

# Payments 2025 & beyond: Evolution to Revolution

Six macro trends shaping the future  
of payments in Vietnam

Extract from: **Payments 2025 and beyond: Evolution to revolution - Southeast Asia stepping up its game**



# Introduction

Cashless transaction volume will more than double by 2030

Even before COVID-19, there have been evidence of a steady shift to digital payments for goods and services. Accelerated by the pandemic, payments are becoming increasingly cashless.

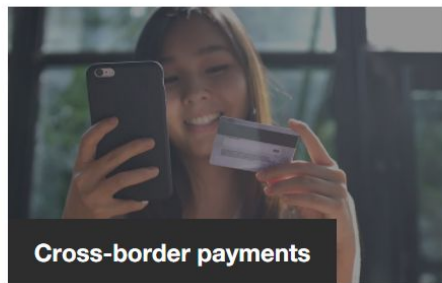
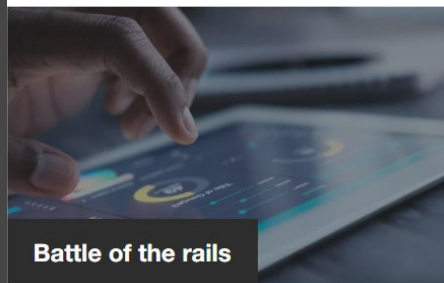
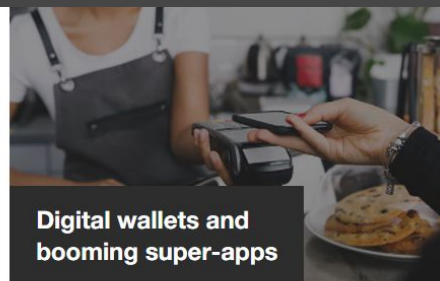
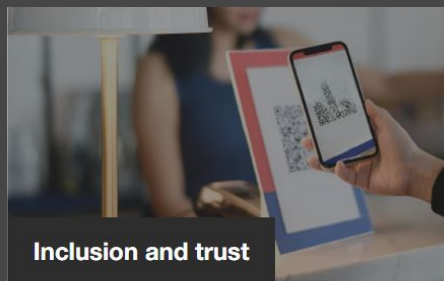
On a regional scale, Southeast Asia (SEA) is well positioned to fuel the shift to cashless payments and even greater innovations in the digital services ecosystem. With a consumer base of 623 million people by 2030, SEA is projected to be the fourth largest economy globally.

As one of the rising economies of SEA, Vietnam holds great potential for e-payment to flourish. The total transaction value of this segment is projected to reach USD15 billion in 2021 along with an expected annual growth rate of 15.7% by 2025. With only 30% of Vietnamese adults using digital banking services, there is room for growth. Increasing the utilisation of these services, including digital payments, will help Vietnam realise this potential much quicker.

For digital payment services to make an impact, industry players need to first understand the global megatrends reshaping the future of payments, before beginning to future-proof their businesses.

# Six macro trends shaping the future of payments

These macro trends - driven by a combination of consumer preference, technology, regulation and M&A - will determine how the next five years play out.



# At a glance: The future of payments

## 1. Inclusion and trust

- Focus on mobile money, e-wallets, and QR code solutions will ensure financial reach at low cost.
- Banks and payment service providers have increasingly expanded their digital portfolio and capabilities.

## 2. Digital currencies

- Decentralised finance and private cryptocurrencies are facing central bank concerns about undermining the conduct of monetary policy.
- Fiat-cryptocurrency conversion and storage are emerging opportunities.

## 3. Digital wallets and booming super apps

- As the competition for digital wallet providers is fierce, there will be more mega consolidation, partnership and collaboration in the near future.
- B2B and digitised supply chains are the next frontiers for wallets.

## 4. Payment rails

- Consumers in emerging markets are leapfrogging the 'card age' and migrating directly to mobile wallets and account-based payments.
- QR code payment and "Buy now, Pay later" (BNPL) are expected to rise in popularity in SEA countries.

## 5. Cross-border payments

- Expect the introduction of coherent policies and regulations to help facilitate cross-border payments.
- Nonbank solutions based on cryptocurrency and digital wallets are likely to emerge in the region.

