

**HO CHI MINH NATIONAL ACADEMY OF POLITICS**

**NGUYEN THI THANH NGA**

**POLICIES TOWARDS  
THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

**DOCTORAL DISSERTATION SUMMARY  
MAJOR: ECONOMIC MANAGEMENT**

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**Assoc. Prof. PhD. Đinh Thị Nga.**

**Scientific supervisors:**



**1. PhD. Dang Thi Thu Hoai**



**2. Assoc. Prof. PhD. Luu Quoc Dat**

**Reviewer 1: Assoc. Prof. PhD. Lê Thái Phong**

**Reviewer 2: Assoc. Prof. PhD. Đỗ Anh Đức**

**Reviewer 3: Assoc. Prof. PhD. Phan Minh Đức**

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## INTRODUCTION

### 1. Rationale of the research topic

The informal economy plays a significant role in the global economy. According to ILO (2023), in 2019 approximately 2 billion workers participated in this sector, accounting for 60% of the global labor force; in developing countries, it represents over 70% of employment and nearly one-third of GDP. The informal economy is characterized by flexibility and rapid adaptability to socio-economic changes, contributing to job creation and poverty reduction. However, economies with a high share of this sector are often associated with lower income levels, higher inequality, lower labor productivity, underdeveloped financial markets, and substantial tax losses.

In Vietnam, the informal economy is very large, comprising about 68.5% of the labor force (33.6 million people), over 5 million production and business establishments, and around 55% of total employment. This sector plays a crucial role in livelihood creation due to its flexibility, low capital requirements, and limited institutional constraints. During shocks such as the Covid-19 pandemic, it acted as a “buffer” by absorbing labor from the formal sector. However, due to the lack of social insurance, limited access to credit, and weak protection mechanisms, workers remain highly vulnerable to income and employment risks. Thus, its resilience is mainly short-term, while long-term risks remain substantial.

Although the long-term trend is contraction with industrialization, the informal economy in Vietnam remains large, posing multiple policy challenges. Key issues include limited legal protection and social security; significant revenue losses due to underreporting [29]; unfair competition with the formal sector due to lower compliance costs, which discourages formalization; and difficulties in product quality control. At the same time, the digital economy has given rise to new forms of “platform-based informality,” making governance more complex.

Vietnam has issued various related policies, including the Enterprise Law (2005, 2014, 2020), the Commercial Law 2005, Decree No. 39/2007/ND-CP, and Decree No. 01/2021/ND-CP. In terms of statistics, improvements such as the identification of informal employment (2016) and Decision No. 146/QD-TTg (2019) have enhanced the recognition of this sector. However, limitations remain: there is no dedicated legal framework for the informal economy, statistical data are still incomplete, and policy accessibility remains low. The Covid-19 pandemic has both reaffirmed the sector’s role and exposed its shortcomings.

In the context of digital transformation and global integration, the informal economy is rapidly evolving, requiring a more comprehensive policy approach. Therefore, the study “Policies for the Informal Economy in Vietnam” is necessary

to clarify the theoretical basis, assess the current situation and limitations, and propose solutions to improve policies toward sustainable development by 2030.

## **2. Research objectives and tasks**

### ***2.1. Research objectives***

This dissertation examines policies for the informal economy with the aim of clarifying the current situation of policies toward the informal economy in Vietnam, thereby proposing solutions to harmonize the interests of actors within the informal sector, social interests, and the State's budget revenue. To achieve this objective, the dissertation undertakes the following tasks:

### ***2.2. Research tasks***

To review existing studies on the informal economy and related policies in order to identify inherited contents and research gaps; to analyze international experiences and draw lessons for Vietnam; to clarify the theoretical basis of the informal economy and relevant policies; to develop a set of criteria and priorities for policy evaluation; to assess the current situation of the informal economy and policies in Vietnam during 2015–2023; and to propose solutions for policy improvement toward 2030, aiming to enhance effectiveness, harmonize interests, and ensure State budget revenue.

## **3. Research subject and scope**

**3.1. Research subject:** The research subject of the dissertation is policies toward the informal economy in Vietnam.

### ***3.2. Research scope***

3.2.1. Scope of content: The dissertation focuses on three groups of policies: (i) regulations on production and business activities, (ii) support policies, and (iii) policies promoting formalization.

3.2.2. Scope of time: The study covers the period 2015–2023, starting from the enforcement of the 2014 Enterprise Law and the adoption of the 2030 Agenda, with policy recommendations oriented toward 2030. The data include VHLSS before 2020 and additional primary surveys conducted during 2023–2024 due to changes in data collection methods and the impact of Covid-19.

## **4. Research approach and methodology**

### ***4.1. Research approach***

The dissertation approaches policies for the informal economy from a systemic and historical–socioeconomic perspective, viewing this sector as an integral part of the economy with dialectical relationships with the formal sector, the State, and consumers. It also adopts a beneficiary-oriented perspective to assess policy effectiveness. Policies are examined based on multiple objectives: protecting livelihoods, increasing productivity, ensuring fairness, and enhancing state budget revenues.

## **4.2. Research methodology**

The dissertation employs a combination of qualitative and quantitative methods using both primary and secondary data. Qualitative research includes literature review, expert interviews, the Delphi method, and analytic hierarchy process (AHP) to develop evaluation criteria. Quantitative research uses Excel for statistical analysis and surveys of officials to assess policies during the 2015–2023 period.

