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ESG Implementation in Vietnamese Commercial Banks

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ABSTRACT: This paper examines the current status and challenges of integrating Environmental, Social, and Governance (ESG) principles within Vietnam's banking sector. The study reveals that although major institutions such as Vietcombank, BIDV, VietinBank, and Techcombank have begun adopting ESG-oriented strategies–through green loans, sustainability-linked bonds, and responsible investment initiatives–the overall level of commitment remains modest, with an average ESG score of 1.11 out of 10. Among the three components, Environmental (E) performance is weakest, while Governance (G) demonstrates relatively higher maturity. The paper identifies critical barriers, including the absence of standardised ESG frameworks, limited professional expertise, and inadequate data transparency. Nevertheless, the trend toward ESG adoption is expected to accelerate, driven by investor demand, regulatory encouragement, and international sustainability commitments. The study emphasises that strengthening ESG practices can enhance banks' reputation, attract sustainable investment, and align Vietnam's banking industry with global financial sustainability standards.

KEYWORDS: ESG Implementation, Commercial banks, Sustainable Development.

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Introduction

In recent years, the ESG implementation (Environmental, Social, and Governance) principles have gained significant global attention as financial institutions play a crucial role in promoting sustainable development. The banking sector, in particular, is at the centre of this transformation, as it serves as the primary channel for capital allocation and risk management. In Vietnam, where economic growth is accelerating and environmental and social challenges are becoming more pressing, the need for ESG integration in commercial banks has become increasingly urgent.

This is supported by recent research indicating that ESG practices increase firms' cumulative abnormal returns (Li et al., 2021) and stock liquidity (Gibson et al., 2021). Nowadays, many stakeholders are concerned about ESG issues and how firms respond to them. ESG factors are increasingly integrated into risk management, performance assessment, and strategic decision-making. Corporations bring all stakeholders closer through improved ESG and greater payouts (Zahid et al., 2023). The need to implement ESG considerations into organisational practices has been increasingly explored (Gabriella, 2023). Thus, the interest in ESG practices and policies has steadily risen (Khamisu and Paluri, 2024; Li et al., 2021).

Despite its significance, ESG implementation in Vietnamese commercial banks remains in its early stages, with varying levels of awareness, adoption, and effectiveness across institutions. There is a lack of systematic research analysing the current state of ESG practices, the challenges banks face, and the potential benefits of adopting ESG frameworks. This study aims to bridge this knowledge gap by providing an in-depth analysis of ESG implementation in commercial banks, identifying key drivers, obstacles, and strategies for successful integration.

In conclusion, the necessity of this research is evident as the banking industry sector undergoes a crucial transition toward sustainability. By examining ESG implementation, this study contributes to the broader discourse on responsible banking, regulatory compliance, and long-term financial resilience. The findings will provide valuable insights for policymakers, financial institutions, and stakeholders, supporting the development of a more sustainable and resilient banking industry.

Research Aim and Research Questions

The overall objective of this study is to examine the current status of ESG (Environmental, Social and Governance) principles development in Vietnamese commercial banks. From that status, the study hopes to provide comprehensive knowledge on how to effectively integrate ESG pain points in the banking sector, contributing to sustainable financial development and long-term economic resilience in Vietnam.

To achieve the objectives, this study will focus on addressing the following research questions:

To achieve the objectives, this study will focus on addressing the following research questions:

(1) What is the level of ESG implementation at some typical commercial banks in Vietnam?

(2) What are the trends in ESG implementation at commercial banks in Vietnam? What are the results and limitations?

By addressing these research questions, this study aims to contribute to the broader discourse on sustainable finance and responsible banking, providing valuable insights into the challenges and opportunities associated with ESG implementation in the Vietnamese banking sector.

Research Results

ESG implementation trend in banking operations in Vietnam

The application of ESG principles in Vietnamese banking operations has been gradually improving, though challenges remain in standardisation and enforcement. Several major Vietnamese banks, including Vietcombank, BIDV, VietinBank, and Techcombank, have started integrating ESG principles into their strategies. These banks have introduced green loans, sustainability-linked bonds, and responsible investment practices to finance environmentally friendly projects and support businesses committed to sustainable development. For example, Vietcombank has pledged to increase its green credit portfolio, prioritising renewable energy projects and businesses that comply with environmental regulations (Nguyen et al., 2023).

