

## **PREFACE**

### **1. Executive Summary and Statement of Urgency**

In the context of Vietnam's economy recovering and developing post-pandemic, banking credit activities-particularly retail lending-play a pivotal role in driving consumption, fostering investment, and stabilizing socio-economic life. Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank), as one of the largest state-owned commercial banks, is continuously expanding its retail loan market share to meet the increasingly diverse needs of customers. However, alongside scale expansion, retail loan quality poses significant challenges, necessitating in-depth research to ensure efficiency and sustainability in credit operations.

Amid fierce competition among commercial banks, retail loan quality is not only a deciding factor in customer retention but also a benchmark for risk management capability and operational efficiency. Without proper control, individual lending can lead to rising non-performing loans (NPLs), directly eroding profitability and reputation. Meanwhile, retail loan products typically feature small ticket sizes and short tenors, yet carry high latent risks due to their dependency on individual borrowers' income and financial behavior.

The legal framework and retail lending policies in Vietnam are currently being refined, creating continuous shifts in lending procedures, conditions, and standards. This requires banks, including VietinBank, to regularly adjust their underwriting, approval, and loan management processes to align with new regulations while maintaining competitiveness and service flexibility. Conducting research on loan quality in this setting enables the bank to comprehensively evaluate its retail credit performance and propose practical improvement solutions.

The rapid development of financial technology (fintech) and digital transformation in banking are fundamentally transforming credit service delivery. Customers increasingly demand fast, transparent, convenient, and highly personalized loan processes. This imposes an urgent requirement on VietinBank to enhance loan quality-not only from a financial standpoint but also regarding customer experience. This study clarifies how commercial banks meet retail customer expectations in the digital era and highlights key bottlenecks to overcome for heightened competitiveness.

Amid macroeconomic fluctuations driven by global factors such as inflation, climate change, and geopolitical instability, safeguarding retail loan quality becomes paramount to maintaining financial stability and supporting individuals through hardship. Furthermore, green credit policies and preferential credit programs for vulnerable groups are being widely encouraged by the Government. Researching retail loan quality at VietinBank contributes to evaluating the execution of these policies, thereby proposing solutions to enhance efficiency and equity in credit access.

From an academic perspective, this research holds practical significance and contributes to refining the theoretical framework on retail loan quality in commercial banks. While prior studies predominantly focused on financial analysis or credit risk management, approaching the subject through the lenses of service quality, customer experience, and operational efficiency opens an interdisciplinary, highly applicable research direction. Particularly, as VietinBank advances its digital transformation and sustainable development strategies, evaluating retail loan quality serves as a crucial foundation for policy formulation, process optimization, and long-term competitiveness enhancement.

Researching this topic not only assists commercial banks in optimizing retail lending operations but also contributes to stabilizing the financial system, driving socio-economic growth, and improving living standards. Driven by these practical imperatives, the author selected the topic: ***“Retail Loan Quality at Vietnam Joint Stock Commercial Bank for Industry and Trade”*** for a Ph.D. Dissertation in Finance and Banking at the Academy of Finance.

## **2. Literature Review**

### **2.1. Overview of International Studies**

In this section, the Ph.D. candidate reviews 24 relevant international research works related to the dissertation topic.

### **2.2. Overview of Domestic Studies**

The Ph.D. candidate examines 14 relevant domestic academic studies related to the dissertation topic.

### **2.3. Appraisal and Evaluation of Literature**

Domestic and international studies have clarified the theoretical and empirical foundations, as well as factors influencing bank credit quality. However, most existing works adopt a broad scope, rely on outdated dataset periods, and lack a comprehensive assessment of digital transformation's impact on retail lending at a specific bank. Inheriting these achievements, this dissertation conducts an in-depth analysis of retail loan quality at VietinBank within the contemporary context, adding empirical evidence and proposing practical solutions.

### **2.4. Research Questions and Gaps**

#### **2.4.1 Research Questions**

To bridge existing research gaps, the dissertation addresses the following core research and managerial questions:

What is retail lending? What are the underlying contents and operational processes of retail lending?

What constitutes retail loan quality? What indicators evaluate retail loan quality? Which factors influence retail loan quality?

What is the current status of general loan quality and retail loan quality at VietinBank in recent years? What are the primary limitations and their root causes?

What strategic orientations and solutions can enhance retail loan quality at VietinBank moving forward?

### **2.4.2 Research Gaps**

According to the candidate's review, the debate on retail loan quality in commercial banks remains highly dynamic. Currently, no comprehensive academic study focuses specifically on retail loan quality-most focus broadly on retail credit quality-with a spatial focus on VietinBank spanning 2021-2025, proposing solutions toward 2030 and a vision to 2045.

Key research gaps identified include:

**Branch Comparison:** Prior internal studies focused on individual branches. This research expands the spatial scope to compare loan quality across branches to identify procedural disparities, efficiency gaps, and customer satisfaction levels.

**Digital Transformation Impact:** The current rapid digital transformation (2021-2025 period) presents a starkly different environment compared to pre-2019 literature, as digital banking and mobile apps reshape retail lending. This study evaluates digital transformation's influence on retail loan quality at VietinBank.

Multi-dimensional Evaluation Models: Measuring retail loan quality using formal frameworks (e.g., SERVQUAL, SERVPERF, or hybrid quantitative-qualitative approaches) to yield a holistic evaluation at VietinBank.

ESG and Green Credit Integration: Investigating the practical application of green credit and sustainable lending criteria under ESG frameworks in VietinBank's retail lending operations.

### **3. Research Objectives**

Proposing actionable solutions to enhance retail loan quality tailored to VietinBank's operations through 2030.

### **4. Research Tasks**

To achieve the aforementioned objectives, the research addresses the following tasks: (i) Systematize and clarify foundational theoretical concepts regarding retail loan quality in commercial banks under modern conditions. (ii) Extract practical lessons for VietinBank by reviewing domestic and international commercial banking experiences. (iii) Systematically evaluate the empirical status of retail loan quality at VietinBank (2021-2025), detailing key limitations and root causes. (iv) Formulate recommendations and strategic solutions to enhance retail loan quality at VietinBank through 2030.

### **5. Scope and Subject of Research**

#### **5.1 Subject of Research**

Theoretical and empirical issues pertaining to retail loan quality in commercial banks.