## 6. Financial crimes

- Security, compliance and data-privacy risks were the top concerns for banks and fintechs.
- As financial crime becomes more sophisticated, providers will need strategies to protect their full ecosystem.





# 1

## Inclusion and trust

### More accessible and convenient banking

Financial inclusion in developing countries, like Vietnam, will continue to be driven by mobile devices and access to affordable, convenient payment mechanisms. According to a [survey conducted by Visa](#) nearly a third of Vietnamese consumers already use digital banking for purchases and transfers.

Both Vietnamese banks and payment service providers, especially fintech companies, have leveraged on this to expand their digital portfolio and capabilities. Here are some examples:

- Techcombank recently partnered up with [Amazon Web Services](#) and [Backbase](#) to deploy its cloud services.
- VPBank, a forerunner in the digital banking space, launched its very first digital-only bank, [VPBank Neo](#), in 2021.
- NextPay, a payment processor firm, [aims to raise \\$100 million](#) in a pre-IPO round for its 2022 Ho Chi Minh Stock Exchange listing.
- Timo, the nation's first digital bank, signed a strategic partnership with [VietCapital Bank](#) in [2020](#) to further expand their services.



Expect an increase in adoption of mainstream digital financial products due to enhanced availability and convenience of digital payments. Given the majority of SEA businesses are small and medium-sized enterprises (SMEs) which are unable to afford related transformation costs, lowering the barriers to digitalisation is key to fostering merchant inclusion.

In the quest of greater inclusion, the Government in [March 2021](#) approved a two-year pilot programme of Mobile Money. The programme is designed to serve the unbanked and underbanked mobile users in remote areas - allowing users to pay for small-value good and services via their mobile phone account, bypassing the need for traditional banking system.

# 2

## Digital currencies

### Lower transaction fees, facilitating cross-border payments

SEA is firmly advancing the development of digital currencies. Our recent publication “[CBDC Index Report - Focus: Asia region](#)” highlights the most advanced retail CBDC project in the world is Bakong of Cambodia. Launched in 2020, Project Bakong is expected increase financial inclusion among Cambodians in rural areas. They now can transact through digital wallets, displacing the need for proximity to traditional banks.

With such expected benefits, the race to conduct CBDC use case testing and the development of necessary regulations will intensify in the region.

According to the Index, there are two distinct use cases:

- Retail CBDC is held directly by citizens and corporations
- Interbank/wholesale CBDC is restricted to financial Institutions.

SEA countries like Thailand and Singapore are also strong players in wholesale CBDC space. Both countries focus on cross-border projects which allow their central banks to test international connectivity and project interoperability.



Sentiments are shifting towards digital currencies as many expect Central Bank Digital Currencies (CBDC) to lower transaction fees and facilitate cross-border payments. In SEA, we anticipate aggressive investments by central banks to develop proof of concept for CBDCs.

Vietnam may join the regional peers in the race toward CBDC. The recent announcement of [Decision 942](#) tasked the State Bank of Vietnam (SBV) to research the pilot use of “virtual money” for the next three years. While no official timeline has been set, it is interesting to see how local policy makers will take this initiative forward.

It is worth noting that in rolling out CBDC, countries must pay careful attention when assessing the readiness of its digital infrastructure, the backbone of any digital currency.



# 3

## Digital wallets and booming super-apps

### Increased customer convenience and choice

**E-wallet payments in SEA** were worth over USD 22 billion in 2019 and are predicted to grow more than fivefold to exceed USD 114 billion by 2025.

In Vietnam, the e-wallet market continues to boom. According to a recent **survey** by Visa, 85% of respondents have at least one e-wallets or payment apps, while 71% use these apps at least once a week.

With more than **40 e-wallet providers**, the Vietnamese market has been quite crowded over the last few years. Accounting for 90% of the market share are the leading 3 e-wallets : Momo, Moca and ZaloPay, leaving little to no room for other providers. Even so, the big names are now struggling as they fail to show their competitive advantages over traditional banks whose mobile apps are catching up to e-wallet's functionalities. Gaining a competitive advantage in the future might push for a mega consolidation of digital wallet providers into few leading regional and local super-apps dominating the market.

“

SEA has witnessed the mushrooming of digital wallets as a result of tap-and-go payments becoming the preferred choice of consumers. We expect the region to see more mega consolidation, partnership and collaboration in the near future.

