment-corporation-of-vietnam-napas-/about/>

wallets like Momo, Moca, are now connected to NAPAS. NAPAS provides modern transaction switching infrastructure and creates clearing reports based on which SBV does the inter-bank settlement. NAPAS is focused on retail transactions with a maximum SBV imposed limit per transaction processed of \$15,000. This positions NAPAS to perform a critical function in Vietnam’s retail payments in general and benefit payments in particular.

As of June 2019, NAPAS is processing over 30 million transactions per month at close to 100% success rates. As per SBV, NAPAS is planning to launch an Automated Clearing House (ACH) service later in 2019. NAPAS also supports QR payments standard developed by SBV and intends to support and launch Chip and PIN EMV cards this year. In sum, NAPAS is keeping pace with international technology innovations and broader trends emerging in payments systems globally.

NAPAS charges its members a low fixed fee for processing transactions as opposed to the ad-valorem charges such as those paid by VSS to VNPost. While the two cases – of VNPost delivering cash versus making direct payments in to client accounts routed through NAPAS – are not directly comparable owing to the difference in the value offered and resources involved, it is a reasonable hypothesis that there will be savings from a move from cash to electronic payments for benefit transfers for VSS as well as the Vietnam State Treasury (VST) and any other government departments in future.

Figure 4. Vietnam’s Retail Payments Infrastructure



Source: State Bank of Vietnam

The SBV asserts that the retail payment system operated by NAPAS can handle payment, inter-bank money transfer via account number / bank card number, connect with and

make payment for public services, including social security payment. In short, Vietnam has the necessary back-end infrastructure to transition to electronic benefit payments.

MOLISA must initiate dialogue with SBV in order to understand how to utilize this infrastructure for making benefit payments electronically.

5.2 Access Points: Agent banking, e-money issuers and limited purpose banking

A necessary pre-requisite for making electronic payments is that the client or recipient of the benefit has an electronic account in which to receive the funds. In Vietnam only 31 percent of adults own a transaction account¹⁸ an estimated 4 million unbanked people receive benefit payments in cash¹⁹. It is therefore imperative to find a way to provide people with access to a basic transaction account.

Many countries have made progress in providing such a transaction account.

- **Agent Banking:** One set of countries have achieved a high percentage of basic transaction accounts through bank-led agent banking models (Brazil, Mexico, Peru) that allow banks to appoint third-party companies including post offices, supermarkets and corporations that manage a network of individual agents to open and operate basic accounts.
- **Mobile Money or E-money issuer:** A second set of countries have licensed mobile network operators to provide basic transaction accounts through a licensing regime for mobile money or licensed e-money issuers. These models have had success in many regions globally. Mobile network operators with an e-money issuer license deploy agents with a very wide presence to provide basic transaction services.
- **Limited purpose bank:** A third set of countries have opted for a special purpose banking license (Payments Banks in India, Payment Service Banks in Nigeria) that provides a restricted banking license, but allows such entities to appoint agents, to open accounts and provide basic transaction services.

Agent Banking broadly, is the use of non-branch or infrastructure not owned by banks or licensed providers. It is shared infrastructure. The bank engages an independent person who is doing their own business and provides them the technology and commissions to extend a small sub-set of banking activities.

¹⁸ Global Findex 2018, with 2017 survey data: <http://ufa.worldbank.org/country-progress/vietnam>

¹⁹ *ibid*

E-money issuance firstly requires changes to banking laws to establish a definition of e-money as distinct from deposit-taking. Secondly, it requires regulations to allow nonbanks to issue e-money as a “product” issued by licensed providers (both banks and non-banks).

Limited Purpose Banking is a set of restrictions placed on the *type* of activities allowed for a kind of licensed entity. For example India’s Payments Banks are limited purpose banks, because the regulation prohibits them from lending money to their customers. They are only allowed to issue accounts (with limits on maximum balance), collect deposits, process payments. However, they are allowed to “distribute” products from any financial service provider including insurance, credit and mutual funds. Here they act as an agent of the licensed Insurance Provider or Bank.

Limited Banking or E-money Issuer licenses alone will not solve the *access* problem. In fact restrictions on offering credit as a product already limits the business model. In addition, if they have to build out infrastructure like regular banks, such providers would never be viable. So while the purpose of limited bank or e-money issuer licensing is to limit *customer risk*, it is imperative that leeway is granted by the regulator to allow providers to engage in non-traditional distribution, in order to be sustainable.