#### **5.2 Scope of Research**

Content: Focuses specifically on retail loan quality in commercial banks.

Spatial: Conducted at VietinBank (excluding subsidiaries, joint ventures, and affiliates).

Temporal: Empirical data analyzed for 2021-2025; proposed solutions projected through 2030.

## **6. Research Methodology**

In addition to conventional methods used in social sciences (Dialectical Materialism, Historical Materialism, descriptive statistics, comparative analysis), the candidate employs:

**Dialectical and Historical Materialist Methodology:** Ensures logical coherence between sensory perception and theoretical reasoning, evaluating NPL management according to international standards within systemic dialectical relationships.

**Analysis and Synthesis Method:** Applied across all chapters to dissect theories on retail loan quality and synthesize findings into recommendations.

**Comparative Method:** Used mainly in Chapters 1 and 2 to compare theoretical frameworks, contrast VietinBank's performance with peers, and evaluate annual progress (2021-2025).

**Interview Method:** Semi-structured interviews (in-person and email) with experts, credit officers, and managers across VietinBank branches to gather qualitative insights.

**Statistical Analysis Method:** Utilizing secondary data from reliable sources and primary survey/interview data to substantiate key thesis arguments.

**Systematization Method:** Ensures logical ordering, continuity, and structural rigor across chapters.

**Deductive Reasoning Method:** Deriving targeted solutions from theoretical frameworks and empirical bottlenecks identified at VietinBank.

## **7. Novel Contributions of the Dissertation**

### **Theoretical Contributions**

**Refining Concepts:** Expands the definition of retail loan quality by integrating service quality, credit risk efficiency, and customer experience within digital transformation.

**Context-Specific Framework:** Proposes an evaluation model combining quantitative indicators (NPL ratios, processing times, on-time disbursement) and qualitative metrics (satisfaction, trust, transparency).

**Linking Quality to Competitiveness:** Demonstrates that improving loan quality mitigates credit risk while serving as a driver for customer retention and market share expansion.

**Integrating Technology and Behavioral Factors:** Introduces a theoretical model bridging fintech adoption, borrower behavior, and credit quality in digital banking.

### **Practical Contributions**

**Comprehensive Diagnostic:** Delivers an updated, detailed assessment of VietinBank's retail lending performance, operational bottlenecks, and post-COVID-19 dynamics.

**Actionable Solutions:** Recommends specific measures for underwriting process reform, credit personnel training, AI implementation in loan appraisal, and customer experience enhancement.

**Impact Assessment:** Evaluates how new regulatory policies and digital initiatives impact credit quality, helping banks refine strategic risk management.

**Policy Support Data:** Provides empirical evidence to support VietinBank executives in formulating sustainable retail lending policies.

## **8. Dissertation Structure**

Beyond the Introduction, Conclusion, List of Publications, References, and Appendices, the dissertation contains three chapters:

Chapter 1: Theoretical and Practical Foundations of Commercial Bank Retail Loan Quality.

Chapter 2: Current Status of Retail Loan Quality at VietinBank.

Chapter 3: Solutions to Enhance Retail Loan Quality at VietinBank.

# **CHAPTER 1**

## **THEORETICAL FRAMEWORK ON RETAIL LENDING IN COMMERCIAL BANKS**

### **1.1 Retail Lending in Commercial Banks**

#### **1.1.1 Concept of Retail Lending**

Retail lending is a form of credit extension where the lender provides or commits to provide a individual/household borrower a sum of money for specified purposes, over a set period, subject to full repayment of principal and agreed interest.

#### **1.1.2 Characteristics of Retail Lending**

Retail lending represents a retail credit activity characterized by: Borrowers are individuals or households. Individual transaction sizes are small, but transaction volumes are large. High product diversity. Higher inherent risk profile compared to corporate lending. Higher operational cost per loan unit, leading to higher lending rates. High margin/profit potential for commercial banks.

#### **1.1.3 Classification of Retail Loans**

Classifying retail loans groups credit exposures by specific criteria to enable tailored lending workflows and robust risk management. Key classification criteria include: By Loan Tenor, By Purpose of Use, By Collateral/Security Type, By Credit Origin

#### **1.1.4 Regulatory Framework Governing Retail Lending**

Regulations governing retail bank lending center on:

- (i) lending principles,
- (ii) eligibility conditions,
- (iii) eligible borrowers,

- (iv) credit security/collateral,
- (v) credit limits/restrictions, and
- (vi) credit and security contracts.

### **1.1.5 Retail Lending Workflow**

The loan workflow encompasses standard procedures detailing sequential steps from receiving credit requests, underwriting, decision-making, disbursement, to contract liquidation.

## **1.2 Retail Loan Quality in Commercial Banks**

### **1.2.1 Concept of Retail Loan Quality**

Retail loan quality refers to the appropriateness, safety, and efficiency of loans extended to individuals, evaluated through debt repayment capacity, underwriting transparency, ongoing loan monitoring, and borrower financial compliance.

### **1.2.2 Evaluation Metrics for Retail Loan Quality**

The author categorizes indicators into:

- (i) Qualitative Metrics and
- (ii) Quantitative Metrics.

### **1.2.3 Determinants of Retail Loan Quality**

Factors influencing retail loan quality are grouped into:

- (i) Objective (External) Factors and
- (ii) Subjective (Internal) Factors.

## **1.3 International and Domestic Experiences and Lessons for VietinBank**

Examines retail loan quality enhancement strategies implemented by commercial banks worldwide to derive relevant strategic lessons for VietinBank.

## CHAPTER 2: CURRENT STATUS OF RETAIL LOAN QUALITY AT VIETINBANK

### 2.1 Overview of VietinBank's Formation and Development

Summarizes VietinBank's development history, organizational structure, and financial results (2021-2025) as a baseline for Chapter 2 empirical analysis.

### 2.2 Empirical Analysis of Retail Loan Quality at VietinBank

#### 2.2.1 Qualitative Indicator Evaluation

Evaluates legal compliance, loan procedure maturity, credit personnel competence, and brand reputation at VietinBank.

