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**FISCAL POLICY TOWARDS ECONOMIC GROWTH
IN VIETNAM**

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**SUMMARY OF DISSERTATION
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PREAMBLE

1. The urgency of the thesis topic:

The strong development of the market economy, the trend of globalization, and international integration have brought many development opportunities for countries in general and Vietnam in particular, but at the same time pose many difficulties. One of the important factors creating the success of each country's development and economic growth (TTKT) process is knowing how to choose and make the most of the tools of macroeconomic regulation, in which Fiscal policy (CSTK) is a popular and very important tool. The fiscal policy utilizes public spending and the tax system to achieve goals such as economic growth, job creation, price stability, and inflation.

Theoretically, researchers believe that fiscal policy greatly impacts the macroeconomy through mobilizing and using state budget resources and is considered a good "fulcrum" for economic growth. For developing countries with limited budget resources like Vietnam, the application of fiscal policy toward economic growth needs to be adapted to the country's conditions and development stages.

In practical terms, there is much evidence that the fiscal policy has made many positive contributions to each stage of the development of the Vietnamese economy. However, because the Communist Party and the Government develop the socio-economic targets in 5 years or ten years, the fiscal policy is also implemented in the direction of expansion or tightening in each period of 5 years or 10 years, respectively. However, there are times when the fiscal policy cannot perform in the right direction as before unexpected factors appeared. For example, the outbreak of the Covid-19 pandemic, along with many other volatile factors in geopolitics, trade tensions between major economies, and dual pandemics in the years 2019-2020, had a serious impact on the economic growth

and the major balances of the economy in countries and Vietnam. When the global economy showed signs of rapid decline due to Covid-19, causing interruption and stagnation in production and business activities and people's lives extremely difficult, countries were forced to urgently implement fiscal policy adjustments to minimize the negative impact of Covid-19. In particular, the Covid-19 pandemic is considered an unprecedented tragedy, even creating a crisis many times more than many pandemics that the world has ever faced, and it has more serious consequences than World War II due to Covid-19 causing widespread death in a very short time. It can be said that Covid-19 appeared as a mutant factor that changed the entire financial structure of a country, causing countries and Vietnam to regularly follow the developments of Covid-19 in order to take urgent measures to adjust the fiscal policy in the direction of expansion, even issuing unprecedented revenue and expenditure policies in history (constantly promulgating policies on exemption/reduction of taxes, and at the same time minimize expenditures that are not really necessary to focus efforts on increasing spending on health activities beyond normal regulations as well as prioritizing resources for investment spending to prevent the economic downturn). The results show that Vietnam's fiscal policy has promoted economic growth following each period and even when the economy fell into an emergency because of the Covid-19 pandemic.

In the coming time, the Covid-19 pandemic has been basically controlled, but the economy's recovery is still not guaranteed due to fluctuations in many external macro factors such as military conflicts. The relationship between Russia-Ukraine, the events of reducing petroleum supply, and the embargo on energy exchange between developed countries... caused inflation to tend to increase (especially the price of petrol and raw materials. input), impact on

businesses and people. Besides, the acceleration of domestic public investment spending is slow, affecting the economic recovery process.

From the above findings and analysis, the Ph.D. Candidate realizes there is a need for in-depth studies on economic policy to plan and implement flexibly and effectively towards economic growth suitable for each period. Therefore, the Ph.D. Candidate chose the thesis title "*Fiscal policy towards economic growth in Vietnam*" which is urgent and has important significance both in terms of science and practice.

2. Overview of research works related to the thesis topic

The studies on the relationship between fiscal policy and the economic growth rate have been carried out by domestic and foreign researchers, both in terms of dissertation, scientific topics, and articles. Research works focus on three aspects: fiscal policy, fiscal policy tools (state budget revenue and expenditure policy), or separate research into each tool of fiscal policy.