In all cases, there are a number of regulatory enablers. By comprehensively analyzing the frameworks adopted by 10 countries in Africa and Asia, CGAP has published²⁰ a set of four basic regulatory enablers as shown in the table below.

Table 3. Basic Regulatory Enablers

S. No.	Regulatory Enabler	Description
1.	Nonbank E-Money Issuance.	A basic requirement is to create a specialized licensing window for nonbank DFS providers—EMIs—to issue e-money accounts (also called prepaid or stored-value accounts) without being subject to the full range of prudential rules applicable to commercial banks and without being permitted to intermediate funds.
2.	Use of Agents.	DFS providers—both banks and nonbanks—are permitted to use third-party agents such as retail shops to provide customers access to their services.
3.	Risk-Based Customer Due Diligence (CDD).	A proportionate anti-money laundering framework is adopted, allowing simplified CDD for lower-risk accounts and transactions. The latter may include opening and using e-money accounts and conducting over-the-counter (OTC) transactions with DFS providers.
4.	Consumer Protection.	Consumer protection rules are tailored to the full range of DFS providers and products—providing a necessary margin of safety and confidence.

²⁰ CGAP Basic Regulatory Enablers: <https://www.cgap.org/research/publication/basic-regulatory-enablers-digital-financial-services>

5.3 Assessing Vietnam on the enablers

As discussed previously in section 4, Decree 101 and the amendments to it in Decree 80 provide the basis for regulation to usher in licensed providers to provide basic accounts. Non-bank e-money issuance is already present in Vietnam as mentioned previously in section 3, although these are currently pilot licenses. So while the legal basis exists, what is missing is for the regulator to formally issue licenses.

The availability of an access point that is nearby²¹ and allows a minimum set of transaction services is critical. Typically these basic transactions are:

- Account opening
- Cash deposit
- Cash withdrawal
- Balance check
- Money transfer

As per SBV, there are 203,526 transaction points across the three pilots (listed in section 3.1) serving 10 million customers. However, more data may be needed to understand the location of the transaction points as well as their ability to serve the basic transactions listed above. Agent distribution networks are a tricky business. If there are too few agents for a given population density, then the “network effect” does not kick in and the agents are unviable. At the other end, if the agent density is too high, then the share of transactions that an agent is able to capture becomes too low and again results in a viability gap. In most markets, the optimal number of agents evolves over time, through a process of trial and error.

The key ingredients to make agent banking models successful range include:

- *Interoperability*: allowing agents to serve customers or any provider as well as pool their investment across multiple providers
- *Balanced incentives*: providing agents higher incentive income in the initial stages when transaction incomes can be low, and moving towards a fixed income with transaction based incentives as services stabilise
- *Multiple products and services*: When providers have the flexibility to extend additional products such as bill payments, remittances, mobile recharge, government payments, small ticket insurance and so on gradually, the economies of scope improve agent viability

²¹ The definition can vary based on whether the location is urban or rural areas as well as the terrain and population densities. Regulators provide broad guidelines to encourage providers to extend remote access, while leaving room for them to be viable.

- *Marketing*: agents do not have the capacity to create “pull” and awareness for new types of products and services. It falls to providers to take necessary measures to drive footfall to agents
- *Customer and agent support*: Customers who are new to using agent banking as a channel can lose trust very quickly if they experience transaction failures. Investing in complaints management systems and agent support is necessary to build trust

Risk based customer due diligence becomes necessary in order to open such transaction accounts. By imposing balance and transaction limits and restricting or eliminating credit, regulators reduce the risk associated with basic transaction accounts significantly. Simplified Know Your Customer norms – just collecting and verifying an ID proof and address proof – and if possible creating a remote digitally verifiable ID proof, act as a major cost reduction and incentive for providers to build distribution networks to provide access to finance to excluded and underserved clients.

Box 1. Identification Systems in Vietnam

Vietnam has historically attempted to develop several Identification systems including a Peoples Identity Card, a Social Security ID, Driver’s license, Family Number, Tax Identification, Passports and Birth Certificates. Of these the ones with the widest coverage are the Social Security ID covering about 80 million people and issued by VSS, the Family Number covering about 24 million families and the People’s Identity (new) issued to about 9 million people (both by MPS). The timeframe for issuing the new People’s Identity with saturation coverage could be as far away as 2030, based on estimates from MPS. What this means is that Vietnam currently lacks a simple system of providing a reliable identification proof that can be instantly and remotely electronically verified. This is necessary even if the SBV makes changes in regulation to allow risk-based eKYC for financial service providers to open transactional accounts.

