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Vietnam's VND 2 Quadrillion Funding Gap: What SMEs Must Do Now

Why tighter bank funding increases the pressure on weaker SMEs and turns profitability, transformation and strategic discipline into one management agenda.

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A banking signal with a corporate consequence

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Vietnam's current funding gap is easy to misunderstand. It is not a hole in the state budget. The issue sits inside the banking system: loans have grown faster than deposits. Reuters reported, citing the State Bank of Vietnam (SBV), that loans consistently exceeded deposits from 2021 to 2025 and that the gap has now reached nearly USD 77 billion, roughly VND 2 quadrillion. At the same time, long-term deposit rates rose in June to 5.9-7.8%, from 4.8-7.1% a year earlier. [1]

That creates a real balance-sheet tension. Banks need funding to support credit growth, while attracting longer-term deposits has become more expensive. At the same time, the SBV has instructed commercial banks to offer preferential VND credit to SMEs and growth-driving sectors at rates at least one percentage point below each bank's average rate for the same maturity. [2] The policy objective is constructive: keep productive investment moving while lowering financing costs for priority borrowers. For banks, however, the combination increases the importance of funding cost, risk selection and capital allocation.

~VND 2Q	5.9-7.8%	>VND 4Q	~6% p.a.
loan-deposit gap	long-term deposits, Jun 2026	SME credit outstanding	per-capita GDP growth to 2045

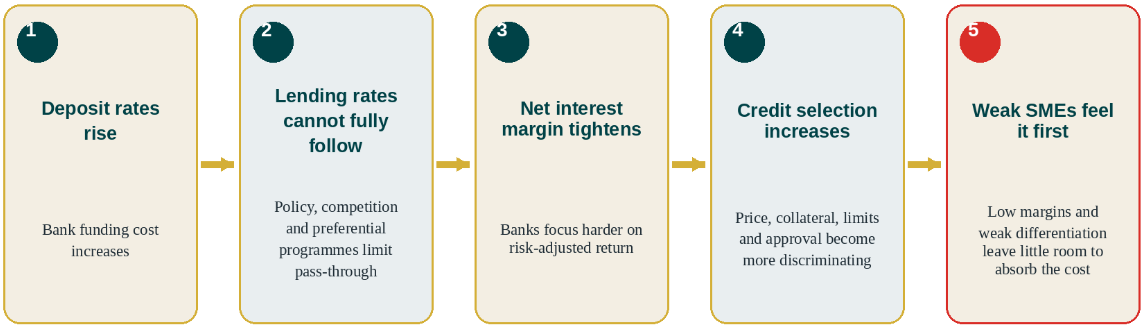
The corporate exposure is substantial. By 31 July 2026, total outstanding credit was close to VND 20.3 quadrillion; corporate borrowers accounted for more than VND 10.7 quadrillion, while SME credit exceeded VND 4 quadrillion. [2] This is why the funding gap matters beyond banking. A large part of Vietnam's corporate sector depends on bank balance-sheet capacity at precisely the time when that capacity must be deployed more selectively and efficiently.

> **MANAGEMENT IMPLICATION**
>
> **Financeability must now be treated as a strategic performance metric. Owners and CEOs should act before the next refinancing, investment or market-entry decision exposes a weak margin, weak cash conversion or weak balance sheet.**

Evidence base: [1] Reuters, 12 Aug 2026. [2] VietnamPlus / Vietnam News Agency, 12 Aug 2026. [3] World Bank, 21 Nov 2024.

Why weaker SMEs feel the pressure first

How a funding gap reaches the corporate balance sheet



BANKER'S DECISION RULE

If the expected margin no longer compensates for risk and capital usage, the bank changes the price, the terms or the answer.