2.1. Review of empirical studies on the relationship of fiscal policy in general towards economic growth

These studies can be mentioned by John Maynard Keynes (1973), Bui Duong Nghieu (2000) in the book "*Innovation of fiscal policy to meet the requirements of the 2001-2010 socio-economic development strategy*", Nguyen Van Dan (2016) with the monograph "*Fiscal policy: a tool to regulate the economy's macro*", Bui Nhat Tan (2015) with his dissertation "*The impact of fiscal policy on Vietnam's economic development*". Nguyen Thanh Giang (2018) with the dissertation "*Fiscal policy to promote economic growth in Vietnam*" Nguyen Thi Nguyet and research team (2017) with the national topic "*Framework for economic growth theory of fiscal policy for economic cycle stability*", Dao Mai Phuong and research team (2021), Ministry of Finance project "*Fiscal policy promotes inclusive growth in Vietnam: A thesis perfect bases and solutions for*

Vietnam".

Besides the rich theoretical background related to the relationship between economic policy and economic concentration, previous empirical studies also have many diverse and different conclusions about this link, as studies by Norman Gemmell et al. (2011), Dimitrios Paparas and Christian Richter (2015), Baldacci et al. (2004), Matthew Kofi Ocran (2011), Anthony Igwe et al. (2015), Kadir Karagöz and Rıdvan Keskin (2016), Ugwuanyi and Ugwunta (2017).

2.2. Overview of research works on the impact of state budget revenue on economic growth

These studies can be mentioned as Ngo Van Khuong (2016) with the dissertation "*Tax policy with the goal of sustainable economic development in Vietnam*", Nguyen Thi Hoa et al. (2021) with Subject Scientific research project at the Ministry of Finance level "*Research to determine the reasonable size and structure of state budget revenue for the period 2021 - 2025 and orientation to 2030*". The relationship between state budget revenue and economic growth has caused many debates, both theoretically and experimentally, such as research by Engen and Skinner (1996), the study by Mehmet Serkan Tosun and Sohrab Abizadeh (2005), research Research by Mashkoor et al. (2010), research by Okafor (2012) and study by Ofoegbu et al. (2016) or by Babatunde et al. (2017). Contrary results are also found by Poulson and Kaplan (2008), Ferede and Dahlby (2012) and Dackehag and Hansson (2012), Furceri, D., & Karras, G. (2009), a study by Furceri, D., & Karras, G. (2009). research by Irena Szarowská (2010).

2.3. Overview of studies on the impact of state budget spending on economic growth

These studies can be mentioned by Pham Thi Hoang Phuong (2013) in her dissertation "*Renovating the structure of state budget expenditure to contribute*

to promoting economic growth from 2011 to 2020 of Vietnam", Chan Trung Kien (2018) with the dissertation "*Public expenditure, public governance and economic growth in developing countries*", Le Hoang Anh (2019) with the dissertation "*Impacts of public expenditure, public governance to economic growth in Asian countries*", Le Hoang Anh and the research team (2019) with the topic of the Ho Chi Minh City Young Science and Technology Incubator Program "*The impact of public spending and public institutions on economic growth in ASEAN+3 countries: Lessons learned for Vietnam*", Nguyen Ba Minh and research team (2020) conducted the topic of the Ministry of Finance "*Determining a reasonable budget expenditure scale for economic growth in Vietnam*".

The relationship between state budget expenditure and economic growth has caused many debates, both theoretically and experimentally. In the case of Vietnam, studies investigating this relationship have reached inconsistent conclusions, such as those of Pham The Anh (2008), Su Dinh Thanh (2011), Dao Thi Bich Thuy (2014), and Tran Trung Kien (2015).

3. Research gap

The above domestic and foreign studies have mentioned many issues related to fiscal policy and the impact of fiscal policy on economic growth. However, the author found some research gaps as follows:

Firstly, there has not been any research to examine and evaluate the actual situation of the overall impact of fiscal policy on economic growth in Vietnam, as well as the separate impact of each fiscal policy tool on economic growth during the period of 1991 - 2020 to recommend solutions to complete the fiscal policy towards economic growth for Vietnam in the coming time.

Second, Vietnam's economy is heavily influenced by internal factors and the international economic situation in 1991 - 2020. In other words, besides

advantages, Vietnam's economy is also affected by internal and external difficulties and challenges in each development period. However, to the author's knowledge, there have been no new studies on the case of Vietnam in the current period, and the existing research results have lost their chronology to serve as a basis for suggested solutions.

