

## MANAGEMENT INSIGHT

# From Credit Capacity to Productive Growth

*What expanded financial flexibility may mean for banks and business leaders in Vietnam*

**CORE THESIS** Policy measures can create valuable financial space. Their long-term contribution will depend on how effectively banks allocate capital and how decisively companies convert liquidity into productive investment, stronger cash flow and sustainable business performance.



*Vietnam's next phase of development will require substantial medium- and long-term investment.*

## THE POLICY CONTEXT

# A coordinated expansion of financial capacity

Vietnam's priorities in infrastructure, energy, housing, industrial modernisation and private-sector growth require financing beyond short operating cycles. Recent and proposed measures can therefore be viewed as complementary steps to improve the flow of capital through the economy.

The adjusted LDR treatment of certain State Treasury term deposits can provide additional room for selected banks. The proposed increase from 30% to 40% in the share of short-term funding permitted for medium- and long-term lending could support projects with longer payback periods. Proposed extensions for selected tax and land-rent payments may also retain liquidity within companies temporarily.

**THE OPERATING LOGIC** Public policy creates financial space. Banks translate that space into lending capacity. Companies convert financing into investment, production and cash flow.

The measures operate at different points in the financial chain. Their combined effect can be constructive when additional capacity reaches viable projects, strengthens working capital and supports companies prepared to execute.

For senior leaders, the key question is whether their company is prepared to use additional credit with discipline, transparency and a clear repayment logic.

## BANKING BEHAVIOUR

# What the additional room may mean for banks

Banks will respond differently, depending on their deposit structure, liquidity, capital base, portfolio concentration and risk-management capability. Even so, several shifts are likely.



*Longer financing cycles place greater value on transparency, cash-flow visibility and early dialogue.*

## More selective support for longer investment cycles

Banks with sufficient capacity may support more projects in infrastructure, manufacturing, logistics, energy and housing. The benefit is strongest where projects are sound but require more time before stable cash flow emerges.

## Greater differentiation between financing needs

Banks are likely to distinguish more clearly between growth financing, temporary liquidity support and turnaround situations. Each requires a different structure, set of conditions and monitoring approach.

## Stronger emphasis on management quality

Additional capacity does not reduce the need for disciplined credit allocation. Project quality, cash flow, implementation capability, governance and repayment capacity remain central. Transparent, well-managed companies should be better positioned.

### CORPORATE LEADERSHIP

## What business leaders should prepare for

Companies should not treat greater credit capacity as an invitation to maximise borrowing. It is an opportunity to align strategy, financing and execution more closely.

## A financing request built around access

- How much can we borrow?
- What collateral can we provide?
- How quickly can funds be disbursed?
- Can repayment be postponed?
- Can the existing structure continue?

## A financing case built around value creation

- What strategic outcome will the capital produce?
- What cash flow will repay the financing?
- What milestones demonstrate successful execution?
- How resilient is the plan if timing or costs change?
- What must improve during the financing period?

**LEADERSHIP PRINCIPLE** The right financing structure is not necessarily the largest facility or the longest term. It is the structure that best fits the company's strategy, cash-generation profile and capacity to execute.

Management should define the funding purpose, understand cash-flow timing, assign clear responsibilities and prepare credible downside scenarios. These disciplines turn ambition into executable performance.

## USE OF LIQUIDITY

## Liquidity should create time for action



*Financing creates value when it is linked to milestones, accountability and measurable operating outcomes.*

From a turnaround perspective, liquidity creates time. That time becomes valuable only when management uses it to improve the business.

For a healthy company, liquidity may support expansion, automation or stronger supply chains. For a company under pressure, it may provide time to stabilise working capital, complete a delayed project or restore profitability.

### Management actions during the financing period

- Improve rolling cash-flow forecasting and identify peak funding requirements early.
- Accelerate receivables collection and reduce avoidable working-capital leakage.
- Review inventory, procurement and underperforming business activities.
- Link project disbursements to milestones, responsibilities and decision gates.
- Protect sufficient liquidity for deferred tax, land-rent and debt obligations.
- Communicate material deviations to financing partners before options narrow.



The objective is to make the company operationally and financially stronger while the additional capacity is available.

## CONSTRUCTIVE ACCOMPANYING MEASURES

# How additional flexibility can support durable outcomes

Practical measures at bank and company level can reinforce the value of expanded financial capacity. Their purpose is not to restrict lending, but to improve the quality and durability of growth.

**Strengthen cash-flow-based lending.** Forward-looking cash-flow analysis clarifies funding timing, repayment sources and the effect of delays or cost increases.

**Match disbursement to project milestones.** Phased financing aligns capital with implementation progress and identifies deviations earlier.

**Review liquidity and project performance regularly.** Compare expenditure, progress, revenue and debt-service capacity throughout the financing period.

**Differentiate growth from turnaround financing.** Turnaround funding should be linked to a realistic liquidity plan, operational measures, accountability and transparent reporting.

**Continue developing stable funding structures.** Longer-term deposits, suitable instruments and capital-market channels can complement bank lending.

**Maintain portfolio-level visibility.** Portfolio monitoring helps banks support priority sectors while maintaining balance.

**Encourage early bank-company dialogue.** Reliable information and timely communication preserve options and strengthen trust.

## LEADERSHIP TAKEAWAY

# From regulatory flexibility to corporate strength

Vietnam needs banks able to finance longer investment cycles and companies able to transform capital into productive capacity. The recent and proposed measures can strengthen this connection.

The Government provides an enabling framework. The State Bank of Vietnam gives the banking system room to respond. Banks allocate capital. Companies implement investments and generate the cash flows that sustain repayment and growth.



**KEY TAKEAWAY** Additional financial space creates opportunity.  
Disciplined execution converts that opportunity into sustainable value.

The strongest outcomes are likely where banks allocate selectively, companies prepare executable projects, information remains transparent and temporary liquidity is used for defined improvements.

Financing should not merely help a company continue. It should strengthen operations, cash flow, governance and the path to long-term value creation.