## **5. New contributions of the dissertation**

The dissertation clarifies the concept of the informal economy, applies the Delphi method to identify evaluation criteria, and uses the analytic hierarchy process to rank policies. It conducts multi-dimensional surveys of stakeholders and applies mean and standard deviation indicators to assess levels of consensus and satisfaction, thereby proposing policy improvement solutions toward 2030.

## **6. Theoretical and practical significance of the dissertation**

### **6.1. Theoretical significance**

The dissertation refines the conceptual framework of the informal economy in the context of Vietnam, distinguishing it from other unobserved economic sectors. It also develops an analytical framework based on institutional economics, identifying influencing factors and evaluation criteria. On that basis, it proposes prioritized policies that harmonize stakeholders' interests.

### **6.2. Practical significance**

The dissertation analyzes the current state of the informal economy in the 2015–2023 period and identifies policy bottlenecks from a multi-dimensional perspective. The study reveals overlaps, lack of clarity, and limitations in implementation resources. Based on this, it proposes solutions to promote formalization, classify target groups, and improve governance in the context of digital transformation.

## **7. Structure of the dissertation**

In addition to the introduction, conclusion, and appendices, the dissertation consists of four chapters as follows:

- Chapter 1: Overview of research works related to the dissertation topic
- Chapter 2: Theoretical basis and practical experience on policies for the informal economy
- Chapter 3: Current situation of policies toward the informal economy in Vietnam
- Chapter 4: Solutions to improve policies for the informal economy in Vietnam.

# CHAPTER 1

## LITERATURE REVIEW ON STUDIES RELATED TO THE DISSERTATION TOPIC

### 1.1. OVERVIEW OF RELEVANT STUDIES

#### 1.1.1. Overview of studies clarifying the concept and role of the informal economy

Studies have significantly refined the concept and measurement of the informal economy. The ILO (2002–2024) developed a unified framework and indicators; UN-DESA (2024) links it to SDGs and excludes illegal activities; Gesendorfer (2024) connects it to national accounts. Other studies show its large share in GDP and employment, while highlighting small scale, vulnerability, and impacts on growth.

Regarding its role, research confirms contributions to livelihoods, poverty reduction, and acting as an economic buffer, especially during Covid-19. However, limitations include low productivity, weak policy access, inequality, fiscal losses, and vulnerability to shocks. Evidence on policy effectiveness and recent data (2020–2023) remains limited.

#### 1.1.2. Overview of studies on policies for the informal economy

On business regulations, studies show simplification and tax reduction increase formal registration but have limited impact on the informal sector; issues such as low tax compliance, regulatory barriers, and informal costs persist. Behavioral and supply-chain-based approaches are suggested, with evaluation criteria including clarity, accessibility, cost–benefit, and formalization effects.

On support policies, research emphasizes policy consistency, skill development, trust-building, and simplified procedures to improve tax compliance and access. Covid-19 exposed vulnerabilities and policy gaps, including social insurance barriers.

Studies on policies promoting formalization show that Rudi Rocha et al. (2018) find that reducing registration fees increases the number of business registrations, mainly by formalizing existing informal establishments; however, the effect is only short-term and poses risks of long-term tax revenue losses. Elbahnasawy (2021) confirms that e-government is an effective tool for reducing the informal sector in the long run. The UN (2024) emphasizes the need for an integrated policy framework and the role of artificial intelligence. Conversely, the UNDP (2022, 2024) and Lv (2024) warn of a nonlinear relationship between digitalization and formalization. The ILO (2013) and the WB (2022) propose specific criteria for policy evaluation.

### **1.1.3. Overview of studies on factors affecting policies**

Policies are influenced by legal frameworks, governance quality, institutional barriers, productivity and skills, and public trust. Weak governance and corruption reduce effectiveness. In Vietnam, studies highlight legal inconsistencies, statistical limitations, and tensions between livelihoods and urban management, alongside the role of institutions, culture, and policy adaptability.

### **1.1.4. Overview of research methods**

Studies on the informal sector use diverse qualitative and quantitative methods, emphasizing multidimensional approaches due to its complexity (Martha Alter Chen; World Bank). However, policy research remains limited, especially lacking hierarchical analysis to prioritize evaluation criteria in Vietnam.

## **1.2. OVERALL ASSESSMENT OF THE LITERATURE REVIEW AND RESEARCH GAPS**

Existing domestic and international studies have clarified the concept, characteristics, and role of the informal sector, broadly agreeing that it is small-scale, low-productivity, yet significant in employment generation and economic growth. From a policy perspective, a relatively comprehensive framework has emerged, comprising three main groups: regulatory, support, and formalization-promoting policies. Studies also identify four groups of influencing factors and propose several policy evaluation criteria.

Research gaps include the absence of an integrated analytical framework examining interlinkages among policy groups; limited up-to-date empirical evidence in the Vietnamese context; insufficient multidimensional assessments; lack of a systematic and prioritized set of evaluation criteria; and inadequate quantification of hard-to-measure criteria, constraining policy effectiveness evaluation.