Therefore, applying fiscal policy into practice needs to be studied and evaluated prudently and scientifically but promptly to ensure stability and economic growth when fluctuations occur. Therefore, theoretical and practical studies on the impact of fiscal policy on Vietnam's economic growth from 1991-2020 are necessary to give directions and solutions to complete fiscal policy toward economic growth to 2030. In general, with the approach and scope of research in terms of content, space, and time different from other research topics, the author's thesis is not overlapping with published scientific research works or previously defended theses.

4. Objectives and research tasks of the thesis topic

The thesis's overall research objective is to develop a solution to complete the fiscal policy toward economic growth in Vietnam by 2030.

To achieve the above goal, the thesis performs the following 5 tasks:

Firstly, systematize the theoretical basis related to fiscal policy, economic growth, and the relationship between them; analyze the advantages, limitations, and causes of each fiscal policy tool, as well as simultaneously consider the tools of fiscal policy towards economic growth.

Second, summarizing the experiences of other countries on fiscal policy towards economic growth, thereby drawing lessons for Vietnam.

Third, analyze the current situation of fiscal policy towards economic growth in Vietnam in each period of 1991-2020, which present the achievements, limitations, and causes of limitations.

Fourth, through methods of testing and measuring the impact of each fiscal policy tool (revenue policy and expenditure policy) towards economic growth in Vietnam in the period 1991-2020.

Fifth, from the analysis results, the thesis proposes a number of viewpoints and orientations and offers solutions to complete the fiscal policy toward economic growth in Vietnam by 2030.

5. Research object of the thesis

The research object of the thesis is theoretical and practical fiscal policy issues toward economic growth.

6. Research scope of the thesis

Due to the limitation of time and date of the thesis, the research scope of fiscal policy toward economic growth in Vietnam is specifically defined as follows:

- + content scope: state budget revenue policies, state budget expenditure policies, and the impact of these policies on economic growth.
- + spatial scope: Vietnam and the experience of some countries in the world to draw lessons for Vietnam.
- + time range: period 1991 - 2020 and solutions to 2030.

7. Research methods

The thesis uses a combination of qualitative and quantitative methods because these are two complementary methods and can be carried out consecutively in scientific research.

Qualitative methods are used to analyze data and information based on meanings expressed verbally or in writing. Therefore, the overgeneralized method is used to the maximum extent by the author, although the limitation of the qualitative method is that the assessments are difficult to generalize and are often highly subjective due to the observations and opinions of the author.

However, the author uses qualitative methods mainly with the aim of contributing to the development of theory and research methods.

The main methods used by the author in qualitative research include: (i) the method of document research is the most characteristic method in the author's thesis because the author analyzes and studies the documents. Information and data are available or can be found (for example, available documents such as books, textbooks, articles, etc.), and methods of document research are selected and evaluated by the author as valuable high efficient because it doesn't take too much time to observe; (ii) inductive theoretical background method (synthesize inferences from the particular to the general to develop new theoretical perspectives); (iii) the deductive method is built through concepts to explain the phenomenon under study.

The author's quantitative research method is based on numerical data to describe and test the causal relationships inferred from existing theories. The quantitative approach is also the best approach for testing a scientific theory.

The dominant method in quantitative research is an empirical method using a distributed lagged regression model (ARDL) with time series data from 1991 to 2020 to study the impact of fiscal policy on economic growth. The tool to support and analyze is static analysis software. The proposed and applied ARDL model is based on previous empirical studies and is suitable for assessing the current situation in Vietnam.

8. New contributions of the thesis:

- ✓ The dissertation has systematized the theory of fiscal policy and economic growth as well as the theory of the impact of fiscal policy on economic growth. On that basis, the author also gives a perspective on fiscal policy and analyzes the impact of fiscal policy on economic growth through each fiscal policy tool.

- ✓ The dissertation has selected important lessons about fiscal policy to achieve economic growth when learning about countries' experiences. Most countries with similar conditions to Vietnam tend to apply extended fiscal policy to promote economic growth in that economic growth tends to slow down due to unstable factors from the global economy along with difficulties and challenges within that country.
- ✓ The dissertation has realistic findings about fiscal policy to achieve economic growth in Vietnam when the author studies data and information about fiscal policy and economic growth in 1991-2020. Applying the ARDL model, the empirical results show that fiscal policy adjustments impact economic growth in the short and long term. Measures related to fiscal policy are forced to change continuously to adapt to many fluctuations of macro factors and meet socio-economic development goals in each period.
- ✓ The dissertation has suggested solutions to perfect the fiscal policy on economic growth until 2030. In the first phase of the economic recovery process from 2022-2023, the fiscal policy must continue to be expansively implemented to maximize support for economic growth. In the following years until 2030, when the economy starts to return to a stable trajectory, it is necessary to apply tight fiscal policy to ensure and control major balances of the economy. As for the Tax policy, the room to change tax rates for income taxes is more limited than for consumption taxes, so it is necessary to expand the tax base. Budget spending needs to be strictly controlled, re-evaluating the effectiveness of investment spending on economic recovery to have solutions to increase investment spending in focusing on key and pervasive projects.

