

# Legal and Regulatory Challenges for Green Banking in the Context of Sustainable Development: The Case of Viet Nam

**Ha Le Thuy**

University of Law, Hue University, Vietnam. Email: [hlthuy@hueuni.edu.vn](mailto:hlthuy@hueuni.edu.vn)  
ORCID: <https://orcid.org/0000-0001-7881-2090>

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## Abstract

Green banking has emerged as a crucial tool for promoting sustainable development by integrating environmental and social factors into financial decision-making processes. In Vietnam, the development of green banking is increasingly encouraged through policy initiatives; however, the legal and regulatory framework remains fragmented, lacking classification criteria, risk management obligations, and effective sanctions. This paper explores the legal and regulatory challenges of green banking in Vietnam, a developing economy undergoing rapid growth and environmental transformation. Using a theory- and policy-based legal analysis approach, along with comparative insights from selected international and regional practices, this study identifies three main challenges: (I) the lack of a coherent legal definition and classification of green banking activities; (ii) reliance on non-binding regulatory instruments rather than enforceable legal obligations; and (iii) restrictive mechanisms for oversight, disclosure, and accountability, particularly concerning environmental, social, and governance (ESG) risks and greenwashing. The paper argues that these challenges undermine the effectiveness and credibility of green banking initiatives, diminishing their ability to make a meaningful contribution to sustainable development goals. The paper concludes by proposing key legislative reforms, including integrating green banking into sustainable development strategies, strengthening ESG disclosure and risk management requirements, and aligning Vietnam's legal framework with international standards while remaining sensitive to domestic institutional and economic conditions.

## Keywords

Green banking; Sustainable development; Green credit; Vietnam

## Introduction

Ukraine's The transition towards a green economy has become a global trend, featuring increasingly prominently on international

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policy agendas as states seek to mitigate the negative environmental and social impacts of economic growth. In line with this trend, many enterprises have invested in research, adopted modern science and technology, and introduced innovative products and services that generate positive externalities for society. International debates generally converge on the view that green banking is a banking model aligned with sustainable development goals through environmentally friendly financing, investment, and risk-management practices. According to Murhudli, green practices adopted by international banks constitute one of the most appropriate ways to promote the application of corporate social responsibility principles, the implementation of environmental programmes, and the deployment of resource-efficient technologies (Fakhri, 2023). Zairis provides another definition of green banking, similarly arguing that sustainable finance is attracting growing attention as a key pillar of sustainable development, despite the challenge of embedding sustainability at the core of the financial sector (Georgios, Panagiotis and Nikolaos, 2024).

In Viet Nam, most studies on the green banking approach the topic from economic and policy-management angles. They tend to focus on evaluating the effectiveness of green credit and the social responsibility of banks in the context of the country's sustainable development agenda. For instance, another authors (Tran and Tran, 2015) examine green banking through three main dimensions: increasing green banking awareness among bank leaders; encouraging companies to undertake green investments to generate demand for green finance; and developing a legal framework to incentivise banks to supply green finance. Nguyen analyzes factors influencing green banking development (policy, financial capacity, technology), and refers to the "legal framework" only in passing, without an in-depth legal analysis (Nguyen, Phan and Le, 2023). Nguyen and Phan study the impact of green credit policies on non-performing loan ratios in commercial banks, but do not explore the underlying regulatory framework in detail (Nguyen and Phan, 2025). In his article. Sang has made an initial attempt to examine Vietnamese law on green banking (Le, 2021), and Bui provides an overview of global legal frameworks on green finance and compares them with Viet Nam's domestic framework (Bui, 2025). In contrast, Ngo emphasizes policy instruments that support green banking and specifically mentions the concept of "green banking law." However, this is primarily at a general level, focusing on policy recommendations instead of a detailed legal analysis (Ngo, 2020). At the same time, recent practice in Viet Nam shows that many banks and credit institutions have adopted internal regulations on environmental and social risk management, established dedicated risk-management units for environmental protection and technology deployment, implemented digital transformation, and "greened" their own operations by minimising paper use and employing robots and fully automated processes. These measures reflect the sector's efforts to "green" banking itself. In addition, the Vietnamese legal framework is gradually being improved to enable the growth of green credit and green banking. Nevertheless, despite positive signals in the expansion of green credit and green banking, the development of this field in Viet Nam still falls short of its potential. This poses significant challenges for Viet Nam in the process of international integration and in achieving sustainable development objectives in the banking sector.

Against this backdrop, this study identifies a clear research gap in the legal analysis of green banking in Viet Nam. First, there is a lack of comprehensive examination of green

banking as a legal concept situated at the intersection of banking law, environmental law, and climate change law. Second, comparative legal analysis with jurisdictions that have successfully institutionalised green banking remains underdeveloped. Third, there is no robust theoretical framework defining the legal obligations and responsibilities of credit institutions in advancing sustainable development. These gaps are particularly significant given that Viet Nam is still transitioning from policy-based guidance to formal legal regulation, as reflected in the amended Law on Credit Institutions 2024, which addresses green credit only indirectly.

Accordingly, this article seeks to address these shortcomings by analysing the existing legal and regulatory framework governing green banking in Viet Nam, identifying key legal challenges, and situating Viet Nam's experience within broader international developments. By doing so, the study aims to contribute to the development of a more coherent legal model for green banking that supports sustainable development objectives while enhancing regulatory certainty and financial system resilience.

Since the concept of “green bank” was first raised in the United States in 2009 (Sharma and Choubey, 2022), there has been no universally accepted definition of green banking. Nevertheless, most approaches share the understanding that green banking refers to a banking model consistently associated with the “greening” of products and services, environmental protection, mitigation of environmental harm, and the pursuit of sustainable development. Banks may employ digital services and advanced technologies, offer environmentally friendly products, and actively encourage individuals, organisations, and customers to commit to environmental protection. One strand of the green banking literature suggests that banks can become “green” by transforming six core areas of their operations: investment management, deposit management, green office practices, recruitment and human resource development, corporate social responsibility, and customer awareness (Mustafizur *et al.*, 2013). In essence, green banking can be understood as a system of credit institutions operating under a green development model, with a focus on extending credit to projects and activities that protect the environment, reduce carbon emissions, and contribute to sustainable development and climate change mitigation. Green banks are therefore not conceived as a completely separate institutional layer outside the existing banking system. Rather, green banking is realised through the functions and activities of credit institutions themselves, embedded within their traditional operations so that they can simultaneously perform conventional banking functions and expand services that respond to sustainable development and environmental protection objectives.

