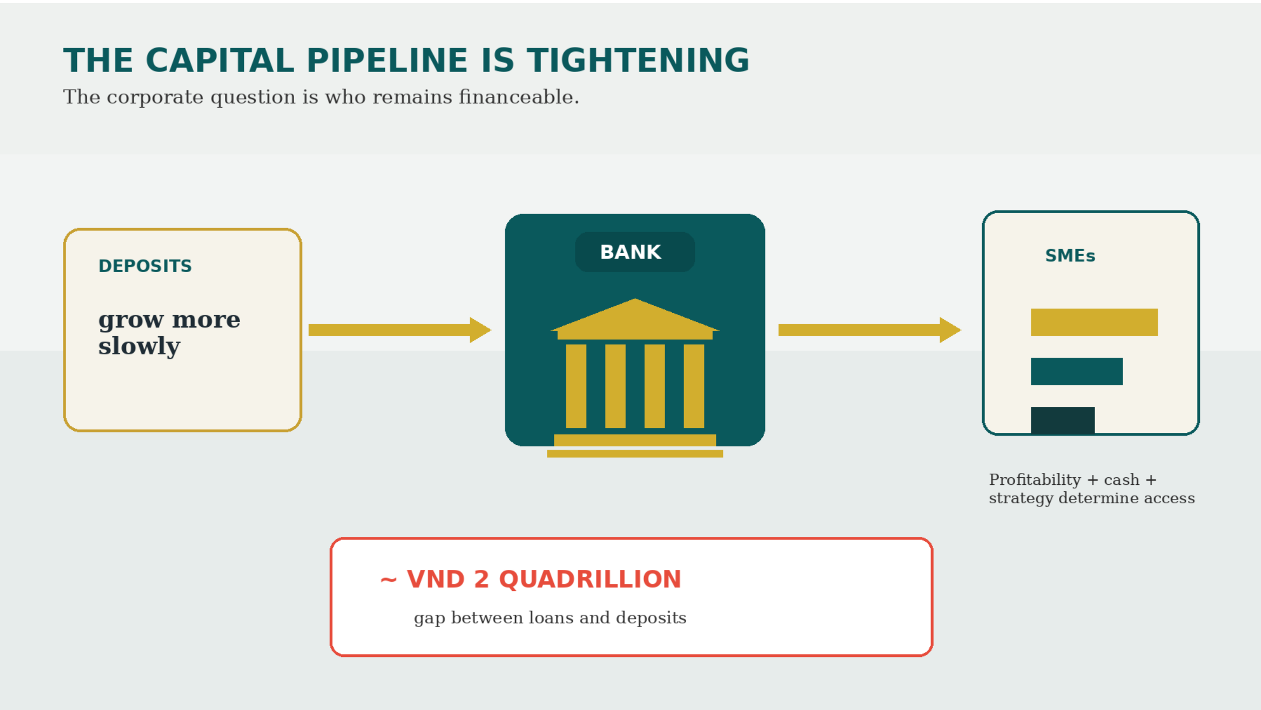
Vietnam's VND 2 Quadrillion Funding Gap: What SMEs Must Do Now

Why tighter bank funding turns profitability, transformation, portfolio discipline and international expansion into one coordinated management agenda

CORE THESIS

The gap is not a fiscal deficit. It is a widening difference between bank lending and deposits. As funding becomes more selective, lower-margin and less differentiated SMEs feel the pressure first. The answer is not a collection of cost initiatives. It is one coordinated programme to improve cash, earnings, strategic position and financeability before options narrow.



Dr. Sven David | CEO and Legal Representative | VIET Transformation Advisors Co., Ltd.

Evidence base: SBV data reported 12 August 2026; Government Portal; World Bank. Data cut-off: 17 August 2026.

A banking signal with a corporate consequence

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

That creates a real balance-sheet tension. Banks need more funding and increasingly pay more to obtain it. Yet they are also expected to keep credit flowing to production, infrastructure, growth sectors and SMEs. On 10 August, the SBV asked banks to offer preferential VND credit to SMEs and priority sectors at least one percentage point below the bank's average lending rate for comparable tenors. [2] The policy objective is constructive: protect productive investment while maintaining growth. For a bank, however, it means that the higher cost of funding cannot always be passed fully to every borrower.