That dependence becomes important when the bank's own economics tighten. A bank does not lend because a company deserves support; it lends when the risk-adjusted economics of the exposure make sense within its funding, capital and policy constraints. When deposit rates rise, the cost of funds rises. If lending yields do not rise proportionately, net interest margins tighten. Fitch Ratings has highlighted the same mechanism in Vietnam, warning that stronger credit growth and deposit competition can intensify liquidity and margin pressure. [4]

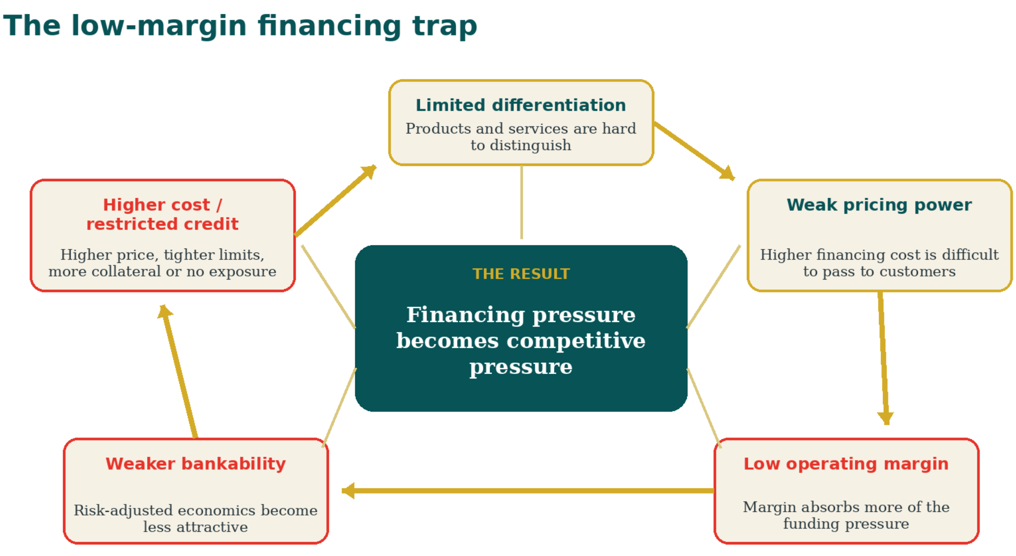
The next step is selection. A profitable company with transparent accounts, reliable cash flow, adequate equity and credible collateral generally requires a smaller risk premium. A low-margin company with volatile cash, weak reporting or limited security generally requires a larger one. If a bank cannot earn an adequate risk-adjusted return at an acceptable customer price, it adjusts the economics of the exposure: more collateral, a smaller limit, a shorter tenor, a higher price or no additional lending.

Size is not the only determinant, but it often matters. Larger companies are more likely to have stronger equity, diversified customers, professional finance functions and access to alternative funding channels. Smaller firms frequently have fewer buffers. The result is not that every SME becomes difficult to finance; it is that weaker SMEs are more exposed when bank funding and risk capacity become tighter.

> KEY INSIGHT
>
> **Profitability and cash generation increasingly shape access to capital, not merely the outcome of good management.**

Evidence base: [4] Fitch Ratings, 1 Apr 2026. Transmission mechanism is VIET TA analysis based on risk-adjusted bank lending economics.

The low-margin trap becomes a financing trap



Breaking the loop requires simultaneous work on operations, portfolio, value chain and funding readiness.

This is where the banking issue moves directly into the market. A company with limited differentiation has limited pricing power. It cannot simply pass higher financing costs to customers. The margin therefore absorbs more of the pressure. Lower margins weaken financeability; weaker financeability can raise the cost or reduce the availability of capital; constrained capital then delays productivity, technology, product development and market investment. The loop can reinforce itself.

Vietnam's next development phase makes that loop more consequential. The World Bank reports that foreign firms account for 73% of total exports, while only 18% of firms had global value-chain linkages in 2023, 17 percentage points fewer than in 2009. It also argues that Vietnam's past export model, focused heavily on final assembly, must move toward higher-value manufacturing and services. [5] This is not criticism of Vietnam's success. It is the next challenge created by that success: converting scale and integration into more domestic value added, capability and productivity.