### **1.3. ANALYTICAL FRAMEWORK**

The dissertation develops an analytical framework based on the literature review, identifying three policy groups, regulatory, support, and formalization-promoting, along with four groups of influencing factors. It establishes a system of evaluation criteria for each policy group and incorporates specific criteria such as cost, accessibility, support level, and incentives for formalization. Based on the assessment of these factors, combined with expert input and practical evidence, the study proposes policy recommendations aimed at enhancing productivity, promoting formalization, and fostering socio-economic development.

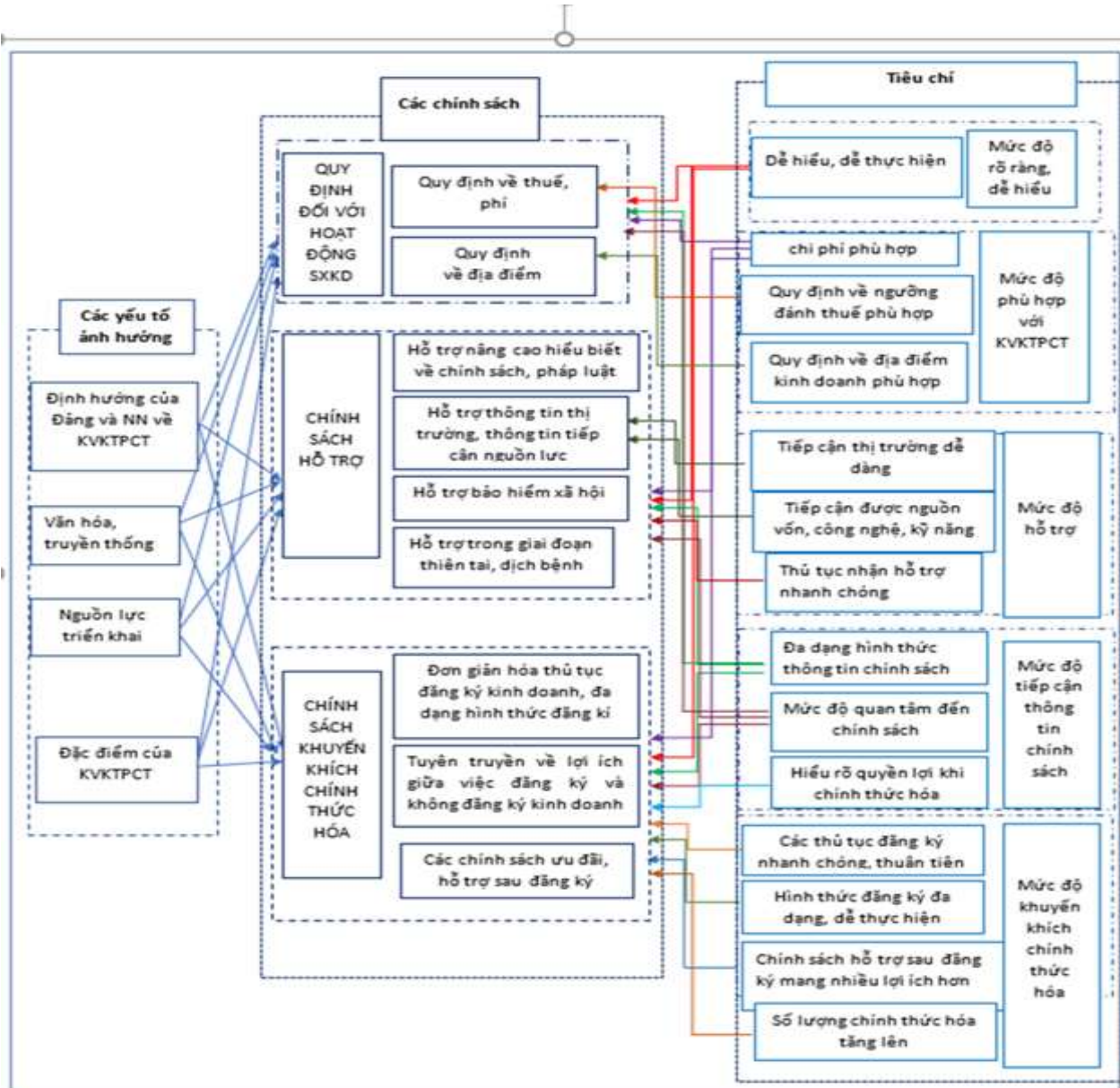


Figure 1.1. Analytical Framework

## CHAPTER 2 THEORETICAL FOUNDATION AND PRACTICAL EXPERIENCE REGARDING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR

### 2.1. THEORETICAL FOUNDATION OF THE INFORMAL ECONOMIC SECTOR

#### 2.1.1. Concept of the informal economic sector

The informal sector consists of small-scale, legal, profit-oriented, unregistered non-agricultural activities, typically lacking complete accounting and clear separation between business and household finances; operations may be fixed, mobile, or online. The study focuses on the informal sector, excluding informal employment.

### **2.1.2. Characteristics of the informal economic sector**

It is characterized by small scale, self-financing, and self-employment; easy entry and exit; but high vulnerability, low skill levels, weak legal compliance, and limited access to policies.

### **2.1.3. Role of the informal economic sector**

It plays a vital role in employment, livelihoods, and growth, especially in developing countries like Vietnam, but also leads to inequality, tax losses, low productivity, and management challenges.