However, while the Social Security ID does not contain biometrics, and is a functional, rather than a foundational identification proof, it has been de-duplicated based on demographic information. One potential solution is to for VSS, MPS and SBV to discuss and agree a mechanism to allow access to the Social Security ID for fulfilling eKYC requirements of a transactional account. This will require upgrades to the information technology infrastructure where the VSS hosts the Social Security ID, as well as detailing procedural guidelines to implement information security measures that allow legitimate access, without compromising citizen information.

Among various developments in ID systems around the world, in July 2019, the Modular Open Source Identification Platform (MOSIP) program made an announcement²² releasing their source code for the project on Github. MOSIP aims to provide the framework to create a fully functional identity system while offering flexibility for a country to choose the features from the basic framework according to their requirements, maintain the privacy, security and confidentiality of an individual's data and provide a scalable and configurable ID system at a country level.

MOSIP is one example of a positive disruption to the ID space that is soon to be implemented in Morocco. Vietnamese authorities may consider learning more about this approach and evaluate the merits against their present plans.

Traditional banking KYC is designed for credit as the primary revenue-generating product. Without proper address proof, it is not possible for providers to assess credit worthiness. No knowing where a borrower lives clearly hinders collection from defaulters. Digital Finance Service (DFS) Providers are typically barred from offering credit. They deliver electronic transaction messages (as opposed to printed, mailed statements), and do not mandatorily need to issue debit cards. DFS providers therefore need not even insist on an address proof – at least at the time of account opening. Some relaxation in KYC for transactional accounts coupled with transaction (number and value) as well as account balance limits can act as a good balance to lower costs, without increasing systemic risk. In such a context, the availability of a widely issued electronically and remotely verifiable identification proof can dramatically increase adoption of formal accounts.

In the limited context of social protection payments, the State Bank of Vietnam can even consider allowing providers to open basic transaction accounts for all clients who can provide proof of being registered for benefit payments. Since NAPAS has already allowed non-bank providers such as Viettel Pay to connect to it, any basic account can be sufficient to make electronic payment of benefits, as long as clients have proximal means of customer access points to withdraw cash.

Consumer protection measures that the regulator can provide include mandated requirements for providers to disclose fees, commissions, and any other costs in advance of transactions to clients. Regulations can also insist that product information is available at service points in simple language customers can understand and require a defined process of complaints and escalation, with specified turn around times to resolve complaints and appropriate penalties when providers fail to do so.

Section 8 of this report discusses how some of the gaps mentioned here can be addressed.

²² MOSIP announcement: <https://www.mosip.io/news-events/mosip-codebase-released-on-github>

5.4 Example of agent banking transactions

One under-appreciated benefit of agent banking is that it is a “human assisted service” unlike online banking, mobile banking or ATMs. As technology enables a remotely located agent to provide basic services, clients do not need to be literate or technology proficient, as there is no need to fill out forms, carry ATM cards or know how to use smartphones in order to do basic banking transactions.

Below is one illustration of a possible transaction flow (the same transaction can be implemented in different ways):

1. *Customer goes to a nearby agent banking outlet*
2. *Customer tells the agent that she wishes to make a withdrawal*
3. *Agent asks her for her mobile number²³ and amount to be withdrawn*
4. *Agent does the transaction on his phone and authorises it with his PIN*
5. *Customer receives a One Time PIN on her phone to authorise the withdrawal*
6. *The agent enters the One Time PIN provided by the customer on his phone*
7. *The system debits the customer’s account and credits the agent’s account including fees if applicable*
8. *The agent provides the withdrawn amount in cash to the customer*
9. *Agent and customer each receive a message confirming the transaction and their respective balances*
10. *Provider systems instantly reflect entries for both agent and customer electronically in their ledgers*

E-money issuers and aggregators of banks or similar providers are usually required to pre-fund an escrow account held with their bank. This gives the agent an electronic money balance.

So at time $t = 0$, agent’s balance is 1000. This balance is held in a bank escrow.

Now a customer asks to make a deposit.

*So at time $t = 1$, (customer balance = 0)
Transaction type = customer deposit (200)
Agent new balance = 1000 – 800 (debit) = 800
Agent cash in hand = 200*

²³ which may be linked to a bank account or mobile money account number or wallet

Customer new balance = 0 + 200 (credit) = 200
Bank escrow will be reconciled to show: Agent (800); Customer (200)

Next the customer seeks to make a withdrawal.