Most scholarly work on green banking adopts a policy, risk, or legal-regulatory perspective. For example, the legal framework governing environmental liability of credit institutions, green reporting standards, and mandatory environmental impact assessment requirements in lending (Jitendra *et al.*, 2025). However, the bulk of this literature focuses on jurisdictions with developed financial systems or advanced banking sectors that already mobilise substantial funding for green projects. The experience of many countries shows that the European Union has been a pioneer on global issues such as sustainable development, and green banking has become one of its core policy concerns. This is evidenced by the adoption of the EU Sustainable Finance Taxonomy (2020) and the EU Green Bond Standard (2024), which specify detailed criteria for

classifying green projects, disclosure obligations, and independent audit mechanisms. In advanced economies such as Germany, the Netherlands, and Japan, green banking is built on a robust legal foundation for green finance, environmental disclosure, and climate-related risk management. In Asia, China introduced its Green Credit Guidelines as early as 2012; the Republic of Korea developed the K-Green Bank Framework in 2017; and Singapore adopted its Green Finance Action Plan in 2020, closely linked to legally grounded requirements on climate-risk governance by banks. These frameworks illustrate a global trend towards the “legalisation” of green banking, moving beyond mere policy encouragement. In Southeast Asian countries, including Vietnam, the academic literature on this topic is still quite limited. Some studies indicate that the lack of a comprehensive national legal framework is a significant barrier to establishing a cross-border green credit market for green banks (Southeast Asia, 2022).

Based on the research findings of previous studies mentioned above, it can be said that the legal framework for green banking is the legal foundation that helps the banking system perform its role as a financial intermediary in an environmentally responsible manner, while ensuring system safety and the effective implementation of the State's sustainable development goals. Therefore, to build a legal framework for green banking in Vietnam, this article aims to clarify the following aspects of the legal framework: legal definitions of green banking, including green credit and green projects; criteria for classifying green projects for the purpose of granting green credit; and incentive mechanisms including tax incentives, interest rates, guarantees, and support funds for green projects that meet the green classification criteria. In addition, the study also identifies the obligations of banks in integrating environmental and social risk management into credit granting, investment, and internal governance. Identifying mechanisms for monitoring and disclosing information to promote ESG transparency, reporting environmental risks and climate change, and defining sanctions for violations related to green bleaching and other actions that harm the operation of green banking. This research clarifies socio-environmental risk in green banking operations as risks stemming from the environmental and social impacts of investment, production, and business activities. These risks can lead to environmental damage, legal liabilities, and financial consequences, ultimately hindering sustainable development goals.

To achieve the goal of developing green and sustainable banking, countries are not entirely the same, but all aim to build a framework for responding to climate change and controlling environmental risks. Countries around the world have also issued sets of rules or guidelines on sustainable banking principles - another name for green banking - which require banks to register and implement responsible banking principles, control and mitigate climate-related risks, and specify these in their business policies, in accordance with the specific conditions of the sectors, individual customers/transactions to ensure effective management of these risks; and strengthening the application of ESG best practices in business operations. Publicly disclosing objectives for responsible banking practices; engaging customers in building a sustainable society. Based on research into the legal framework for green banking in Vietnam, this article identifies priority principles that need to be established, including: transparency and openness of information within the bank and with stakeholders regarding the bank's contributions to the SDGs and climate change goals; prevention and management of climate-related risks in lending activities; periodic assessment and management of the impact of internal

banking operations on these risks; encouragement of incentives coupled with penalties; and building a business strategy that aligns with the SDGs and climate change, clearly demonstrating the bank's commitment to building a sustainable society.

## Methodology

This study adopts a qualitative legal research design grounded in doctrinal and comparative analysis. First, an analytical–synthetic method is employed to systematically examine Viet Nam’s existing legal framework governing green banking, including banking legislation, environmental laws, climate-related policies, and relevant regulatory instruments issued by financial authorities. Through this approach, the study identifies the scope, coherence, and limitations of current legal provisions, with particular attention to regulatory gaps, inconsistencies, and enforcement challenges affecting the development of green banking.

Second, a comparative legal method is applied to assess Viet Nam’s regulatory framework in relation to selected jurisdictions with relatively advanced green banking and sustainable finance systems, such as the European Union and selected Asian economies. The criteria for selecting countries and legal texts for study and comparison are the development of green banking frameworks, the diversity of legal models, or the compatibility and receptiveness of Vietnam. These countries also have relatively consistent legal frameworks, or similarities in development context, or advanced legal standards, making them valuable for reference, application, and improvement of Vietnamese law. This comparative analysis focuses on key legal dimensions, including environmental and social risk management requirements, green credit classification, disclosure obligations, and supervisory mechanisms. The objective is not to transplant foreign legal models directly, but to extract context-sensitive lessons and best practices that may inform legal reform in Viet Nam.

Finally, the study integrates normative legal analysis to evaluate the extent to which Viet Nam’s current legal framework aligns with international principles of sustainable development and emerging global standards on green finance. On this basis, the research formulates legal and regulatory recommendations aimed at strengthening Viet Nam’s green banking architecture, enhancing regulatory certainty for financial institutions, and improving the effectiveness of green banking as a tool for sustainable development.

## The Legal Framework for Green Banking in Viet Nam

The legal framework for green banking in Vietnam has gradually developed over the past decade, primarily through policy tools rather than comprehensive legal regulations. Currently, there are two types of specialized legal documents related to green banking in Vietnam: laws and sub-laws.

*First*, the group of legal documents regulates the activities of green banking.

At the legal level, the first to be mentioned is the 2020 Environmental Protection Law. Article 142 of this Law stipulates: “Circular economy is an economic model in which design, production, consumption, and service activities aim to reduce the exploitation of

raw materials, extend the product life cycle, limit waste generation, and minimize negative impacts on the environment”. With this regulation, the development of green banking can be understood as the implementation of banking services and other banking-related activities that limit emissions affecting the environment or cause negative impacts that exacerbate environmental problems. Along with the promulgation of the Environmental Protection Law, for the first time, an economic tool, green credit, has been legalized in Article 149 of the guidelines for development, environmental protection, and climate change response (Le, 2024). This presents a great opportunity for commercial banks to promote the development of green credit from mobilized capital through participation in the international capital market. Furthermore, while the Environmental Protection Law does not directly stipulate the activities that banks must undertake or the measures to protect the environment for green banking services, it does provide regulations on corporate social responsibility aimed at protecting the environment, reducing emissions, and carbon emissions.