#### 2.2.2 Quantitative Indicator Evaluation

##### 2.2.2.1 Retail Loan Outstanding Dynamics

Table 2.7: Retail Loan Portfolio at VietinBank 2021-2025

*Unit: VND Billion, %*

| Indicators                    | 2021   |      | 2022   |      | 2022/2021 |      | 2023   |      | 2023/2022 |      | 2024   |      | 2024/2023 |      | 2025   |      | 2025/2024 |      |
|-------------------------------|--------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|
|                               | Amount | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    |
| Total Retail Loan Outstanding | 450    | 100  | 510    | 100  | 60        | 13.3 | 560    | 100  | 50        | 9.8  | 690    | 100  | 130       | 23.2 | 820    | 100  | 130       | 18.8 |
| 1. By Tenor                   |        |      |        |      |           |      |        |      |           |      |        |      |           |      |        |      |           |      |
| Short-term                    | 150    | 33.3 | 175    | 34.3 | 25        | 16.7 | 185    | 33.0 | 10        | 5.7  | 220    | 31.9 | 35        | 18.9 | 260    | 31.7 | 40        | 18.2 |
| Medium & Long-term            | 300    | 66.7 | 335    | 65.7 | 35        | 11.7 | 375    | 67.0 | 40        | 11.9 | 470    | 68.1 | 95        | 25.3 | 560    | 68.3 | 90        | 19.1 |
| 2. By Currency                |        |      |        |      |           |      |        |      |           |      |        |      |           |      |        |      |           |      |
| VND                           | 430    | 95.6 | 490    | 96.1 | 60        | 14.0 | 540    | 96.4 | 50        | 10.2 | 665    | 96.4 | 125       | 23.1 | 790    | 96.3 | 125       | 18.8 |
| Foreign Currency              | 20     | 4.4  | 20     | 3.9  | 0         | 0    | 20     | 3.6  | 0         | 0    | 25     | 3.6  | 5         | 25.0 | 30     | 3.7  | 5         | 20.0 |
| 3. By Purpose                 |        |      |        |      |           |      |        |      |           |      |        |      |           |      |        |      |           |      |
| Mortgages / Real Estate Loans | 200    | 44.4 | 225    | 44.1 | 25        | 12.5 | 250    | 44.6 | 25        | 11.1 | 310    | 44.9 | 60        | 24.0 | 370    | 45.1 | 60        | 19.4 |
| Consumer Loans                | 140    | 31.1 | 160    | 31.4 | 20        | 14.3 | 175    | 31.3 | 15        | 9.4  | 210    | 30.4 | 35        | 20.0 | 250    | 30.5 | 40        | 19.0 |
| Individual Business Loans     | 110    | 24.5 | 125    | 24.5 | 15        | 13.6 | 135    | 24.1 | 10        | 8.0  | 170    | 24.7 | 35        | 25.9 | 200    | 24.4 | 30        | 17.6 |
| 4. By Collateral Status       |        |      |        |      |           |      |        |      |           |      |        |      |           |      |        |      |           |      |
| Secured                       | 360    | 80.0 | 410    | 80.4 | 50        | 13.9 | 455    | 81.3 | 45        | 11.0 | 565    | 81.9 | 110       | 24.2 | 675    | 82.3 | 110       | 19.5 |
| Unsecured                     | 90     | 20.0 | 100    | 19.6 | 10        | 11.1 | 105    | 18.7 | 5         | 5.0  | 125    | 18.1 | 20        | 19.0 | 145    | 17.7 | 20        | 16.0 |