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

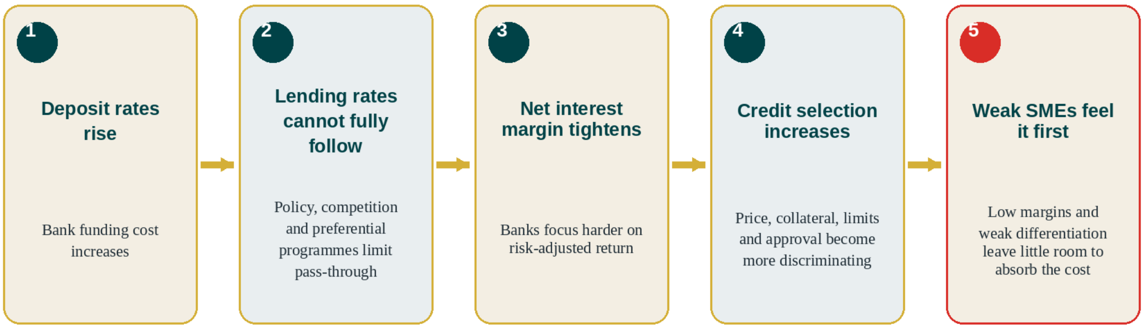
The direct corporate exposure is substantial. By 31 July 2026, total credit outstanding was close to VND 20.3 quadrillion; more than VND 10.7 quadrillion was corporate credit, and SME credit exceeded VND 4 quadrillion. [2] This is why the funding gap matters beyond banking. A large part of Vietnam's corporate sector depends on the same resource that is becoming more contested: bank balance-sheet capacity.

> **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, 13 Aug 2026. [2] Government Portal / SBV, 10 Aug 2026. [3] World Bank, Viet Nam country overview, accessed Aug 2026.

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.

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 bank's cost of funds rises. If lending rates cannot rise proportionately, its net interest margin tightens. Fitch has already pointed to this combination in Vietnam: rapid credit growth is outpacing deposit growth, tightening liquidity and narrowing bank margins. [4]

The next step is selection. A profitable company with transparent accounts, reliable cash flow, adequate equity and collateral needs a smaller risk premium. A low-margin company with volatile cash, weak reporting or little security needs a larger one. If the bank cannot earn an adequate risk-adjusted return at an acceptable customer price, it changes the terms: more collateral, a smaller limit, a shorter tenor, a higher price or no new exposure.

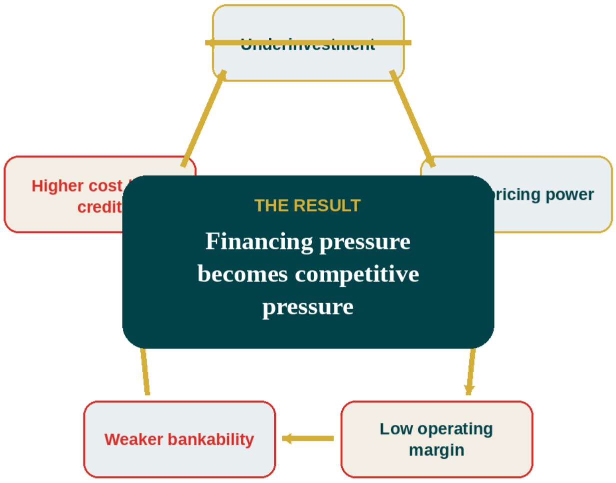
Size is not the only determinant, but it matters because larger companies often have stronger equity, diversified customers, professional finance functions and alternative funding channels. Smaller firms frequently do not. The result is a financing scale advantage that quickly becomes a competitive advantage.

> KEY INSIGHT
>
> **Profitability is becoming a precondition for access to capital, not merely the outcome of good management.**

Evidence base: [4] Fitch Ratings comments reported by Reuters, 6 Aug 2026. Mechanism is VIET TA analysis based on bank risk-adjusted lending economics.

The low-margin trap becomes a financing trap

The low-margin 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 add higher financing costs to the customer price. The margin therefore absorbs the pressure. Lower margin weakens bankability; weaker bankability raises the cost or reduces the availability of capital; less capital delays productivity, technology, product development and market investment. The loop then reinforces itself.