Next, we must mention the Law on Credit Institutions of 2024. This law regulates banking activities and other activities of credit institutions and branches of foreign banks clearly and transparently, addressing difficulties and obstacles. At the same time, it creates a basis for credit institutions to innovate their operations, meet practical requirements, and enhance their competitiveness. Article 8 of this Law stipulates: “Credit institutions and branches of foreign banks have the right to autonomy in their business operations and are solely responsible for their business results. Credit institutions and branches of foreign banks have the right to refuse requests for credit granting or provision of other services if they deem them unqualified, ineffective, or inconsistent with the provisions of the law.” Thus, it can be seen that the law does not specifically regulate the business activities of banks regarding green projects, support or preferential interest rates for green credit loans, or address the issuance of nominal bonds, which is a capital mobilization activity for investment in green projects by banks. The lack of official recognition of green banking in the highest-ranking legal document, the Law, may lead to difficulties in implementing laws and policies related to green banking in practice, and will not create a consistent legal framework related to green banking operations. Evidence for this is that the group of Vietnamese sub-legal documents analyzed below has, to varying degrees, mentioned green banking through regulations on green economic development, circular economy, and the management and prevention of environmental and social risks, while the laws themselves have not specifically addressed this issue.

*Secondly*, the group of sub-legal documents regulating the activities of green banking.

In 2018, for the first time, the State of Vietnam issued an official document defining the key tasks of developing green banking. From then on, legal documents related to green banking were issued and applied in practice, creating a legal framework to protect the activities of green banking and prevent actions that harm its development and cause damage to society and the banking system. This refers to Decision 986/QĐ-TTĐ approving the strategy for the development of Vietnam's banking sector until 2025, with a vision to 2030. Among the specific objectives set forth by the Prime Minister in this Decision, the goal to strive for by the end of 2025 is to: “Increase the efficiency of credit allocation to serve socio-economic development requirements; promote the development

of “green credit” and “green banking” to contribute to the transformation of the economy towards green growth, low carbon emissions, and adaptation to climate change; increase the proportion of bank credit invested in renewable energy, clean energy, and low-carbon production and consumption sectors. Integrate sustainable development, climate change, and green growth into credit loan programs and projects”.

Subsequently, in 2022, the Government also issued Decision No. 882/QĐ-TTg of the Prime Minister: Approving the National Action Plan on Green Growth for the period 2021-2030 on building and perfecting institutions and policies, enhancing the effectiveness and efficiency of state management linked to green growth goals in most sectors, including mobilizing financial resources and promoting investment for green growth, which is related to the green banking system. To move towards greening the banking sector, in addition to comprehensive legal regulations, banks also need top-down consensus in building green strategies, in which the green credit model is considered a unique financial tool with significant importance in controlling the environmental protection behavior of businesses and preventing the uncontrolled development of businesses that pollute and harm the environment (Xinkuo and Jingsi, 2020). Vietnam can be considered one of the pioneering countries in promoting green and circular economies. To achieve this, the Governor of the State Bank of Vietnam issued Directive No. 03/CT-NHNN dated March 24, 2015, on promoting green credit growth and managing environmental and social risks in lending activities; issued Decision No. 1604/QĐ-NHNN dated August 7, 2018, approving the Green Banking Development Scheme in Vietnam, aiming to enhance awareness and social responsibility of the banking system in protecting the environment, combating climate change, gradually greening banking operations, and directing credit flows towards financing environmentally friendly projects; and Circular No. 17/2022/TT-NHNN dated December 23, 2022, guiding the implementation of environmental risk management in lending activities of credit institutions and branches of foreign banks (Nguyen, 2025b).

In 2023, the State Bank of Vietnam developed a National Green Growth Strategy through the issuance of Decision 1408/QĐ-NHNN on the action plan of the banking sector to implement the National Green Growth Strategy for the period 2021-2030 and the plan on tasks and solutions to implement the results of the 26th Conference of Parties to the United Nations Framework Convention on Climate Change. This decision is considered an official recognition of the necessity and urgency of investing in green growth development through banking activities to meet the development needs of society and international integration. Along with the issuance of the action plan, the State Bank also identified the task of developing digital banking models and strongly applying the achievements of the Fourth Industrial Revolution to green banking operations. This is perfectly consistent with the current context, where economic activities have developed in line with the technological, electronic, and e-government trends set by the state.

In fact, over the past years, since the banking sector's action plan to implement the National Strategy on Green Growth to 2020 was launched, 84 credit institutions, representing over 80% of the banking system's outstanding loans, have submitted reports on implementation results; of which, 67/84 credit institutions have implemented relevant content on green banking and green credit development by integrating regulations and guiding documents into banking operations. With these achievements, Vietnam is ranked

in the second group of countries with significant progress in sustainable development in the National Progress Assessment Report 2020-2021 of the Sustainable Finance and Banking Network (Tran, 2022).

On 7 May 2025, Viet Nam promulgated Decision No. 21/2025/QĐ-TTg on Environmental Criteria and Verification of Investment Projects Classified as “Green” (Decision 21). This decision is widely regarded as a breakthrough in Viet Nam’s legal architecture for green credit. For the first time, the country has adopted a unified set of criteria that establishes common standards for the market. Under the new framework, a project must satisfy two groups of conditions to qualify as “green”: (i) compliance with environmental regulatory procedures, and (ii) fulfilment of sector-specific and environmental-benefit criteria. This provides a clear legal foundation for appraising, classifying, and granting credit to green projects, reduces legal and reputational risks, enhances transparency, and mitigates the likelihood of greenwashing. Several provisions are harmonized with international norms and commitments, and the decision is expected to facilitate the implementation of Circular No. 17/2022/TT-NHNN. Decision 21 also enables credit institutions to establish consistent internal criteria based on a firmer legal basis, thereby improving the effectiveness of environmental risk management in lending.

Overall, it can be seen that although no direct regulations on green banking have been issued, some provisions in the aforementioned legal documents have already shown the State's orientations and policies regarding the development of green banking in Vietnam to meet sustainable development goals and respond to climate change, as well as to fulfill Vietnam's international commitments. However, Viet Nam's green banking legal framework is fragmented, comprising various legal instruments from different authorities with differing legal force. The absence of unified definitions, eligibility criteria, and supervisory mechanisms complicates implementation by credit institutions. Inconsistencies among regulations issued by the SBV, the Ministry of Natural Resources and Environment, and the Ministry of Finance further exacerbate coordination challenges, particularly in areas such as green taxonomy, ESG disclosure, and environmental and social risk assessment.

## **Financial Incentive Mechanisms for Green Banking**

According to Tu Anh, Viet Nam currently lacks tax incentives and interest-rate support policies for green bonds, green loans, or domestically recognized green projects (Tu, 2025). Another study notes that credit institutions face difficulties in determining whether a project qualifies as “green,” despite the existence of two channels for green verification - through state authorities and independent organizations (Hong, 2025). In practice, however, green verification requirements are not clearly reflected in legal documents such as environmental impact assessment reports, environmental permits, or environmental registration dossiers. As a result, credit institutions encounter uncertainty during appraisal, (Nguyen, 2025c) particularly when applying preferential mechanisms for green credit or green bond issuance. Two relevant legal instruments - the Law on Corporate Income Tax (2008, amended 2020) and the Ministry of Finance’s 2024 annual report on the financial mechanism for green bonds - confirm that Viet Nam still lacks tax incentives for green debt instruments. Moreover, the SBV has not established any

preferential refinancing scheme for green loans, nor has any dedicated guarantee fund or support facility for green credit been introduced.