9. Structure of the thesis

In addition to the Introduction, Conclusion, References, and Appendix, the thesis is divided into 3 chapters as follows:

Chapter 1: General theories and international experience on fiscal policy towards economic growth.

Chapter 2: Actual situation of fiscal policy towards economic growth in Vietnam

Chapter 3: Completing fiscal policy towards economic growth in Vietnam

CHAPTER 1: GENERAL THEORIES AND INTERNATIONAL EXPERIENCE ON FISCAL POLICY TOWARD ECONOMIC GROWTH

Chapter 1 covers the following issues:

1.1. THEORY ON FISCAL POLICY TOWARD ECONOMIC GROWTH

1.1.1. Theory of fiscal policy

1.1.1.1. The concept of fiscal policy:

1.1.1.2. Fiscal policy objectives

1.1.1.3. Fiscal Policy Tool

❖ *State budget revenue policy*

❖ *State budget expenditure policy*

1.1.1.4. Classification of fiscal policy

❖ *Based on the relationship of fiscal policy with the aggregate demand model*

❖ *Based on the impact of fiscal policy on the economic cycle*

❖ *Based on the initiative in operating the fiscal policy*

1.1.2. theory of economic growth

1.1.2.1. The concept of economic growth

1.1.2.2. Indicators for assessing economic growth

1.1.2.3. Measure method of economic growth

1.1.2.4. Factors affecting economic growth

❖ *Factors affecting aggregate supply*

❖ *Factors affecting aggregate demand*

1.2. IMPACTS OF FISCAL POLICY TOWARDS ECONOMIC GROWTH

1.2.1. Mechanism of the impact of state budget revenue policy towards economic growth

1.2.2. Mechanism of the impact of state budget expenditure policy toward economic growth

1.2.3. Mechanisms of the impact of state budget revenue and state budget expenditure policies towards economic growth in relation to monetary policy

1.3. EXPERIENCE IN USING FISCAL POLICIES TOWARDS ECONOMIC GROWTH OF SOME COUNTRIES IN THE WORLD AND LESSONS FOR VIETNAM

1.3.1. Experience in using fiscal policies towards economic growth of some countries in the world

1.3.1.1. Experience in using state budget revenue policies towards economic growth of some countries in the world

❖ *Reduce corporate income tax rate*

❖ *Reduced personal income tax rate*

❖ *Reduced value-added tax rate*

❖ *Tax exemption or extension for individuals and businesses to support the difficulties they face when the Covid-19 pandemic occurred.*

1.3.1.2. Experience in using state budget expenditure policies towards the economic growth of some countries in the world

1.3.2. Lessons learned for Vietnam

In summary, chapter 1 has systematized the general fiscal policy theories toward economic growth. In addition, the author also expresses her view on

fiscal policy, which focuses on applying or adjusting budget revenue and expenditure policy tools to affect economic growth and solve social problems. Fiscal policy is divided into many categories: expansionary fiscal policy, tightening fiscal policy, and neutral fiscal policy. When applied, each type of fiscal policy is placed in different contexts on the socio-economic situation and fiscal targets for the time or period that the government wants to achieve. The fluctuations of economic growth are influenced by many factors: external factors and internal factors of the country, so when the economy falls into recession or prosperity, then the fiscal policy cyclical agreement or countercyclical fiscal policy is of particular interest to governments. When the government decides to apply fiscal policy, the impacts on economic growth are often well calculated. Therefore, the combined impact mechanism of fiscal policy and the separate impact mechanism of each revenue or expenditure policy on economic growth are also discussed thoroughly and coherently. The increase or decrease of the tax rate of any tax policy also causes the factors of economic growth to change; for example, an increase in the consumption tax rate will reduce the consumer demand for goods in a certain country.