This is due to the close linkage between e-wallet and other digital services (e.g. e-commerce, ride-hailing and food delivery). Here are some notable examples of recent acquisitions:

- Grab bought **3,5%** of Moca to mitigate its payment function to the said e-wallet.
- Airpay (now ShopeePay) has sold **30%** shares to Sea Ltd which owns Shopee Vietnam.

## Digital wallets connect the evolving present and the revolutionary future

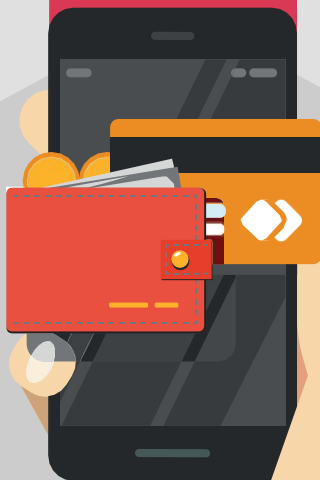
Source: PwC Strategy& analysis

### Revolutionary changes

Buy now, pay later  
Cryptocurrencies  
Central bank digital currencies

### Evolutionary changes

From SEPA credit transfer to instant  
From direct debit to request-to-pay  
From the card to the digital wallet



### Digital wallets

There will also be a rise in partnerships between super-apps and service providers of different industries. In Vietnam, Tiki and Lazada - two leading e-commerce companies - have integrated digital payment solutions to their infrastructure: Momo and eMoney, respectively.

In addition, ZaloPay welcomed 269 new partners in the past year, adding to its current line-up brands like Baemin, Sendo, Circle K, etc. Financial service providers can leverage super-apps as new distribution channels.

Data privacy will be top of mind for service providers to further boost the longevity of their offerings and the adoption of super-apps at scale. We anticipate an increase in the use of data security solutions by these players, such as multi-factor authentication and data encryption, to ensure the protection of users' data.

The next step will extend beyond consumers. As super-apps within SEA expand their future offerings to allow merchants on their platform make business-to-business (B2B) payments and more (i.e. meeting their supply chain needs). This will enable merchants to achieve end-to-end digitalisation with inbound and outbound digital payments.





# 4

## Payment rails

### Digitalisation-led interoperability and enhanced functionalities

Vietnam is in the process of developing its own National QR code framework. The National Payment Corporation of Vietnam (NAPAS) recently launched **VietQR** - a common brand identity for QR code payment and transfer services processed through the network of NAPAS and 14 member banks, payment intermediaries and partners both inside and outside the country.

On the commercial side, open banking APIs will bolster B2B payments in the region. By allowing real time processing and exchange of rich messaging, open banking APIs is expected to disrupt traditional bank payment rails, and transform the way B2B payments are made today.

The emergence of “Buy now, Pay later” (BNPL) method have firmly placed the digital payments industry on an upwards growth trajectory. Valued at about **USD 491.3 million in 2021**, it is expected to grow steadily between 2021-2028.



Unified QR codes and the adoption of application programming interface (API) will be the priority of payment rails in the region as they seek to promote interoperability and enhance functionalities. Of the 10 countries in SEA, seven have implemented national QR code standards.

BNPL is a relatively new but rapidly growing industry in Vietnam. Unlike traditional cards, the ability to easily set up a BNPL account and enjoy interest-free installments suggests the anticipated shift from card usage to BNPL schemes. As BNPL gains dominance, their product offerings can extend beyond just retail to post-payment financing for SMEs, further promoting economic growth and inclusion.



# 5

## Cross-border payments

### Real-time retail and commercial transactions

The rise in cross-border transactions and changing consumer behaviours towards e-payment and e-commerce have driven the expansion of the payments industry to offer convenience, ubiquity and safety. For instance, in **April 2021**, Thailand and Vietnam launched an interoperable cross-border payments system that enabled Thai visitors to Vietnam or Vietnamese visitors to Thailand to make QR code-based payments for goods and services using their mobile banking app.