According to Hung, Viet Nam does not yet have a nationally recognized set of criteria for green projects. Banks currently rely on the SBV's 2022 Interim Guidance, while international organizations such as the IFC, ADB, and World Bank apply different classification systems (Nguyen, 2025c). This leads to inconsistencies, data fragmentation, and difficulty in measuring the actual impact of green capital flows. Although several environmental funds exist, none are designed specifically for green credit, nor do they provide credit-risk guarantees for green projects; their limited scale prevents them from effectively mitigating transition risks. Persistent inconsistencies remain in the classification and reporting of green projects, and quantitative criteria have not yet been promulgated.

From an environmental-protection perspective, the green sector still lacks a clear regulatory framework, standardized assessment criteria, and environmental impact-measurement tools to support policy design and green credit product development. Green projects must also satisfy stringent environmental requirements and complex lending procedures. Consequently, without interest-rate support or other incentive mechanisms, customer demand for green credit products remains low.

### **Sanctions Frameworks Focused on Preventing Greenwashing in Green Banking**

Decree No. 88/2019/NĐ-CP of 14 November 2019 sets out administrative violations in the banking sector. Article 14(5) of the Decree establishes penalties for violations in credit extension activities, including: providing credit to individuals or organizations that do not meet statutory conditions; granting or reducing interest rates in contravention of internal regulations; applying interest rates contrary to legal provisions; and extending unsecured credit or preferential loans to ineligible beneficiaries. Fines range from a minimum of VND 10 million to a maximum of VND 300 million.

In addition, to address conduct causing environmental harm, Chapter X Section 2 of the 2020 Law on Environmental Protection provides general principles and responsibilities for environmental damage compensation under Articles 130, 131, and 132. These provisions require compensation for environmental damage, including costs for damage assessment and related procedures, allocated to responsible parties based on their proportionate contribution to the total harm. Where relevant parties or environmental authorities cannot determine the share of responsibility, arbitral tribunals or courts shall decide (Article 130(3)(b)).

However, these provisions do not explicitly address forms of fraud that may cause harm in green banking activities, nor do they provide sanctions for conduct such as falsifying information in green project documentation to obtain preferential credit, or manipulating environmental or climate-risk indicators to evade taxes or avoid financial reporting scrutiny. For example, an enterprise may exaggerate the environmental performance of a project by claiming to use low-emission technologies without actual implementation,

or it may self-declare compliance with green standards without reference to a nationally unified taxonomy.

Current legislation does not impose a legal duty to verify green claims or require third-party verification for green credit purposes. Circular No. 17/2022/TT-NHNN, the most recent regulation relevant to this field, merely requires banks to consider environmental and social risks in lending. Viet Nam has drafted but not yet promulgated a national green taxonomy. Fraudulent behaviours of the types described above are also not recognized as distinct offenses under the Penal Code. As a result, criminal proceedings typically rely on the general offense of fraud to appropriate property under Article 174. However, this offense does not adequately capture the nature of misconduct in green banking and requires proof of tangible appropriation, an element often absent in greenwashing-related violations. The Penal Code also contains Article 206, which criminalizes violations of banking regulations, and several environmental crimes that impose penalties ranging from fines to imprisonment for up to 20 years, depending on the severity of the offense. Yet these provisions do not describe the specific characteristics of fraudulent conduct in green banking, making criminal prosecution difficult unless the elements of property-appropriation fraud are satisfied.

Given the current regulatory landscape, Viet Nam's legal instruments do not provide a formal definition of "greenwashing," nor do they contain sanctions for misclassification of green projects or fraudulent green reporting. Transparency regarding the "green" nature of loans, bonds, and banking activities is essential, yet no statutory mechanism ensures such transparency. Similarly, the Penal Code has not introduced specialized "green crimes," even though these offenses are globally understood as conduct causing environmental harm at local and transboundary scales, often linked to corporate or state wrongdoing (Michael, 2020). Green crimes typically refer to acts that cause, or have the potential to cause, significant harm to ecosystems in pursuit of production or profit (Michael, 2016; Paul, Michael and Michael, 2013).

From an enforcement perspective, although existing Vietnamese law provides sanctions for similar forms of misconduct - such as false disclosure in securities markets, deceptive advertising, financial fraud, and insurance fraud - it has not extended these sanctions to the green finance domain. Thus, violations such as fraudulent ESG reporting, misapplication of green credit criteria, misuse of green bond proceeds, or mislabeling of green projects remain insufficiently regulated. Environmental sanctions under the Law on Environmental Protection and environmental crimes under the Penal Code apply only to entities directly causing pollution; they do not apply to financial institutions funding polluting activities. Because lenders bear no explicit legal accountability for the environmental impacts of financed projects, credit officers may overlook environmental considerations during loan appraisal (Nguyen, 2018). This regulatory gap creates a risk that banks will prioritize commercial interests over environmental protection, allowing environmentally harmful lending practices to persist and ultimately undermining the credibility, growth, and effectiveness of green banking in Viet Nam.

According to Lyon and Montgomery, there is no unified definition of "greenwashing" due to its multifaceted nature (Thomas and A., 2015). Meanwhile, according to Tateishi, "greenwashing" is "the act of communicating misleading information about the