## **2.2. THEORETICAL FOUNDATION OF POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR**

### **2.2.1. Concept of policies towards the informal economic sector**

Policies for the informal sector refer to the set of state perspectives, objectives, and instruments aimed at regulating, managing, supporting, and guiding its actors to enhance socio-economic efficiency, promote appropriate formalization, and balance business, social, and fiscal interests.

### **2.2.2. Role of policies towards the informal economic sector**

Policies orient and regulate the sector by encouraging compliance and providing support (information, training, insurance, and formalization), thereby fostering development, improving transparency, and reducing tax losses.

### **2.2.3. Content of policies towards the informal economic sector**

Policies are grouped into three categories

Regulatory policies: rules on taxes, fees, and business locations.

Support policies: legal awareness, market and resource access information, social insurance, and emergency support (e.g., COVID-19).

Formalization-promoting policies: simplified and diversified business registration, awareness campaigns, and post-registration incentives and support for firms, SMEs, and household businesses.

### **2.2.4. Criteria for evaluating policies towards the informal economic sector**

Evaluation criteria for each policy group include:

Regulatory policies on production and business activities (ILO, 2013): i) clarity of regulatory provisions and simplicity of language; ii) degree of relevance and suitability to the informal economic sector.

Support policies (ILO, 2013; OECD, 2009): i) accessibility of policies; ii) clarity and ease of understanding; iii) level of policy support provided.

Formalization-promoting policies (ILO, 2013; World Bank, 2022): i) accessibility of policy information; ii) effectiveness in encouraging formalization.

### **2.2.5. Factors influencing policies for the informal economic sector**

#### ***2.2.5.1. State perspectives and orientations***

#### ***2.2.5.2. Cultural and traditional factors***

#### ***2.2.5.3. Policy implementation resources***

#### ***2.2.5.4. Characteristics of the informal economic sector***

## **2.3. RESEARCH METHODS FOR POLICIES ON THE INFORMAL ECONOMIC SECTOR**

### **2.3.1. Selection of research methods**

The study adopts a mixed-methods approach, combining qualitative and quantitative techniques. Qualitative methods (Delphi and AHP) are used to identify and prioritize policy evaluation criteria, while quantitative methods (descriptive statistics, Likert scale, standard deviation) assess agreement and satisfaction. Additional analysis, synthesis, and comparison are applied to examine the current situation, trends, and influencing factors.

### **2.3.2. Sampling and data collection**

#### ***2.3.2.1. Data subjects and collection methods***

The study surveys informal household businesses across 18 provinces (urban and rural) and 108 policymakers/experts. It focuses on registration behavior, policy access, understanding, and evaluation. Data are collected from primary sources (surveys, interviews) and secondary sources (VHLSS, legal documents, prior studies).

#### ***2.3.2.2. Sample size***

Non-probability and snowball sampling methods are used. The sample includes 450 informal businesses, 122 formalized entities, and 108 officials. Sample size is determined using the Yamane (1967) formula, ensuring reliability given the difficulty of defining the informal sector population.

## **2.4. EXPERIENCE OF SOME COUNTRIES ON POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR AND LESSONS FOR VIETNAM**

**2.4.1. Experience of some countries worldwide:** Thailand, China, Singapore, United States

### **2.4.2. Lessons learned for Vietnam**

Lessons on policies regulating production and business activities

Lessons on support policies

Lessons on formalization encouragement policies

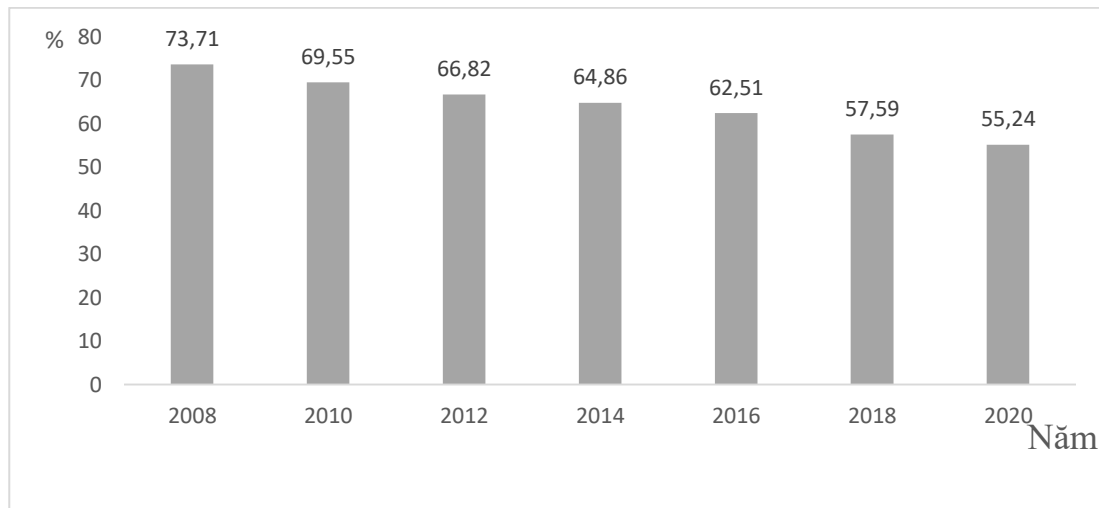
## **CHAPTER 3**

### **CURRENT STATUS OF POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

#### **3.1. CURRENT STATUS OF THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

##### **3.1.1. Scale of the informal economic sector in Vietnam**

The scheme for statistics on the non-observed economy (NOE) approved in 2019 created a turning point in statistics for the informal economic sector. Previously, data was fragmented. VHLSS results for the period 2010-2020 show that the proportion of non-agricultural establishments not registered for business tends to gradually decrease.