To some extent, leading to a decrease in economic growth and vice versa. Development investment expense is promoted by the government when the economic growth target is likely not to be achieved in a year or a few years; this directly impacts the economic growth of development investment expenditure on the theoretical side. The increased recurrent spending on areas such as education has no direct impact on economic growth but indirectly through the positive influence of the State on educating people to improve the quality of the future workforce. Usually, the issue of increasing recurrent expenditure will be very little applied to promote economic growth in the short term but will aim for economic growth in the long term through improving labor efficiency.

The practice of applying fiscal policy to economic growth in many countries, including developed and developing countries, has shown that tax policies, when adjusted, have a strong impact on economic growth. That is to reduce corporate income tax, reduce personal income tax, reduce VAT... and increase budget spending on infrastructure construction, social security programs, and education... However, when making fiscal policy adjustments to promote economic growth, countries must accept that the budget balance is at risk of falling into a state of the budget deficit, leading to an increase in public debt, making the problem of ensuring public financial security meet many challenges. While economic growth has stabilized thanks to the previously applied fiscal policies, many countries have applied tight fiscal policy to consolidate state budget revenues and control budget expenditures to ensure the budget deficit is within allowable limits. Then, the revenue sources that were reduced in the previous period, such as income tax revenue, will be offset by other sources of revenue through increased adjustments to consumption taxes combined with reducing unnecessary expenses to improve the efficiency of the use of budget resources.

CHAPTER 2

REALITY OF FISCAL POLICY TOWARDS ECONOMIC GROWTH IN VIETNAM

Chapter 2 is conducted with the following contents:

2.1. ECONOMIC SITUATION OF THE WORLD AND DOMESTIC IN THE PERIOD OF 1991 - 2020

2.1.1. Reality of the world and domestic economy in the period 1991 - 2000

2.1.2. Reality of the world and domestic economy in the period 2001-2010

2.1.3. Reality of the world and domestic economy in the period 2011 - 2020

2.2. REALITY OF FISCAL POLICY TOWARDS ECONOMIC GROWTH

IN VIETNAM PERIOD 1991 - 2020

2.2.1. The reality of fiscal policy in Vietnam in the period of 1991 - 2020

2.2.1.1. Period 1991 - 2020

- ❖ *State budget revenue policy*
- ❖ *State budget expenditure policy*

2.2.1.2. Period 2001 - 2010

- ❖ *State budget revenue policy*
- ❖ *State budget expenditure policy*

2.2.1.3. Period 2011 - 2020

- ❖ *State budget revenue policy*
- ❖ *State budget expenditure policy*

2.2.2. The reality of economic growth in Vietnam in the period of 1991 - 2020

2.2.2.1. Period 1991 - 2000

2.2.2.2. Period 2001 - 2010

2.2.2.2. Period 2011 - 2020

2.3. EXPERIMENTAL RESEARCH IMPACTS OF FISCAL POLICY TOWARDS ECONOMIC GROWTH IN VIETNAM PERIOD 1991 – 2020

2.3.1. Developing an empirical model of the impact of state budget revenues and expenditures on economic growth.

2.3.1.1. Developing an empirical model of the impact of state budget revenue on economic growth

2.3.1.2. Developing an empirical model of the impact of state budget expenditures on economic growth

2.3.2. Hypothesize the impact of state budget revenue and expenditure on economic growth.

2.3.2.1. Hypothesis development of the impact of state budget revenue on

economic growth

2.3.2.2. Hypothetical development of the impact of state budget expenditure on economic growth

2.3.3. Experimental results of the impact of state budget revenue and state budget expenditure on economic growth

2.3.3.1. Estimation method

2.3.3.2. Empirical results of fiscal policy on economic growth in Vietnam in the period 1991 - 2020

➤ *Impact of state budget revenue policy on economic growth*

➤ *Impact of state budget expenditure policy on economic growth*

2.4. GENERAL ASSESSMENT OF FISCAL POLICIES TOWARDS ECONOMIC GROWTH IN VIETNAM PERIOD 1991 – 2020

2.4.1. Achievements

2.4.2. Limitations and reasons

2.4.2.1. From 1991 to 2000:

❖ *Limitations:*

❖ *Objective reasons:*

❖ *Subjective reasons:*

2.4.2.2. Period 2001 - 2010

❖ *Limitations:*

❖ *Objective reasons:*

❖ *Subjective reasons:*

2.4.2.3. Period 2011 - 2020

❖ *Limitations:*

❖ *Objective reasons:*

❖ *Subjective reasons*

In general, in chapter 2, the current status of fiscal policy towards economic growth of Vietnam in the period 1991-2020 is assessed by the author based on collected and observed information and data. Specifically, in the 10-year periods associated with different economic development goals and orientations, the fiscal policy is also adjusted to meet those orientations promptly.