environmental effectiveness/benefits of an organization, service, or product by concealing negative information and promoting positive information" (Eigo, 2017). "Greenwashing" can be understood as businesses providing false information or failing to implement environmental protection measures while projecting an image of environmental responsibility. Globally, greenwashing has been addressed in legal documents. Specifically, the EU has issued the Green Claims Directive (GCD) to protect consumers from misleading environmental marketing practices, also known as greenwashing. According to the European Commission, more than half of the green environmental claims made by businesses are vague, misleading, or based on unsubstantiated information. The Green Claims Directive, adopted in February 2024 and expected to come into effect on September 27, 2026, will introduce specific bans on environmental claims. Claims about things like climate neutrality and other "environmentally friendly" claims will be prohibited unless substantiated with evidence. This is the EU's clearest move to ban greenwashing practices (European Commission, 2023). In addition to the Green Claims Directive, businesses in EU countries are required to comply with the existing legal framework against "greenwashing," the Unfair Commercial Practices Directive (UCPD). In Ireland, the Consumer Protection Act 2007 prohibits misleading commercial practices, including inaccurate or misleading environmental claims. Japan has also issued guidelines on climate change risk monitoring, developed by the Financial Services Agency of Japan (FSA) (Financial Services Agency, 2025), which include requirements to prevent "greenwashing" (Mark, 2024). To limit "greenwashing," all listed companies in Singapore (Monetary Authority of Singapore, 2020), including banks, must disclose information in accordance with the recommendations of the Group of Twenty (G20) economies. Through the issuance of the Guidelines on Environmental Risk Management for Banks, these guidelines outline the MAS's expectations for environmental risk management for all banks, commercial banks, and financial companies in Governance and Strategy, Risk Management, and Environmental Risk Disclosure (Thomas and A., 2015). Furthermore, Singapore has launched a program using artificial intelligence to help analyze risks in the financial sector, thereby identifying environmental risks and examining the prevention of "greenwashing" in this sector. Based on the experience of countries that have enacted regulations on combating green laundering, it is suggested that Vietnam should also selectively refer to the experiences of these countries, especially Singapore and Japan. These two countries are located in Asia, share certain cultural similarities, and are geographically close. They also have strict regulations on environmental protection and legal measures to prevent socio-environmental risks. Referencing their experience in combating green laundering through the issuance of guidelines on environmental risks in the financial and banking sector will provide a basis for Vietnam to internalize green laundering practices within its legal framework for prevention and handling violations, ensuring compatibility with international standards. Most importantly, this can help organizations, individuals, and banks feel secure in their operations, thereby creating favorable conditions for the strong development of green banking.

## Discussion

*Tensions Between the Development of Green Banking and the Capacity of the Existing Legal Framework*

From a practical perspective, Vietnam has also achieved certain results in implementing regulations on green banking. By the end of 2025, according to the State Bank of Vietnam's green credit report, Vietnam's total green credit outstanding in the entire system is estimated to reach approximately VND 850,000 billion, a 30% increase compared to 2023 (Nguyen, 2025b). The Law on Credit Institutions of 2024 regulates banking and credit activities clearly, providing autonomy to banks in their operations as stated in Article 8. However, it lacks specific provisions for green banking, such as incentives for green credit loans or the issuance of bonds for green projects. This omission may hinder the effective implementation of green banking policies and create inconsistencies in the legal framework. While sub-legal documents touch on green banking in relation to environmental and social risk management, the absence of direct legal recognition could pose challenges for its practical application. These are also typical banks that have achieved outstanding results in pioneering the integration of ESG into business operations, risk management, and sustainable development reporting (Pham *et al.*, 2025).

Although Vietnam is striving to mobilize financial resources for green growth through its banking system, the supporting legal framework remains incomplete and underdeveloped. Vietnam lacks a comprehensive legal framework for green credit that specifies standards and guides SMEs in meeting green standards and accessing international green capital. Vietnam also lacks guidance on social risk management and an updated database of environmental violations by businesses to help credit institutions assess risks and allocate credit more effectively. Furthermore, credit institutions require significant investment in risk assessment systems, while the capacity of staff and the awareness of businesses regarding green finance are still uneven. The lack of support mechanisms, such as green credit guarantee funds or interest rate subsidies, further discourages banks from accepting and deploying international capital into green agricultural projects, which are high-risk and lack collateral. Furthermore, a widening gap is emerging between the rapid development of green banking activities and the relatively slow pace of legal and regulatory reforms. This delay in regulatory enactment has significant implications for the development of related markets, including carbon credit, renewable energy finance, and emerging sectors such as sustainable real estate and green investment. Without stronger legal integration, more enforceable obligations, and clearer accountability mechanisms, the transformative potential of green banking in supporting Vietnam's sustainable development goals risks being significantly limited. Vietnam does not yet have a comprehensive legal framework on green credit that stipulates specific standards and guides SMEs to meet green standards and access international green capital flows. Vietnam also lacks guidelines on social risk management and an updated database of environmental violations by businesses, which would help credit institutions assess risks and allocate credit more effectively. Furthermore, credit institutions require significant investment in risk assessment systems, while staff capacity and business awareness of green finance remain uneven. The lack of support mechanisms, such as green credit guarantee funds or interest rate subsidies, makes banks hesitant to accept and deploy international capital into green agricultural projects, which are high-risk and lack collateral. These legal challenges hinder the effective implementation of the green banking model.

Based on the lack of green banking regulations in Vietnam's current legal framework, as analyzed above, the most important thing now is to have a clear legal document on green banking. There are several ways to integrate green banking regulations into existing legislation, either by enacting a separate law on green banking or by integrating it into specialized laws. The model of enacting a separate law clearly carries symbolic risks. It could become a policy declaration, requiring numerous implementing guidelines, potentially leading to fragmentation and overlap with other specialized regulations. A separate law might require a new enforcement apparatus, monitoring mechanism, and compliance system, potentially increasing compliance costs for banks and regulatory agencies. This is not suitable for Vietnam's conditions and circumstances. For a model integrated into specialized laws, this would ensure legal legitimacy and high enforceability. Through this, green banking would be linked to risk management obligations, capital adequacy standards, internal control, and inspection and supervision, while also allowing access to ESG standards and alignment with international practices such as Basel, ISB, and the EU. Practical experience in other countries shows that there is no model such as enacting a separate law; instead, integration occurs through banking laws or EU laws on sustainable disclosure, or within central bank regulations or the sustainable finance frameworks of Singapore and Malaysia. Therefore, Vietnam needs to study and choose to integrate green banking regulations into specialized laws, specifically banking and environmental laws, as a more reasonable and feasible option. This approach not only ensures the consistency of the legal system but also enhances enforcement effectiveness, linking sustainability goals with risk management and financial safety mechanisms, thereby promoting the substantive development of green banking.

#### *The Gap Between Viet Nam's Legal Framework and International Regulatory Models*

Globally, many countries have moved swiftly to reform and adapt their legal frameworks to new sustainability challenges. To support sustainable development - including the development of green banking - countries have adopted comprehensive legal instruments to address emerging issues promptly. On March 22, 2023, the European Commission proposed the creation of a directive on green claims. This directive requires businesses to demonstrate the authenticity of their green claims in commercial transactions with consumers. The directive also stipulates that the content, imagery, and overall presentation of a product - including layout, colors, images, sounds, symbols, or labels - must accurately and truthfully reflect the level of environmental benefits achieved. Exaggeration or misleading claims about the environmental benefits of a product are strictly prohibited. Through this mechanism, the directive aims to establish a more level playing field in the disclosure and access to information regarding the environmental friendliness of products and services. Meanwhile, the United States has developed a Green Handbook to help businesses avoid making potentially misleading environmental claims. The contents of this Handbook include: 1) general principles applicable to all environmental claims; 2) how consumers understand these claims and how marketers can substantiate them; and 3) how marketers can adjust their claims to avoid misleading consumers.

