

Finhay: removing investment barriers and transforming Vietnam's asset management industry

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ABSTRACT

Vietnam's number of high-net-worth individuals (HNWIs, i.e., those with assets of 1 million USD or more) stood at around 70,000, only 0.07% of the population in 2022. However, within the ASEAN region, Vietnam had the fastest growing middle-class. In addition, as of January 2023, close to 49% of the population were millennials and generation Z (Kemp, 2023). Traditional asset management services provided by human financial advisors were typically offered at high fees and required high minimum investments, hence viable only for HNWIs. In Vietnam, that meant more than 99% of the population could not access conventional asset management services. Low financial literacy, relatively young local financial markets, and the traditional mindset of preserving rather than building wealth further increased the barriers to investing. Utilizing digitalization and robo-advising, Finhay helped remove those barriers and exploited the massive growth potential of digital asset management in Vietnam. In addition to local demand conditions, a growing skilled competitive labor pool, digital advancements, and the government's push for digitization also contributed to Finhay's growth into one of the top 100 global fintech champions selected by KPMG just two years after its inception in 2017. Starting with only 50 users, after a year, Finhay reached about 3,000 users (Alpuerto, 2022). After its acquisition of Vina Securities- a seasoned brokerage firm, Finhay became the first and, thus far, the only digital investment platform that owned a stock brokerage license in Vietnam with more than 3 million registered users, making it the country's leading digital investment platform.

Keywords: Finance, robo-advising, industry life cycle, horizontal integration, market efficiency, Vietnam.

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VIETNAM

Macro-economy

Vietnam was a significant regional commercial and logistics hub because of its wide coastline and proximity to crucial shipping routes. Since the launch of Doi Moi (Renovation) in 1986, Vietnam had transformed from a centrally planned, self-isolated economy into a more globally integrated economy with significantly higher economic liberalization. The reform removed restrictions on foreign trade for foreign direct investment and multinational companies to enter the country and enacted necessary structural reforms to develop more competitive industries. Vietnam currently had over 90 bilateral trade agreements and nearly 60 bilateral investment promotion and protection agreements. Since joining the World Trade Organization (WTO) in 2007, Vietnam's economy had consistently been in the top ten fastest growing in Asia (Quattri & Chirino, 2022). Before the pandemic in 2019, Vietnam's GDP growth rate was 7.4%. In 2020 and 2021, GDP growth rate fell to 2.9% and 2.6%, respectively, still placing the country among the very few nations reporting positive economic growth amid the pandemic. The implementation of Doi Moi had enabled the country to grow from an underdeveloped into a currently lower middle-income economy (World Factbook, 2024), lifting around 39 million people out of poverty between 1993 and 2021. During that time span, poverty rates (US\$3.65/day threshold) declined from 60% to 4.4%, and GDP per capita increased 20.2 times. In 2022 and 2023, Vietnam's GDP growth rate rose back up to 8.12% and 5.05%, respectively, and GDP per capita reached 4,163.5 USD and 4,284.5 USD, respectively (World Bank, 2024). As an Association of Southeast Asian Nations (ASEAN) member, Vietnam had access to a market with more than 420 million customers, making it a desirable destination for companies looking to access the region's burgeoning middle class and consumer markets (Masan Group, 2023).

Demographics

Vietnam's population grew to 98.53 million in January 2023. The median age in Vietnam was 32.5 years. As of January 2023, close to 49% of the population were millennials and generation Z (Datareportal, 2023; see Exhibit 1, Appendix).

These groups were typically neither high-net-worth individuals (HNWIs) nor ultra-high-net-worth individuals (UHNWIs), but they had excess savings, were typically less risk-averse, more tech-savvy, and had longer investment horizons. Millennials and generation Z also already spent a significant amount of time online and on mobile devices for various purposes.

As of January 2023, 60.9% of the population still lived in rural areas. Middle-class households were forming at a faster pace in rural areas than urban areas as new manufacturing hubs were being added. Within the ASEAN region, Vietnam had the fastest growing middle-class with a compounded annual growth rate of 10.1% from 2016 to 2021 (Quattri & Chirino, 2022). The country was expected to add 36 million people to the middle-class, ultimately reaching 76 million middle-class people by 2030 (Delteil et al., 2021). The birth rate, on the other hand, had fallen from 34 per 1000 people in 1980 down to 15 per 1000 people in 2021 (World Bank, 2022; see Exhibit 2, Appendix). The growing middle-class and declining birth rates resulted in smaller households with more excess savings. Exhibit 3 (Appendix) shows the household income distribution and the percentage of the population in rural areas for each income bracket in 2022.

Digital Advancements and Growing Tech Talent Pool

Vietnam's digital infrastructure was still in its early stages but expanding quickly. There were 77.93 million internet users in Vietnam in January 2023, which meant an internet penetration rate of 79.1 percent of the total population (Kemp, 2023). Smart phone penetration rate was 71% in 2020 and 73.5% in 2021, ranking in the top ten of Asia. 4G mobile network already covered 99.5% of the population in Vietnam by 2020, up from 95% in 2017 (Statista, 2020). In 2021, Vietnam rolled out 5G network in major cities and planned to provide nationwide 5G coverage by 2030. In early 2023, 161.6 million cellular mobile connections were active in Vietnam, equivalent to 164% of the total population. There were 70.00 million social media users in Vietnam in January 2023. Facebook and YouTube had 66.20 million and 63.00 million users, respectively, in Vietnam in early 2023. The tech talent pool was growing quickly as well. Coursera's 2023 Global Skills Index ranked Vietnam 7th in technology skills among Asia Pacific countries. Student enrollment in computer science degrees grew 70% in 2021 and went up by another 40% in 2022. Additionally, software engineers in Vietnam were relatively inexpensive, with rates 20% cheaper than those offered in India (Evan, 2021).

Asset Management Services and the Emergence of Robo-Advisors Globally

Traditionally, wealth management services provided by human financial advisors usually catered to high-net-worth individuals. Financial advisors typically helped clients assess their investment goals, time horizons and risk appetite, then advised their clients on selecting appropriate asset allocations and helped manage their clients' portfolios. Wealth management services for HNWIs could also entail other complex services such as comprehensive financial planning, tax planning, retirement planning, and legal services. Traditional wealth management was based largely on the interaction between the clients and the human financial advisors. This level of service would typically be offered at high fees and required high minimum investments, hence viable only for HNWIs. Otherwise, it would not be profitable for the traditional wealth management firms. As a result, lower-income individuals were usually locked out of the conventional asset management industry. In many emerging markets, that meant most people could not get access to asset management services.

With digitalization, the asset management industry became more automated, hence more cost-efficient and time-efficient. Robo-advisory was one of the burgeoning fintech solutions in wealth management. Robo-advisors were digital asset managers programmed with investment models- typically the modern portfolio theory (MPT) model- to give clients investment recommendations based on the clients' investment goals, risk tolerance, and investment horizons, all of which were assessed through online questionnaires. Robo-advisors' investment recommendations were typically diversified portfolios of preselected funds. The built-in algorithms applied by robo-advisors could be utilized to provide individual recommendations for a large and growing customer base, giving digital wealth managers the economy of scale to significantly lower their costs. Furthermore, using robo-advisors reduced potential conflicts of interest, human errors, and human biases, all of which were costly themselves and expensive to monitor (Brenner & Meyll, 2020). These advantages allowed investment platforms with robo-advisors to lower fees and minimum investment requirements for their customers. This benefited all customers and removed the barriers to investing for those with lower income. Rossi and Utkus (2024) found that those who benefited the most from robo-advising were investors who did not have high exposure to equities or indexing and had poorer diversification levels. These

investors were also more likely to join the service and not quit it. Furthermore, robo-advisors could reach customers in more remote areas where internet and mobile devices had been commonly used but traditional asset management services were not abundantly offered in person.

