

SOCIAL REPUBLIC OF VIETNAM

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THE INFORMATION OF NEW CONTRIBUTIONS OF THE THESIS

Thesis title: **The Impact of Tax Burden on the Size of the Non-Observed Economy: The Moderating Role of Public Governance**

Major: Finance - Banking

The overarching objective of this dissertation is to investigate and evaluate the impact of tax burden and public governance on the size of the non-observed economy (NOE) in emerging Asian economies. In particular, the research emphasizes the moderating role of public governance in the relationship between tax burden and the NOE. Based on empirical findings, the dissertation proposes policy implications that can help emerging Asian economies reduce the size of the NOE while ensuring sustainable economic growth and maintaining fiscal stability.

Upon fulfilling the research objectives, the dissertation contributes several new scientific and practical insights as follows:

First, this study is among the pioneering works that empirically test the moderating role of public governance in the impact of tax burden on the size of the NOE in emerging Asian economies, through the construction of an interaction variable between tax burden and public governance (TBxPG). The results confirm that public governance moderates the relationship between tax burden and the NOE. Specifically, the expansionary effect of tax burden on the NOE diminishes as the quality of public governance improves. In countries with strong governance capacity, the same tax policy generates less incentive for tax evasion than in those with weaker governance. The interaction term (TBxPG) shows a statistically significant negative moderating effect, indicating that public governance plays

an essential intermediary role in mitigating the adverse effects of tax burden on the NOE. This finding not only provides new empirical evidence on the effectiveness of fiscal policy under different institutional settings but also expands the theoretical foundation regarding the interlinkages among taxation, governance, and the non-observed economy in developing contexts.

Second, the dissertation provides clear empirical evidence of the effects of tax burden and public governance on the size of the NOE. Estimation results indicate that tax burden has a positive and statistically significant impact on the NOE—higher taxes tend to increase incentives for informal or unobserved activities. Conversely, public governance exerts a negative impact, contributing to the contraction of the NOE by improving administrative efficiency, reducing compliance costs, and strengthening public trust. This finding reinforces prior empirical studies and further highlights the independent and complementary roles of taxation and governance in shaping the size of the NOE in emerging Asian economies.

Third, the dissertation identifies a threshold level of public governance (0.2873) beyond which the adverse effect of tax burden on the NOE significantly weakens. Below this threshold, taxation tends to expand the NOE; however, when governance quality surpasses the identified level, the effect of taxation becomes weaker or statistically insignificant. This quantified threshold represents a major empirical contribution, as it defines the minimum governance condition required for tax policy to be effective. It also provides a quantitative basis for formulating policies to enhance public governance and improve tax administration in emerging economies.