

Spectacular growth drives the wealth management opportunity in Vietnam

Sandeep Deobhakta, Division Head of Retail Banking, VPBank, explains to Hubbis why Vietnam represents a significant wealth management opportunity.



SANDEEP DEOBHAKTA
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V IETNAM PRESENTS AN EXCITING AND GROWING OPPORTUNITY for the Asian wealth management community for a variety of factors, according to Deobhakta.

“One, as you probably know, the market, the GDP is growing at 6.8%, forecast to do 7% plus and it’s one of the fastest growing markets in Asian,” he says. “The stock market last year has been the top performing market with I think 48% growth last year. Far more volatility this year, but certainly one of the markets which have a lot of interest.”

According to Deobhakta, what’s also really exciting about Vietnam is that it’s got a population that’s probably a little under half the size of Indonesia, close to about 98 million people, and the youngest in Asia.

Also, from a banking perspective, Vietnam is poised for tremendous change. “You see retail banking is relatively new in Vietnam,” he says. He points to VP Bank itself, which has been in the country for 25 years and has been in retail since 2012.

“If you look at our growth numbers, last year our top line grew at about 65%,” he says. “This year we expect it to be a little more moderate at about 41%. So, high growth market, lots of changes,” including on the fintech side, where the government has a very aggressive agenda to digitise payments and get to 90% cashless by 2020.

On the wealth management opportunity, Deobhakta says that the affluent segment is the fastest growing segment, and will probably account for 60% of banking revenues over the next few years. People owning their



own businesses drive much of that, according to Deobhakta. “Entrepreneurship is big, and most of these affluent customers tend to be business owners. That’s the sweet spot,” he says.

Regarding wealth management products that are sold today in Vietnam, Deobhakta says that penetration is very low in the market.

“Banking penetration in Vietnam is about 28%, 29%, so it’s really low compared to a lot of other markets,” he says. “If you look at insurance penetration, it is less than 1%. If you look at mutual funds, again you can count the number of fund products on two hands.”

But even though it’s in its infancy, the market is poised for change. “Certainly, equities last year and the performance of the stock market has completely changed that conversation with clients,” he explains. “For example, you had to go and explain what mutual funds were about a year ago, (but) now sometimes I have to tell customers don’t put all your money into mutual funds simply because you need to diversify and understand risk, etc.”

Currently, he says, wealth management in Vietnam is handled quite differently from the rest of Asia. “For example, you do have the international players and people like HSBC, Citi Bank, and ANZ,” he explains. “But hey have a very limited presence and play in a very niche segment.”

According to him, going forward, the key players here are going to be the government banks and the private sector banks.

“The government has made announcements for quite some time now on their intent to privatise a lot of state-owned enterprises as well as get foreign capital, so many of the banks are in the process of raising capital,” he notes. “There’s a lot of interest, and that’s being fueled further by a lot of fundraising.”

But if the wealth management market must develop to the benefit for all the stakeholders, Deobhakta says the biggest factor going forward will be human capital.

In a nascent market like this, he says, that is a critical factor because clients want to trust. “They want someone who can help them understand what’s happening in the market, understand risk profile, and then recommend the right markets,” he says. “And most importantly once you’ve sold the product to keep in touch and explain what’s happening with those investment products.”

According to Deobhakta, human capital is an area where the industry needs significant investment in resources and training because that is going to impact the customer experience significantly. “Once customers are happy with the experience with their wealth advisor or their wealth manager, you will see a lot more funds being invested,” he says. ■