Notwithstanding the foregoing, for high net-worth individuals who needed more personalized advice and complex financial services that required a more comprehensive analysis, human intervention was still inevitable. On the other hand, for beginning and/or young investors who were tech-savvy and soon-to-be-rich, and, hence, interested in cost-effective, low-investment-requirement, convenient, and relatively simple asset management services, robo-advisors would be a great fit. However, over time, the increasing integration of artificial intelligence and machine learning technologies could enable robo-advisors to make more personalized investment recommendations (Joquino, 2023b).

Emergence of Financial Markets and the Wealth Management Sector in Vietnam

Securities markets were not officially established until 2000 (Baker Mckenzie, 2024), and hence still relatively young in Vietnam (see Exhibit 4, Appendix). Company data was not always disclosed fully and fairly, causing high information asymmetries (N. Pham & Tatiana, 2020). The slow speed of information transmission and thin trading in the market also impeded price adjustment speed in the securities markets (Dong et al., 2010 and Rakesh et al., 2014). With such young securities markets, investing was not yet common knowledge nor common practice, especially in more remote areas. Prior to the entrance of digital wealth management, traditional wealth management firms in Vietnam offered services exclusively for high-net-worth individuals and ultra-high-net-worth individuals. Viet Nam's number of HNWI's (i.e., those with assets of 1 million USD or more) stood at around 70,000, only 0.07% of the population in 2022 (Thuy, 2023). Rather than building wealth, Vietnamese investors were still very much inclined towards preserving wealth in the form of owning real-estate properties (for residential purposes), fixed deposits, and gold. The limited investor base in security markets consisted mostly of unsophisticated retail investors who traded frequently to speculate on short-term price movements with relatively low financial literacy. Fundamental investment knowledge such as the risk-return trade-off, the benefits of diversification, or characteristics of different financial asset classes was still lacking. Nevertheless, there had been a shift, and the untapped growth potential was still massive. The percentage of Vietnam's population with account ownership at a financial institution or a mobile-money-service provider had increased from 30.8% in 2017 to 56.27% in 2022. Vietnam's personal financial asset (including cash, deposits, bonds, and other financial securities) growth had also outpaced that of other Asian countries (Delteil et al., 2023; see Exhibit 5, Appendix).

Digital transactions such as online shopping and online payments were also burgeoning and increasingly accepted by Vietnamese consumers. Cash on delivery was more than 90% in 2017, but now had decreased to 40% or less (Joquino, 2023a). The government aimed to reduce Vietnam's cash transactions to 8% of total payments by the end of 2025 (A. Le, 2019). The shift in consumers' preferences toward digital channels and the government's push for digitization would help boost the digital transformation in the wealth management sector as well.

Fintech Regulations and Requirements to Operate as a Security Brokerage Firm

Fintech regulations in Vietnam were still in the early stages, but the government had been revving up efforts to establish the regulatory framework needed to facilitate investor confidence

as well as digital advancements in the financial industry. In 2019, the new Law on Cyber Security came into effect, tightening user data protection and was further strengthened in 2022 (Ha et al., 2023; D. Pham, 2023). In 2019, the government also revised its anti-money laundering regulations, which also allowed financial institutions to conduct Know-Your-Client (KYC, a standard in the investment industry which ensures advisors can verify a client's identity and know their investment knowledge as well as financial profile) without face-to-face meetings. In 2020, the State Bank of Vietnam was authorized by the government to draft a decree on a fintech regulatory sandbox, allowing fintech firms to test innovative products and delivery mechanisms in a closely controlled environment and reach the end market faster (T. Pham et al., 2022). Foreign investment was currently still restricted for local investors from Vietnam. Approvals from the Ministry of Investment Planning and the Central Bank were required for asset managers to invest outside of Vietnam. This restriction increased barriers of entry and limited competition from foreign asset management firms (KPMG, 2021). The procedures for getting a license to operate as a security brokerage firm were very time-consuming and cumbersome with several requirements, including but not limited to (LuatVietnam, 2022): having sufficient physical and technical foundations, devices, office equipment, and technological systems; having a director general (Director) that must satisfy prescribed criteria, at least 3 staff members with securities practice certificates, and at least 1 compliance controller; having institutional shareholders or capital-contributing members with legal person status and that own at least 10% of the charter capital of one securities company and their affiliated persons (if any) own only up to 5% of the charter capital of another securities company.

FINHAY

Founded in 2017, Finhay was a smart investment app with the mission to provide Vietnamese consumers with easy and convenient digital access to financial services. The minimum investment requirement started from just VND 50,000 (i.e., slightly more than USD 2). Finhay aimed to educate and serve the under-served in the market – investors who had limited idle savings but were interested in investing and already favored the online experience. In an interview with Vietcetera in 2018, Huy Nghiem, Finhay's CEO and founder explained,

“what makes Finhay unique is that [Finhay] decided to ease young people into the world of finance by asking only that they invest small amounts of money if that is all they have. Users can still invest in a variety of funds, building diversified profiles and assessing risk percentages” (Tran 2018, para. 6).

Since its inception, Finhay had raised a total of \$26.1 million in more than five funding rounds, with the latest funding of \$25 million being raised on June 22, 2022 from a series B round (Alpuerto, 2022). Exhibit 6 (Appendix) summarizes Huy Nghiem's return to Vietnam to start Finhay (after working in the finance industry in Australia) and Finhay's growth in the early days.

Finhay started with fund certificates – mutual funds first, then expanded to exchange traded funds and money market funds – as its sole products but had broadened its scope to several other financial products. In 2019, just two years after its inception, Finhay was one of the top 100 global fintech champions selected by KPMG and in 2020, Nghiem was listed as one of Asia's Forbes 30 under 30 (Amanat et al., 2020). In 2021, Finhay added four new products: cash-wrapped accounts with CIMB bank, gold trading, a 12-month savings product, and stock trading, gaining 150% more users that year alone (Alpuerto, 2022). In an interview with Insignia Ventures in 2020, Nghiem noted,

“In Australia, when we design a product, it tends to be very focused [...]. [In] Vietnam, with a single line of product, Vietnamese consumers tend to see this [as a] lack of content. [When] we started to jam in more product lines, we started to see more engagement. I think that’s why in Southeast Asia, we see the idea of super apps, but in the Western world, it’s more of a specialized product. [As] we have more product lines, we see traction coming in. I think that [helps] retain our users. When they see different product lines, they explore and engage more often within the app” (Chuah 2020, para. 22).

In that same interview in 2020, Nghiem added,

“The first few years were really hard but [traditional financial players have] now realized digital transformation is really the key, especially after COVID. Now, [Finhay] sees a lot of traditional players approach [them] and want to partner with [them] given [they] have created a strong traction and long-[term] relationships.” (Chuah 2020, para. 26).

Since its inception, Finhay had partnered with more than 50 prestigious financial institutions, including domestic and international banks, investment funds, and fintech businesses (Chuah, 2020).