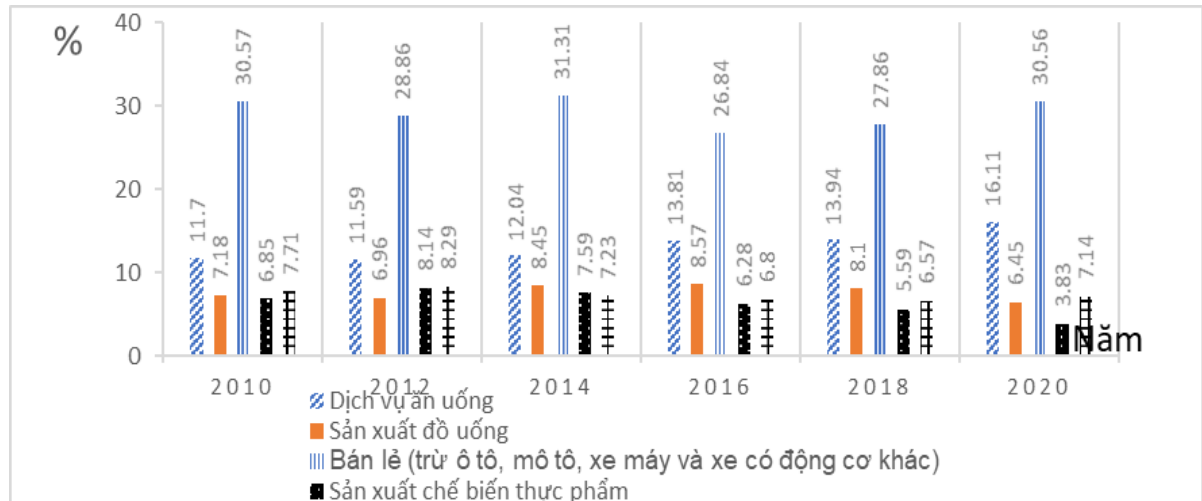


**Chart 3.1. Proportion of unregistered PBEs compared to non-agricultural PBEs**

*Source: VHLSS from 2010 to 2020.*

During the COVID-19 pandemic, when the outbreak occurred and social distancing regulations were implemented, the number of informal PBEs decreased by 3.2% (in 2020); after the pandemic, many units operating in the formal sector had to close, and the IES scale increased again (in 2021 increased by 2.3%, in 2022 increased by 2.21% compared to the same period the previous year).

**Number of informal production and business establishments by economic sector**



*Source: VHLSS from 2010 to 2020*

**Chart 3.2. Sectors with High Proportions among Non-Agricultural, Unregistered Business Production and Trading Establishments**

The IES operates across many different sectors and fields. According to VHLSS statistics, the trend of operational sectors of informal production establishments has gradually narrowed from 67 sectors in 2008 to 57 sectors in 2020, mostly concentrated in retail and food service.

Chart 3.3 describes sectors with high proportions of non-agricultural PBE activities not registering business, from 2010 to 2020. Most IES subjects operate in retail (accounting for nearly 1/3 of non-agricultural PBEs not registering business), followed by food services.



**Chart 3.3. Sectors with High Proportions in the Informal Economic Sector**

*Source: Author's survey results, 2023–2024*

E-commerce was not included in the VHLSS survey activity list from 2010 to 2020. COVID-19 increased demand for buying and selling goods on digital technology platforms, along with the strong development of the 4th industrial revolution, e-commerce has become popular.

According to World Economics reports, Vietnam's informal economy in 2023 was approximately 393 billion USD (GDP PPP), accounting for about 20.3% of GDP.

The average revenue of an informal PBE at current prices in 2010 was 174 million VND/year; by 2019 it reached 382 million VND/year; in 2020 it reached 356 million VND/year. The average growth rate for the period 2011-2020 reached 7.41%/year.

Revenue at current prices in 2022 reached 2,130 trillion VND, increasing 45.16% compared to the same period in 2021 (1,467 trillion VND). Individual PBEs not required to register business accounted for 10.68%, increasing 0.39% compared to 2021 (10.29%, equivalent to about 151 trillion VND). In value terms, 2022 revenue of units not required to register business increased 50.7% compared to the same period in 2021.

#### **Number of informal production and business establishments by locality**

The IES is mainly concentrated in provinces and cities with large economic scale, dense population, and easy market access. According to the National Accounts Department (TKQG) 2022 report, the 10 provinces and cities with the largest proportion of informal PBEs account for about 36.85% of the total informal establishments nationwide, while the 10 provinces with the smallest proportion of informal PBEs nationwide account for only about 3.9% of establishments, concentrated in provinces with small economic scale, sparse population, where labor often moves to other localities to work.

