

REGIONAL ECONOMIC STUDIES PROGRAMME WEBINAR

Webinar Series 2020-2021: Financial Transformation, Credit Markets and Household Debt in Southeast Asia

The Paradoxes of Financial Transformation in Vietnam: Navigating the Interstice of Formal and Informal Debt Collection

Date : Monday, 28 June 2021

Time : 4.00 pm – 5.15 pm (Singapore time)

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About the Webinar

In Vietnam, a thriving lower-middle-income socialist-oriented market economy, state-led financial transformation takes the form of rapid consumer finance and household debt growth. This credit boom goes in hand with the formalization of the economy, a notion that the government and financial players promote vigorously to legitimize financial transformation. The formalization of credit markets is supposed to have a number of benefits. It is expected to boost financial inclusion, increase the availability of 'safe' credit to low-income and middle-class workers, and eliminate an 'archaic' informal finance sector typified by 'black credit' gangs or loan sharking that have expanded their operations in the past decade. This webinar is based on unique empirical evidence, consisting of in-depth interviews with 35 low-income borrowers, ten moneylenders including two gangs, and ten representatives from banks and financial companies, conducted in Ho Chi Minh City in 2019 and Hanoi in 2021. The findings presented challenge the dualistic and politicized construction of (in)formality by highlighting the blurring of strong-arm recovery methods used by 'black credit' gangs and financial companies. A feature of Vietnam is that leading financial companies – such as FE Credit that provide subprime loans to 14 percent of the population – hire seemingly legitimate debt-collecting businesses to recover loans. However, many of these businesses are set up by the very same moneylenders involved in black credit operations. This explains why some borrowers are under the impression that financial companies and black credit gangs use similar harsh recovery practices. Overall, the blurring of formal and informal financial practices stirs public concern about narratives that legitimize financial transformation and the lack of regulation in consumer finance. Most importantly, the blurring obfuscates the foundation of financial transformation and means borrowers have to navigate a messy continuum of formal and informal practices. The unique analysis contained in this article makes three key contributions. First, long-standing debates in development studies about the complex interaction and merging – rather than substitution – of formal financial institutions and informal practices. Secondly, recent studies on the emergence of debt collection industries that use intimate and insidious techniques to enforce repayment among low-income borrowers. Thirdly, research on financialization in the global south that highlights the unpreparedness of existent regulatory frameworks to tackle the challenges brought by credit booms.

About the Speakers



Nicolas Lainez is a Visiting Fellow at ISEAS – Yusof Ishak Institute and an Adjunct Assistant professor at the Department of Southeast Asian Studies at NUS in Singapore. He holds a Ph.D. in Social Anthropology from the School for Advanced Studies in the Social Sciences and a Masters in Development Studies from Sorbonne University (France). His research is located in the field of economic anthropology and his research areas include peripheral financialization, credit markets, household debt, informal finance, care economies, gender, sexuality, migration and trafficking. While at ISEAS, he investigates financial transformation, consumer lending and household debt in Vietnam. His work has been published in *American Anthropologist*, the *Journal of Ethnic and Migration Studies*, *Geoforum*, *Time & Society*, *The Sociological Review*, *Culture, Health and Sexuality*, and the *Journal of Vietnamese Studies*.



Bui Thi Thu Doai is a Bachelor student in Development & Economics from the London School of Economics, University of London. She is currently working as a research assistant in a project on consumer finance in Vietnam for ISEAS – Yusof Ishak Institute. She received UoL's Top Scorer award for her academic performance in 2020.

About the Discussants



Hao Quach is an associate professor in banking and finance at the University of Lincoln, Business School. He has worked either as a lecturer or as a research fellow at Harvard University (USA), California State University at Long Beach (USA), University of Salford (UK), University of Birmingham (UK), and National Economics University and National University of Vietnam in Hanoi (Vietnam). He has published research in areas of financial markets with specific focus on pricing models, business valuation, investment strategies, corporate governance, behavioural finance, banking system and microfinance. His academic career has been well supported by his extensive private sector experience. He has been working in capital markets as an investment banker since 2006. He has founded and oversees the Lincoln Student Managed Investment Fund that invests in shares of companies listed on London Stock Exchange just like an investment fund in the real world.



Tom McDonald is an Anthropologist at the Department of Sociology, The University of Hong Kong. His research focuses on technology and society in China. His current research investigates the adoption of digital money platforms amongst migrant factory workers in Shenzhen, examining how such platforms are reworking monetary practices and social infrastructures amongst low-income labourers. He has published articles in several respected academic journals, including *American Anthropologist*, *China Quarterly*, and *Ethnos*.