Several people in Vietnam did not invest because they did not know where to start, and getting a human financial advisor was too costly. Using robo-advising, Finhay provided investment recommendations along with automatic portfolio tracking and rebalancing for each customer, based on the customer’s personal information (i.e., investment goals, investment horizon) and risk assessment. Users made their own investment decisions; recommendations were provided for reference purposes only, but those recommendations could help give first-time investors a reference point to start with. In an interview with Vietcetera in 2022, Nghiem noted “a large number of people are now looking for ways to start investing — often for the first time — and [Finhay is] exploring different ways to enable them. It is such an important inflection point,” (Alpuerto 2022, para. 4). Finhay also offered Auto Invest, which helped users automate investment strategies such as dollar cost averaging, which followed a specific schedule, reducing monitoring costs for users. Auto Invest aimed to build a sustainable portfolio that could reduce the impact of market fluctuations and emotions such as FUD (fear, uncertainty, and doubt) and FOMO (fear of missing out) in investing (H. Le, 2023). Finhay offered six “smart portfolios,” each of which was composed of different funds at different weights for investors to choose from and easily switch around. The six portfolios were named based on their risk and expected return levels. In naming their smart portfolios and explaining investment concepts, Finhay also added local flavors by using local phenomena to make explanations more illustrative and relatable to local investors. Exhibit 7 (Appendix) shows specific fund allocations in each portfolio.

Nghiem mentioned in an interview with Insignia Ventures in July 2023 that “[Finhay] creates smart portfolios so that [customers] can invest in those smart portfolios in a few clicks instead of having to choose a strategy” (Joquino 2023a, para. 8). In addition to these six smart portfolios, users could also form their own customized portfolios. In the same interview, Nghiem added,

“We are also incorporating AI applications. ChatGPT was made available last year and GPT4 is pretty much available already. We have a lot of data, business data, so we want to aggregate them and then feed relevant data to users without having [several] analysts behind the scenes feeding data to end consumers” (Joquino 2023a, para. 11; see Exhibit 8, Appendix).

Changes in consumer behaviors during and following the pandemic also brought about several opportunities for Finhay. According to Nghiem, “the fact that people spend more time at home and online, as well as an increased interest in digital services, are the key factors driving traffic to Finhay.” In addition, he added “a startup is nimble and flexible — the very qualities that make it likely to thrive in a crisis” (M. Le, 2019, para. 17). In addition to the shift in consumer behaviors, the drops in bank rates and a slow real estate market following the pandemic also drove capital to the securities markets. Bank deposits had always been appealing to Vietnamese investors given the relatively high rates. However, due to banks’ efforts to stimulate economic growth amid the pandemic, deposit rates fell from 14% in 2011 to 3.4% in 2021 and 3.82% in 2022 (Statista, 2022). As a result, other investment channels became much more attractive and marketable. Out of the 70 investment funds currently available in the Vietnam, 14 were established in 2021 alone (VietnamPlus, 2022). Every month as of the fourth quarter of 2021, Finhay got around 100 thousand new trading accounts opened every month (Joquino, 2022). Overall, the changes following the pandemic had benefited Finhay given the company’s capability and prompt adaptation.

Besides providing Vietnamese consumers easy convenient digital access to financial services, raising the average level of financial literacy in Vietnam was one of Finhay’s main objectives. Financial education was provided freely to the public in simple terms with several illustrative local metaphors on Finhay’s app, website, and other channels. The number one social network Finhay used to engage with users was Facebook. TikTok, Instagram, and YouTube were also used extensively to not only attract and engage users but also to effectively provide financial education and gather feedback from customers (Joquino, 2022). Based on users’ discussions and conversations on community channels, Finhay saw a strong demand for an additional stock-trading feature, which Finhay then enabled by acquiring Vina Securities - a securities brokerage firm founded in 2006. Vina Securities had accumulated a loss of more than VND 263 billion (around USD 11.3 million) by the end of 2021 and was suspended from operations by the State Securities Commission (SSC) of Vietnam from September 17, 2021 to March 16, 2022. The acquisition of Vina Securities made Finhay the first and, thus far, the only digital investment platform that owned a stock brokerage license in Vietnam. Given the time-consuming and cumbersome regulations to get a license to operate as a security brokerage firm in Vietnam, acquiring Vina Securities - a much older but financially distressed firm at the time - was a very strategic move for Finhay. The acquisition not only gave Finhay direct access to stock trading for its current users but also helped Finhay acquire Vina Securities’ customers all at once. The number of Finhay’s new users in the first five months of 2022 amounted to the total number of users gained in the whole of 2021. Starting with only 50 users in 2017, after a year, Finhay reached about 3,000 users and until now had more than 3 million registered users, making it the country’s leading digital investment platform (Alpuerto, 2022; Joquino, 2023a).

DISCUSSION QUESTIONS

1. How has robo-advising changed the asset management industry globally?
2. Is robo-advising suitable for Vietnam?
3. In Vietnam, which stage of the industry life cycle is robo-advising in?
4. How has Finhay, as one of the early movers in digital asset management, changed the asset management industry in Vietnam?
5. Are securities markets in Vietnam efficient, and how does that impact the excess returns that can be earned with active investing done through Finhay?
6. How has Finhay utilized horizontal integration to strengthen its competitive position?



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APPENDIX

Exhibit 1. Age structure of Vietnam's population as of January 2023
Source: Kemp (2023)

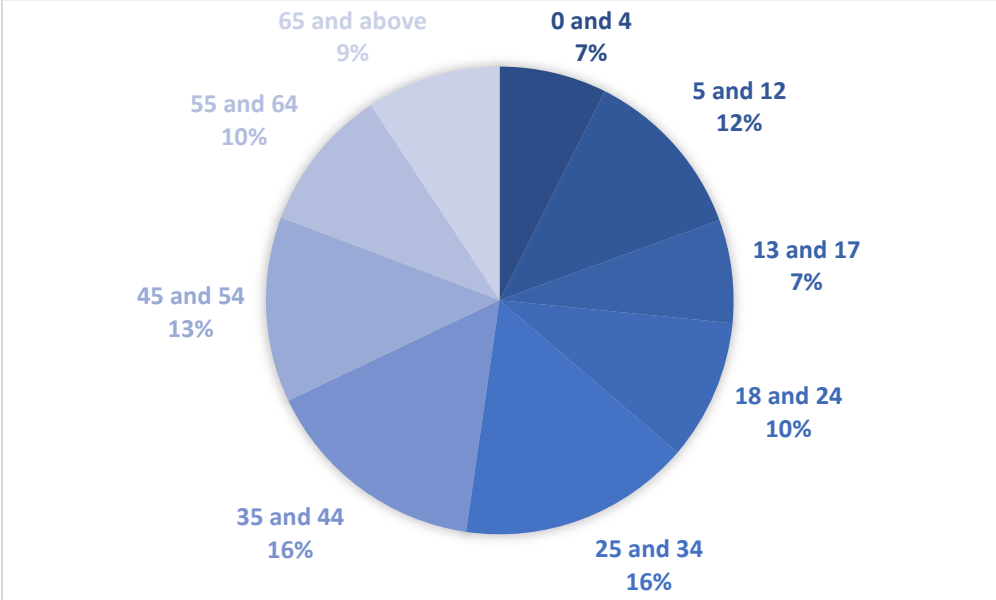


Exhibit 2: Vietnam's birth rate from 1960 to 2021
Source: World Bank (2022)