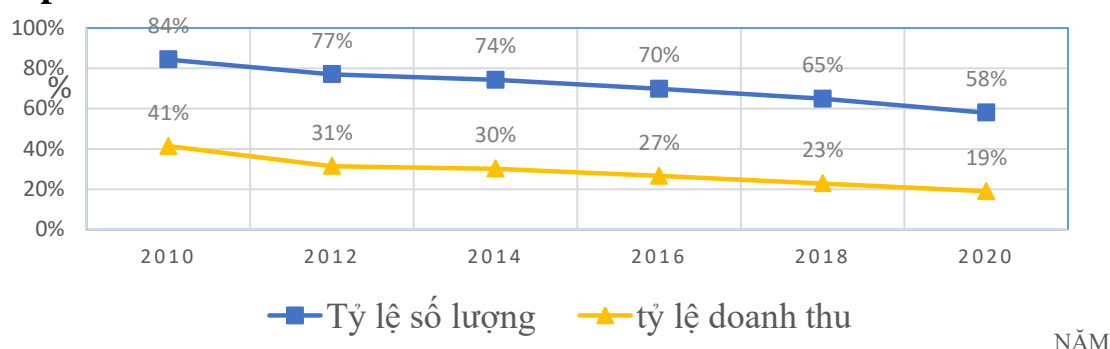
**Table 3.1. Provinces with the largest IES scale by economic region**

Province with largest scale by economic region	2021		2022	
	IES contribution to GDP value (trillion VND)	Proportion compared to national IES scale (%)	IES contribution to GDP value (trillion VND)	Proportion compared to national IES scale (%)
Hanoi (Red River Delta)	27,20	7,74	52	10,51
Bac Giang (Midlands and Northern Mountains)	5,48	1,56	6,7	1,37
Thanh Hoa (North Central Coast and Central Coast)	14,44	4,11	15,5	3,12
Lam Dong (Central Highlands)	5,13	1,46	6,6	1,33
Ho Chi Minh City (Southeast)	21,22	6,04	53	10,71
An Giang (Mekong Delta)	7,13	2,03	9,3	1,87

Source: Author's calculation based on General Statistics Office data 2024

The IES in the two major cities increased strongly in 2021 and 2022 due to the strong impact of the COVID-19 pandemic; many businesses had to close production, and workers joined the IES to find livelihoods.

#### Capital scale and revenue of the IES



**Chart 3.4. Proportion of quantity and revenue of informal PBEs with revenue below 100 million**

Source: VHLSS from 2010 to 2020.

Chart 3.4 shows that the revenue trend of PBEs is gradually increasing. The number of informal PBEs with revenue below 100 million accounts for an increasingly decreasing proportion (from 2010 to 2020, establishments in this group decreased from 84% to 58%; the contribution to revenue decreased from 41% to 19%). This means that theoretically, the number of IES establishments required to pay taxes is increasing, and tax revenue is also increasing.

**Table 3.2. Average capital and revenue of informal business households**

Amount	Capital scale		Revenue	
	Quantity	Proportion	Quantity	Proportion
Below 100 million	146	32,44%	107	23,8%
100-300 million	119	26,44%	143	31,8%
300 -500	87	19,33%	54	12%
500-1 billion	98	21,78%	51	11,3%
Above 1 billion	-	-	95	21,1%
<b>Total</b>	<b>450</b>	<b>100%</b>	<b>450</b>	<b>100%</b>

*Source: Author's survey results 2023-2024*

### **3.1.2. Characteristics of the informal economic sector in Vietnam**

#### **Motivation and reasons for participating in the IES**

**Table 3.3. Reasons for choosing not to register business**

1. Avoid State regulations: taxes, fees and business conditions.
2. New startup.
3. Afraid of complex administrative procedures after registration
4. Spontaneous, acting on instinct, tradition, not thinking they need to register.
5. Limited capital.
6. Satisfied with current activities.
7. Fear of harassment by policy implementers
8. Don't want to be bound by responsibility for products they produce/trade.
9. Don't know registration process and procedures.
10. Working temporarily while waiting for formal employment.
11. Unable to find formal employment, working to maintain minimum living standards.
12. Main activity in formal sector, working in IES seasonally for extra income/or to satisfy business passion.
13. Activities in IES as backyard of formal sector.

*(Source: Author's survey results 2023-2024)*

#### **Education level of informal PBE subjects**

**Table 3.4. Proportion of education levels of informal PBE subjects over the years**

	Unit: %					
<b>Highest degree</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>2016</b>	<b>2018</b>	<b>2020</b>
No degree	17.64	18.69	23.43	17.31	21.23	23.29
Primary	33.52	31.81	27.48	29.14	48.46	25.22
Lower secondary	31.25	30.77	27.54	34.13	29.37	27.21
Upper secondary	14.07	15.3	17.21	15.03	16.77	20.14
College	0.65	0.83	1.33	1.25	1.66	3.83
University	2.73	2.39	2.83	3.09	3.53	0.28
Master's or higher	0.14	0.21	0.17	0.05	0.21	0.03

*Source: VHLSS years: 2010, 2012, 2014, 2016, 2018, 2020*

HLSS data results show that most people participating full-time in IES activities have low education, the proportion without upper secondary graduation (over 80%), the number of college graduates and above accounts for only about 3-5%.

**Table 3.5. Education level and work nature of informal subjects**

Education level	Quantity	Proportion	Non-fixed time	Full time	Second job
No degree	156	34.8%	52	104	0
Primary	102	22.7%	10	85	7
Lower secondary	35	7.7%	0	35	0
Upper secondary	107	23.8%	0	32	75
College	50	11.0%	0	0	50
<b>Total</b>	<b>450</b>	<b>100%</b>	<b>62</b>	<b>256</b>	<b>132</b>

(Source: Author's survey results 2023-2024)

People with low education levels tend to work full-time in the IES, conversely, people with high education levels usually only view the IES as a second job, besides work in the formal sector.