The management implication is equally direct: expansion does not repair a weak business model; it multiplies its capital requirement. A Vietnamese company building a serious position in Germany, the United States, Australia or another high-income market must fund sales capability, certification, service, logistics, brand building, working capital and management attention before the full revenue arrives. If the existing business cannot generate sufficient cash and return on capital, internationalisation can intensify the problem it was meant to solve.

> **EXECUTIVE TEST**
>
> **Can the current business fund the capabilities required for the next value-added step without making the balance sheet materially weaker?**

Evidence base: [5] World Bank, Viet Nam 2045: Trading Up in a Changing World, 17 Nov 2024. Figures refer to World Bank analysis of 2009-2023 developments.

Do not optimise the old model. Decide what deserves capital.

VIET TA Capital Resilience Agenda

One coordinated programme, not a portfolio of disconnected initiatives.

SEQUENCE: Stabilise cash -> improve earnings -> decide the portfolio -> fund the next growth engine.

That loop will not be broken by launching dozens of isolated efficiency projects. Procurement cuts cost, finance extends payment terms, operations starts Lean, HR changes incentives and sales explores Europe. Each measure may be sensible. Together they can still fail because they compete for the same management attention and capital without one economic target or one sequence of decisions.

The stronger response is one integrated Capital Resilience Agenda. First, stabilise cash and operating performance. Second, transform the organisation so the improvement becomes repeatable. Third, decide where the portfolio and value chain can earn structurally better returns. Fourth, build the next growth engine only after its capital requirement, downside risk and execution capacity are quantified. These are not four programmes. They are four connected decisions about where capital creates the strongest sustainable risk-adjusted value.

Portfolio work must therefore be explicit. Management should know profitability and return on invested capital by product, customer, channel and business unit. Some activities deserve investment. Some need redesign. Some need a partner, acquisition or merger to reach viable scale. Others should be harvested or exited. M&A can create capability, specialisation or scale, but only when the integration economics and execution case are superior to organic build. Growth for its own sake is not resilience.

> **DECISION PRINCIPLE**
>
> **Capital should follow the strongest sustainable risk-adjusted value case. Management should apply the same discipline.**

Evidence base: VIET TA Capital Resilience Agenda. Proprietary management framework developed for this Executive Insight.

What owners and management teams should do now

The Capital Resilience Agenda becomes operational through one coordinated programme sponsored by the owner, CEO or board. It needs one economic baseline, one set of priorities, one transformation P&L and one decision cadence. The objective is not activity. It is to improve cash generation, earnings quality, capital productivity and strategic room to manoeuvre at the same time.

1 **1. Map the funding risk.** Build a 13-week cash forecast and a 24-month funding map covering maturities, interest sensitivity, covenants, collateral, undrawn lines and refinancing dates. Run a downside case. Know exactly when the company loses room to manoeuvre.

2 **2. Expose real profitability.** Calculate contribution margin, EBITDA and ROIC by product, customer, channel and site. Add working-capital consumption. Revenue that consumes capital and earns below the hurdle rate is not automatically good revenue.

3 **3. Transform the operating engine.** Select the few cross-functional levers that materially move cash and earnings: pricing, procurement, productivity, capacity, working capital, overhead, process design and decision speed. Tie them to one quantified result, not separate departmental targets.

4 **4. Rebuild the portfolio and value chain.** Classify businesses as grow, fix, partner, acquire, merge, harvest or exit. Test specialisation, higher-value services, vertical steps, technology acquisition and consolidation. Every move needs a return case and a funding case.

5 **5. Treat foreign expansion as an investment case. Choose specific markets and quantify the full build-up cost: local sales organisation, people, certification, channel margins, brand, service, logistics, working capital, FX, tax and regulatory risk. Model the revenue ramp, downside scenario, cash trough and management capacity before entry.**

PRACTICAL TEST

After 90 days, management should have one cash and funding view, one profitability map, explicit portfolio decisions, quantified growth options and an accountable transformation plan. If the programme cannot be explained on one page, it is not coordinated enough.