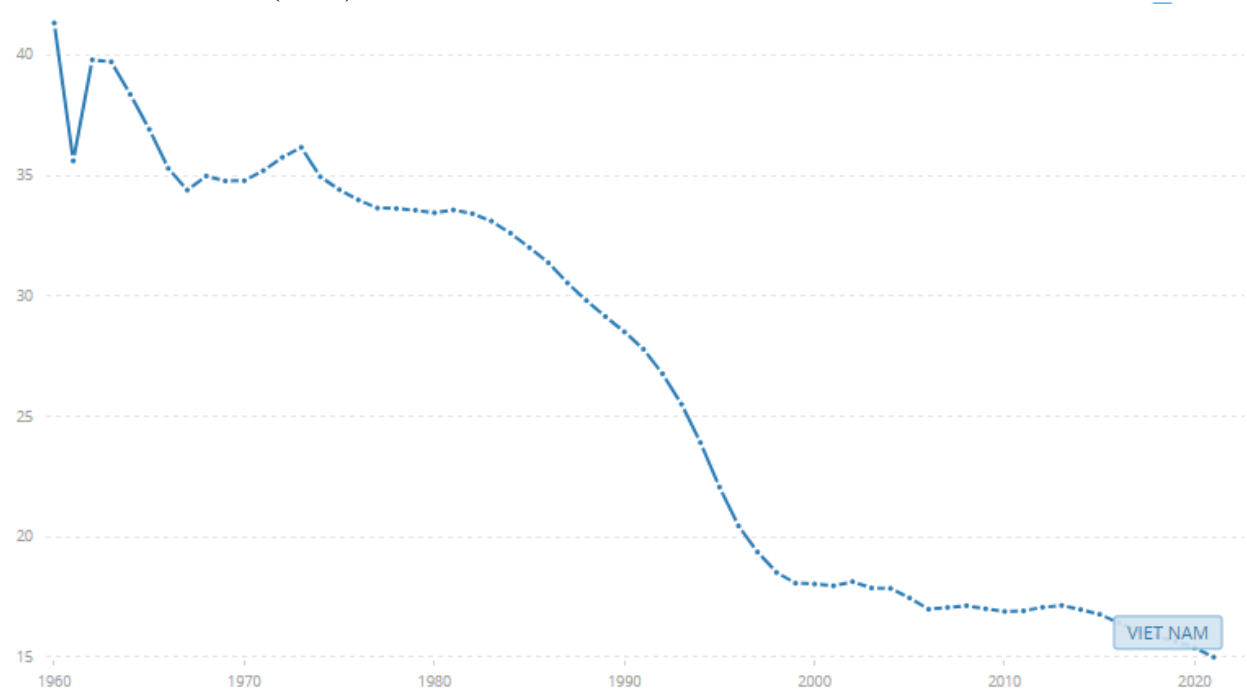


Exhibit 3: Vietnam’s 2022 household income distribution
 Source: Burrage (2023)

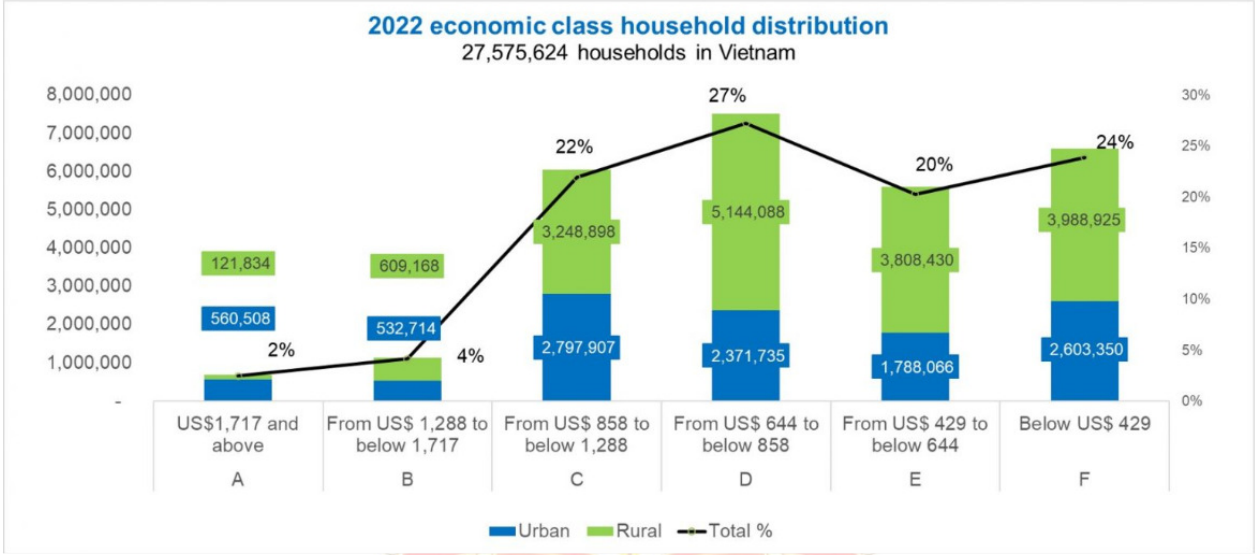


Exhibit 4: Vietnam’s financial markets’ key events

Source: Delteil et al. (2023)

Key events

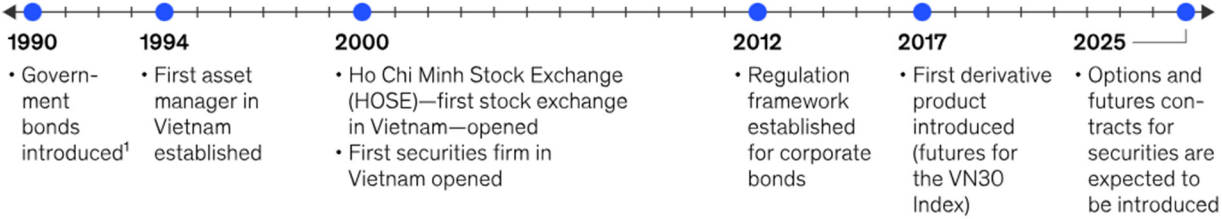
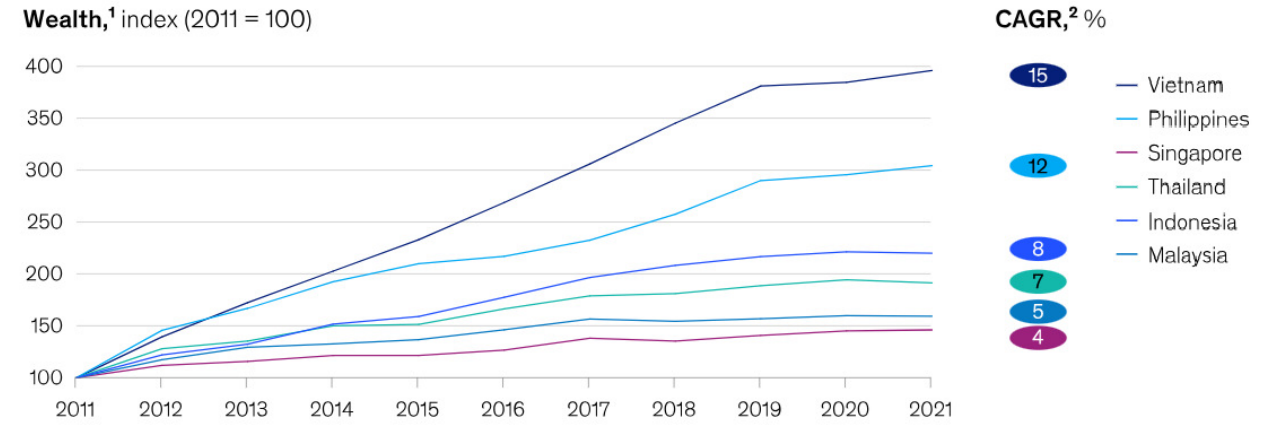


Exhibit 5: Vietnam's growth in personal financial assets relative to Asian peers

Source: Delteil et al. (2023)



¹Personal financial assets including liquid onshore and liquid personal financial assets.

²Calculated for indexed wealth, 2011–2021.