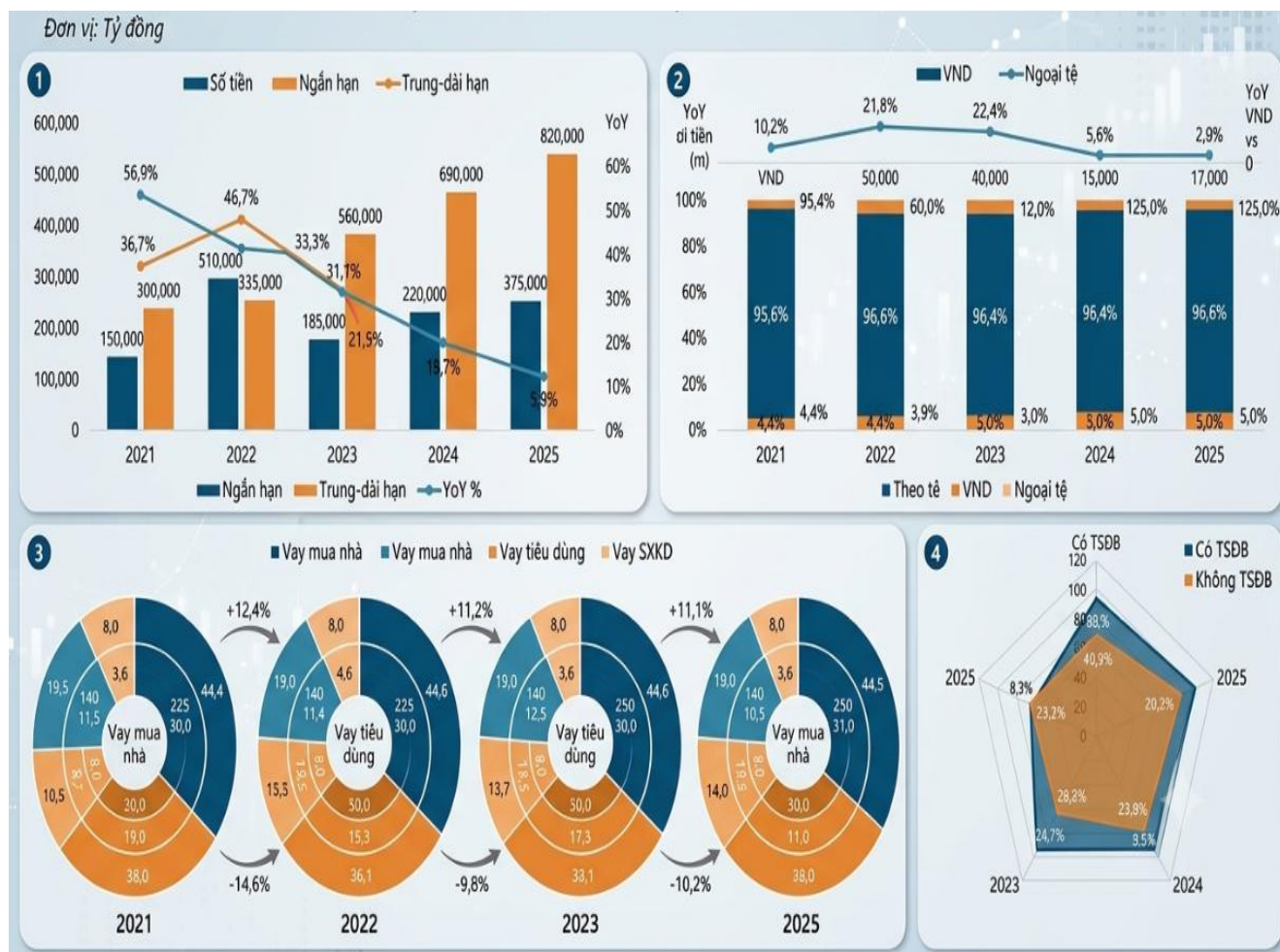


Chart 2.6: Retail Loan Growth Dynamics at VietinBank 2021-2025

Analysis: Retail credit represents a strategic segment at VietinBank. Between 2021 and 2025, retail loan balances expanded from VND 450,000 billion to VND 820,000 billion, driven by economic recovery and surging demand for home mortgages and consumer credit. Medium-to-long term VND loans dominate, with mortgages making up the largest share. Secured loans consistently exceed 80%, demonstrating a prudent risk posture.

#### 2.2.2.2 Overdue Debts and Non-Performing Loans (NPLs)

Despite rapid portfolio growth, retail credit quality remained sound. Standard loans comprise the majority share, while NPL ratios were contained at stable levels.

Table 2.8: Overdue and NPL Breakdown in Retail Lending 2021-2025

Unit: VND Billion

| Indicators                      | 2021   |      | 2022   |      | 2022/2021 |      | 2023   |      | 2023/2022 |      | 2024   |      | 2024/2023 |      | 2025   |      | 2025/2024 |      |
|---------------------------------|--------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|
|                                 | Amount | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    |
| Total Retail Loan Outstanding   | 450    | 100  | 510    | 100  | 60        | 13.3 | 560    | 100  | 50        | 9.8  | 690    | 100  | 130       | 23.2 | 820    | 100  | 130       | 18.8 |
| Group 1 (Standard Loans)        | 430    | 95.6 | 488    | 95.7 | 58        | 13.5 | 535    | 95.5 | 47        | 9.6  | 660    | 95.7 | 125       | 23.4 | 785    | 95.7 | 125       | 18.9 |
| Group 2 (Special Mention Loans) | 12     | 2.7  | 14     | 2.7  | 2         | 16.7 | 15     | 2.7  | 1         | 7.1  | 18     | 2.6  | 3         | 20.0 | 22     | 2.7  | 4         | 22.2 |
| Group 3 (Substandard Loans)     | 4      | 0.9  | 4,5    | 0.9  | 500       | 12.5 | 5      | 0.9  | 500       | 11.1 | 6      | 0.9  | 1         | 20.0 | 7      | 0.9  | 1         | 16.7 |
| Group 4 (Doubtful Loans)        | 2      | 0.4  | 2,2    | 0.4  | 200       | 10.0 | 2,5    | 0.4  | 300       | 13.6 | 3      | 0.4  | 500       | 20.0 | 3,5    | 0.4  | 500       | 16.7 |
| Group 5 (Loss Loans)            | 2      | 0.4  | 1,3    | 0.3  | -700      | 35.0 | 2,5    | 0.5  | 1,2       | 92.3 | 3      | 0.4  | 500       | 20.0 | 2,5    | 0.3  | -500      | 16.7 |
| Overdue Debts                   | 8      | 1.8  | 9      | 1.8  | 1         | 12.5 | 10     | 1.8  | 1         | 11.1 | 12     | 1.7  | 2         | 20.0 | 13     | 1.6  | 1         | 8.3  |
| Non-Performing Loans (NPLs)     | 8      | 1.8  | 8      | 1.6  | 0         | 0    | 10     | 1.8  | 2         | 25.0 | 12     | 1.7  | 2         | 20.0 | 13     | 1.6  | 1         | 8.3  |