Regain strategic room before the next financing decision

90 days to regain strategic room to manoeuvre

DAYS 1-30

DIAGNOSE

- 13-week cash and 24-month funding map
- Margin / ROIC by product, customer and channel
- Bankability review from the lender's perspective

DAYS 31-60

DECIDE

- Transformation target and capital envelope
- Grow / fix / harvest / exit portfolio decisions
- M&A, partnership and foreign-market business cases

DAYS 61-90

EXECUTE

- Launch top value levers with one accountable owner
- Secure funding headroom and lender dialogue
- Start exits, integrations or market-entry preparation

GOVERNANCE RULE: one owner, one transformation P&L, one dashboard, one decision cadence.

The agenda also needs a timetable. Days 1-30 are for facts, not slogans. Reconcile cash, debt, margins, working capital and the bank's view of the company. Identify where capital is tied up and where earnings are structurally weak. Speak to lenders before a request becomes urgent. A banker who sees credible management information, early action and clear ownership reads the risk differently from one who receives explanations only after the numbers deteriorate.

Days 31-60 are for decisions. Set the transformation target, approve the capital envelope and determine which portfolio positions deserve further investment. Screen M&A and partnership options against the same hurdle rate and strategic logic. For foreign expansion, advance only those markets for which management can build a full economic case. Ambition without sequencing is a cash-flow risk.

Days 61-90 are for visible execution. Launch the few levers that move cash and earnings fastest. Reprice, renegotiate, stop, sell, integrate or invest where the evidence requires it. Put one senior executive in charge and review one dashboard weekly. Do not run 25 initiatives. Run one programme with 25 actions only if every action connects to the same cash, earnings, portfolio and capital logic.

> GOVERNANCE RULE
>
> **One owner. One transformation P&L. One dashboard. One decision cadence.**

Act before the bank forces the timetable

CENTRAL CONCLUSION

Vietnam's funding gap is a warning about corporate financeability as much as banking liquidity. As balance-sheet capacity becomes more contested, companies that convert capital into cash, earnings and strategic capability preserve more room to grow; weaker companies see their options narrow sooner.

The 90-day programme is not an end state; it is a way to restore strategic room before financing pressure dictates the timetable. Vietnam's 2045 high-income ambition requires stronger domestic companies, higher productivity, deeper participation in value chains and better access to finance and technology for SMEs. The World Bank estimates that reaching high-income status requires average annual per-capita GDP growth of about 6% over the next two decades. [3] Sustaining that trajectory requires more than capital accumulation. It requires companies to use capital more productively and move into higher-value activities.

For owners and CEOs, the message is immediate. Do not wait until a bank reduces a limit, raises a price or rejects the next investment. At that point the company is already negotiating from a weaker position. Improve the operating engine now. Transform the organisation as one system. Put every part of the portfolio and value chain under an economic test. Prepare acquisitions, partnerships or consolidation where they create real capability. And if international expansion is the next source of growth, calculate the full cost, cash trough, execution capacity and downside risk before committing capital.

The winners in Vietnam's next development phase will not simply be the companies that grow fastest. They will be those that generate more earnings, cash flow and value from every dong of capital employed while building the capabilities to compete beyond their current market.

FINAL TAKE-AWAY

The funding environment is outside a company's control. Its exposure to that environment is not.

SELECTED EVIDENCE BASE

[1] Reuters, 12 Aug 2026 - Foreign banks eye bigger Vietnam role as growth ambitions fuel funding crunch source
[2] VietnamPlus / Vietnam News Agency, 12 Aug 2026 - Banks take action to cut lending rates for SMEs as Vietnam seeks faster growth source
[3] World Bank, 21 Nov 2024 - World Bank Report Outlines Path to High Income for Viet Nam Through Higher-Value Trade and Economic Reforms source
[4] Fitch Ratings, 1 Apr 2026 - Vietnam Banks Face Margin Pressure as Liquidity Tightens source
[5] World Bank, 17 Nov 2024 - Viet Nam 2045: Trading Up in a Changing World source

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