Exhibit 6: Finhay's beginning and early growth
Source: Chuah (2020)

Riding a new wave of growth with Vietnam's financial markets
On Call with Finhay founder and CEO Huy Nghiem

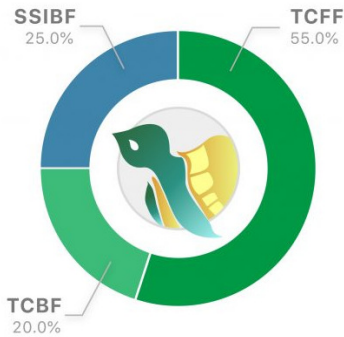
INSIGNIA VENTURES PARTNERS

<p>1</p> <p>Homecoming</p> <p>Huy saw an increase in talent coming from overseas into the market as well as the blue ocean for retail investment and wealth management, both of which he tapped into building Finhay.</p> <p><small>INSIGNIA VENTURES PARTNERS</small></p>	<p>2</p> <p>Learning Curve</p> <p>Huy realized that Vietnamese consumers prefer engaging with applications that have more content and product lines, something he sees shared by Asian comparables like Yuebao in China and Toss in Korea versus counterparts in the US like Acorns.</p>	<p>3</p> <p>Growing the market</p> <p>Proven traction and fostering long-term relationships opened doors for Finhay to seal partnerships with traditional financial players. This has helped Finhay to play its role in increasing access of everyday Vietnamese to the financial market.</p>
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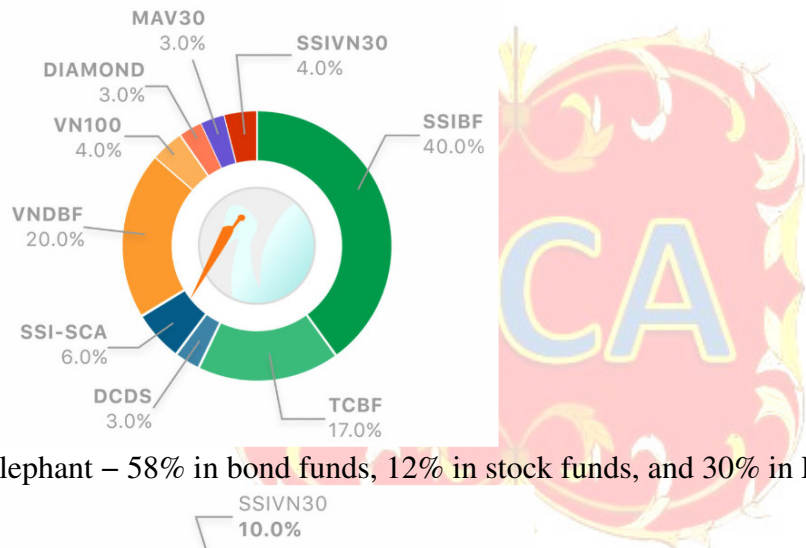


Exhibit 7: Finhay's six smart portfolios
 Source: Adapted from Finhay

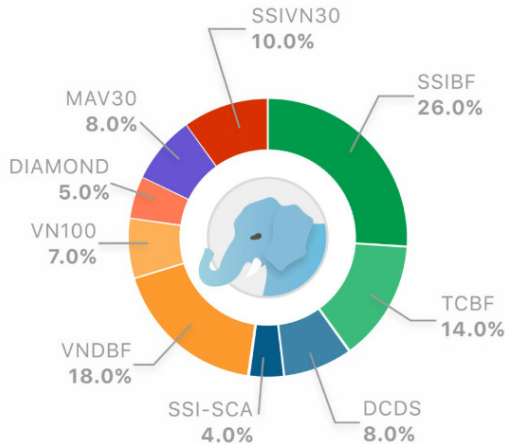
Hoàn Kiếm Turtle – 100% in bond funds.



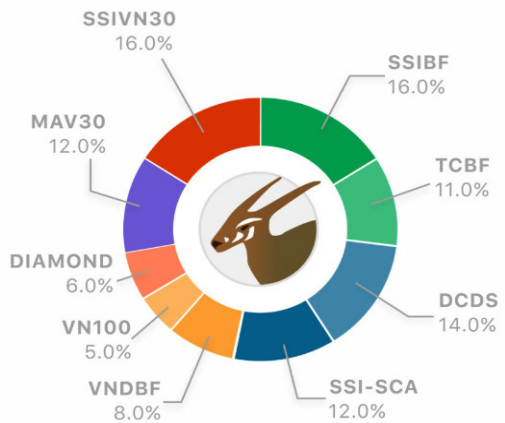
White Stork – 77% in bond funds, 9% in stock funds, and 4% in exchange traded funds (ETFs).



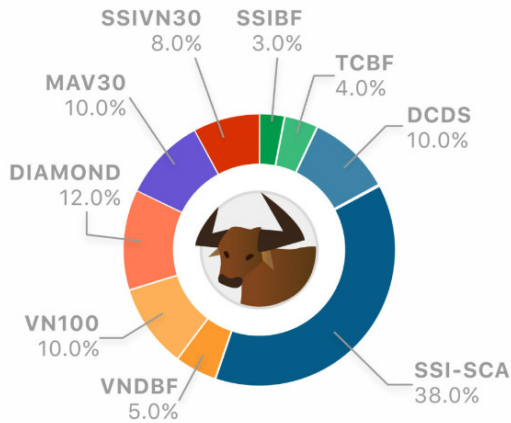
Jungle Elephant – 58% in bond funds, 12% in stock funds, and 30% in ETFs.



Sao La (the endangered “Asian unicorn”) – 35% in bond funds, 26% in stock funds, and 39% in ETFs.



Water Buffalo – 12% in bond funds, 48% in stock funds, and 40% in ETFs.



Clouded Leopard – 5% in bond funds and 95% in ETFs.

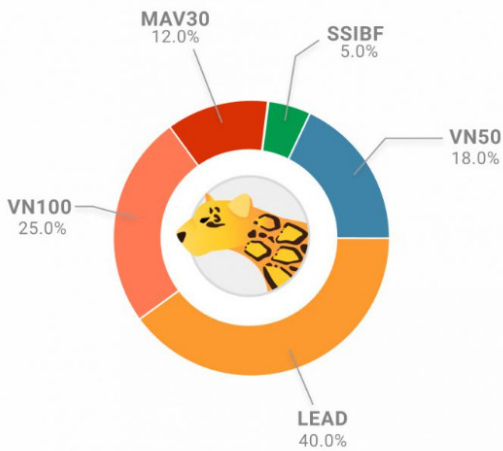
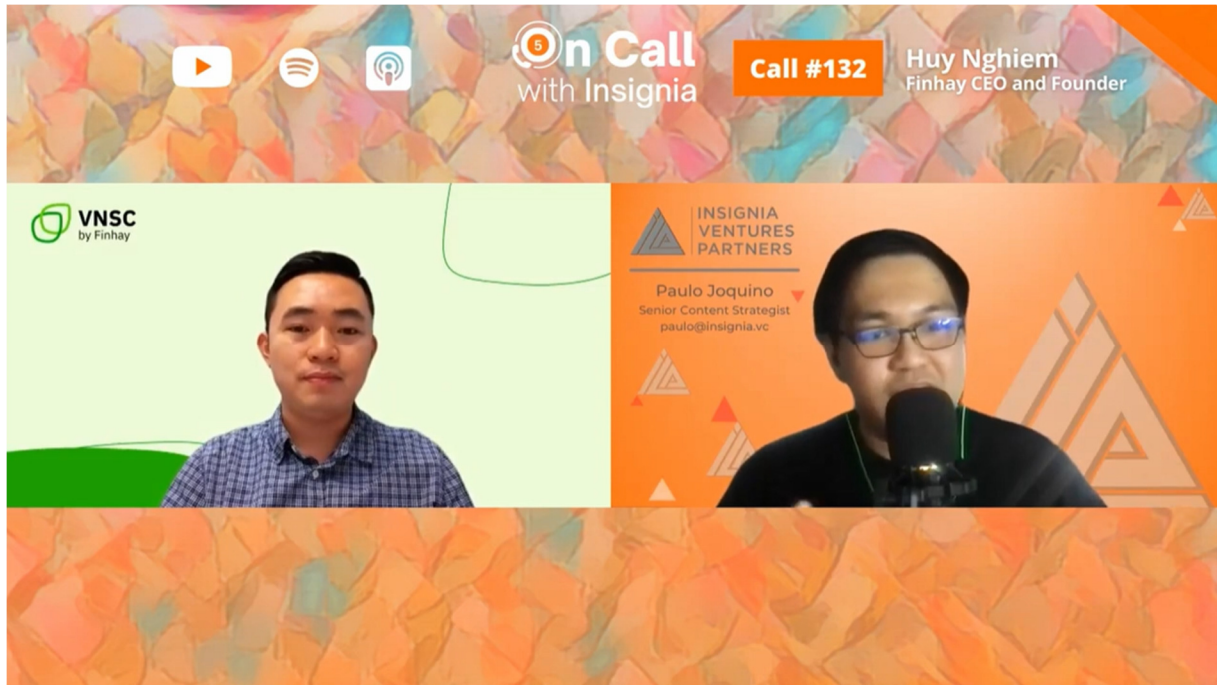