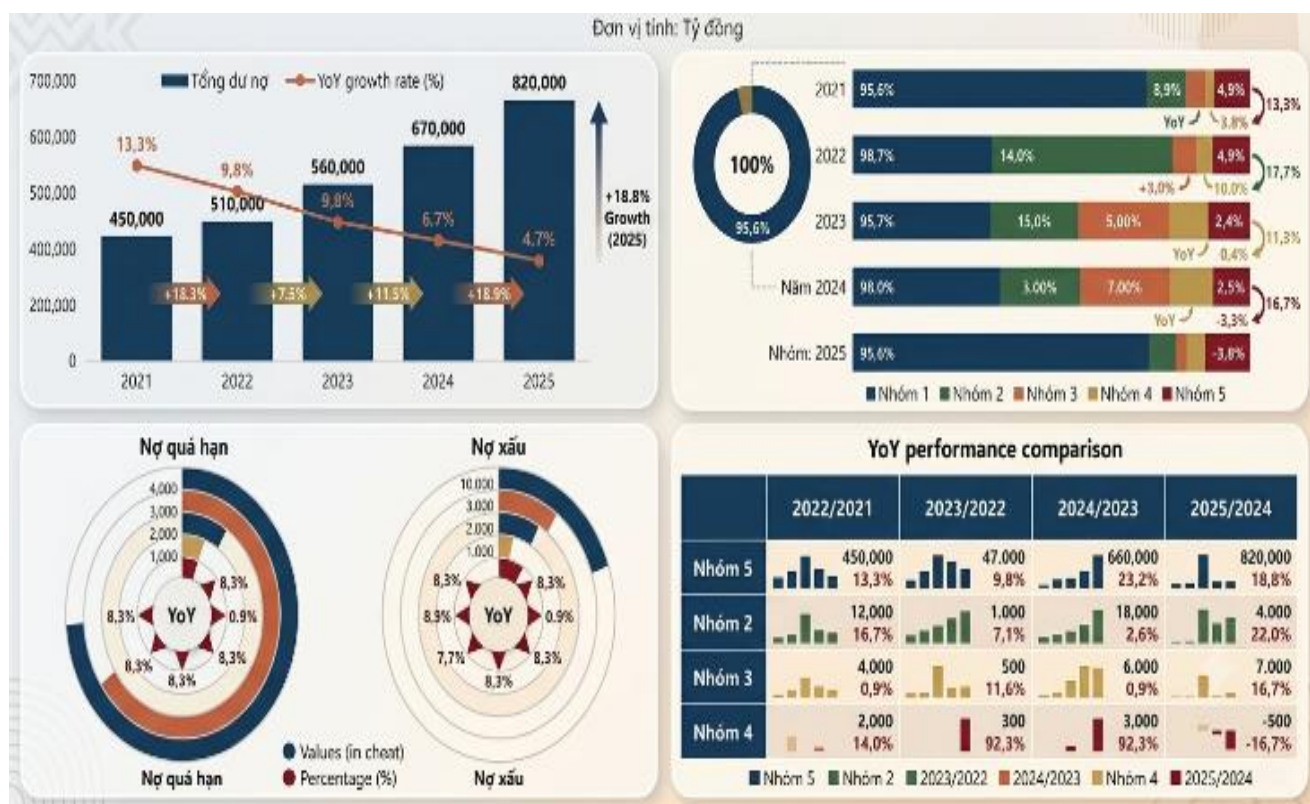


Chart 2.7: Overdue and NPL Trends 2021-2025

Table 2.9: NPL Comparative Metrics 2021-2025

Unit: VND Billion, %

| Indicators                                         | 2021   |      | 2022   |      | 2022/2021 |      | 2023   |      | 2023/2022 |      | 2024   |      | 2024/2023 |      | 2025   |      | 2025/2024 |     |
|----------------------------------------------------|--------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|-----|
|                                                    | Amount | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %   |
| 1. VietinBank's Total NPLs                         | 15,3   | 1.20 | 16,8   | 1.18 | 1,5       | 9.8  | 17     | 1.15 | 200       | 1.2  | 21,5   | 1.25 | 4,5       | 26.5 | 21,9   | 1.10 | 400       | 1.9 |
| 2. VietinBank's Retail NPLs                        | 8      | 1.80 | 8      | 1.60 | 0         | 0    | 10     | 1.80 | 2         | 25.0 | 12     | 1.70 | 2         | 20.0 | 13     | 1.60 | 18        | 3   |
| 3. Vietnamese Commercial Banking System Total NPLs | 185    | 1.90 | 215    | 2.00 | 30        | 16.2 | 230    | 2.10 | 15        | 7.0  | 253    | 2.30 | 23        | 10.0 | 266    | 2.20 | 13        | 5.1 |

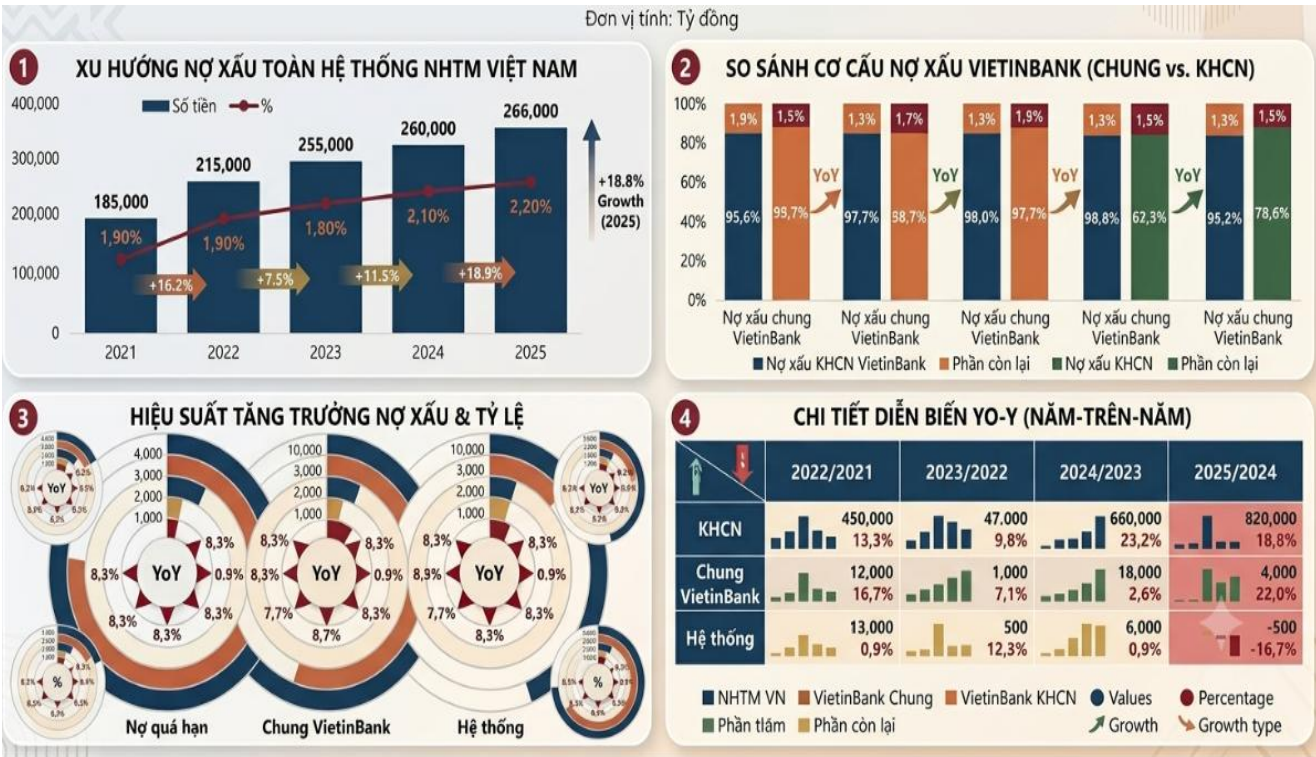


Chart 2.8: Comparative Retail NPL Ratios

### 2.2.2.3 Credit Loss Provisioning

Provisioning reflects portfolio safety. Provision charges protect VietinBank against potential credit defaults while securing long-term solvency.