The period 1991-2000 marked the period of economic development under the market mechanism with the orientation of the State, so the fiscal policy was also forced to adjust and reform to suit the new mechanism. Fiscal policy is operated in a cautious, relatively tight direction. Accordingly, taxes that contribute to promoting the development of the market economy according to basic principles are issued and implemented, including profit tax, excise tax, export tax, import tax, agricultural land use tax, land use right transfer tax, etc. Budget expenditure is implemented in the direction of reducing expenditures for state management.

By the period 2001-2010, the goal of the party and State is to increase GDP in 2010 to at least double that of 2000, improve the operational efficiency of the economy through fiscal policy measures to support and promote boosting the competitiveness of enterprises to meet essential consumption needs, production needs towards boosting exports and continuing to maintain macroeconomic stability. Fiscal policy is implemented centrally in the direction of expansion, specifically reducing CIT and PIT rates and simplifying the tax system... And increasing development investment spending through stimulus programs from the state capital and issuing government bonds. However, do not increase development investment spending too rampantly, but still control and cut down investment projects that are not urgent and have no obvious effect. When economic growth was positive, but due to a large amount of money supply

injected into the economy by the State in the years 2008-2009, inflation increased. At that time, the fiscal policy was adjusted to tighten, reduce development investment spending, and increase human spending (focusing on spending on poverty reduction and employment programs, salary spending...).

Going to the period 2011-2020, the target of economic growth is quite high 7-8%, and improving the quality of economic growth in the direction of increasing the proportion of contribution to GDP of important economic sectors and fields, such as industry, technology, and services. The fiscal policy continues to be implemented in the direction of tightening in the early years of the 2011-2020 period (such as increasing excise tax rates according to the roadmap for certain types of goods, cutting investment spending, saving recurrent expenses, downsizing staff, etc.). However, when the covid-19 pandemic appeared, all activities of the economy were seriously and unexpectedly affected, so the fiscal policy was changed completely and suddenly (unlike the original orientation of the government). Instead, fiscal policy is forced to expand in a flexible and timely manner through large support packages. Specifically, exempting/reducing tax obligations for businesses and individuals enhances the financial potential for enterprises to reinvest and expand production and business and increase spending on health in disease prevention, treatment, and control activities.

The author applies the ARDL model to test the impact of fiscal policy on Vietnam's economic growth based on the time series of 1991-2020. Empirical results show that the adjustments to the fiscal policy impact economic growth both in the short and long term.

In the short term, the increased revenue from crude oil helps create more resources for the state budget, thereby promoting economic growth, but in the long term, revenue from crude oil has no positive impact on economic growth. Because the revenue from crude oil is not stable, the revenue from crude oil is

gradually considered as temporary revenue to meet the budget expenditure needs at certain times. Domestic revenue in the short term has a negative effect on economic growth because the decrease in disposable income reduces aggregate demand, however in the long term, domestic revenue has a very positive effect on income head of the economy. In the short term, income from import and export does not impact economic growth much, but in the long term, it does.

In the long term, investment and recurrent expenditures from the state budget play a huge role in promoting economic growth, while debt payment has no impact on economic growth caused by investment spending. Moreover, recurrent expenditure increases the demand for labor, leading to an increase in real wages, thereby increasing consumer demand. Thus, the findings imply that, in the long term, expansionary fiscal policy will play a very important role in promoting economic growth. However, in the short term, investment spending is found to have no positive impact on economic growth because when the government increases investment spending excessively, investment from the private sector is limited, even overwhelmed. It seems that government investment spending is supposed to promote economic growth, but reality shows that when including the combined effect with the private sector, private activities do not promote their strengths, causing economic growth tend to decrease. In contrast, debt repayment is found to have a positive effect on economic growth in the short term as debt repayment helps the government secure credit ratings, thereby boosting investment activity.