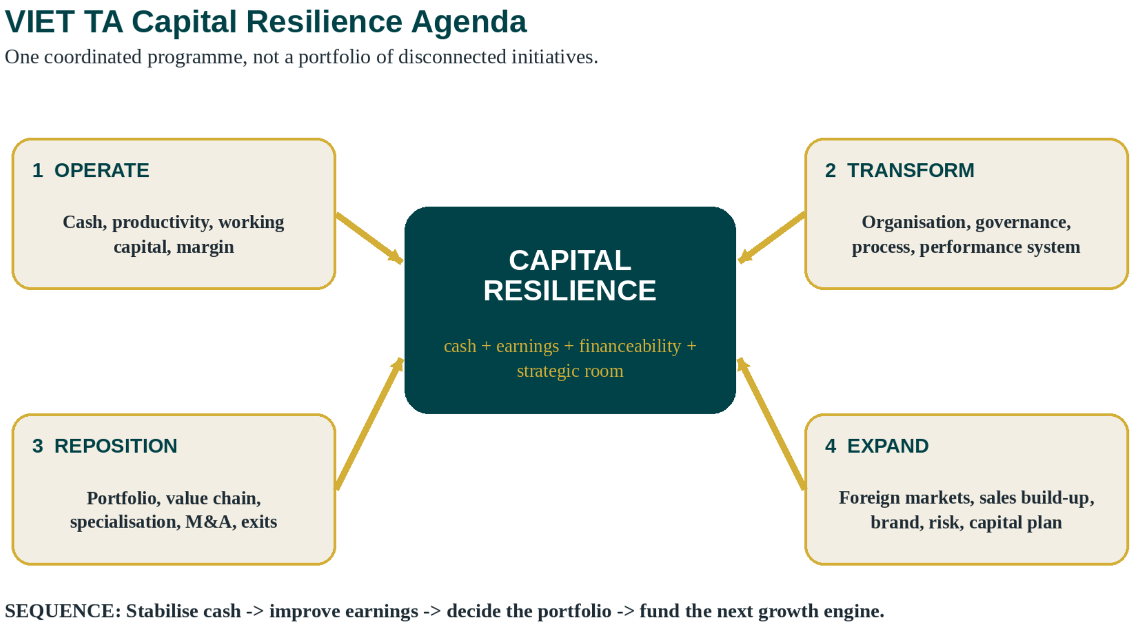
Vietnam's next development phase makes that loop more consequential. The World Bank notes that foreign-invested firms account for 73% of exports, while participation of local firms in global supply chains fell from 35% to 18% between 2009 and 2023. It also argues that the current export model, concentrated heavily in 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.

The hard implication is simple: expansion does not repair a weak business model. It multiplies its capital requirement. A Vietnamese company that wants to build 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 current 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. Figures refer to World Bank analysis of 2009-2023 developments.

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



The wrong response is to launch 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.

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 and risk are quantified. These are not four programmes. They are four connected decisions about where the next dong of capital creates the highest risk-adjusted return.

Portfolio work must 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 are superior to organic build. Growth for its own sake is not resilience.

> **DECISION PRINCIPLE**
>
> **Capital follows the strongest risk-adjusted return. Management should do the same.**

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

What owners and management teams should do now

Start with 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. The objective is to increase 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 and cash trough 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.

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 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. For foreign expansion, choose no more than the 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 quality as much as banking liquidity. As capital becomes more selective, companies that convert capital into cash, earnings and strategic capability gain room to grow; companies that cannot will see their options narrow.

Vietnam has a strong record of turning structural challenges into development. The 2045 high-income ambition now requires another step: 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 growth of roughly 6% a year for the next two decades. [3] That growth cannot come from capital accumulation alone. More of it must come from the quality with which companies use capital.

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 and risk before committing the capital.

The winners in Vietnam's next development phase will not simply be the companies that grow fastest. They will be the companies 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, 13 Aug 2026 - Foreign banks eye bigger Vietnam role as growth ambitions fuel funding crunch source

[2] Government Portal / SBV, 10 Aug 2026 - Preferential credit for SMEs and growth sectors source

[3] World Bank, Viet Nam country overview - High-income 2045: productivity, SME finance and technology source

[4] Reuters, 6 Aug 2026 - Fitch on credit growth, liquidity and bank margins source

[5] World Bank, Viet Nam 2045: Trading Up - Domestic value chains and higher-value activities source

Dr. Sven David | CEO and Legal Representative | VIET Transformation Advisors Co., Ltd.

contact@viet-ta.com | www.viet-ta.com