Table 2.10: Retail Credit Provisioning Dynamics 2021-2025

Unit: VND Billion, %

| Indicators                   | 2021   |      | 2022   |      | 2022/2021 |      | 2023   |      | 2023/2022 |      | 2024   |      | 2024/2023 |      | 2025   |      | 2025/2024 |     |
|------------------------------|--------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|------|--------|------|-----------|-----|
|                              | Amount | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %    | Amount | %    | Amount    | %   |
| 1. Corporate Loan Provisions | 9,2    | 61.3 | 10     | 60.6 | 800       | 8.7  | 10,2   | 58.6 | 200       | 2.0  | 12     | 60.0 | 1,8       | 17.6 | 12,5   | 59.5 | 500       | 4.2 |
| 2. Retail Loan Provisions    | 5,8    | 38.7 | 6,5    | 39.4 | 700       | 12.1 | 7,2    | 41.4 | 700       | 10.8 | 8      | 40.0 | 800       | 11.1 | 8,5    | 40.5 | 500       | 6.3 |
| Total Credit Risk Provisions | 15     | 100  | 16,5   | 100  | 1,5       | 10.0 | 17,4   | 100  | 900       | 5.5  | 20     | 100  | 2,6       | 14.9 | 21     | 100  | 15.0      |     |

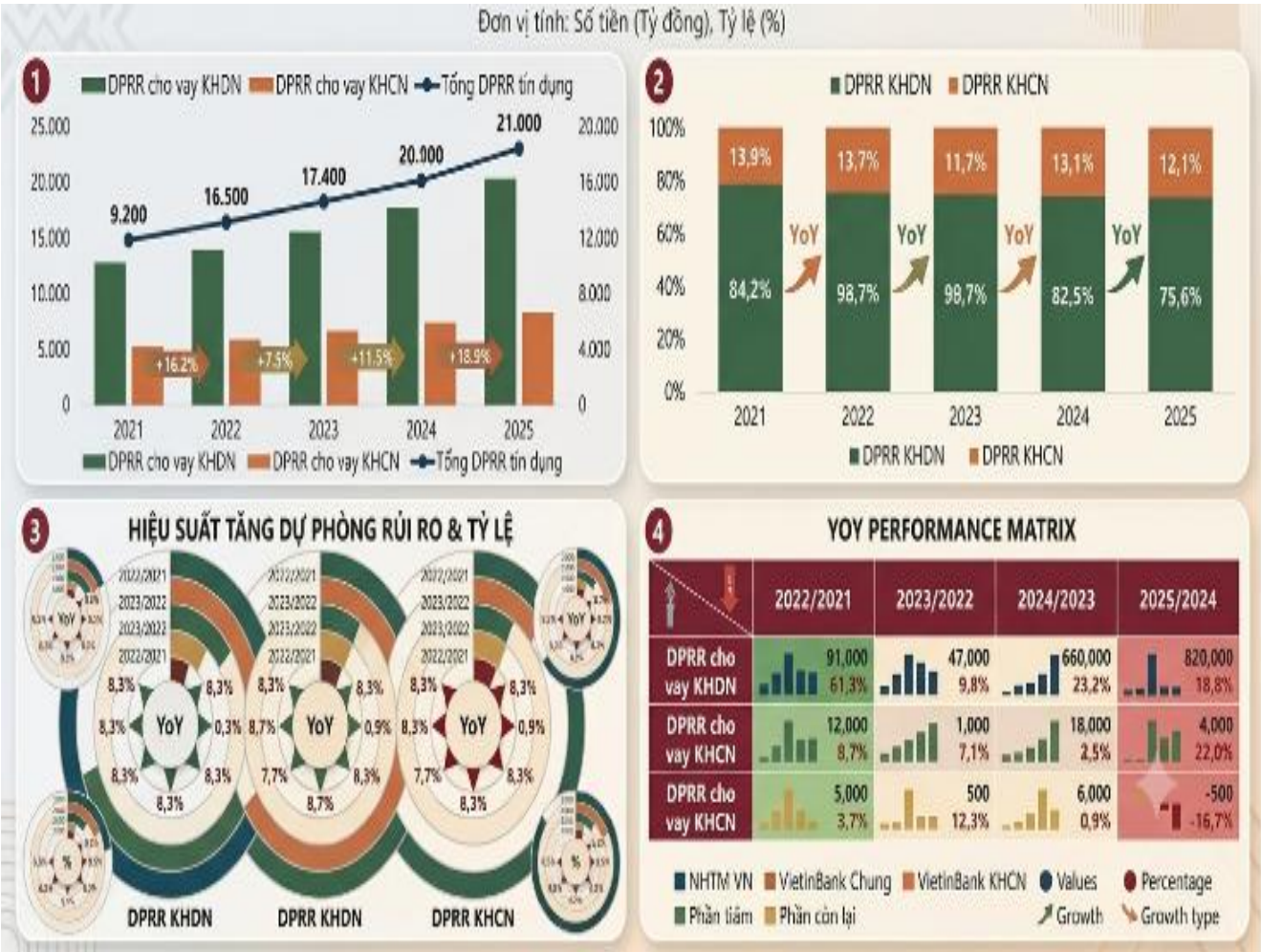


Chart 2.9: Retail Credit Provisioning Status

### 2.2.2.4 NPL Coverage Ratios

Table 2.11: Retail NPL Provision Coverage Ratios (2021-2025) (Unit: %)

| Indicators                           | 2021 | 2022 | 2022/2021 | 2023 | 2023/2022 | 2024 | 2024/2023 | 2025 | 2025/2024 |
|--------------------------------------|------|------|-----------|------|-----------|------|-----------|------|-----------|
| 1. Overall NPL Coverage Ratio        | 98   | 98   | 0         | 102  | +4        | 93   | -9        | 96   | +3        |
| 2. Corporate Loan NPL Coverage Ratio | 110  | 112  | +2        | 115  | +3        | 105  | -10       | 108  | +3        |
| 3. Retail Loan NPL Coverage Ratio    | 73   | 81   | +8        | 72   | -9        | 67   | -5        | 65   | -2        |