CHAPTER 3

COMPLETE FISCAL POLICY TOWARDS ECONOMIC GROWTH IN VIETNAM

Chapter 3 covers the following topics:

3.1. FORECASTING THE WORLD AND COUNTRY CONTEXT

TO ECONOMIC GROWTH IN VIETNAM TO 2030

3.1.1. Forecast of the world context to 2030

3.1.1.1. Opportunity

3.1.1.2. Challenge

3.1.2. Forecasting the domestic context to 2030

3.1.2.1. About the opportunity

3.1.2.2. About the challenge

3.2. VIEWPOINTS AND ORIENTATIONS FOR COMPLETING FISCAL POLICIES TOWARD ECONOMIC GROWTH IN VIETNAM TO 2030

3.2.1. Perspectives on completing fiscal policy in Vietnam to 2030

3.2.2. Orientation to perfect fiscal policy toward economic growth in Vietnam to 2030

3.3. SOLUTIONS TO COMPLETE FISCAL POLICY TOWARDS ECONOMIC GROWTH IN VIETNAM

3.3.1. General solution group

3.3.1.1. Promulgating fiscal rules and perfecting legal policies

3.3.1.2. Restructuring the fiscal policy towards economic growth in the new situation

❖ *State budget revenue reform*

❖ *State budget expenditure reform*

❖ *Ensure fiscal discipline and budget sustainability*

❖ *Institutional reform increased fiscal transparency and accountability*

3.3.2. Specific solution group

3.3.2.1. Group of solutions on state budget revenue policy

- ❖ *Corporate income tax*
- ❖ *Personal income tax*
- ❖ *Value-added tax*
- ❖ *Special consumption tax*
- ❖ *Export tax and import tax*
- ❖ *Fees and charges*
- ❖ *The state budget revenue policy for land, property, and natural resources*

3.3.2.2. Solution group on state budget spending

- ❖ *Solution group on recurrent expenditure*
- ❖ *Solution group on investment spending*
- ❖ *Debt payment solution group*

3.3.2.3. Solution group on fiscal discipline and sustainable consolidation of the budget

3.3.2.4. Group of solutions for institutional reform, improving fiscal transparency and accountability

3.3.2.5. Other solution groups

3.4. CONDITIONS FOR IMPLEMENTATION OF THE SOLUTION

In chapter 3, the thesis has shown that entering the new period 2021-2030, the world and domestic economic context is still facing many difficulties due to the covid-19 pandemic; although it has been controlled, it has also changed. Complete fiscal structure of many countries and Vietnam. In addition, a new escalation of political conflict events and embargoes taking place in many developed countries make global economic activities continue to be affected. Commodity prices increase, causing difficulties for businesses and people, while the demand for fiscal resources is towards socio-economic recovery and

development. Therefore, measures related to fiscal policy are forced to change continuously to adapt to many fluctuations of macro factors as well as to meet socio-economic development goals in the period of 2021-2030.

The solution on revenue policy, instead of focusing on reducing tax rates of some taxes like in previous periods to stimulate consumption and support production and business, is the main thing; in the coming time, it is necessary to shift to expanding the tax base to cover more taxable objects. The room to change tax rates for income taxes is more limited than for consumption taxes; for example, it is difficult to continue reducing the CIT rate, but it is necessary to aim at narrowing and to rationalize the Tax incentives. Expanding the tax base is considered by the author to be more effective than adjusting the tax rate due to the development of many new business models, many products, and goods born thanks to the development of production technology, especially environmentally friendly products. The tax rate increase should only focus on goods that pollute the environment and are harmful to human health.

Budget spending policy should focus on implementing spending tasks that greatly impact economic growth, such as increasing investment spending combined with regularly assessing the effectiveness of investment spending due to the economic context. The country is in the early stages of recovery, and the operation of businesses and people's lives are still precarious, so the government's investment spending becomes the main driver for economic growth in this period. Post-covid-19 until the domestic economy is fully recovered. Recurring expenditures in the coming time need to be controlled more closely, reducing unnecessary and unclear expenditures to contribute to creating more resources to perform other urgent and essential expenditure tasks.

