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Review Article

Green Finance and Firm Performance in Vietnamese Enterprises: A Review with a Sustainable Orientation

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Abstract: This study provides a qualitative literature review on the relationship between green finance and firm performance in Ho Chi Minh City (HCM) through the aggregation of academic knowledge, key themes, and research gaps to develop a conceptual framework for informing future empirical studies. The reviews covers peer-reviewed journals, reports, and policy papers published from 2020 to 2025 focusing on green finance practices such as green credit, green bonds and ESG investing, and their impacts on financial, environmental, and operational performance. The findings are organized across core dimensions of green finance and performance, with a critical evaluation of methodologies and academically contributions. The proposed conceptual framework details the direct and indirect impacts of green finance on firm performance, financial outcomes, environmental impacts, and stakeholder perceptions. Five hypotheses that relate to the performance of CSR, the commitment of management, environmental performance, intangible capital and green innovation are able to improve financial performance. This framework aims to deepen understanding of green finance in Vietnamese businesses and promote its integration into operations. The study advocates a balanced approach to profitability, sustainability, and stakeholder trust, contributing to the discourse on sustainable development in emerging economies.

Keywords: Green Finance, Firm Performance, Environmental Performance, Financial Outcomes, Green Innovation.

INTRODUCTION

Green finance plays a critical role in enhancing firm performance (Liu & Wu, 2023; Daniel, 2023; Li & Lin, 2024; Saci & Aliouat, 2024). Economic growth remains a significant driver for the advancement of developing countries and the achievement of social objectives (Banani, & Sunarko, 2022). An up-to-date perspective on emerging issues and trends in green finance is crucial as it remains a progressive and dynamic field (Mudalige, 2023). Financial institutions are steadily incorporating environmental performance into investment assessments and capital allocation decisions, a term commonly referred to as "green finance" (Desai & Patel, 2025). The study aims to evaluate the effect of green finance on enterprise performance in Vietnam under increasingly stringent environmental regulations. Primarily, it determines the relationship between the adoption of green finance principles and the factors of fim performance, including profitability, sustainability, and innovation.

The implementation of green finance has been examined through both qualitatively theoretical and empirical models to analyze the influence of green finance factors, such as investments in eco-friendly technologies, policies for reducing carbon emissions, and green funding programs. These components are assessed in relation to key indicators of firm performance, such as profitability, innovation, and operational efficiency. This study analyses from Vietnamese firms operating in various industries to provide an overall picture of the current status and potential of green finance in the country. This, in turn, such analysis offers a meaningful understanding into how green finance contributes to improve enterprise's financial performance in Vietnam under the high pressures of globalization and increasing environmental standards. These findings not only support businesses in understanding the benefits of adopting green finance, but also guide policymakers in designing how to foster a encouraging environment for sustainability through financial mechanisms. Additionally, this paper also sets the groundwork for future research on other variables affecting the relationship between green finance and firm performance in developing economies.

LITERATURE REVIEW

Theoretical Background

The link between green finance and firm performance can be interpreted through several interconnected theoretical frameworks that explain how sustainable financial practices toward generating value, mitigate risks, and improving competitiveness. This paper adopts stakeholder theory (Freeman, 1984) as a pedestal to explore the conceptual links between green finance tools and performance outcomes in Vietnamese firms. Firms have to take into consideration the broader network of stakeholders they deal with. According to the Stakeholder Theory, the interests of customers, investors, regulatory bodies, and society at large have to be reconciled for the sustenance of the company in the long run. Green innovation, ESG investments, and green credit inform the broader investment and lending community about a company's commitment to the environment and sustainable development.

Green Finance and Its Significance in Sustainable Development

The concept of green finance has gained global acceptance, proven by the growing amount of academic publications on the topic. However, there is still an ongoing need for the aggregation of current literature in this field to understand better how green finance has transformed itself into a distinctive and significant aspect of knowledge (Desai & Patel, 2025). Green finance becomes the hottest topic for discussion as the present generation is becoming more conscious of enhancing a sustainable environment (Malghani *et al.*, 2025). Green finance is netted into the implementation of the Sustainable Development Goals where strong attentiveness is paid to climate action and workable economic development. The growing global focus on green finance is relatively recent trend, with emphasis in developed economies where stricter environmental regulations and mature financial markets have accelerated its adoption.

