

*Ho Chi Minh City, December 05<sup>th</sup> 2022*

**SCIENTIFICALLY THEORETICAL & PRACTICAL CONTRIBUTION  
OF THE PH.D THESIS**

*Thesis Title* : **Impact of fiscal policy, exchange rate, and governance on economic growth in developing countries**  
*Major* : FINANCE - BANKING Code : 9340201  
*Ph.D student* : NGUYEN LAM SON Course: 2016  
*Supervisor:* : 1. Assoc. Prof. HO THUY TIEN  
2. Ph.D. BUI HUU PHUOC

*Thesis Contributions:*

Firstly, the thesis builds the quality of aggregated governance from six dimensions of governance introduced by Kaufmann, Kraay, & Mastruzzi(2011) by the method of principal component analysis (PCA). Similarly, to test the robustness of estimated coefficients the author uses the exchange rate volatility which is estimated by the author.

Secondly, the thesis uses fiscal balance as a representative variable of fiscal policy which is calculated by the difference of budget revenue from government spending. Thus, the results of fiscal balance can be positive (fiscal surplus) or negative (fiscal deficit). The variable of fiscal balance will fully reflect the fiscal policy through the impact of budget revenue and government spending.

Thirdly, the thesis uses the interacting variable of a governance composite and nominal bilateral exchange rate of developing countries compared with USD in the original year of 2000 to assess the impact of government on exchange rate to stimulate economic growth. This is also the different point compared with exchange rate regime in the research of Hadj Fraj, Hamdaoui, & Maktouf (2018).

Fourthly, the thesis determines the minimum critical threshold of governance quality in the interacting variable of a governance composite and exchange rate in which if the quality of governance is more improved will make exchange rate to impact on economic growth better.

Fifthly, the thesis makes a comparison between groups of developing countries classified by upper middle income countries and lower middle income countries. Considering the quality of governance among different groups of developing countries in administering fiscal policy, exchange rate affects economic growth.

Sixthly, the thesis provides more empirical research evidence from developing countries related to the topic of impact of fiscal policy, exchange rate and governance on economic growth. Research results show that in developing countries, the quality of governance has a negative impact on economic growth. The reason is that in these countries the poor quality of governance, which reflects government effectiveness, rule of law, voice and accountability, and the capacity to control corruption, has affected economic growth. However, when considering the interaction between governance and exchange rate, the research results show that this interacting variable has a positive impact on economic growth (shown in all three samples). This can be explained that governance has an indirect impact on economic growth through the exchange rate transmission channel and this research result is consistent with the study of Hadj Fraj et al. (2018) which is the only study used the interacting variable of governance with the exchange rate mechanism.

Finally, from the research results in developing countries and two sub-groups, namely the group of upper middle income countries and the group of lower middle income countries, including Viet Nam, the author proposes the policy implications for developing countries, the group of upper middle income countries and the group of lower middle income countries as well as policy implications for the Vietnamese government to implement fiscal policy, exchange rate policy, and trade policy to improve business environment to promote economic growth.

**Ph.D student**

**NGUYEN LAM SON**