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Review Article

Digital Finance Development for Promoting Economic Growth in Phu Tho Province After the Administrative Merger

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Abstract: In the context of rapid digital transformation worldwide and in Vietnam, digital finance has increasingly emerged as a key driver of economic growth by improving resource allocation efficiency and strengthening linkages among economic actors. Following the administrative merger, Phu Tho Province has experienced an expanded economic development space, creating an urgent need to effectively leverage digital platforms to foster local economic growth. Against this backdrop, this paper evaluates the current state of digital finance development and analyzes its role in promoting economic growth in Phu Tho Province during the post-merger period. The findings provide policy implications for enhancing digital finance development and supporting sustainable economic growth in the province.

Keywords: Digital finance; economic growth; Phu Tho Province.

1. INTRODUCTION

Digital transformation is becoming a key driving force behind the renewal of Vietnam's growth model and the enhancement of the economy's competitiveness. Through the implementation of policies and guidelines on digital government, digital economy and digital society, many sectors have undergone substantial change, among which digital finance has emerged as an important component of the digital ecosystem. The application of digital technology to payments, credit, capital mobilization and data management not only helps expand access to financial services but also improves the efficiency of resource allocation, reduces transaction costs and promotes innovation in production and business activities.

Alongside the digital transformation process, the policy of restructuring provincial-level administrative units has opened up a new development space for Phu Tho Province following its merger with Vinh Phuc and Hoa Binh. The expansion in area, population and market size creates conditions for exploiting complementary advantages among localities and for forming larger-scale production zones and value chains. In this context, digital finance is regarded as an important tool for strengthening the connection of capital flows, information flows and payment flows, thereby helping to improve the efficiency of linkages among production, circulation and consumption.

Although a number of studies have examined the impact of digital finance on economic development or financial inclusion, research on the role of digital finance in the context of a newly formed development space following provincial mergers remains limited. For Phu Tho Province in particular, comprehensive studies assessing the relationship between digital finance development and local economic growth are still scarce. Building on this research gap, the paper focuses on assessing the current state of digital finance development in Phu Tho Province after the merger, and proposes solutions for developing the digital finance ecosystem and promoting sustainable economic growth in the coming period.

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2. Theoretical basis and practical experience on digital finance development in promoting economic growth

2.1. Concepts

Digital finance refers to the application of digital technology to the provision and use of financial services—such as payments, savings, credit, insurance and investment—through digital platforms. The development of digital finance helps reduce transaction costs, expand access to financial services, and improve transparency and the efficiency of resource allocation in the economy.

The digital finance ecosystem is a set of actors—including banks, financial technology (Fintech) enterprises, payment intermediaries, regulatory authorities, businesses and citizens—who jointly provide, connect to and use financial services on digital platforms. This ecosystem operates on the basis of technological infrastructure, digital data and a synchronized legal framework.

Economic growth is understood as the increase in the scale and quality of economic activity, reflected in the growth rate of GRDP or GDP. The development of digital finance and the digital finance ecosystem is considered an important driver for strengthening value-chain linkages, raising productivity and laying the foundation for sustainable economic growth.

2.2. The role of digital finance in economic growth

In the context of digital transformation, digital finance is regarded as an important tool for improving the efficiency of economic operations by reducing transaction costs, expanding access to capital and strengthening connections among economic actors. The application of electronic payment platforms, digital banking, e-wallets and other financial technology solutions has transformed traditional modes of transaction, enabling enterprises and production households to make payments more quickly, safely and transparently.

Digital finance supports the development of supply-chain financing models such as cash-flow-based lending, factoring and digital credit. These models help enterprises shorten the time needed to access working capital, improve liquidity and sustain uninterrupted production and business operations. For localities with several key industries—such as agriculture, processing industries and tourism—digital finance helps strengthen the connections among production, processing, distribution and consumption stages. From a macroeconomic perspective, the development of digital finance helps improve the efficiency of resource allocation, encourages innovation and promotes the formalization of economic activities. This contributes to improving labor productivity, increasing the value added of products, and creating momentum for sustainable economic growth. Digital finance development is therefore not only a requirement of the digital transformation process but also an important foundation for promoting the economic growth of Phu Tho Province in its new stage of development.

2.3. Experience in developing digital finance to promote economic growth and lessons for Phu Tho Province

Practical experience in many countries and localities shows that digital finance development is one of the key solutions for promoting economic growth. In Singapore, the government has built a digital finance ecosystem based on modern payment infrastructure, digital data and mechanisms connecting financial institutions with businesses. The development of a unified electronic payment platform, together with policies promoting innovation in the Fintech sector, has enabled enterprises—especially small and medium-sized ones—to access financial services more easily, while also improving supply-chain management efficiency and market connectivity.