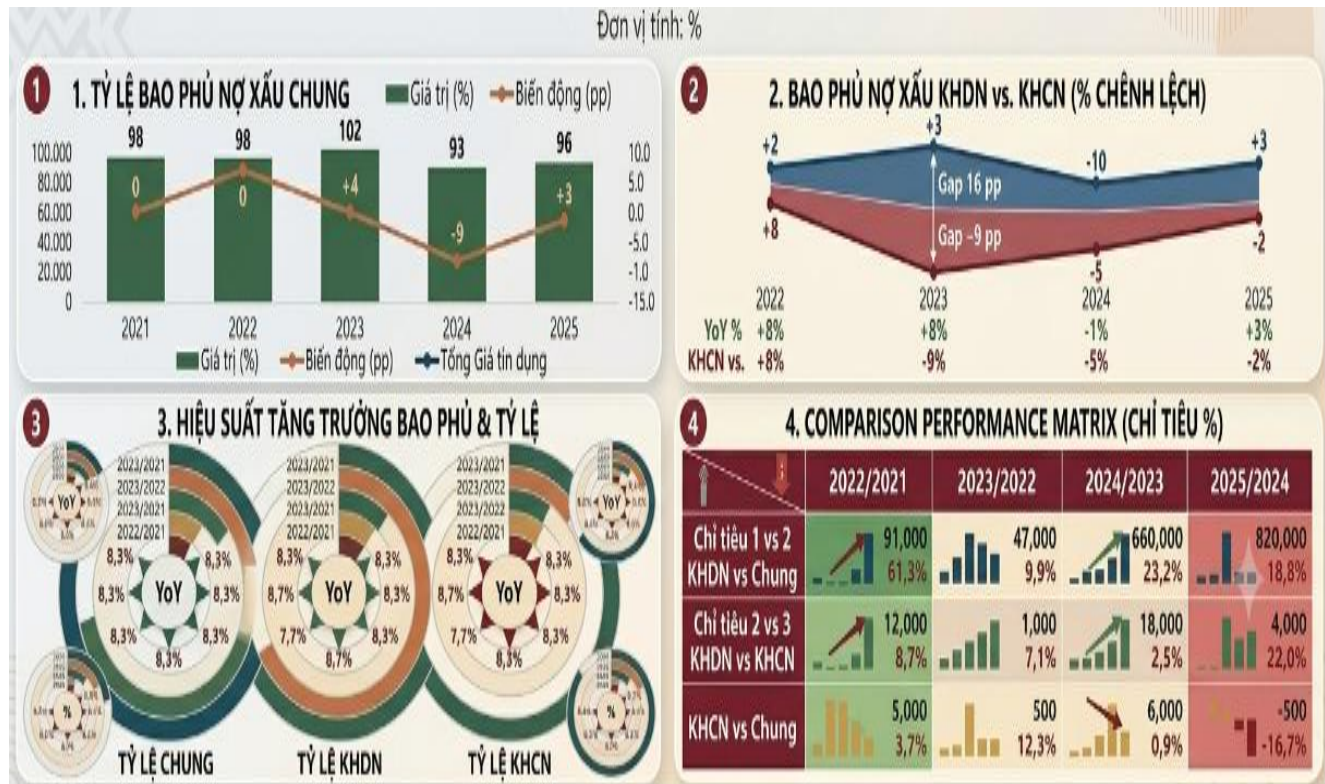


Chart 2.10: Comparative NPL Coverage Ratios

Analysis: VietinBank maintained strong provision coverage. Corporate coverage remained above 100% due to larger loan sizes and concentration risks. Retail coverage fluctuated between 65% and 81%, reflecting smaller, granular, and heavily secured individual loans.

## **2.3 Evaluation and Diagnosis of Retail Loan Quality**

### **2.3.1 Key Achievements**

Continuous growth in retail credit scale aligned with retail banking transformation.

Stable portfolio quality maintained despite rapid balance expansion.

Strict legal compliance, underwriting rigor, and process controls.

Strong brand equity and staff competence supporting quality control.

Proactive provisioning building adequate financial cushions.

### **2.3.2 Limitations**

Rapid portfolio growth exerts pressure on systemic credit quality management.

Retail NPL ratios remain slightly higher than VietinBank's overall bank-wide average.

Upward trend in overdue (Group 2) debts signaling early warning risk formation.

Retail NPL coverage lower than corporate coverage and declining near period-end.

Underwriting and post-disbursement monitoring overloaded by high volume.

Data analytics and technology tools not yet fully synchronized with growth speed.

### **2.3.3 Root Causes**

Subjective (Internal) Causes:

Growth pressures straining risk management capacity;

Early warning systems need enhancement;

Over-reliance on collateral over cash flow underwriting;

Provisioning lagging risk accumulation; data exploitation and early warning automation requiring upgrades.

Objective (External) Causes:

Macroeconomic volatility affecting personal cash flows;

Inherent unpredictability of individual borrower income;

Real estate market fluctuations impacting collateral values;

High transaction dispersion increasing oversight costs;

Intensifying retail banking competition; tightening regulatory compliance standards.

## **CHAPTER 3**

### **SOLUTIONS TO ENHANCE RETAIL LOAN QUALITY AT VIETINBANK**

#### **3.1 Strategic Orientations Through 2030**

Outlines macroeconomic context, strategic corporate targets, and retail loan quality management directions for VietinBank through 2030.

#### **3.2 Key Solutions**

##### **3.2.1 Refining Underwriting Workflows and Individual Credit Assessment**

Shift focus from documentary/collateral verification toward holistic, real cash-flow capacity evaluations across customer segments. Implement independent underwriting for high-risk exposures, stress-test interest rate/income shocks, and standardize 360-degree credit dossiers.

##### **3.2.2 Enhancing Credit Risk Governance and Early Warning Mechanisms**

Develop a multi-tiered early warning engine (financial, behavioral, and traditional metrics). Implement 4 risk levels (Green, Yellow, Orange, Red) tied to clear intervention actions. Conduct periodic portfolio-level stress testing.

##### **3.2.3 Strengthening Post-Disbursement Oversight**

Transition to active, risk-based monitoring. Automate low-risk loan tracking via digital behavior data, conduct periodic reviews for medium-risk loans, and enforce direct physical inspections for deteriorating assets. Link post-disbursement findings directly back to credit scoring algorithms.

##### **3.2.4 Optimizing NPL Resolution and Collateral Management**

Adopt lifecycle debt management. Build a centralized collateral database linked to real-time real estate price tracking. Align provisioning policies with

Circular 31/2024/TT-NHNN. Realign staff KPIs to reflect actual debt recovery amounts rather than docket processing volumes.