Exhibit 8: Finhay: How to drive economic growth in one of ASEAN's fastest growing digital economies

Source: Insignia Ventures (2023)

<https://www.youtube.com/watch?v=aWGXRzGErpc>



TEACHING NOTES

Case Synopsis

Viet Nam's number of high-net-worth individuals (HNWIs, i.e., those with assets of 1 million USD or more) stood at around 70,000, only 0.07% of the population in 2022. However, within the ASEAN region, Vietnam had the fastest growing middle-class. In addition, as of January 2023, close to 49% of the population were millennials and generation Z, who typically were not HNWIs but had some excess savings and longer investment horizons. These groups were also typically less risk-averse and more tech-savvy (Kemp, 2023). Traditional asset management services provided by human financial advisors were typically offered at high fees and required high minimum investments, hence viable only for HNWIs. In Vietnam, that meant more than 99% of the population could not access conventional asset management services. Low financial literacy, relatively young local financial markets, and the traditional mindset of preserving rather than building wealth further increased the barriers to investing. Utilizing digitalization and robo-advising, Finhay helped remove those barriers and exploited the massive growth potential of digital asset management in Vietnam. In addition to local demand conditions, a growing skilled competitive labor pool, digital advancements, and the government's push for digitization also contributed to Finhay's growth into one of the top 100 global fintech champions selected by KPMG just two years after its inception in 2017. Starting with only 50 users, after a year, Finhay reached about 3,000 users (Alpuerto, 2022). After its acquisition of Vina Securities—a seasoned brokerage firm, Finhay became the first and, thus far, the only digital investment platform that owned a stock brokerage license in Vietnam with more than 3 million registered users, making it the country's leading digital investment platform.

Target Audience and Usage

This case is designed for undergraduate students in an investment, wealth management or fintech course in a department or college of business.

Research Method

Data used in the case and study questions was obtained from secondary sources and no data have been disguised.

Associated Reading

Readings should focus on robo-advising, market efficiency, industry life cycle, acquisition, and horizontal integration and can be assigned from the following:

Bodie, Z., Kane, A., & Marcus, A. J. (2021). *Investments* (12th ed.). New York, NY: McGraw Hill LLC.

- Chapter 1: The Investment Environment
- Chapter 7: Efficient Diversification
- Chapter 11: The Efficient Market Hypothesis
- Chapter 17: Macroeconomic and Industry Analysis

- Brenner, L., and Meyll, T. (2020) Robo-advisors: A substitute for human financial advice? *Journal of Behavioral and Experimental Finance*, Vol. 25.
<https://www.sciencedirect.com/science/article/abs/pii/S2214635019301881>
- Gupta, R., Yang, J. & Basu, P. (2014). Market Efficiency in Emerging Economies – Case of Vietnam. *International Journal of Business and Globalization*, 13(10), 25-40.
<https://researchoutput.csu.edu.au/en/publications/market-efficiency-in-emerging-economies-case-of-vietnam>
- Hitt, M.A., Ireland, R.D., & Hoskisson, R.E. (2020). *Strategic Management: Competitiveness & Globalization, 13th Ed.* Boston, MA: Cengage.
- Chapter 6: Corporate-Level Strategy
 - Chapter 7: Merger & Acquisition Strategies
- Pham, N. & Blokhina, T. (2020). Improving the Efficiency of The Vietnam Stock Market. *Advances in Business-Related Scientific Research*, 11(1). <https://www.absrc.org/wp-content/uploads/2020/06/PAPER-Pham-Trung-Nghia-1.pdf>
- Rossi, A. and Utkus, S. (2024) The diversification and welfare effects of robo-advising. *Journal of Financial Economics*.
<https://www.sciencedirect.com/science/article/abs/pii/S0304405X24000928>
- Yang, J., Ye, H., Wei, Y., & Bao L. (2017). How Robo-Advisors Manage Investment Portfolios. *Cutter business technology journal*, 30(4), 14-26. <https://www.cutter.com/article/how-robo-advisors-manage-investment-portfolios-495656>

Videos and Online Resources:

- Watch “Vietnam: Tackling Remaining Poverty and Achieving High-income Aspirations” at <https://www.worldbank.org/en/news/video/2022/04/28/vietnam-tackling-remaining-poverty-and-achieving-high-income-aspirations>
- Watch “Vietnam: Mobile Technology Enables Faster and Safer Social Allowance Transfers for Ethnic Minorities” at <https://www.worldbank.org/en/news/video/2020/04/02/mobile-technology-enables-faster-and-safer-social-allowance-transfers-for-ethnic-minorities>
- Watch “Vietnam’s \$52 Billion digital Economy” at <https://www.bloomberg.com/news/videos/2021-06-02/vietnam-s-52-billion-digital-economy-video>
- Familiarize yourself with Finhay and what it does at <https://www.finhay.com.vn/en/>
- Familiarize yourself with Finhay’s key personnel at <https://www.finhay.com.vn/en/ve-chung-toi>
- Familiarize yourself with Finhay’s core concept and features at <https://vietcetera.com/en/ngkiem-xuan-huy-finhay-ceo-on-investing-with-just-vnd-50000>

Learning Objectives

- LO1. Analyze how robo-advising has changed the asset management industry globally.
- LO2. Evaluate whether robo-advising is suitable for Vietnam and analyze how Finhay has changed the asset management industry in Vietnam.

- LO3. Evaluate the efficiency of securities markets in Vietnam and analyze how it impacts the excess returns that can be earned with active investing done through Finhay.
- LO4. Analyze how Finhay has utilized horizontal integration to strengthen its competitive position in Vietnam.

Discussion Questions

- Q1. How has robo-advising changed the asset management industry globally?
- Q2. Is robo-advising suitable for Vietnam?
- Q3. In Vietnam, which stage of the industry life cycle is robo-advising in?
- Q4. How has Finhay, as one of the early movers in digital asset management, changed the asset management industry in Vietnam?
- Q5. Are securities markets in Vietnam efficient, and how does that impact the excess returns that can be earned with active investing done through Finhay?
- Q6. How has Finhay utilized horizontal integration to strengthen its competitive position?