So at time $t = 2$, (customer balance = 200)
Transaction type = customer withdrawal (100)
Customer new balance = 200 - 100 (debit) = 100
Agent new balance = 800 + 100 (credit) = 900
Agent gives 100 cash to the customer; agent cash in hand = 100
Customer cash in hand = 100
Bank escrow will be reconciled to show: Agent (900); Customer (100)

In short the total money in the system is constant. When agents exhaust their e-money due to deposits by customers, they need to again pre-fund their account, which goes into escrow. This cycle repeats. Using this method the agent has pre-funded in an escrow against which he collects deposits. There is no risk to the customer's deposit even if the agent were to abscond, so long as the transaction is completed.

However, as seen above, the agent needs cash, rather than e-money to service withdrawals. Hence in the case of customers receiving remittances or benefit payments (money coming into customer accounts from outside "this" system) aggregators will need to make sure that the agent has cash in hand to service withdrawals. This is the reason MOLISA must continue to provide a share of its budgeted costs to providers. The initial viability of providers, aggregators and agents depends both on such a direct source of revenue as well as to incentivise long-term investment in building the networks. Over time, as the services become more ubiquitous, they will become less dependent on the incentives.

6. Access networks for basic accounts and transactions

6.1 Building a network

In several countries, the route to financial inclusion has consistently involved innovation to bring access points closer to clients. An extract from a World Bank and People's Bank of China report on China²⁴ is presented below:

A broad range of innovative approaches, from banking by boat, motorbike, or van (e.g., China, Indonesia, and Maldives) to mobile ATMs (e.g., Vietnam) to payment kiosks (e.g., India and the Russian Federation), have also been successfully used to increase accessibility for consumers without investing in building and operating full-scale branches.

Agent-based models are a more recent widespread development, and a key component of China's financial inclusion success story. In such models, small convenience stores, post offices, large retailers, or other outlets serve as third-party agents on behalf of traditional or mobile financial service providers. Point-of-sale (POS) terminals and/or mobile devices are most often used to enable these agents' operations. The prevalence of these models is driven by financial service providers' desire to leverage existing retail infrastructure (particularly infrastructure that reaches into rural and remote areas), reduce transaction costs, reach new consumer segments, and benefit from payment-oriented businesses. Retail agents representing financial service providers outpace brick-and-mortar branches in several major economies, including Brazil, China, India, and Peru.

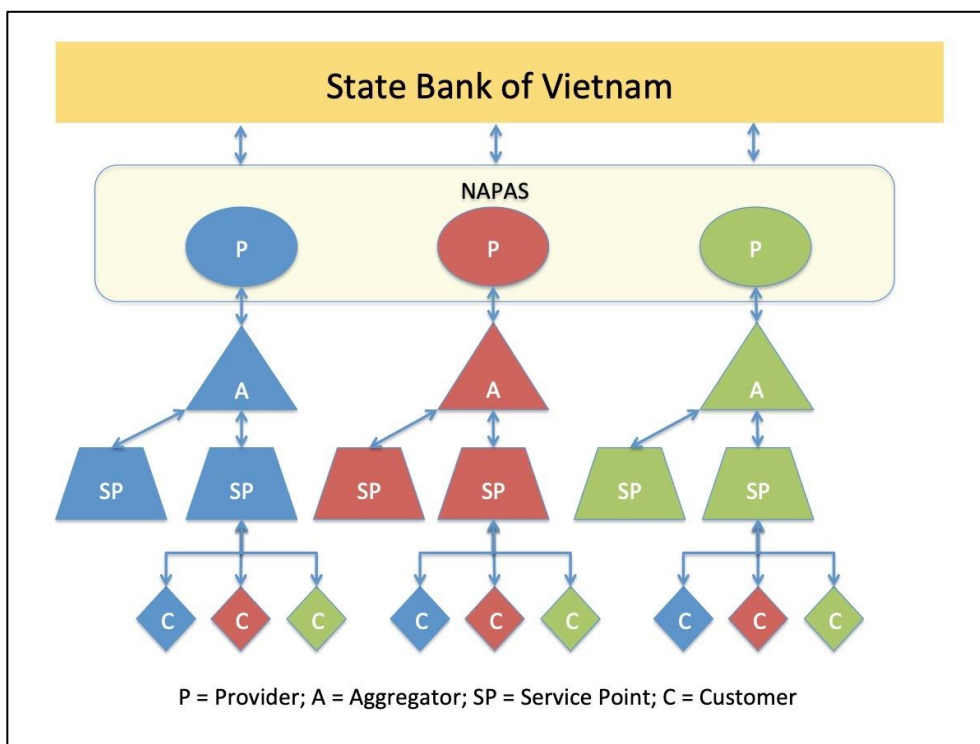
Building an access network typically involves the following entities:

1. Licensed Bank or other regulated entity
2. Aggregators contracted by the licensee to source and manage agents
3. Customer Service Points

²⁴ Towards Universal Financial Inclusion in China:

<https://openknowledge.worldbank.org/bitstream/handle/10986/29336/FinancialInclusionChinaP158554.pdf?sequence=9&isAllowed=y>

Figure 5. Architecture of an Agent Network



In many markets, the regulator (usually the central bank) allows banks and other regulated entities to appoint agents. In some cases, such as post offices or supermarkets, there may not be an aggregator layer. But in most cases, licensed entities engage different aggregators (or distributors) in different geographical areas. These aggregators in turn carry out the task of explaining the services and the business model to the agent or customer service provider.

6.2 Cash management for agents

Aggregators also provide cash management services to the agents. This is often called liquidity management. In some cases, licensed entities can provide the underlying technology including access to the core banking system on which accounts are hosted. In other cases, aggregators provide the technology and also maintain funding equivalent to the value of customer deposits (1:1 as mentioned in Decree 80). Technology is used by agents to carry out KYC due diligence, open transaction accounts and perform basic transactions as discussed previously.

DFS providers have used many innovative methods in order to meet the liquidity needs of agent banking. Some of these are mentioned below.

- *Aggregators or distributors to provide cash and balance e-money*: this is by far the most common method. Banks engage specialised companies who engage distributors (often the “distributor” also serves a fast moving consumer goods company or a mobile network operator in the local area). The distributors employ local field staff, who meet with the agents on a daily basis following a “beat” or a route. They collect surplus cash from agents in order to top up the agent’s electronic money balance and when needed supply cash so that the agent is able to service withdrawals.
- *Mobile ATM in a van*: Commercial banks often deploy vans with ATMs that can travel to locations of customer clusters and provide cash-withdrawal services. This can be both expensive and high-risk, requiring transit insurance. Some companies²⁵ have developed low cost, light weight ATMs especially for rural conditions.
- *Merchant cash out*: In developed markets, supermarket check-out counters provide cash out at the till. Supermarket chains in Vietnam, with a wide presence can be allowed to offer cash-withdrawal services to customers.
- *White-label ATM license*: The Indian Central Bank awarded licenses to specialist providers to install and operate ATMs in various locations. This needs to be carefully managed as ATM technology and service providers typically cater to banks and conflicts of interest as well as challenges of economic viability can arise.

One of the major issues that providers face is that they can only service their own (a limited number of) customers in a given geography. This makes it very hard to make a good business case for building a network. However, when providers are able to service customers of any financial institution, then the shared infrastructure business model becomes activated and providers can invest in creating very deep networks extending into non-overlapping remote areas. This incidentally also provides clients a lot of choice. They can choose to have a basic transactional account with any provider, while being able to access the nearest agent, even if their provider has not appointed that agent. Providing regulatory restrictions on the number of providers in a given area in the initial stages of rollout and for a limited time-period is one way of encouraging providers to build non-overlapping networks.

Owing to the operationalization of NAPAS, Vietnam is in an excellent position to be able to extend agent based customer access even to very rural locations. What needs to be done is to find a reasonable interchange regime between providers such that they compensate each other for use of shared infrastructure. Since ATMs are already interoperable based on multilaterally agreed interchange fees in Vietnam, this type of arrangement for agents should be easily achievable.

²⁵ Low cost ATM: <https://vortexindia.co.in/index.php/home/atm-products>

6.3 Shared infrastructure

As discussed previously, the main challenge with servicing clients in remote geographies is that the traditional stand-alone bank branch model is too expensive. Population densities are lower in rural areas, as are income levels. Making the business profitable becomes very hard.

A shared infrastructure approach on the other hand, divides the cost of servicing clients across multiple providers. Thus, instead of opening a bank branch, an agent uses existing retail premises to provide services to clients and makes a commission on every transaction. But in order to provide services with minimal monitoring it is necessary to equip the agent with technology. For instance, in India, a coalition of banking sector actors²⁶, developed micro-ATM standards. Banks can procure micro-ATMs from any original equipment manufacturer and deploy them to agents who can then serve customers of any bank.