### **3.2.5 Accelerating Digital Transformation, Data Exploitation, and Credit Scoring**

Leverage the existing Project X01 digital foundation to build a centralized retail data warehouse. Upgrade credit scoring models to 3-tier hybrid architectures combining alternative behavioral data. Automate Basel-compliant back-testing engines and integrate online loan channels (e.g., iZiCash).

### **3.2.6 Developing Human Capital and Risk Culture**

Transition staff capabilities from traditional processing to advanced data analytics and risk management. Establish a 4-pillar retail competency framework (Analysis, Risk Governance, Tech/Data, and Ethics). Balance growth and risk metrics within performance KPIs.

### **3.2.7 Product Diversification and Portfolio Rebalancing**

Reduce concentration in medium-to-long term real estate loans. Diversify into cash-flow-based loans for salaried individuals and micro-merchants, digital micro-lending under strict underwriting controls, and enforce concentration limits across tenors, geographies, and products.

## **3.3. Policy Recommendations**

### **3.3.1. Recommendations to the Government**

The Ph.D. candidate proposes several key recommendations to the Government, including:

Stabilizing the Macroeconomic, Political, and Social Environment: Ensuring sustainable growth conditions to mitigate systemic credit risks for the banking sector.

Refining and Stabilizing the Legal Framework: Enhancing consistency in laws governing banking, real estate, civil transactions, and consumer protection to create a clear, predictable operating environment for retail lending.

### **3.3.2. Recommendations to the State Bank of Vietnam (SBV)**

Refining Macroprudential Policies and Debt Classification Frameworks: Continually updating safety ratios and debt classification standards pursuant to Circular 31/2024/TT-NHNN to reflect market realities while ensuring system solvency.

Integrating National Population Data and Upgrading Credit Information Infrastructure (CIC): Facilitating seamless access to national identification and population databases to enable automated KYC, while upgrading the Credit Information Center (CIC) to deliver real-time, comprehensive credit scoring data.

Modernizing Supervisory Frameworks (SupTech) and Managing Concentration Risks: Applying Regulatory/Supervisory Technology (SupTech) to enhance early detection of credit concentration risks, particularly in retail segments linked to real estate or high-risk assets.

Unlocking Collateral Liquidation Mechanisms and Developing a Retail NPL Secondary Market: Establishing clearer legal frameworks to streamline collateral foreclosure, enforcement, and asset recovery, while promoting an active secondary market for trading retail bad debts.

Establishing AI/Big Data Governance Standards and Expanding Regulatory Sandboxes: Issuing technical and ethical guidelines for financial data governance, AI-driven underwriting algorithms, and expanding sandbox mechanisms for digital credit innovations.

## CONCLUSION

Enhancing retail loan quality is not only a strategic imperative to optimize profitability and mitigate credit risk for commercial banks, but also a key catalyst for driving consumer spending and supporting sustainable economic growth. Amid intense competition in the financial-banking sector, driven by rapid digital transformation and complex macroeconomic volatility, conducting a comprehensive evaluation and uncovering breakthrough solutions to improve retail loan quality at Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank) carries profound theoretical and practical urgency.

The dissertation has achieved significant research outcomes, delivering the following novel contributions:

(1) Theoretical and Methodological Contributions: The dissertation systematizes and enriches the theoretical framework surrounding retail loan quality in the digital era. Crucially, it approaches credit quality from a holistic perspective by synthesizing qualitative indicators with quantitative metrics. Furthermore, domestic and international empirical lessons are extracted with high practical relevance, focusing on technological applications in credit scoring and multi-dimensional risk governance.

(2) Empirical Findings and Diagnostic Insights: The dissertation presents an authentic, objective diagnostic picture of retail lending operations at VietinBank. It highlights a critical paradox: despite remarkable strides in scale and market share, retail credit quality faces significant tension between growth velocity and risk safety. The study pinpoints core structural bottlenecks within early risk warning mechanisms, collateral recovery efficiency, and the depth of Big Data utilization in consumer behavior analytics. The root causes are

demonstrated to stem not only from external environmental shifts, but more importantly, from internal gaps in post-disbursement oversight and the staff's technological adaptability.

(3) Actionable Solutions and Policy Implications: The dissertation formulates a synchronized, strategic system of solutions extending through 2030, aligned with VietinBank's strategic roadmap and the broader macroeconomic backdrop. These solutions pivot around two core pillars: (i) Deep Digital Transformation in Risk Governance: Establishing automated AI/Big Data-driven credit scoring models alongside multi-layered early warning engines for bad debt. (ii) Workflow and Portfolio Optimization: Restructuring loan portfolios toward risk dispersion, combined with strengthening post-disbursement oversight and staff competencies.

The policy recommendations addressed to the Government and the State Bank of Vietnam offer high feasibility, directly contributing to refining the legal framework for national data sharing and non-performing loan resolution.

In conclusion, the dissertation successfully accomplishes all research objectives, providing a robust scientific foundation and a actionable roadmap with strong practical value. The research findings not only equip VietinBank to bolster its competitive edge and ensure operational safety through 2030, but also serve as a valuable reference for the broader Vietnamese commercial banking system in developing safe, efficient, and sustainable retail operations.

## LIST OF AUTHOR'S RELATED PUBLICATIONS

1. **Nguyen Phuong Thao et al. (2024)**, *"Monetary Policy Management: International Experience from the US Federal Reserve (FED)"*, Journal of Financial and Accounting Research, Issue 2, July (No. 268), 2024.
2. **Nguyen Phuong Thao et al. (2025)**, *"Measurement Criteria for Non-Performing Loan Management Capacity in Commercial Banks"*, Journal of Financial and Accounting Research, Issue 2, January (No. 280), 2025.
3. **Nguyen Phuong Thao et al. (2025)**, *"Determinants of Credit Risk Management at Hanoi Branches of Vietnam Joint Stock Commercial Bank for Industry and Trade"*, Journal of Financial and Accounting Research, Issue 2, January (No. 280), 2025.
4. **Nguyen Phuong Thao (2026)**, *"The Quality of Individual Customer Loans at Vietnam Joint Stock Commercial Bank for Industry and Trade (VietinBank)"*, Journal of Financial and Accounting Research, Issue 2, October (No. ....), 2026.
5. **Nguyen Phuong Thao (2026)**, *"Determinants of retail lending service quality at Vietinbank: an empirical study based on the servqual model"*, Journal of Financial and Accounting Research, Issue ....., October (No. ....), 2026.