In Vietnam, Quang Ninh has been a pioneering locality in digital transformation, linking the development of digital government with the digital economy and digital society. The province has strongly promoted cashless payments, e-invoicing and the digitization of public services, while also building a shared database that facilitates connections among regulatory agencies, credit institutions and enterprises. The application of digital technology in the management and provision of financial services has helped enterprises shorten the time required for administrative procedures, improve access to credit and reduce transaction costs, thereby further promoting the development of tourism, logistics and processing industries.

Binh Duong is one of the pioneering localities in building an innovation ecosystem and developing smart urban areas. In addition to promoting the application of digital banking and electronic payments, the province has focused on connecting data among enterprises, banks and regulatory agencies to help enterprises access financial services more quickly and transparently. The synchronized development of digital infrastructure together with enterprise management platforms has helped improve business efficiency, strengthen connections among enterprises within industrial parks, and promote investment attraction.

From the experience of Quang Ninh and Binh Duong provinces, several lessons can be drawn for Phu Tho Province. First, it is necessary to develop digital infrastructure and the digital finance ecosystem in a synchronized manner, ensuring connectivity among regulatory agencies, credit institutions and enterprises. Second, it is necessary to promote the sharing and exploitation of digital data to improve credit assessment efficiency and expand access to capital for enterprises, cooperatives and production households. Third, it is necessary to encourage the development of digital payment and digital banking solutions, and to finance the province's key industries such as agriculture, processing industries and tourism. Finally, it is necessary to strengthen support for small and medium-sized enterprises during digital transformation through workforce training, technology consultancy and improved policy mechanisms, thereby enhancing the role of digital finance in promoting the sustainable economic growth of Phu Tho Province.

3. The current state of digital finance development in Phu Tho Province after the merger

3.1. Overview of the economy of Phu Tho Province after the merger

The aggregated socio-economic indicators show that the merger of the three provinces of Phu Tho, Vinh Phuc and Hoa Binh has brought about a significant change in the scale of development, while also expanding the scope for mobilizing and allocating resources for the new Phu Tho Province. This is illustrated in detail in Table 1 below. Although the natural area of the province remained unchanged at 9,361.38 km² after the merger, the population increased from 3,650,285 to 4,022,638 people, equivalent to 110.20% of the pre-merger figure. The larger population not only expands the consumer market but also increases the labor supply, thereby enhancing the province's ability to attract investment and develop large-scale economic sectors.

The increase in economic scale is clearly reflected in GRDP at current prices. One year after the merger, the province's GRDP reached VND 441.30 trillion, up 24.94% compared with the combined scale of the three provinces before the merger. Notably, GRDP per capita rose from VND 96.76 million to VND 109.70 million per person, an increase of 13.38%, indicating that the expansion in economic scale was driven not only by population growth but also by improved efficiency in generating value added per capita. This is a positive signal regarding the quality of growth in the initial period after the merger.

Table 1: Selected socio-economic indicators of Phu Tho Province before and after the merger

No.	Indicator	Unit	Phu Tho (former) – 2024	Vinh Phuc – last 6 months of 2025	Hoa Binh – estimated first 6 months of 2026	Total of 3 provinces	Phu Tho after merger – 1 year after merger	Comparison (%)
1	Area	km²	3,534.56	1,235.20	4,591.62	9,361.38	9,361.38	100.00
2	Population	Persons	1,530,493	1,225,290	894,502	3,650,285	4,022,638	110.20
3	GRDP growth	%	9	7.52	9.74	—	10.18	—
4	GRDP (current prices)	VND trillion	107.88	173.14	72.18	353.20	441.30	124.94
5	GRDP per capita	VND million/person	69.8	141.3	81	96.76	109.70	113.38
6	State budget revenue	VND billion	8,493	28,705.70	7,230	44,428.70	59,071.20	132.96
7	Total social investment capital	VND billion	50,482	54,981.0	24,937	130,400.00	158,168.10	121.29
8	Number of active enterprises	Enterprises	6,964	10,977	4,520	22,461.00	26,969	120.07
9	Urbanization rate	%	21.4	48.5	36	—	29.15	—

Source: Compiled by the authors from the Statistical Yearbooks of Phu Tho, Vinh Phuc and Hoa Binh provinces for 2024; the 2025 Socio-Economic Report; and the Socio-Economic Report for the first six months of 2026 issued by the Phu Tho Statistics Office.