In Asia, several countries have also established preferential refinancing programs for green loans. China's Carbon Emission Reduction Facility (CERF) provides significant

interest rate support for green loans (Shengling *et al.*, 2022), while Japan's Sustainable Finance and Monitoring Guidelines require banks to integrate climate-related risks into their risk management systems. At the regional level, ASEAN has issued a formal taxonomy framework (ASEAN Taxonomy for Sustainable Finance - Version 2) to identify and standardize sustainable economic activities, serving as a basis for green capital flows and transformation in the region and limiting green decoupling (ASEAN, 2023). It serves as a reference for ASEAN countries and is used by banks, regulators, and investors in designing green financial products, as well as in developing policies, risk management, and sustainable financial markets suitable to the region's diverse development conditions. In a report (Nguyen, 2024), a Vietnamese economist also pointed out that Southeast Asian countries such as Singapore, Indonesia, and Malaysia have issued standards, legal frameworks, and policies for green finance, green classification, green bonds, and green credit. In 2019, Singapore issued the Singapore-Asia Green Classification for Sustainable Finance, the Green Investment Programme (2019), the Sustainable Loan Support Programme (2020), and the Sustainable Bond Programme (2017/2020). To ensure the prevention of environmental risks during the financing process (Monetary Authority of Singapore, 2020), Singapore issued a set of guidelines on environmental risk management (Banks) requiring banks to establish and integrate environmental risk management into their overall risk management and governance activities. The guidelines emphasize that banks must assess, measure, monitor, and control environmental and climate risks arising from their credit portfolios, investments, and business operations; and enhance transparency regarding these risks. The goal of the guidelines is to help the Singaporean banking system improve its ability to cope with the long-term impacts of climate change and environmental factors, thereby promoting sustainable finance and financial stability. Meanwhile, in 2022, Indonesia issued its Green Classification List, having previously issued the Regulation on Sustainable Finance Implementation (Regulation No. 51/2017) and the Green Bond Standard (Regulation No. 60/2017). Malaysia also issued a climate-based green classification list in 2021 and a green bond framework in 2022.

Along with enacting legal tools to support the development of green banking and address the risks and challenges of sustainable development, the laws of countries around the world also enact and regulate sanctions to deal with green laundering practices. Most countries regulate these sanctions in their laws against unfair competition or in their consumer protection laws. For example, Australia has issued a Guide for Making Environmental Claims and a Report on Greenwashing by Businesses in Australia. Simultaneously, businesses and individuals making false, misleading, or fraudulent claims, including "greenwashing," face a maximum penalty of up to A\$50 million per violation under the relevant provisions of the Australian Consumer Law (ACL). Furthermore, if the court can determine the benefit obtained from the violation, the penalty can be three times the value of that benefit; if the court cannot determine the value of the benefit, the penalty can be 30% of the business's adjusted revenue (ACCC, 2010). While the European Union does not yet have regulations specifically addressing greenwashing, it has issued indirect regulations on this issue, such as the Law on Combating Unfair Trade Practices. (UCPD-2005/29/EC) or Consumer Rights Directive (2011/83/EU). Instead of establishing a separate criminal offense, the EU considers "green screen" as a form of serious misleading behavior, which is prohibited by default and subject to strong deterrent financial, civil, and market sanctions, especially in the

financial and banking sector. The EU has also required member states to specify concrete penalties for this behavior. Malaysian law addresses the act of making false/misleading statements about quality, standards, composition, or usage history under the Consumer Protection Act 1999, with penalties up to 100,000 ringgit or imprisonment up to 3 years or both (more serious offenses: up to 6 years) for individuals, or fines up to 250,000 ringgit (up to 500,000 ringgit for repeat offenders). with legal entities. (Part IV - Consumer Protection Act 1999, Law of Malaysia Act 559). Or Thailand punishes the act of advertising or using labels with false information, knowing or should have known to be misleading about the origin, condition, quality, or quantity of goods or services, with a penalty of imprisonment not exceeding six months or a fine not exceeding fifty thousand baht, or both. (Section 47 - Consumer Protection Act, B.E.2522, 1979).

Within the overall picture of green banking legal frameworks in countries around the world, Vietnam has also been developing a green banking legal framework. However, because it is only in the early stages of completing a unified legal framework, some gaps still exist, as follows:

*First*, Viet Nam does not have an official legal definition of “green banking.” Existing legislation - including the Law on Credit Institutions, the Law on Environmental Protection, and the Law on Consumer Protection- does not define greenwashing, leaving enforcement bodies without a legal basis for sanctioning violations. Consequently, Viet Nam lacks dedicated criminal or administrative sanctions for greenwashing, ESG fraud, or misuse of green credit.

*Second*, while Viet Nam has supportive policies, its legal framework for green bonds and sustainable finance remains nascent and insufficiently standardized. More detailed regulations, stronger supervisory capacity, and clearer incentives are required (ADB, 2022).

Scholarly and institutional assessments reinforce these concerns. A study argues that Viet Nam has established only rudimentary regulatory foundations and lacks robust enforcement mechanisms (Thuy, 2025). While policy discourse signals a strong commitment to mobilizing green capital, implementation conditions remain particularly challenging for small and medium-sized enterprises, which constitute the backbone of the national economy. This disconnect has created a persistent gap between policy ambition and practical execution. Similarly, the Vietnam Country Climate and Development Report (EAP, 2022) observes that Viet Nam has yet to conduct a comprehensive assessment of climate-related risks within its banking system. Unlike jurisdictions that have embedded climate-risk management into prudential supervision, Viet Nam’s regulatory approach remains largely advisory. In contrast, the European Union has codified its climate and energy objectives for 2030 through the European Green Deal and the Sustainable Finance Action Plan, including Regulation (EU) 2020/852 on the establishment of a taxonomy for sustainable activities. Another authors likewise identify the legal framework as a decisive factor influencing both the quality and the pace of green banking development, underscoring the urgency of timely and well-calibrated regulatory reform in Viet Nam (Nguyen, Phan and Le, 2023).

### *Challenges in Developing Sanctions for Violations in Green Banking*

While Vietnam is making efforts to promote the development of green banking and accompanying green products and services, there are also individuals and organizations exploiting government policies to commit violations. As consumers increasingly seek to support businesses that align with their values, some companies have taken advantage of consumer goodwill by exaggerating or misrepresenting the sustainability of their products/services. Although Vietnam does not have specific regulations prohibiting greenwashing, existing laws already provide sanctions for actions that show signs of greenwashing related to advertising, competition, and consumer rights. For example, Clause 34 stipulates that false or misleading advertising is punishable by a fine of VND 60 million to VND 80 million (as stipulated in Decree No. 38/2021/ND-CP), or that organizations or individuals trading goods and/or services who attempt to deceive or mislead consumers through advertising activities, or conceal or provide incomplete, false, or inaccurate information, are subject to a fine of VND 20 million (USD 767) to VND 30 million (USD 1,150). Regarding unfair competition related to providing false or misleading information to customers about a business or goods, services, promotions, or transaction conditions related to goods and services provided by a business to attract customers from other businesses (Clause 5, Article 45 of the 2018 Competition Law), violators may face the following penalties: Warning; The maximum fine is up to 2 billion VND for violations of regulations on unfair competition or 200 million VND (7,670 USD) (for other violations).