The Relationship between Green Finance and Firm Performance

Emerging economies are growingly striving to change toward green economy from the point of view of their potential of sustainable business practices to drive long-term success. Simply, firms are encouraged to rely on green investments, financial mechanisms, and resource management strategies to support their sustainability goals as there are limitations of natural resources (Ye & Dela, 2023). Numerous studies have demonstrated a positive relationship between green finance and firm performance, suggesting that companies engaging in sustainable practices often achieve better financial outcomes. Green finance can help firms lower costs, secure better financing, and attract socially responsible investors. However, critics note that returns may take time, and high initial costs, especially for SMEs in developing economies, it remains a key barrier to adoption.

Green Finance in Emerging Economies: A Research Gap

Firms must assure sustainability in their performance, which involves achieving strong financial results while also delivering social and environmental impacts (Shahzad *et al.*, 2020). The financial system plays a vital role in facilitating decisions that balance or trade off the economic, social, and environmental development objectives (Dimmelmeier *et al.*, 2021). The increasingly concerns over sustainability for savers and financial investors about the importance of sustainable investments reflect the transformation of classical finance into green finance defined from the exclusive concern of maximizing shareholder value to a broader perspective on triple bottom line, value creation for the whole society (Palmaccio *et al.*, 2023). However, the majority of literature in green finance focuses on developed countries which leaves a big gap in the study of the emerging economies of Southeast Asia. Vietnam, as a fast-growing economy under high environmental stress, offers a valuable case for exploring the relationship between green finance and firm performance.

Table 1: Research on the impact of green finance on firm performance and related topics

No	Authors	Articles	Key findings
1	Zheng *et al.*, 2021	Factors affecting the sustainability performance of financial institutions in Bangladesh: the role of green finance	This study shows that social, economic, and environmental aspects of green finance positively impact institutional sustainability, aligning with the SDGs. Notably, 95% of bankers prioritize green finance. The findings offer insights and policy recommendations for promoting sustainability in emerging economies.
2	Wang *et al.*, 2022	Does green finance facilitate firms in achieving corporate social responsibility goals?	This study explores how green finance supports CSR in banking across environmental, economic, and social dimensions. PLS-SEM results show a positive relationship, suggesting banks should increase green finance investment to boost sustainable CSR performance.
3	Daniel, 2023	The effect of green finance on firms' sustainability: The moderating role of management commitment.	Using descriptive statistics and regression, the study found that green finance and management commitment both significantly impact firm sustainability. Management commitment also strengthens the link between green finance and sustainability, suggesting rural banks achieve better outcomes when both are aligned.
4	Fu *et al.*, 2023	Advancing green finance: a review of sustainable development.	"This paper investigates key drivers of green and low-carbon investments, emphasizing regulation, impact investing, and institutional ownership in boosting ESG performance. It urges stronger policies and transparency to align finance with sustainability goals.
5	Nagina, R. (2023, September).	Effectiveness of Green Financing Activities and Performance Management on Banking Sector: An Empirical Study.	The results show that Green Insurance and Securities have a limited impact on banks' financial performance. However, the study offers strategic insights for promoting green finance and encourages further research to strengthen the sector's role in sustainable development.
6	Tan, Y., Lin, B., & Wang, L. 2025.	Green finance and corporate environmental performance.	The study shows that green finance enhances corporate environmental performance directly and through technology upgrades, especially in firms with strong reputational capital. Effects vary by ownership and industry, with state-owned firms more responsive and high-polluting sectors less so. The findings guide sustainability-focused strategies.