The SBV is also drafting **a circular** regarding cashless payments which might allow domestic commercial banks and domestic intermediary payment companies to cooperate with foreign intermediary payment companies to provide international payment services. This legal framework will help facilitate international demand or potential opportunities. An example is the payments via foreign e-wallets such as Wechat Pay and Alipay to account for the large number of Chinese tourists who visits Vietnam every year.



Domestic real-time payment infrastructures are establishing cross-border linkages for both retail and commercial payments. As SEA strives for greater progress in economic integration, we expect to see the introduction of coherent policies and regulations related to cross-border payments.

At SEA level, Vietnam and Singapore on June 2, 2021 agreed to establish a **Technical Working Group** on the platform for digital partners, moving towards the signing of a Digital Economy Agreement (DEA). This agreement will help Vietnam establish frameworks and rules for digital trade thus enabling local companies to connect digitally with countries in the region such as Singapore more seamlessly.



# 6

## Financial crime

### Stronger defences needed in cyberspace

Countries in SEA face salient threats from the non-bank financial service entrants who are new to the system and need to quickly comply with stringent regulations. Based on Kaspersky's IT Security Economics 2020 [survey](#), Indonesia, Thailand and Vietnam suffered the most phishing attacks in the region in 2020. As Vietnam's digital economy is forecasted to hit **USD 52 billion** by 2025, businesses will face an increase in more sophisticated cyber threats and attacks.

With digital ID, related authentication mechanisms, and criminal activity on the rise, a unified approach against financial crime is crucial. It is truly a business imperative to implement appropriate infrastructure to deal with cyber risks amidst growing customer expectation of faster payments with less checks. For comprehensive protection, detective measures (e.g. risk scoring, lockout mechanisms) need to be adopted alongside preventive technologies (e.g. biometrics, in-session analytical solutions).



With the increasing sophistication of financial crime, SEA will see increased dependence of local and regional stakeholders in combating these threats. Consumers and organisations are also likely to favour jurisdictions making great advances in cybersecurity, both in terms of prevention and future recourse.

Vietnam has increased its ranking in the Global Cybersecurity Index ([GCI](#)) in 2020, coming in 4th among 11 ASEAN countries and 7th in Asia-Pacific. But more can be done to enhance cybersecurity. Increased sharing of information among intergovernmental or public-private partnerships will enable greater financial transparency resulting in stronger defences against financial crime.



“Digital transformation promises a financial future that is inclusive, sustainable and equitable. It will not only connect Vietnam domestically but our country to the region and the world. Payments support the development of digital economies and drive innovation while functioning as a stable backbone for our economies. To remain relevant, customer experience and contributing to a bigger societal purpose - financial inclusion - are crucial.”

**Dinh Hong Hanh**

Partner, Financial Services Leader



# Preparing for tomorrow

The way forward for key payment players





# Players in the payments ecosystem can plan for success by taking the following actions to determine their gaps and priorities

Key players	Repair	Rethink	Reconfigure	Report
<b>Traditional banks</b>	<ul style="list-style-type: none"> <li>Leverage process utilities to process non-differentiated services like ATM offering</li> </ul>	<ul style="list-style-type: none"> <li>Reimagine physical cards issuance</li> <li>Ensure digital first approach in business models</li> <li>Diversify into value-added services, like data protection services</li> <li>Leverage cloud technology to store data while ensuring cloud security to deal with potential risks (i.e. protection for data encryption, server, application and database)</li> </ul>	<ul style="list-style-type: none"> <li>Invest, acquire and deploy real time and rich payments - sunset legacy rails</li> <li>Use super-apps as new distribution and customer acquisition channels</li> <li>Develop APIs to bring innovation in the commercial payment space</li> <li>Enhance security and verification for all users within and outside the organisation (e.g. introduce zero trust framework)</li> </ul>	<ul style="list-style-type: none"> <li>Share information on consortium basis the incidents of fraud and anti-money laundering (AML) data analytics, to combat financial crime</li> <li>Share latest technological advances in detecting and preventing financial crime</li> <li>Report rapid outcomes of investigations of suspicious activities (e.g. real time transaction reporting)</li> </ul>
<b>Digital banks</b>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>Reimagine customer payment experience. Create seamless omni-channel and opti-channel experience</li> <li>Re-evaluate effort required to bring benefits of decentralised finance to masses</li> </ul>	<ul style="list-style-type: none"> <li>Leverage technology and experience to drive customer primacy - increase mindshare</li> <li>Set systems for efficiency and interoperability with other payment services in the market</li> <li>Leverage open banking to enhance value-creating services and products</li> </ul>	<ul style="list-style-type: none"> <li>Share insights gathered from consumer data on unmet needs and consumer trends</li> <li>Share measures to ensure data privacy and security (e.g. stronger governance framework for use of data)</li> <li>Report on sustainable practices</li> </ul>