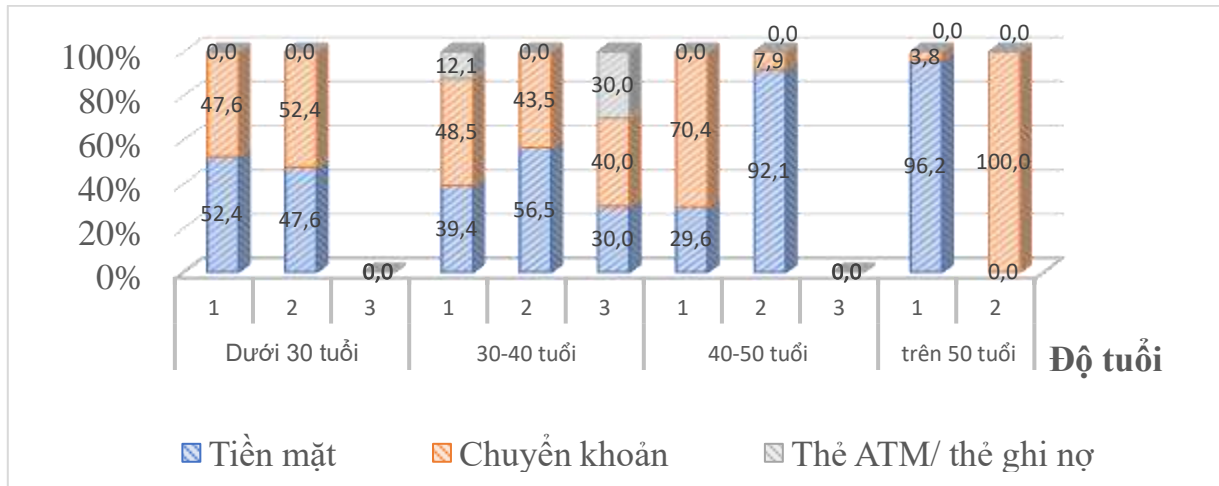
**Business location:** A prominent feature of the IES is quite diverse business locations, but mainly without fixed locations.

**Table 3.6. Business space choices**

<b>Business location</b>	Quantity	Proportion
1. At residence	92	17,3%
2. Rented location	98	18,42%
3. Encroachment	137	25,75%
4. Non-fixed	117	21,99%
5. Online (including combination with other forms)	88	16.54%
<b>Total</b>	<b>532</b>	<b>100%</b>

Source: Author's survey results 2023-2024

Payment instruments: Currently, goods exchange and transaction execution use many different payment forms (cash, ATM/credit cards, payment through third parties (like Momo, Viettel money...), bank transfer via application software on electronic devices,...). However, IES transactions mainly use two basic forms: cash and bank transfer via software, with payment form usage priorities also differing by age.



**Chart 3.5. Payment instruments by priority level and age**

*Source: Author's survey results 2023-2024*

Chart 3.5 describes the priority order when using payment forms by informal PBE subjects classified by age. The horizontal axis describes age (under 30, 30 to 40 years old, 40 to 50 years old, over 50 years old) and priority decreases from 1 to 3. The vertical axis describes the proportion (calculated as % of respondents).

### **3.2. IDENTIFYING CRITERIA AND WEIGHTS FOR EVALUATING POLICIES TOWARD THE INFORMAL ECONOMIC SECTOR**

#### **3.2.1. Identifying policy evaluation criteria**

Based on the literature review, the study initially identifies eight criteria for evaluating policies toward the informal sector. Using the Delphi method, seven criteria are retained with high consensus.

#### **3.2.2. Determining the priority of evaluation criteria**

Using the Analytic Hierarchy Process (AHP), the study ranks criteria as follows: the highest-weighted are C2 (0.238) – policy relevance to the informal sector, and C5 (0.238) – level of policy support; medium-weighted are C6 (0.154) – access to policy information, and C7 (0.145) – effectiveness in promoting formalization; the lowest-weighted are C1 (0.075) – clarity, C3 (0.076) – policy accessibility, and C4 (0.075) – ease of understanding.

### **3.3. CURRENT STATUS OF POLICIES TOWARD THE INFORMAL ECONOMIC SECTOR**

#### **3.3.1. Regulatory policies on production and business activities**

##### **3.3.1.1. Current regulatory framework for production and business activities**

Regulations on taxes, fees, and business registration enable the State to manage the informal sector, ensure compliance, fairness, and budget revenues, while providing incentives for low-income household businesses.

Value-added tax and personal income tax for household businesses are applied under a presumptive regime, based on taxable turnover and fixed tax rates. Taxable turnover includes all revenues from sales, processing, commissions, and service provision arising within the period, including taxable amounts. Regarding business locations, the scope of operations of the informal sector is currently regulated under Decree No. 39/2007/ND-CP.