From a criminal perspective, the current Vietnamese Penal Code does not have a specific law to address the act of "greening." Therefore, violations related to publishing false or exaggerated information about the greenness of a project for greening may be prosecuted under offenses such as: Deceptive advertising (Article 197), Deceiving customers (Article 198), Violation of competition regulations (Article 217), or Fraudulent appropriation of property (Article 174) if there are signs of deception aimed at appropriating property. One of the prominent recent cases of false advertising involved "Chi Em Rot Group Joint Stock Company" and its Kera vegetable candy product (Trong, 2025). The company violated advertising regulations by making misleading claims that "one candy replaces a plate of green vegetables". The defendants were prosecuted for the crimes of trading counterfeit goods and deceiving customers. This case also involves the practice of "greening" products by falsely labeling them as green through exaggerated advertising about the organic ingredients and fiber in Kera vegetable clips, thereby illegally profiting from sales. The incident raises concerns about the practice of falsely labeling products as green and exploiting consumer preferences to easily deceive consumers into consuming such products.

As green banking and related greening activities continue to expand, the development of a comprehensive and coherent legal framework - including policies, mechanisms, and binding obligations - is essential. Equally important, however, is the establishment of strong oversight mechanisms to prevent violations and to ensure proportionate enforcement when misconduct causes harm to the economy, the state, society, or individuals. Despite the rapid development of green banking, Viet Nam still lacks sufficiently strong and deterrent sanctions to address violations of green credit standards or deliberate ESG-reporting fraud. Even after the most recent amendment to the Penal

Code on 25 June 2025, no specific offense or sanction has been introduced to address such behaviours. International experience demonstrates that the expansion of economic activity, while generating growth opportunities, also increases the risk of misconduct and the emergence of new forms of crime. Accordingly, regulatory incentives must be complemented by effective and enforceable sanctions. Green banking is no exception: as the sector develops, modern forms of “green crime” may emerge. Green crimes encompass acts that harm ecosystems, organisms, and human communities by creating significant environmental threats in pursuit of production or economic gain.

In the context of sustainable development, climate change, and green finance, fraudulent reporting of environmental benefits to obtain green loans or manipulating ESG indicators to secure tax incentives should be criminalized in line with international norms. This would provide legal certainty for participants in Viet Nam’s green banking sector and ensure protection against harmful conduct.

#### *Inter-Ministerial Coordination as a Structural Bottleneck Hindering the Effective Implementation of the Green Banking Law*

Resolution No. 18-NQ/TW of the Sixth Plenum of the 12th Party Central Committee endorsed the restructuring and consolidation of administrative units and governmental bodies. This reform marks an important milestone in Viet Nam’s administrative modernization (Pham, 2025; Nguyen, 2025a). While these reforms facilitate national development, they also pose challenges for the public administration system, including financial and banking regulation. Changes in the functions and mandates of ministries create uncertainties in coordinating efforts to achieve green growth and sustainable development objectives. Inter-agency coordination depends heavily on central-level decisions and clear allocation of responsibilities among ministries. Green banking policy spans multiple sectors, including finance, banking, taxation, and environmental protection. Effective implementation, therefore, requires synchronized coordination among state management bodies. In the context of ongoing structural reforms, this poses practical challenges. Administrative consolidation does not necessarily reduce the complexity of inter-agency coordination; instead, it may increase the burden on ministries now tasked with broader portfolios and potentially exacerbate functional fragmentation and ambiguities in responsibility.

Traditionally, the Ministry of Natural Resources and Environment oversaw environmental regulation, emissions, and taxation; the Ministry of Finance handled green bonds, taxation, and green accounting; the Ministry of Planning and Investment managed public green investment and planning; and the State Bank supervised credit and ESG risks. After consolidation, however, as the Ministry of Finance and Ministry of Planning and Investment merged into a single Ministry of Planning and Investment, and the Ministry of Natural Resources and Environment merged into the Ministry of Agriculture and Rural Development, lead responsibilities have shifted in ways that disrupt established coordination mechanisms. Despite a streamlined administrative structure, no additional specialized personnel in green finance have been allocated. Newly consolidated units now shoulder expanded responsibilities, reducing the priority given to green banking and shrinking the resources available for inter-agency

coordination. As a result, laws and regulations on green banking may face delays in implementation and lack consistency.

### *Proposals for Improving the Legal Framework on Green Banking to Meet Sustainable Development Demands*

As observed by Binh, a banking system that prioritizes credit growth while neglecting environmental and social impacts ultimately exposes both financial institutions and the broader economy to systemic risk (Tran and Nguyen, 2022). Conversely, the development of green banking reflects a bank's commitment to sustainable development and enhances its long-term competitiveness. On this basis, several interrelated reforms are proposed to strengthen green banking in Viet Nam.

First, the most urgent task is to develop a dedicated legal framework for green banking. In terms of substance, this requires, above all, the formulation of a legal definition of "green banking" and its incorporation into banking, credit institution, and/or environmental protection legislation. This would create a unified understanding of green banking and ensure consistency in the application of legal provisions in this area. Specifically, it is necessary to supplement the law on green banking for credit institutions as follows: Green banking is an operating model of credit institutions that harmoniously and sustainably combines economic and socio-environmental aspects in credit granting, investment, and risk management activities, prioritizing financing for environmentally friendly activities while preventing environmental and social risks and ensuring the safety of the banking system. Along with this, Vietnam also needs to build a legal framework for green banking, in which the green banking law is the system of legal norms regulating the activities of credit institutions and related entities in the banking sector to promote green finance, ESG transparency, and environmental and climate risk management in the banking system. In addition, clear standards and principles relating to green banking should be established to guide credit institutions in designing strategies and orientations for financing environmentally friendly projects. Furthermore, it is necessary to clarify the concept of "greenwashing" from a scientific perspective and define its content in positive law by listing prohibited behaviors in the process of granting credit or other activities related to green banking. Accordingly, "greenwashing" is understood as the act of an organization or business intentionally or unintentionally providing information, statements, or images that mislead people into believing that their activities, products, services, or investments are environmentally friendly or sustainable, while in reality they do not meet or are not commensurate with the published environmental criteria. Prohibited greenwashing behaviors include: attaching green or sustainable labels to credit or investment products without clear, independently verified criteria; providing incomplete or inaccurate information about the environmental impact of investment projects; financing environmentally polluting projects while still promoting them as green finance; Providing false or misleading information about the greenness of products, services, projects, etc., can be considered a violation of the law and subject to penalties or criminal prosecution for corresponding crimes due to harm or threats of harm to the environment and people.