Teaching with the Case

Methodology #1: Group written case analysis assignment.

Students are expected to write a case analysis paper (maximum 6,000 words) covering the Finhay case. The content of the case analysis should cover the key discussion questions as outlined. The final product must include references, be professionally polished, and preferably include tables, graphs, figures, or other visual means to communicate complex data. It is expected that each team member contributes equally to the case analysis.

Methodology #2: Group presentation.

Students are expected to deliver a 20–30-minute group presentation covering an assessment of the Finhay case. The content of the presentation should cover key discussion questions as outlined. The final product must be professionally polished, and preferably include tables, graphs, figures, or other visual means. It is expected that each team member has a speaking role and contributes equally to creating the presentation.

Conceptual Foundation / Applied Frameworks

The case provides an opportunity to explore the earlier stages of an industry life cycle – the start-up and consolidation stages. The start-up stage is often characterized by new technology or a new product. At the industry level, sales and earnings grow at an extremely rapid rate because the new product has not yet saturated its market, and the potential market for the product is still huge. The industry then gradually enters the consolidation stage after the product becomes more established, when the industry still grows faster than the rest of the economy as the product penetrates the marketplace and becomes more commonly used. The remaining two stages of an industry life cycle are the maturity stage and relative decline stage (Bodie et al., 2021, chapter 17).

In addition, the instructor should also focus on the market efficiency hypothesis, which posits that in an efficient market, at any given point in time, security prices already reflect all available information in the market. Thus, it is hard to identify mispriced securities, in which case passive investing, which involves investing in a well-diversified market index and lower management fees, would be better than active investing (Bodie et al., 2021, chapters 1 and 11).

Full and fair disclosure of company data, the level of analysis done on those data, the competition for mispriced securities, and information transmission speed all increase market efficiency. All else constant, lower market efficiency should allow for more excess returns to be earned with active investing (Gupta et al., 2014).

Another theory covered in the case is the modern portfolio theory (MPT) - the main financial model used in robo-advising. The core of the MPT is efficient diversification, which helps investors achieve the highest level of expected return for a given level of risk, or the lowest level of risk for a given level of expected return. The lower the correlation among the component securities in a portfolio, the higher the benefits from diversification (i.e., the lower the portfolio risk), ceteris paribus. The final optimal mix of securities for each investor also depends on the investor's risk tolerance level (Bodie et al., 2021, chapters 1 and 7).

Other theoretical topics covered include inorganic growth through horizontal integration (i.e., acquiring a competitor or related business to reduce competition, to expand the customer base, or to diversify product offerings) (Hitt et al., 2020, chapters 6 and 7).

Possible Answers to Discussion Questions

Q1. How has robo-advising changed the asset management industry globally?

Regarding the impacts of robo-advising on the overall asset management industry, students should recognize the following:

- Traditional wealth management firms with only human financial advisors generally require high initial investment and charge high fees. Given their high costs, it would not be profitable otherwise. As a result, lower-income individuals were usually locked out of the conventional asset management sector. In many emerging markets, that means most people didn't get access to asset management services.
- Robo-advisors apply automated algorithms such as the modern portfolio theory (MPT) to make investment recommendations to customers based on the customer's risk tolerance, investment goals, and investment horizon. The core of the MPT model is efficient diversification, which helps investors achieve the highest level of expected return for a given level of risk, or the lowest level of risk for a given level of expected return. The lower the correlation among the component securities in a portfolio, the higher the benefits from diversification (i.e., the lower the portfolio risk), ceteris paribus. The optimal mix of securities also depends on the investor's risk tolerance level. These built-in algorithms can be used to make recommendations for a large growing customer base, so fintech companies using robo-advising can lower their costs significantly, resulting in much lower expenses/fees and lower minimum investment requirements for customers. Furthermore, using robo-advisors reduces potential conflicts of interest, human errors, and human biases, all of which are costly by themselves and expensive to monitor. This benefits all customers and removes the barriers to investing for those with lower incomes.
- In addition, digital asset managers can reach more people in remote areas where internet and mobile devices are already commonly used but traditional asset management services may not be offered abundantly in person.
 - In general, technology helps the asset management industry become more cost- and time-efficient. Digital wealth managers can therefore offer diversified portfolios recommendations to customers at low fees with low minimum investment requirements, making asset management services more accessible.

One does not have to be a high net worth individual to be able to access asset management services, which provide benefits from diversification at low costs.

- Notwithstanding the foregoing, it is important to note that robo-advisors currently cannot completely replace human advisors. Robo-advisors' recommendations are relatively less sophisticated and generally limited to preselected funds/portfolios. For high net-worth individuals who need more personalized advice and complex financial services that require a complete look at their overall assets, other investments, tax optimization, etc., human advisors are still inevitable. Robo-advisors would be a good fit for clients who need simpler investment recommendations with smaller investment amounts. Over time, the increasing integration of artificial intelligence and machine learning technologies can enable robo-advisors to provide more personalized investment recommendations to clients.

Q2. Is robo-advising suitable for Vietnam?

Given Vietnam's macroeconomic conditions, demographics, digital advancements, technology adoption, and growing tech talent pool, the robo-advisory services provided by Finhay are very timely and appropriate.

- Regarding Vietnam's macroeconomy, since the launch of Doi Moi (Renovation) in 1986, Vietnam has transformed from a centrally planned, self-isolated economy into a more globally integrated economy with significantly higher economic liberalization. Since joining the World Trade Organization (WTO) in 2007, Vietnam's economy has consistently been in the top ten fastest growing in Asia. The implementation of Doi Moi has enabled the country to grow from an underdeveloped into a currently lower middle-income economy, lifting around 39 million people out of poverty between 1993 and 2021. During that time span, poverty rates declined from 60% to 4.4% and GDP per capita increased 20.2 times. In 2022 and 2023, Vietnam's GDP growth rate rose back up to 8.12% and 5.05%, respectively, after falling to 2.9% and 2.6% in 2020 and 2021, respectively, due to COVID. In addition, as Western economies look to reduce their exposure to China, over the past five years, Vietnam's export revenue has surged significantly. Overall economic growth hence is strong.
- Vietnam's demographics are also advantageous for the introduction and growth of robo-advisory services. As of January 2023, close to 49% of the population were millennials and generation Z. These groups in general are neither high-net-worth individuals nor ultra-high-net-worth individuals, but they have excess savings, are typically less risk-averse, more tech-savvy and have longer investment horizons. Millennials and generation Z also already spend significant time online and on mobile devices for all different purposes. As of January 2023, 60.9% of the population still live in rural areas. Middle-class households are forming at a faster pace in rural areas than urban areas as new manufacturing hubs are being added. Within the ASEAN region, Vietnam has the fastest growing middle-class, but the birth rate has fallen significantly. The growing middle-class and declining birth rates result in smaller households with more excess savings. For beginning investors, young investors who are tech-savvy and soon-to-be-rich, or the middle class that are interested typically in cost-effective, low-investment-requirement, convenient, and relatively simple asset management services, robo-advisors would be a great fit.
- In addition, Vietnam's digital infrastructure is still in its early stages but expanding quickly. Smart phone penetration rate was close to 74% in 2021, ranking in the top

ten of Asia. 4G mobile network already covered 99.5% of the population in Vietnam by 2020, up from 95% in 2017. In 2021, Vietnam rolled out 5G network in major cities and planned to provide nationwide 5G coverage by 2030. In early 2023, 161.6 million cellular mobile connections were active in Vietnam, equivalent to 164% of the total population. The internet penetration rate was close to 80% of the total population as of January 2023. The tech talent pool has been growing quickly as well. Coursera's 2023 Global Skills Index ranked Vietnam 7th in technology skills among Asia Pacific countries. Student enrollment in computer science degrees grew 70% in 2021 and went up by another 40% in 2022. Software engineers in Vietnam are relatively inexpensive, with rates 20% cheaper than those offered in India.

