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**INFORMATION ON THE NOVEL ACADEMIC AND THEORETICAL
CONTRIBUTIONS OF THE DOCTORAL DISSERTATION**

Doctoral dissertation name: **“ECONOMIC POLICY UNCERTAINTY,
COMPETITION AND BANKING STABILITY”**

Major: Finance – Banking (Banking) Code: 9340201

PhD Candidate: **LE HUYNH NHU** Course: 2022.1

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A summary of the novel academic and theoretical contributions, and new arguments derived from the research and survey results of the dissertation.

Theoretical Contributions

The dissertation makes significant theoretical contributions by elucidating the complex interaction mechanisms among economic policy uncertainty, competition, and bank stability.

Firstly, the dissertation has developed an integrated analytical framework that simultaneously incorporates three core concepts: economic policy uncertainty, bank competition, and bank stability. This framework is considered an extension of previous studies, which typically analyzed these relationships individually and disjointedly. Examining the simultaneous and interactive effects of these concepts contributes to refining the theoretical framework concerning the interplay between economic policy uncertainty, competition, and bank stability.

Secondly, departing from the majority of prior empirical research that primarily focused on the linear and indirect impacts of economic policy uncertainty on certain aspects of the banking system via bank competition, this dissertation pioneers a new research direction concerning the nonlinear element within this relationship. The research identifies and clarifies an inverted U-shaped nonlinear relationship, indicating that when the level of

economic policy uncertainty is low, banks tend to be more cautious, leading to a decrease in competition. However, once economic policy uncertainty surpasses a certain threshold, the pressure to maintain profitability and market share compels banks to intensify their competitive activities, thereby increasing the level of competition. This contribution adds a crucial dimension to the theory of banking market structure and competitive behavior in an uncertain environment.

Thirdly, the dissertation comprehensively analyzes the bidirectional relationship between economic policy uncertainty and bank stability, moving beyond the traditional approach that solely focuses on the impact of economic policy uncertainty on bank stability. The research demonstrates that an increase in economic policy uncertainty negatively affects bank stability by elevating credit risk, restricting capital flows, and diminishing the system's risk-bearing capacity. Conversely, an unstable banking system can also become a source of economic policy uncertainty, as government interventions through emergency and inconsistent policies can heighten unpredictability in the economic environment. Clarifying this two-way causality provides a more systemic and complete perspective, enriching the theory on the interaction between a macroenvironment of uncertain economic policy and the soundness of the banking system.

Finally, the dissertation explores the moderating role of economic policy uncertainty on the relationship between competition and bank stability. This is regarded as one of the dissertation's pivotal theoretical contributions. By analyzing how and to what extent economic policy uncertainty moderates the inherent relationship between competition and bank stability, the dissertation opens a new avenue of research. The study indicates that in a stable environment with low economic policy uncertainty, bank competition tends to promote operational efficiency, enhance market discipline, and contribute to improving the stability of the banking system. However, when the level of economic policy uncertainty is high, increased competition can have a negative impact, causing banks to assume greater risks to maintain profits, thereby undermining bank stability. The hypothesis that rising economic policy uncertainty, upon reaching a certain level, will reverse the relationship between competition and bank stability poses a challenge and, simultaneously, an important supplement to current theories on bank competition and stability. Elucidating this moderating mechanism provides deeper insights into the impact of economic policy uncertainty on the equilibrium between competition and stability within the banking system.

Furthermore, the research offers an academic contribution by integrating three analytical approaches—nonlinear effects, bidirectional relationships, and moderating roles—into a single research model, a task most prior studies had undertaken separately or

in a linear fashion. The dissertation also broadens the scope of measuring economic policy uncertainty by incorporating both national economic policy uncertainty and the World Uncertainty Index, thereby clarifying the distinct impacts of uncertainty at the national and global levels. These contributions provide a more comprehensive approach to explaining the interaction mechanisms between economic policy and the banking system under conditions of environmental instability.

Practical Contributions

The research findings of this dissertation provide valuable empirical evidence and are expected to have practical implications that significantly support the decision-making of policymakers and bank managers.

In a context where economic policy uncertainty is a growing global concern, the dissertation offers quantitative and systematic evidence on the potential impacts of this uncertainty on the banking system through the channels of competition and stability. This enables policymakers to gain a more comprehensive and profound understanding of the potential consequences of their policy decisions, allowing for timely and appropriate adjustments to mitigate adverse effects and ensure the stability and efficiency of both the financial system and the economy at large. The research findings can assist in formulating more flexible and effective policies to respond to shocks from an uncertain policy environment, contributing to the mitigation of banking system risks.

Moreover, the discovery of the nonlinear effect of economic policy uncertainty on bank competition, the bidirectional relationship between economic policy uncertainty and bank stability, and particularly the moderating role of economic policy uncertainty on the competition-stability relationship, provides a solid scientific basis for bank managers to formulate effective business strategies and tactics. A clear understanding of how the uncertain policy environment affects competitive dynamics and systemic risk helps managers make more informed decisions regarding risk management, capital allocation, and competitive strategy within specific contexts of economic policy uncertainty. The dissertation also serves as an early warning regarding the potential risks in a high economic policy uncertainty environment, thereby assisting bank managers and supervisory agencies in implementing timely interventions to prevent systemic crises, aiming for the dual goals of enhancing competitiveness while maintaining sustainable bank stability.

Finally, by assessing various facets of the impact of economic policy uncertainty, competition, and bank stability, combined with the application of diverse data analysis methods, the dissertation will become a valuable reference source for researchers in the finance and banking sector. The research outcomes may suggest numerous other potential research avenues, encouraging deeper exploration of unclarified aspects or re-testing

existing results in the context of different countries at various stages, using a variety of methodologies. The provision of a comprehensive and multi-dimensional analysis of the complex relationship between economic policy uncertainty, competition, and bank stability is expected to contribute to enriching and further perfecting the scientific knowledge in the field of finance and banking amidst the current uncertain landscape.

Signature of the PhD Candidate

Le Huynh Nhu