In addition, the locality's capacity to mobilize financial resources and investment has improved markedly. State budget revenue of Phu Tho Province after the merger reached VND 59,071.20 billion, up 32.96% compared with the combined revenue of the three provinces before the merger, while total social investment capital reached VND 158,168.10 billion, up 21.29%. The number of active enterprises reached 26,969, up 20.07%, reflecting an improved investment environment, greater capital absorption capacity, and the appeal of the new economic space to the enterprise sector. The simultaneous increase in indicators of economic scale, budget revenue, investment and the number of enterprises shows that the merger process has not only created a cumulative effect in terms of resources but has also gradually improved competitiveness and development potential for the new Phu Tho Province. This constitutes an important foundation for the locality to pursue rapid and sustainable growth and to become a growth pole of the Northern Midlands and Mountainous region in the coming period.

3.2. The state of digital finance before and after the merger of Phu Tho Province

In order to assess the state of digital finance development in Phu Tho Province in the context of digital transformation and administrative restructuring, the assessment is carried out using indicators that reflect the level of access to financial services, the scale of digital payments, the level of digital banking adoption, and the development of payment infrastructure. Table 2 below summarizes the key indicators of digital finance development in Phu Tho Province for the period 2021–2025, in which data from 2021 to 2024 are aggregated from the three provinces of Phu Tho, Vinh Phuc and Hoa Binh before the merger, while the 2025 data reflect the results of the new Phu Tho Province after the completion of the administrative merger.

Table 2: The state of digital finance development in Phu Tho Province, 2021–2025

No.	Indicator	2021	2022	2023	2024	2025
1	Share of adults with a bank account (%)	61.0	63.9	73.5	79.1	81.0
2	Value of cashless payments (VND billion)	2,289,435	2,734,291	3,414,341	4,451,120	5,968,177
3	Number of Mobile Banking transactions	68,430,122	100,797,569	155,933,840	245,439,864	395,894,500
4	Value of Mobile Banking transactions (VND billion)	67,919	109,350	202,735	415,606	748,091
5	Number of Internet Banking transactions	5,221,346	6,787,750	9,285,641	12,721,329	17,440,942
6	Number of POS terminals	1,905	2,309	2,397	2,274	2,220
7	Number of ATMs	468	486	501	525	540
8	Share of electronic payments in public services (%)	48.7	56.9	62.2	67.5	71.6

Source: State Bank of Vietnam – Region V Branch, Annual Reports on Banking Activities, 2021–2025.

The data in Table 2 show that digital finance development in Phu Tho Province over the period 2021–2025 followed a positive and continuous trend, reflecting an expansion in both the scope of access to financial services and the scale of digital transactions, as well as improvements in payment infrastructure. Notably, 2025—the first year of operation of the new Phu Tho Province following the merger of Phu Tho, Vinh Phuc and Hoa Binh—continued to record increases in most indicators, showing that the merger process did not disrupt the operation of the financial system but rather created conditions for exploiting economies of scale and expanding the space for digital finance development.

According to financial inclusion theory, access to financial services is a prerequisite for expanding economic development opportunities. The share of adults with a bank account rose from 61.0% in 2021 to 79.1% in 2024 and reached 81.0% in 2025. This increase reflects the effectiveness of electronic identification, online account opening, the spread of Mobile Banking, and cashless payment policies. The continuation of this upward trend after the merger indicates that the consolidation process did not disrupt access to financial services but instead created conditions for expanding coverage across a locality with a larger population and market size.

The group of indicators reflecting the level of digitization of transactions shows a strong shift from traditional to digital transactions. The value of cashless payments increased from VND 2,289,435 billion in 2021 to VND 5,968,177 billion in 2025; the number of Mobile Banking transactions increased nearly 5.8-fold, while the transaction value increased more than 11-fold. The faster growth in value relative to volume indicates that individuals and enterprises are not only using digital banking more frequently but are also conducting higher-value transactions on digital platforms. This is consistent with digital finance theory and network effects: the larger the user base, the greater the value of the payment ecosystem, which in turn attracts new users and stimulates service innovation.

Internet Banking also grew continuously, from 5.22 million to 17.44 million transactions. Although its growth rate was lower than that of Mobile Banking, it still reflects the role of this channel for enterprises and institutional customers. The composition of transactions is shifting toward mobile devices, consistent with international trends and the banking sector's digital transformation strategy.

Regarding payment infrastructure, the number of ATMs increased from 468 to 540, while the number of POS terminals increased until 2023 before declining slightly by 2025. The decline in POS terminals does not indicate a decline in digital payments but rather reflects their replacement by QR codes, SoftPOS and other lower-cost mobile payment solutions. This reflects a process of infrastructure optimization within the digital economy.