# Players in the payments ecosystem can plan for success by taking the following actions to determine their gaps and priorities

Key players	Repair	Rethink	Reconfigure	Report
<b>Alternative payment methods</b> (including digital wallets and super-apps)	<ul style="list-style-type: none"> <li>Enhance security features in mobile phones to prevent fraud, data theft/leaks, malware (e.g. use multi-factor authentication or biometric technology to authenticate payments)</li> <li>Periodically audit the credit risk profiles of customers who engage in financing services</li> </ul>	<ul style="list-style-type: none"> <li>Assess potential of accepting and exchanging CBDCs to drive adoption</li> <li>Study upcoming payment trends and competitors closely to regularly upgrade payment offerings</li> <li>Reimagine the compromise between customer convenience and exposure to cyber-criminals</li> </ul>	<ul style="list-style-type: none"> <li>Unification of payment infrastructure to enable cross-border, cross-currency transactions and acceptance</li> <li>Strengthen payment offerings for commercial clients, like extending BNPL services to SMEs for supply chain financing</li> <li>Build AML transaction monitoring capabilities to examine multiple scenarios with changing instrument rails available over payments</li> </ul>	<ul style="list-style-type: none"> <li>Share efforts to protect consumer and merchant data</li> <li>Maintain update on regulatory evolution and agile ways to respond</li> </ul>
<b>Telecoms and retailers</b>	<ul style="list-style-type: none"> <li>Enable foreign payment methods that overseas customers prefer in store (e.g. enable Alipay and WeChat Pay)</li> <li>Adopt new age financing methods (i.e. BNPL) for consumers</li> <li>Pivot from using static QR codes to dynamic QR codes to enhance the payment experience and security</li> </ul>	<ul style="list-style-type: none"> <li>Reimagine ways to manage costs of cross-border payments at each step of payment value chain</li> <li>Identify up-and -coming payment trends overseas and consider adopting it to the local context</li> </ul>	<ul style="list-style-type: none"> <li>Introduce new technologies in stores to enable frictionless and invisible payments (e.g. cashierless store technology, biometric payments)</li> <li>Invest in data protection services to handle consumers' information responsibly</li> <li>Digitise B2B payments to speed up commercial transactions along the supply chain and eliminate manual processes</li> </ul>	<ul style="list-style-type: none"> <li>Roll out educational campaigns to lower the barriers for consumers to adopt new payment methods</li> </ul>

# Players in the payments ecosystem can plan for success by taking the following actions to determine their gaps and priorities

Key players	Repair	Rethink	Reconfigure	Report
Other players (e.g. merchant service providers, third-party processors and terminals)	<ul style="list-style-type: none"> <li>Adjust fees charged on each transaction to make it more affordable for SMEs</li> <li>Provide omni-channel integrated payment services for B2C and B2B transactions</li> <li>Shore up cybersecurity defences as payments organisations are targets with rich data</li> </ul>	<ul style="list-style-type: none"> <li>Assess developments in the industry, consumers' payment behaviours and gaps in current processing tools to innovate new payment tools to enable more frictionless experiences (e.g. biometric technology)</li> <li>Reimagine cybercrime as a combination of cybersecurity and fraud</li> </ul>	<ul style="list-style-type: none"> <li>Upgrade systems to allow for alternative authentication methods and the generation of dynamic QR codes</li> <li>Develop technology to support emerging CBDC opportunities</li> <li>Develop an inclusive operating model with built-in threat intelligence to support a more efficient and less intrusive fraud / cyber / AML checks</li> </ul>	<ul style="list-style-type: none"> <li>Report on efforts to ensure data security (i.e. how data is stored, processed and transmitted)</li> <li>Report on measures and progress to support greater merchant inclusion</li> </ul>

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Navigating the payments matrix: Charting a course amid evolution and revolution



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