However, the lack of standardised ESG reporting frameworks and limited ESG expertise among financial institutions pose significant challenges (Phuong et al., 2024). Many banks still view ESG compliance as a regulatory requirement rather than a strategic initiative, leading to inconsistencies in ESG implementation across the sector. Additionally, the absence of comprehensive ESG data and rating systems makes it difficult for stakeholders to assess banks' sustainability performance objectively (Hoang et al., 2023).

Despite these challenges, the trend toward ESG adoption in Vietnamese banking operations is expected to accelerate in the coming years, driven by increasing investor demand, government incentives, and international commitments to sustainability. The growing emphasis on ESG integration reflects the broader transformation of Vietnam's financial landscape, in which banks are gradually recognising their role in fostering a greener, more socially responsible economy.

Table 1

Average score on the ESG commitment level of 10 commercial banks in Vietnam

No.	Bank name	ESG score	Environment score (E)	Social score (S)	Governance score (G)
1	Agribank	0.99	0.16	1.44	1.10
2	BIDV	0.93	0.16	1.34	1.00
3	Eximbank	0.90	0.00	0.86	1.60
4	LPBank	1.19	0.00	1.26	2.00
5	MSB	1.05	0.16	1.42	1.30
6	Teckcombank	0.76	0.16	0.77	1.20

7	VIB	1.04	0.16	0.72	2.10
8	Vietcombank	0.73	0.16	0.62	1.30
9	VietinBank	1.01	0.16	1.16	1.50
10	VPBank	2.52	1.52	2.95	2.70
Average		1.11	0.26	1.25	1.58

Source: FFV (2020)

The data on ESG scores of 10 commercial banks in Vietnam reveals that the overall level of ESG commitment remains relatively low, with an average score of 1.11 out of a possible 10. Among the three ESG components, the Environmental (E) score is the weakest, averaging only 0.26, suggesting that banks have not prioritised environmental sustainability. The Social (S) score is slightly higher at 1.25, while the Governance (G) score is the strongest at 1.58, indicating that banks tend to focus more on corporate governance than on environmental or social factors.

There are also notable differences among banks. VPBank stands out with the highest ESG score of 2.52, particularly excelling in environmental initiatives with an E score of 1.52. At the same time, banks such as Eximbank, Vietcombank, and BIDV have ESG scores below 1, reflecting a relatively low level of commitment. A clear trend emerges in which banks emphasise governance over environmental concerns, with most environmental scores being as low as 0.16 or even 0.00. This highlights a gap in sustainable banking practices in Vietnam.

In conclusion, while governance efforts are more developed, Vietnamese commercial banks have significant room for improvement, particularly in addressing environmental sustainability. Strengthening ESG commitments can enhance their reputation, attract investors, and align them with global sustainable finance standards.

Conclusions

This research provides an in-depth analysis of the current status of ESG implementation in the operations of Vietnamese commercial banks. The implementation of ESG principles in Vietnamese commercial banks has been gaining momentum, reflecting the growing awareness of sustainable banking practices. The Vietnamese banking sector is undergoing significant structural and regulatory transformations, with strong government and regulatory guidance to align with global ESG trends. Various ESG frameworks, policies, and essential documents have been introduced to facilitate the adoption of ESG principles, though challenges remain in their full application across all banks. In terms of environmental factors, green credit has emerged as a key driver of sustainability in the banking industry. While some banks have actively promoted green financing and sustainable investments, the overall implementation remains uneven.

Regarding social factors, many commercial banks are prioritising financial inclusion as they expand banking services to underserved populations. However, disparities exist among banks. For governance, ESG disclosure and transparency have improved over time, but there are still gaps in reporting standards and accountability.

A general assessment of ESG implementation in Vietnamese commercial banks highlights several achievements, including increased awareness, government support, and initial steps in green finance and financial inclusion. Looking ahead, Vietnamese banks have significant opportunities to strengthen their ESG strategies, particularly through international partnerships, regulatory incentives, and technological advancements. Nonetheless, they also face challenges, including capital constraints, regulatory uncertainties, and the need for a skilled workforce capable of integrating ESG effectively into banking operations.

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