The share of electronic payments in public services rose from 48.7% to 71.6%, indicating a close link between digital transformation in the public sector and digital finance development. According to digital government theory, when public services are digitized, citizens have greater incentives to use bank accounts and electronic payment methods, thereby expanding financial inclusion and reducing social transaction costs.

From the perspective of local economic development, the merger has generated economies of scale through the expansion of population, market size, the network of credit institutions and the administrative database. The integration of digital infrastructure and data helps reduce the cost of providing financial services, expands the ability to exploit customer data, and improves the efficiency of investment in payment infrastructure. Methodologically, however, caution is needed when directly comparing 2025 with previous years, since the statistical scope has changed; the observed upward trend reflects both the cumulative impact of digital transformation and the scale advantages resulting from the merger.

Based on the orientation for developing cashless payments, national digital transformation, and the banking sector's development strategy, it can be forecast that by 2030 the share of adults with a bank account will exceed 90%; Mobile Banking will remain the dominant channel; electronic payments in public services will move toward universal coverage; and payment infrastructure will shift strongly toward QR codes and digital platforms. If the province continues to invest in digital infrastructure, link data between the government and credit institutions, and expand financial inclusion in rural and mountainous areas, digital finance will become an important driver for enhancing the competitiveness and quality of growth of the new Phu Tho Province.

3.3. Assessment

***a. Achievements*: ** The period 2021–2025 shows that digital finance in Phu Tho Province achieved positive results in both breadth and depth. First, the coverage of financial services improved markedly, as the share of adults with a bank account rose continuously from 61.0% to 81.0%, reflecting the expansion of financial inclusion through electronic identification, digital banking and cashless payments. At the same time, the scale of digital payments grew strongly; the value of cashless payments and the volume and value of Mobile Banking and Internet Banking transactions all increased at a high rate. Payment infrastructure continued to be improved, with an increase in the number of ATMs, while POS terminals were restructured and optimized through QR codes and other new payment solutions. The share of electronic payments in public services increased sharply, reflecting the close link between digital transformation in the public sector and the digital finance ecosystem. After the merger, despite the change in statistical scope, the indicators maintained their upward trend, showing that the consolidation did not disrupt the operation of the financial system but instead leveraged economies of scale, expanded the market, and improved the efficiency of exploiting digital infrastructure.

***b. Limitations and causes*: ** Alongside these achievements, the province's digital finance development still faces certain limitations. Although bank-account coverage has increased, it has not yet reached universal levels, especially in mountainous and remote areas. The adoption of digital financial services varies considerably among groups of enterprises; small enterprises, cooperatives and production households continue to face difficulties in terms of digital capacity and investment resources. Payment infrastructure across the areas that were merged still requires further time to be integrated and synchronized. At the same time, the growing scale of digital transactions has also increased risks related to information security and cybersecurity. These issues stem from differences in the level of development among the three localities prior to the merger, dispersed terrain conditions, uneven digital infrastructure, limited investment resources, and the very rapid pace of technological change. In addition, the statistical scope for 2025 differs from that of the 2021–2024 period; therefore, fluctuations in the data reflect both the underlying development trend over time and the effect of the expanded economic space following the merger.

4. Solutions for developing digital finance to promote economic growth in Phu Tho Province after the merger

4.1. Completing digital finance infrastructure and shared data infrastructure after the merger

The merger of the three provinces of Phu Tho, Vinh Phuc and Hoa Binh has created a new development space with a larger economic and population scale, while also requiring the synchronization of digital infrastructure in order to effectively exploit the resulting economies of scale. Although indicators for cashless payments, Mobile Banking and online public services have continued to rise after the merger, disparities in digital infrastructure among regions remain a barrier to digital finance development.

The province therefore needs to prioritize synchronized investment in telecommunications infrastructure, dedicated data transmission networks and digital payment infrastructure, particularly in mountainous areas and areas with large ethnic-minority populations. At the same time, it is necessary to accelerate the standardization and interconnection of databases on population, enterprises, land, taxation and banking in order to form a shared data repository to support the provision of digital financial services. This should be accompanied by the expansion of QR-code payment systems, SoftPOS and other electronic payment platforms at markets, cooperatives, production facilities and tourist destinations. Once digital infrastructure and data are synchronously connected, transaction costs will decrease, resource-allocation efficiency will improve, and a foundation will be created for promoting the province's economic growth.