This approach also brings in other optimisations. For instance if multiple banks were to deploy an ATM each at a given location, each one incurs cash management costs of operating the ATMs and running cash to them. However, when multiple providers arrive at an interchange arrangement to pay each other for the use of their agents or ATMs, the cost of running cash to agents (staff costs, transport cost, transit insurance cost) is incurred only once but spread across providers through the interchange mechanism.

6.4. Inputs and incentives to make access networks sustainable

Building out distribution networks does requires several inputs and incentives:

1. Regulator / SBV needs to:
 - a. Create enabling regulations for non-branch transaction banking
 - b. Simplify KYC for customers to open transaction accounts
 - c. Consider that agent capacity cannot match that of bank tellers, and stipulate accommodative agent KYC checks that providers can implement
 - d. Implement safeguards and reporting to protect customer deposits and prevent fraud
 - e. Consider incentives to customers such as a low, fixed number of free withdrawals per month for transaction accounts
 - f. Give freedom to providers to market-price value added services and innovation
 - g. Consider allowing special mobile bank branches with service restrictions and limits on cash

²⁶ MicroATM standard:

https://www.npci.org.in/sites/all/themes/npci/images/PDF/MicroATM_Standards_v1.5.1_Clean.pdf

2. Government needs to:

- a. Expedite the creation of electronically verifiable systems of identification proof that can be opened up (through application programming interfaces or APIs) for authorised entities, especially in the case of benefit recipients who currently do not have accounts
- b. Issue some mandates for benefit payments into transaction accounts (while specifying exception handling)
- c. Incentivise telecommunications network providers to extend coverage deeper
- d. View this as enabling infrastructure to meet its own targets for efficient acceptance of payments that clients make to public sector enterprises and government
- e. Consider tax breaks and promotions to encourage digital payments

7. Creating an enabling regulatory environment

The SBV has a very important role to play in enabling electronic benefit payments as well as financial inclusion in general. Some critical requirements are listed here.

7.1 Introducing basic transaction accounts

As discussed previously in section 6, a basic transaction account is a necessary condition for benefit payments to transition from cash to electronic mode. Without regulatory authorisation, neither traditional banks, nor new providers will have an incentive to provide formal financial services to low-income populations.

It is recommended that the SBV define a basic transaction account. An example of account features for such a basic transaction are provided below based on guidelines issued by the Reserve Bank of India (RBI)²⁷:

- Accounts can be opened by any individual at any licensed financial service provider
- Customers are restricted to hold only one such basic transaction account
- There will be no account opening charge
- There will be no need to maintain a minimum balance in the account
- There will be no charges for the receipt or credit of funds through any electronic channel (excepting foreign inward remittance) or by means of deposit of cheques drawn by government agencies and departments

²⁷ Basic Savings Bank Deposit Account: <https://m.rbi.org.in/CommonPerson/english/scripts/Notification.aspx?Id=2979>

- Providers can offer additional value-added services, including issue of cheque book, beyond the above minimum facilities, which may or may not be priced but subject to disclosure
- There will be no fees or limit on the number and value of deposits that can be made in a month at agent locations, bank branches or cash deposit machines
- Customers will get a fixed maximum number²⁸ of free withdrawals per month

Defining basic transaction accounts on the lines described above and providing leeway to any type of licensed financial service provider to issue such accounts will allow providers to find innovative ways to serve clients, while also trying to ensure business viability. This is where technology is expected to play an enabling role. Doing so, will provide choice, both to government departments who want to find solutions to make electronic payments as well as to clients who wish to use such accounts.

7.2 Managing risk

Regulators have taken a number of different routes in order to enable agent banking. These include measures to safeguard customer deposits, limit systemic risk and protect consumers from fraud. An excellent and very detailed discussion on the nature of risks and measures taken by regulators is provided in CGAP's Focus Note on Basic Regulatory Enablers for Digital Financial Services if SBV proceeds to allow agent banking. The RBI operating guidelines for Payments Banks are also a useful reference for risk management.

Some of the key risks and mitigation measures are highlighted here.