Conclusion of the Literature Review and Proposed Conceptual Framework on Green Finance and Firm Performance

The global body of litterature proves a positive relationship between green finance and firm performance, particularly in developed economies. However, empirical research remains limited on this impactful connection in the context of emerging countries, Vietnam being no exception. The few studies conducted in Vietnam have called for more research to be conducted on the very important question of how green finance affects firm performance in such a unique setting. Based on the key studies including: Zheng *et al.*, 2021; Wang *et al.*, 2022; Daniel, 2023; Abuatwan, N. (2023); Fu *et al.*, 2023; Nagina, R. (2023; Li, Y., & Lin, A. (2024); Chang *et al.*, 2024; Tan, Y., Lin, B., & Wang, L. (2025); Agustina *et al.*, 2025. According to Stakeholder Theory (Freeman, 1984), ensuring the long-term corporate sustainability depends on aligning the interests of various stakeholders, including customers, investors, regulators, and society at large. Therefore, the key factors related to green finance and their impact on firm performance are illustrated in the following conceptual framework.

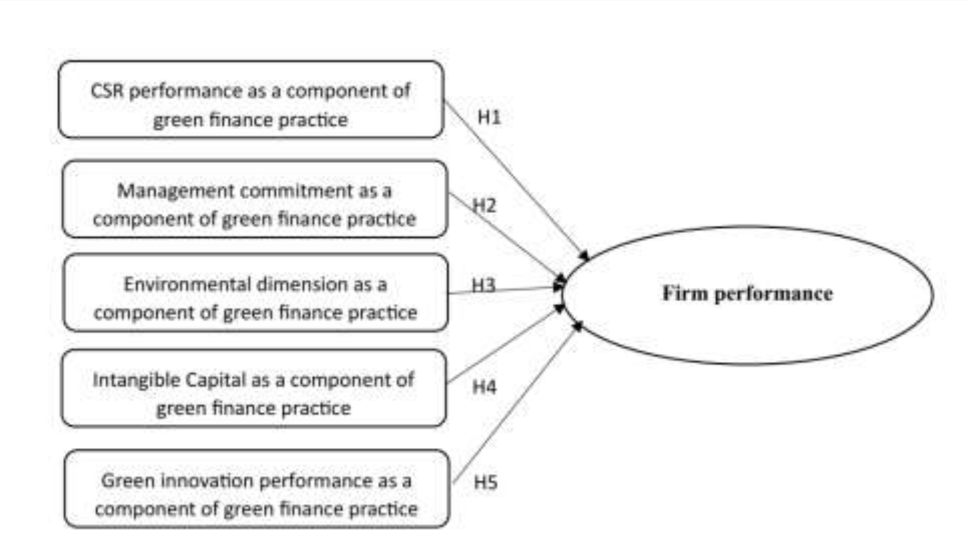

Figure 1: The conceptual framework of this study

Hypotheses for this Study:

- **H1:** There is a positive relationship between CSR performance, as a component of green finance practices, and firm performance.
- **H2:** There is a positive relationship between management commitment, as a component of green finance practice, and firm performance.
- **H3:** There is a positive relationship between environmental dimension as a component of green finance practice, and firm performance.
- **H4:** There is a positive relationship between intangible Capital as a component of green finance practice, and firm performance.
- **H5:** There is a positive relationship between green innovation performance as a component of green finance practice, and firm performance.

METHODOLOGY

This study conducts a qualitative literature review, pursuing an aggregation and synthesis of contemporary academic views concerning the connection between green finance and firm performance in Vietnamese companies, with priority given to aspects of sustainable development. This review also attempts to trace the existing academic work in the Vietnamese context to identify obvious research gaps that future empirical work should fill. In accomplishing this task, the study will develop a conceptual framework through which green finance initiatives can be associated with firm performance, serving the need of research as well as corporate managers by providing insight into how best to create policies that encourage the incorporation of green finance through effective management in business operations.

Research Approach and Methods: The study is based on a systematic literature review comprising peer reviewed journal articles, official reports, and policy papers on green finance and corporate performance, relevant to Vietnam and similar developing economies. The sources were academic papers listed on databases such as Scopus, Web of Science, and Google Scholar. The search was based on terms such as “green finance,” “firm performance,” and “sustainability.”