- Fintech regulations in Vietnam are still in the early stages but the government has been revving up efforts to establish the regulatory framework needed to facilitate investor confidence as well as digital advancements in the financial industry. Significant foreign direct investments from Japan, Korea, and other countries around the world also creates more pressure on the government to improve the infrastructure, further enhancing logistics. The government aims to reduce Vietnam's cash transactions to 8% of total payments by the end of 2025. This push for digitization will help boost the digital transformation in the wealth management sector as well.

All the aforementioned factors provide ample untapped growth opportunities for the robo-advisory services that Finhay offers.

Q3. In Vietnam, which stage of the industry life cycle is robo-advising in?

- Robo-advising in Vietnam is in between the start-up stage and the consolidation stage of the industry life cycle. The start-up stage is often characterized by new technology or a new product. At the industry level, sales and earnings grow at an extremely rapid rate because the new product has not yet saturated its market and the potential market for the product is still huge. The industry then gradually enters the consolidation stage after the product becomes established, when the industry still grows faster than the rest of the economy as the product penetrates the marketplace and becomes more commonly used. Vietnam's macroeconomic conditions, demographics, digital advancements, technology adoption, and growing tech talent pool provide ample untapped growth opportunities for the robo-advisory services. Changes in consumer behaviors during and following the pandemic also bring several opportunities for digital wealth management and Finhay. People spend more time at home and online, and interest in digital services also increases. In addition to the shift in consumer behaviors, the drops in bank rates and a slow real estate market following the pandemic also drive capital to the securities markets. Due to banks' efforts to stimulate economic growth amid the pandemic, deposit rates have fallen significantly, making bank deposits less appealing. As a result, other investment channels became much more attractive and marketable. In 2022 and 2023, Vietnam's GDP growth rate rose back up to 8.12% and 5.05%, respectively, after falling to 2.9% and 2.6% in 2020 and 2021, respectively, due to COVID. In the robo-advising sector in Vietnam, in 2022 and 2023, assets under management grew by 91.02% and 90.08%, respectively, and revenue grew by 94.28% and 90.60%, respectively.

Q4. How has Finhay, as one of the early movers in digital asset management, changed the asset management industry in Vietnam?

- Prior to the entrance and development of digital financial advisory services, traditional wealth management firms in Vietnam still offered services exclusively for high net-worth individuals and ultra-high net-worth individuals, charging high service fees and requiring high minimum investments.
- Due to the late establishment of securities markets which did not start until 2000, investing is neither common knowledge nor common practice yet, especially in more remote areas. Rather than building wealth, Vietnamese investors are still very much inclined towards preserving wealth in the form of owning real-estate properties (for residential purposes), fixed deposits, and gold. The investor base for securities markets in Vietnam still consists mostly of unsophisticated retail investors who trade frequently to speculate on short-term price movements with relatively low financial literacy. Fundamental investment knowledge such as the risk-return trade-off, the benefits of diversification, or characteristics of different financial asset classes is still lacking. Those with low-income may not have enough money to diversify if they must build their portfolios by buying individual securities. Thus, investing is still perceived by the majority as a complex and lengthy process suitable only for high-net-worth individuals. Finhay provides an automated platform that directly addresses these concerns.
- Financial education is provided freely to the public in simple terms with several illustrative local metaphors on Finhay's app, website and other channels such as Facebook, TikTok, Instagram, or YouTube. Raising the average level of financial literacy in Vietnam is one of Finhay's main objectives.
- Utilizing technology and robo-advising allows Finhay to reduce the need for human advisors and office space, increasing efficiency both cost-wise and time-wise. Finhay hence can offer users:
 - Low service fees and low minimum investment requirements yet still diversified portfolios. Finhay connects users with an array of funds that are already diversified and various other investment products through its partnerships. Since its inception, Finhay has partnered with more than 50 prestigious financial institutions, including domestic and international banks, investment funds, and fintech businesses.
 - Investment strategy recommendations especially to investors based on their risk tolerance, investment horizon, and financial goals.
 - Convenient one-stop shop for various financial asset classes and quick and efficient access to a centralized account that is easy to monitor 24/7.
- Recommendations provided by robo-advisors can help give investors with little financial knowledge or first-time investors a reference point to start with. Many people do not invest because they do not know where to start, and getting a human financial advisor is too costly for them.
- Aside from the benefits to users mentioned above, firms that partner with Finhay also benefit from Finhay's centralized platform, large and growing customer base, better user connectivity, financial education for users, and smart marketing channels (e.g., Facebook, Instagram, TikTok, YouTube, etc.).

Q5. Are securities markets in Vietnam efficient, and how does that impact the excess returns that can be earned with active investing done through Finhay?

Investment products that Finhay offers allow for both active and passive investing. According to the efficient market hypothesis (EMH), in an efficient market, at any given point in time, security prices already reflect all available information in the market. Thus, it is hard to identify mispriced securities, in which case passive investing, which involves investing in a well-diversified market index and lower management fees, would be better than active investing. Full and fair disclosure of company data, the level of analysis done on company data, the competition for mispriced securities, and information transmission speed all increase market efficiency. In Vietnam, securities markets were not officially established until 2000, and hence still relatively young. Company data is not always disseminated equally, causing high information asymmetries. The slow speed of information transmission and thin trading in the market also impede the price adjustment speed in securities markets. With such young securities markets, investing is neither common knowledge nor common practice yet, especially in more remote areas. Rather than building wealth, Vietnamese investors are still very much inclined towards preserving wealth in the form of owning real-estate properties (for residential purposes), fixed deposits, and gold. The limited investor base in financial securities hence consists mostly of unsophisticated retail investors who trade frequently to speculate on short-term price movements with relatively low financial literacy. Hence, securities markets in Vietnam are still inefficient, which means compared to a more efficient market, there are more mispriced (i.e., overvalued or undervalued) securities and more room to earn excess returns with active investing.

Q6. How has Finhay utilized horizontal integration to strengthen its competitive position?

- Finhay has expanded its horizontal scope through horizontal integration by acquiring Vina Securities - a securities brokerage firm much older than Finhay that had accumulated significant losses by the end of 2021 and was suspended from operations by the State Securities Commission (SSC). In general, inorganic growth could raise concerns about organic growth. Supported by the growth in both macroeconomic conditions and the asset management industry in Vietnam, Finhay's organic growth in terms of users and assets under management has also been very strong. Starting with only 50 users, after a year, Finhay reached about 3,000 users and until now has had more than 3 million registered users, making it the country's leading digital investment platform. Based on users' discussions and conversations on community channels, Finhay saw a strong demand from users for stock trading products.
- Given the time-consuming and cumbersome regulations to get a license to operate as a security brokerage firm in Vietnam, acquiring Vina Securities - a much older but financially distressed firm at the time - was a very efficient strategic move for Finhay. The acquisition strengthens Finhay's competitive position in several ways. First, it gives Finhay direct access to stock trading for current users and helped Finhay acquire new customers from Vina Securities all at once. Second, this acquisition helps Finhay boost its brand image and differentiate itself as the first and, so far, the only digital investment platform in Vietnam that owns a stock brokerage license. Third, this acquisition allows Finhay to diversify its product offerings, making Finhay a more holistic financial platform. Since market conditions and users' appetites change constantly, the fact that Finhay's users can easily reallocate their money among different asset classes (i.e., stocks, fund certificates, gold, saving accounts, cash) also translates into higher customer retention.

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