7.2.1 Provider risks

The first step of the process is the evaluation of applications for agent banking, e-money issuance or limited purpose banking – based on the route that SBV adopts. Banks qualify by default in most jurisdictions owing to prevailing higher prudential norms applicable to them. For newer providers, regulators can put in a number of measures to mitigate provider risks. These include (suggested, but not exhaustive list):

- **Minimum initial or paid up capital requirements:** these should be much lower than it is currently for banks if the license condition prohibits “intermediation”, and disallows credit to be offered as a product
- **Ownership requirements:** in many jurisdictions, in order to limit risk as well as to avoid a supervisory conflict (for instance with the telecommunications authority), providers are required to create a distinct holding entity that will be awarded the

²⁸ SBV should arrive at a number that keeps customer interest and convenience in mind without overly hurting sustainability of providers. The logic is that basic transactions are much more costly at bank branches than at an agent.

license; in India, for instance, payments banks were allowed to be joint venture companies with banks. The main aim is to prevent the co-mingling of customer deposits with other products (such as airtime, loyalty rewards or other electronic exchange of value that are not the same as money)

- Due diligence of majority shareholders or investors
- Requirements for a 3-5 year business plan with stipulated minimum percentages of rural agents
- Requirement to audit Information Technology (IT) practices, measures to prevent fraud
- Regulations around appointments of the board of directors, independent directors on the board and the CEO
- Regular reporting requirements of critical data to the central bank

7.2.2 Agent risks

In most cases, agents of distributed banking providers are not staff. Rural agents in particular may not have high educational qualifications, but will usually be functionally literate. Fraud is a risk that arises routinely within the banking sector. But the nature of agent banking means that preventive measures are necessary.

Unlike traditional banks and branches that are few in number and can be directly supervised, agents can evolve to become very large in number and located in very remote areas. Direct supervision by the regulator is therefore not practical. In order to resolve this risk, regulators in most jurisdictions hold the licensed provider responsible for all acts of omission and commission of the agent. This delegation of supervision can be supplemented with random, periodic “mystery-shopping” audits where regulator’s staff can conduct an in person visit to an agent location and try to conduct a few transactions as a customer and provide a report that can then be used to highlight issues or areas of improvement to the provider.

Based on the context, the regulator in consultation with providers should come up with some basic due diligence requirements for agents. These can include a requirement to specify some basic signage that indicates the location as a banking outlet, minimum hours of service in a week, information about location of 2-3 nearest agents in case the agent is unavailable and minimum Know Your Agent guidelines.

7.2.3 Risk based customer due diligence

As mentioned previously, one major hurdle that customers wishing to open bank accounts is the absence of an acceptable identification proof and address proof. Defining a broad list of documents that can act as acceptable KYC will go a long way in fostering adoption. Specifying that the level of due diligence required for a basic transaction account can be

lower than that required for a higher risk account with significantly more features can go a long way in accelerating account creation.

If alternative sources of data could provide a reasonable level of KYC, then these should be declared acceptable. For instance VSS has a very large (83 million records) database of health insurance beneficiaries. Allowing the use of this data in appropriate form, in order to carry out KYC to open basic transaction accounts could be a major impetus for those lacking official ID documents. The regulator must also engage with other arms of the government in order to seek access to permit electronic and instant KYC as and when an electronically verifiable identification proof such as the National ID, becomes widely available.

7.2.4 Consumer protection

The client base for these services will comprise people of low literacy, and low familiarity with technology. It is advisable for the regulator to specify measures to establish consumer protection and prevent fraud. A few are listed below.

- Customer deposits must be held in instruments specified by the central bank. These could range from trust funds or escrow accounts, to cash reserve ratios and investments in Treasury bills
- No intermediation of deposits; or no credit can be offered by on-lending from customer deposits
- Clean separation of customer deposit funds from parent entities (this is also achieved by asking for an independently constituted entity – that may, for instance be a 100% subsidiary of a non-bank)
- Specific measures (such as two-factor authentication for transactions), automatic refund mechanism for failed transactions within a stipulated time
- Ensuring that basic transaction account customers are not denied access to regular channels (Branches, ATMs)
- Published mechanisms to address customer complaints, and penalties and defined escalation paths for resolution. Creation of an ombudsman framework is a good international practice. A voluntary Code of Commitment to Customers²⁹ is also a good practice.

7.2.5 Consumer behaviour

- Even in the presence of a reasonable network of cash-in and cash-out, there will be initial resistance to adopting digital payments owing to prevailing habits.