The review process involved: Identifying and selecting relevant studies published between 2020 and 2025;

- ♦ Categorizing the findings based on green finance dimensions (e.g., green credit, green bonds, ESG investing) and performance indicators (e.g., financial, environmental, and operational outcomes); ▪ Synthesizing results to understand patterns, mechanisms, and contextual influences;
- ♦ Critically evaluating methodologies, contributions, and limitations of previous research.

DISCUSSIONS AND CONCLUSIONS

Green finance plays a crucial role in firm performance and has been studied by many scholars, such as Chowdhury, M. M. (2023); Saadaoui *et al.*, (2024).; Abbas, N., & Shahid, M. S. (2024); Liang, Z., & Nasruddin, E. (2024); Sun *et al.*, (2024). Therefore, the setup of my work introduced here provides a deep understanding of the possible impact of green finance practices on firm performance. By considering a mix of internal drivers comprising CSR initiatives and managerial commitment, and external tools consisting of green credit and green innovation performance, the framework shows the varied and linked dimensions of sustainability within the strategies of the firm. Each component contributes uniquely while collectively reinforcing the environmental responsibility and financial soundness of the firm.

This study is significant in that it relates to the firm in its specificity to Ho Chi Minh City, prescribing how green finance can uplift firm performance in this rapid-growing area. The components of green finance, green credit, R&D innovation, and environmental management put under spotlight in this research paper brings out the sustainable practices opportunity that the firms in HCMC can embrace to enhance not only their financial results but also their environmental impacts. For firms in Ho Chi Minh City, the conceptual framework of this study offers useful insights into how green finance can be used to promote business performance in the face of increasing environmental pressure. With the sustainability agenda of Vietnam moving ahead, these enterprises are now being more pressurized by official regulations, investment in ecofriendly practices from companies/investors, and consumption of eco-products by consumers.

Theoretical Implications

The study concept substantially contributes to the theoretical discourse on green finance and sustainability by identifying and relating components influencing firm performance. Factors from the inside, such as CSR performance, management commitment, and R&D innovation are incorporated with the factors outside, like green credit and socio-environmental dimensions to make the model reflective of the multidimensional nature of green finance. It goes past the routine financial yardsticks and brings focus on the incorporation of environmental and social considerations to corporate strategy. This serves to deepen understanding of the contribution of non-financial factors, such as stakeholder trust and brand legitimacy, to long-term competitiveness.

Practical Implications

From a managerial viewpoint, the framework offers actionable insights for integrating the practices of green finance into corporate decision-making cyles, more particularly for manufacturing concerns in Ho Chi Minh City. As such, profitability goals shall be directly aligned with the sustainability commitments as Vietnam moves towards net-zero emissions with more stringent environmental legislation. The model motivates firms to consider green finance as a strategic tool toward the efficiency, risk mitigation, and sustainability of their performance rather than mere rule-following activities. This model emphasizes a most important factor for the policymakers who have to create supportive regulatory and financial ecosystems which will allow an incentive for green investments and also enable rewarding sustainable business behavior.

CONCLUSIONS

This study presents a flexible conceptual framework of this study that explains the linkage between the practice of green finance and firm performance considering the environment of a developing country, Vietnam. Having integrated eleven crucial factors comprising corporate social responsibility (CSR) initiatives, managerial commitment and green credit such environmentally conscious financial strategies have the capability to influence success at an organization.

Besides its theoretical justification for the complexity of green finance, on this conceptual framework of this study provides actionable insights for corporate leaders and policy developers. Green finance is more than welcomed in fast-growing industrial centers like Ho Chi Minh City because firms are increasingly pressured by stakeholder expectations and stringent environmental regulations. The Green supporting means Green Finance becomes not only beneficial but necessary to be able to comply with regulations and ensure their competitiveness and subsequent survivability.

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