4.2. Promoting digital finance development among enterprises, cooperatives and key value chains

Digital finance can genuinely drive economic growth only when it is integrated into the production and business operations of enterprises and value chains. After the merger, Phu Tho Province has an advantage in developing value chains such as tea, Doan Hung pomelo, timber and wood processing, textiles, electronics and tourism. However, the level of digital finance adoption varies considerably across sectors and groups of enterprises, particularly among cooperatives and production households.

Going forward, the province needs to support enterprises and cooperatives in synchronously implementing digital banking, e-invoicing, e-contracts and electronic payments throughout the entire production and consumption process. For agricultural value chains, it is necessary to expand digital payments in raw-material procurement and e-commerce; for processing industries and tourism, digital payments need to be linked with supply-chain management, logistics and smart services. At the same time, credit institutions should be encouraged to develop digital credit based on transaction data rather than traditional collateral, in order to expand access to capital for small enterprises, cooperatives and production households. This solution will help reduce transaction costs, raise productivity and strengthen the competitiveness of the province's key value chains.

4.3. Developing financial inclusion linked to narrowing the digital divide among regions

Digital finance is effective only when all citizens and enterprises have the opportunity to access formal financial services. Although the rate of bank-account ownership and electronic payments in the province increased rapidly during 2021–2025, the disparity between urban areas and midland, mountainous and ethnic-minority areas remain quite pronounced.

To ensure inclusive development, the province needs to combine investment in digital infrastructure with improvements in digital skills and financial literacy for the population, particularly farmers, business households and ethnic-minority communities. At the same time, banks, credit funds and Fintech enterprises should be encouraged to expand digital banking services, banking agents and QR-code payments in rural areas. For agricultural production areas, it is necessary to develop digital credit, digital savings and digital insurance products tailored to the characteristics of each value chain. In addition, developing a set of indicators to monitor the level of financial inclusion at the district and commune levels will help evaluate policy effectiveness and narrow the development gap among regions. This is an important solution for ensuring that economic growth is linked with sustainable and inclusive development.

4.4. Improving the efficiency of state governance and developing digital government

Digital finance development needs to be supported by a modern digital government that uses data as the foundation for governance and public-service delivery. After the merger, the integration of data and the standardization of management processes among the three former localities have become important conditions for improving administrative efficiency and reducing transaction costs.

Accordingly, Phu Tho Province needs to accelerate the interconnection of databases between state management agencies and the banking, tax, insurance and business-registration systems, while also expanding online public services linked to electronic payment of citizens' and enterprises' financial obligations. In addition, it is necessary to establish a controlled data-sharing mechanism between the public and private sectors to support the development of digital financial products, while strengthening investment in information security and enhancing the digital capacity of civil servants and public officials. As the quality of digital governance improves, the investment environment will become more transparent, compliance costs will decrease, and public and enterprise confidence in digital financial services will be strengthened.

4.5. Improving coordination mechanisms and building a digital finance ecosystem

For digital finance to become a long-term driver of economic growth, it is necessary to build a digital finance ecosystem based on close coordination among the government, credit institutions, enterprises, technology companies, universities and research institutions. This coordination will create favorable conditions for data sharing, the development of new products, and the promotion of innovation in digital finance.

Phu Tho Province needs to establish a regular coordination mechanism among stakeholders and encourage the development of big-data analytics platforms, artificial intelligence and credit-scoring systems in order to expand access to capital for small enterprises and cooperatives. At the same time, cooperation between the government and training institutions should be strengthened to develop a high-quality workforce in financial technology and digital transformation. The formation of a digital finance ecosystem will generate network effects, improve the efficiency of resource mobilization and allocation, promote innovation, and enhance the competitiveness of the local economy. This constitutes the foundation for digital finance to become an important driver of rapid, sustainable and inclusive economic growth in Phu Tho Province through 2030.

5. CONCLUSION

This study has analyzed the state of digital finance development in Phu Tho Province during the period 2021–2025 in the context of the merger of the three provinces of Phu Tho, Vinh Phuc and Hoa Binh, thereby clarifying the changes in scale, level of adoption and spillover potential of digital finance for local economic development. The results show that the merger process has created conditions for expanding the development space, increasing market scale, and leveraging economies of scale in digital finance development. However, disparities in digital infrastructure, access to financial services, and digital transformation capacity among regions remain challenges that need to be addressed. On this basis, the study proposes five groups of solutions to improve infrastructure, develop financial inclusion, promote digital transformation among enterprises, enhance the efficiency of state governance, and build a digital finance ecosystem. These constitute an important foundation for leveraging the role of digital finance as a driver of rapid, sustainable and inclusive economic growth in Phu Tho Province in the coming period.

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