²⁹ Code of Commitment to Customers: http://www.bcsbi.org.in/Codes_CommitmentCustomers.html

- Mandates and incentives are two possible tools available to bring about behaviour change. Mandating some payments to be electronic (while being sensitive to exception cases) will mean that clients have to open digital accounts if they wish to receive payments. Soft incentives such as the government agreeing to incur cash-out costs for a limited period of time, or offering low-cost health insurance bundled with the account, or other context appropriate incentives can lower barriers to behaviour change and foster adoption.
- Championing the cause of digital through targeted marketing campaigns designed to generate trust will also help.

8. Recommendations for MOLISA and VSS

MOLISA and VSS have a narrower concern (of moving to e payments) than the SBV in terms of the broader aspects of financial inclusion. However, as discussed in section 6 previously, clients of MOLISA/VSS do need to have an account as well as an access point from which they can conveniently withdraw benefit payments, should they wish to do so.

Hence, one clear focus area for MOLISA/VSS is to engage with SBV and other relevant government authorities in order to encourage the creation of a proximal access network.

Specifically MOLISA and VSS can focus on:

- Making KYC simpler for electronic benefit transfer clients:*** MOLISA and VSS to propose to government, including SBV to allow for a “basic account”, with KYC simplification by providing ID proof alternatives, to all social security beneficiaries (including social assistance and social insurance). Regulation is needed from SBV to allow potential payment providers to open and service these basic transaction accounts to beneficiaries, as traditional commercial banks do not have the reach and may not have the right incentives to do so.
- Mandating some payments as electronic only:*** Without a mandate for electronic payments, there will not be much incentive, even for people who are not elderly, remotely located or with disability to open accounts and even if SBV licensed providers move quickly to create customer access point networks. One area of investigation within MOLISA/VSS must be to evaluate the list of benefit payments and select those where the barriers to mandate electronic payments are low, based on an assessment of either the nature of benefit payment or the nature of the clients. Mandating electronic payments need not mean excluding eligible exception cases. As mentioned before in this report, exception cases and exception handling must be defined and treated accordingly.
- Provider incentives:*** Costs of delivering cash are already defined for various programs. Electronic payments are more efficient than cash, but are not free,

especially given the limited coverage of banking services in Vietnam. MOLISA/VSS would do well to recognize this and invite proposals from a small set of providers to create the access network to open accounts, and provide a convenient payment points from which clients can cash out. Proposals can also be invited to define digitization processes to capture and exchange eligibility information for clients who open such accounts. Once the access network becomes available, MOLISA/VSS can also find ways to use it as a channel to disseminate information about changes to existing programs or new programs. The presence of a nearby access point can additionally enable facilities like updating details of registered beneficiaries, periodic proof of life, payments for co-pay schemes and so on.

- iv. **Pilot:** MOLISA should continue to operationalize the electronic SA payment pilot in Cao Bang, carefully paying attention to monitor and evaluate the experiment to allow for expansion in the next phase.
- v. **Execute a pilot of SI e-payment through benefit direct transfer into participants' personal accounts:** experiment in some selected provinces, in semi-urban or in rural areas, not too distant from an urban centre with ready cash-in, cash-out infrastructure. The pilot can focus on the processes of delivery of e-payments and any lessons learned can be used to gradually expand to other areas.
- vi. **SP program digitization.** When moving to digital payment, SP programs ideally should have digitized their beneficiary management systems so that payment related information (e.g. beneficiary name, account number, benefit amount) can be interchanged smoothly with digital payment providers. Hence SP programs need to prepare or upgrade their systems for digital payment.

9. Conclusion

Vietnam is poised at a very good juncture to transition benefit payments for Social Insurance and Social Assistance from cash to non-cash or electronic payment methods.

There is a broad legal framework that supports this move. The government has also indicated a clear intent and direction by setting targets for electronic payments. In addition, the SBV is consciously taking steps to solve some of the challenges such as lack of access networks and entities to provide electronic accounts into which benefit payments can be made. Through the operationalization of NAPAS, SBV has already realised a very critical part of the infrastructure necessary to convert cash payments into electronic mode.

Public sector players including Banks, VNPost, and Viettel are keen on continuing to participate in this process of moving from cash to electronic payments. Some of these players such as Viettel Pay to name just one, have already created access networks and are very keen to participate. Other private sector players could potentially participate as well.

The main missing element is the absence of regulation to enable access networks for people to open accounts and deposit and withdraw cash. Through close collaboration between MOLISA/VSS, SBV and the Government of Vietnam, many of the enablers can be put in place so that public and private sector partners can participate, develop technology solutions, and create networks for deployment of digital payment for social protection in Vietnam in near future.

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