CONCLUSION

Fiscal policy is one of the pillars that affect the economic growth of a country. Fiscal policy is used flexibly to meet specific goals of the economy, contributing to mobilizing, using, and allocating national financial resources to carry out investment activities and creating runways for development.

The dissertation has shown the practice of expanded fiscal policy applied by many countries towards economic growth in the context that domestic economic growth tends to slow down due to unstable factors from the global economy along with difficulties and challenges. The characteristic of the expanded fiscal policy is the reduction of taxes to create favorable conditions for production and business activities and attract investment, and at the same time, increase state budget expenditure in areas that the country thinks have the effect of stimulating economic growth in both the short and long term, such as infrastructure, education, health care, and social security. Most countries with similar conditions to Vietnam have increased spending on infrastructure to attract foreign investment, thereby creating more jobs and helping economic growth.

Vietnam has experienced ups and downs in the economy, with a period of high economic growth but also a sharp decline, resulting in a flexible and timely fiscal policy adjustment to meet the economic growth target. The fiscal policy is implemented in the direction of tightening to basically form the national financial resources in the initial stage when entering the economic development process according to the market mechanism with the orientation of the State. When the economic growth target is raised, the expanded economic policy is selected to aim at economic growth. When the economy fell into high inflation, tight fiscal policy was applied to help control inflation and stabilize the macroeconomy. When the economy is in crisis, and there is a risk of recession

caused by the sudden Covid-19 event, the fiscal policy is no longer in the initial direction of tightening but must immediately implement tax exemption/reduction for businesses, and people and at the same time increase emergency spending on health activities. Many countries in the world fell into recession and the public debt crisis once again threatened the economies. However, in the post-Covid-19 period, economic recovery is very important, so the expanded fiscal policy is still prioritized to apply; however, roadmaps to increase financial resources to support spending needs will be implemented by countries and Vietnam in the future.

By examining the impact of the fiscal policy on the economic growth of Vietnam in the period 1991-2020, the author finds evidence that the fiscal policy really has a great impact on economic growth, especially through fiscal policy adjustments that affect the structure of state budget revenues and expenditures towards economic growth. Domestic revenue in the short term has a negative impact on economic growth but has a positive effect in the long term. Revenue from crude oil is the revenue that Vietnam has to depend a lot on in a certain period to create more resources to meet spending needs, so it has an important meaning in promoting economic growth in the short and medium term. In the long term, revenue from crude oil tends to fluctuate unpredictably, so the use of this resource to promote economic growth should be limited. Investment expenditure and recurrent expenditure are two expenditures that have a great impact on economic growth due to the spillover effect on aggregate demand.

In the coming time, the world and domestic economies will continue to experience changes and fluctuations due to political conflicts, pandemics, and natural disasters affecting the global economy and each country. Besides, due to new cooperation commitments on tax, trade agreements will be implemented, and the need for resources for economic recovery and growth is tremendous.

Vietnam needs to choose to apply the fiscal policy in a way that suits the goals and potential of economic growth. The author recommends a number of solutions to apply expanded fiscal policy in the early stages of economic recovery (2022-2023) according to the Government's Socio-economic Development and Recovery Program (Resolution No. 11/NQ-CP) January 30, 2022). When the economy enters a more stable period, it is necessary to implement tight fiscal policy (increasing revenue from important taxes by expanding the tax base, increasing tax rates for goods causing environmental pollution and harmful to human health. Recurring expenditures continue to be strictly controlled, and unnecessary expenditures are thoroughly cut to dedicate financial resources to perform important spending tasks and have spillover effects.

During the research process, the Ph.D. Candidate has made great efforts in searching, collecting, and synthesizing sources of material both in theory and experimental models to complete the thesis. However, the fiscal policy toward economic growth has a wide scope related to 02 pillars, which are revenue and expenditure policies, and the recognition and assessment of the impacts of these two pillars on economic growth over many periods are really important. This a complicated problem due to having to delve into the mechanism of action of each pillar. Therefore, the thesis cannot avoid limitations and shortcomings. The Ph.D. Candidate hopes to receive the comments of teachers, scientists, experts, and policymakers to complete the thesis and expand the research issues in the future./.

**LIST OF RESEARCH WORKS OF THE AUTHOR PUBLISHED
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