Second, the Government should accelerate the completion of the legal framework, especially by clarifying sectoral criteria and definitions for activities eligible for green

lending under the 2020 Law on Environmental Protection, together with detailed guidance on the verification of projects that meet green criteria and conditions for accessing green credit. In this regard, the State Bank of Viet Nam should work closely with the Ministry of Natural Resources and Environment to issue guidelines on green credit and define the legal basis for certifying projects eligible for such credit. The Government should also adopt support policies to encourage credit institutions and enterprises to expand green lending, such as interest-rate subsidies, tax and fee reductions, lower reserve requirements, higher credit limits for green banks, and the establishment of a green finance fund to mobilize and allocate green financial resources more efficiently and sustainably. Furthermore, mandatory requirements for green credit should be integrated into the Law on Credit Institutions instead of being solely stipulated in the Environmental Protection Law or its implementing guidelines, as is currently the case. This is because green credit requires regulations on criteria for classifying green projects eligible for credit, eligible recipients of green credit, tax incentives for loans, and administrative procedures to facilitate its attractiveness to businesses. This integrated regulation will create a unified legal basis for the stability and development of green banking, rather than viewing green credit merely as an activity within the environmental protection sector. It will also increase access to domestic and international green capital, ensuring the state's regulatory role in capital allocation.

Third, specific regulations are needed to assign responsibility to banks that provide credit to projects with adverse environmental and social impacts, alongside sanctions for such conduct. Where such conduct causes serious harm to society, criminalization under the Penal Code may be warranted. As noted above, “green crime” is a concept closely linked to violations associated with green banking. A clearer understanding of green crime would help identify specific offenses for inclusion in the Penal Code and support the design of appropriate sanctions and penalties, thereby enhancing the State’s capacity to deter and prevent violations.

Fourth, it is necessary to institutionalize green banking through coherent policies and institutional arrangements so that green banking can be implemented systematically nationwide. At the same time, standards on green banking should be developed with reference to international instruments to which Viet Nam is a party or signatory, ensuring both compatibility with global practices and suitability to domestic conditions. This requires identifying policy models that can serve as alternatives or complements to green banking implementation, and encouraging financial institutions to adopt environmentally friendly practices. Over time, this could foster a financial system - both banking and non-banking - that embeds environmental protection and environmental risk management in its financial policies and operational practices (Hari, 2019).

Fifth, in order for green banking to grow and for its model to be replicated more broadly, clear criteria are needed to guide banks in financing projects. Such criteria might include: contributions to sustainable development and use of renewable natural resources; protection of human health; conservation of biodiversity; prevention of pollution and waste generation; effective environmental and waste management (including solid and chemical waste); and the presence of specialized units responsible for environmental management. These elements will require changes in banks’ traditional lending practices and should be recognized as necessary and sufficient conditions for green credit.

Ultimately, they should be codified if Viet Nam is to integrate effectively into the global economy.

Sixth, an appropriate green banking development model should be selected in light of the country's socio-economic conditions. Green banking may take the form of conventional banks that integrate corporate social responsibility and sustainable development goals by transforming their product offerings, service delivery, internal processes, infrastructure, and information technology in ways that reduce negative environmental impacts - similar to models such as First Green Bank (United States), Triodos Bank (Netherlands), or GLS Bank (Germany). Alternatively, green banks may be established as specialized financial institutions, typically supported by public funds, with a mandate to promote investment in climate-resilient, low-carbon infrastructure, as exemplified by the UK Green Investment Bank and Germany's KfW Development Bank. Choosing an appropriate model will shape the trajectory, operational design, and long-term development of green banking in Viet Nam.

Finally, it is necessary to clarify the role of institutions and law enforcement in the implementation of green banking, integrating policies on green credit and preventing green bleaching. This depends not only on the promulgation of legal regulations but also on the institutional capacity and enforcement effectiveness of state management agencies. Therefore, emphasis should be placed on strengthening institutional capacity, enhancing inter-sectoral coordination and supervision, and improving enforcement mechanisms to ensure that environmental standards are genuinely integrated into credit-granting and banking supervision activities. Bridging this gap will not only enhance the effectiveness of the law but also help transform environmental goals into market discipline through the flow of financial capital.

## Conclusion

Green transition has been identified as a strategic pillar of Viet Nam's economic development in the new era, encompassing: (i) deeper breakthroughs in development-oriented institutions; (ii) continued construction of the Vietnamese socialist model; (iii) development of new productive forces (combining high-quality human resources with new means of production and strategic infrastructure for transport, digital transformation, and green transition); and (iv) the initiation and implementation of a digital transformation "revolution," the promotion of strategic technologies, and the green transition, with science, technology, and innovation serving as the main drivers of development.

Against this backdrop, green banking can be understood as a banking model grounded in sustainability criteria and, crucially, designed to support adaptation to accelerating climate change, a phenomenon that has significant implications for the banking sector. The effectiveness of green banking depends on the State's policy framework and the content of legal regulations. A comprehensive legal framework, from rules governing banking operations to environmental protection provisions and sanctions for violations, will help ensure compliance by all actors engaged in green banking, thereby supporting the development and modernization of Viet Nam's banking system and its integration into global markets.

This study has highlighted a number of shortcomings and challenges in Viet Nam's legal framework for green banking. The key finding is that Viet Nam still lacks a comprehensive and coherent legal regime in this area: current provisions are largely recommendatory, without robust accountability mechanisms or specific sanctions to prevent violations. This calls for greater efforts to improve the legal framework for green banking so that it can meet the demands of global financial integration and the country's sustainable development objectives. At the same time, this research has several limitations. It provides only a limited comparative analysis of Vietnamese green banking regulation vis-à-vis jurisdictions with more developed green banking systems. The study relies primarily on published legal documents and secondary sources, which may overlook recent or unpublished developments. Moreover, the methodological approach does not assess the effectiveness or actual enforcement of legal instruments. Future research should therefore broaden the comparative scope to include more jurisdictions and adopt an interdisciplinary approach that integrates legal, economic, and environmental perspectives, so as to generate a more comprehensive understanding of green banking regulation.

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### *Author's Contributions (in accordance with ICMJE criteria for authorship)*

This article is 100% contributed by the sole author. She conceived and designed the research or analysis, collected the data, contributed to data analysis & interpretation, wrote the article, performed critical revision of the article/paper, edited the article, and supervised and administered the field work.

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