### 3.3.1.2. Evaluation of regulatory policies on production and business activities by criteria

The dissertation surveyed 450 production and business units on tax, fee, and business location regulation policies, with evaluations on a Likert scale from 1 to 5, where level 1: Completely disagree, 2: Partially agree, 3: Normal, 4: Agree, 5: Completely agree

**Table 3.10. PBE subjects' evaluation of policies**

No	Criteria	Tax registration	Business license fee	VAT, Personal income tax	Business location regulations
1	Regulations are presented clearly, language easy to understand;	2.76	2.96	2.65	3.57
2	Easy information reception ability + policy implementation time is fast	4.4	4.39	4.35	2.69
3	Procedures, fees, licenses increase costs significantly	3.7	3.7	3.63	3.08
4	Procedures, fees, licenses do not restrict individual business activities	3.02	2.95	2.28	2.56
5	Compliance costs are low compared to benefits received	3.7	3.7	3.63	3.08

*Source: Author's survey 2023-2024*

### **Evaluation from policy implementers' perspective**

Decree 39/2007 defines unregistered business management; 2024 survey shows rural tracking complete, urban partial, tax collection difficult due to density.

### **3.3.2. Support policies**

#### **3.3.2.1. Policy framework and content of support policies**

In the period 2015–2023, there were 04 laws, 03 resolutions, 02 decrees, and 02 decisions issued to support actors in the private economic sector. These instruments have had varying impacts on the informal economic sector from different perspectives.

#### **3.3.2.2. Evaluation of policy access level**

IES PBE subjects consider their activities spontaneous, not registered, so they are not entitled to State support policies.

**Table 3.11. Policy access level of informal production and business subjects**

No.	Support policy	Proportion of subjects who accessed (%)
1	Support for understanding legal policies	12,1
2	Training support, market information support, resource access information support	9,7
3	Voluntary social insurance support	22,4
4	Support during natural disasters, epidemics	8,5

*Source: Author's survey 2023-2024*

During COVID-19, only 8.5% accessed support; lack of information, procedures, and unpreparedness limited policy access. The IES has little access to other policies mainly due to the needs of subjects in this sector; 90.3% self-learn business skills or do business by instinct; 87.9% do not need market information support or legal policy understanding support.

### **3.3.2.3. Evaluation of policy comprehensibility level**

To evaluate policy comprehensibility level, the dissertation surveyed beneficiaries' opinions. Table 3.10 summarizes the agreement level of unregistered PBE subjects on policy comprehensibility and fast implementation time.

**Table 3.12. IES evaluation of policy being easy to understand and fast implementation time**

Unit: %

Policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree
Not required to register business	48.6	10.5	17.1	12.7	6.1	5.0
Market information support	54.1	3.9	1.7	13.8	18.2	8.3
Training support	53.0	4.4	4.4	14.4	20.4	3.3
Support/guidance for implementing State policies	55.2	2.2	7.2	19.9	12.7	2.8
Voluntary insurance	51.4	9.9	19.3	9.4	6.1	3.9

*Source: Author's survey 2023-2024*

Most respondents see businesses as self-run, over 50% ignore support; mixed views on voluntary insurance procedures and speed.

### **3.3.2.4. Evaluation of policy support level**

IES find support insufficient; half uninterested. Registration policy favored (69%); other supports low, especially market information and training.

**Table 3.13. Business households' opinions on policies helping PBE operations run more smoothly**

Support policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree
Not required to register business	48.62	15.47	0.00	1.66	16.02	18.23
Market information support	54.14	37.57	2.21	0.00	6.08	0.00
Training support	53.04	39.78	0.00	0.00	6.08	1.10
Support/guidance for implementing State policies	55.25	33.70	2.21	1.66	6.08	1.10
Voluntary insurance	51.38	37.57	2.21	1.66	6.08	1.10
Support for damages from natural disasters/epidemics	49.17	41.44	0.00	2.21	6.08	1.10

Unit: %

Source: Author's survey 2023-2024

**Table 3.14. Policies adequately meeting PBE activity needs**

Support policies	Not interested	Completely disagree	Partially agree	Normal	Agree	Completely agree	Average
Not required to register business	219	8	12	96	58	57	<b>3.62</b>
Market information support	245	138	42	14	5	6	<b>1.53</b>
Training support	240	45	72	83	3	7	<b>2.31</b>
Support/guidance for implementing State policies	249	39	55	69	21	17	<b>2.61</b>
Voluntary insurance	230	70	64	47	30	9	<b>2.29</b>
Support for damages from natural disasters/epidemics	357	18	61	14	0	0	<b>1.96</b>

Source: Author's survey 2023-2024

Respondents highly rate non-mandatory registration (3.62/5), reflecting fear of administration; other supports rated low, as COVID-19 losses far exceeded limited policy assistance.

**3.3.3. Formalization encouragement policies**

**3.3.3.1. Policy framework and content of formalization-promoting policies:**

Vietnam has implemented various policies to encourage the formalization process. Among these, there are 01 law, 02 decrees, 02 circulars, and 01 decision that have had direct impacts from different perspectives.

**3.3.3.2 Evaluation of policy information access level**

Survey shows age differences in policy access; younger IES explore formal options but mostly stay informal, while support policies gradually encourage formalization.

**3.3.3.3. Evaluation of policy's formalization encouragement level**

Vietnam has many policies to support post-business registration, however, according to OECD 2021 reports, corporate income tax exemption provisions for 2 years are not enough to encourage subjects to participate in the formal sector.

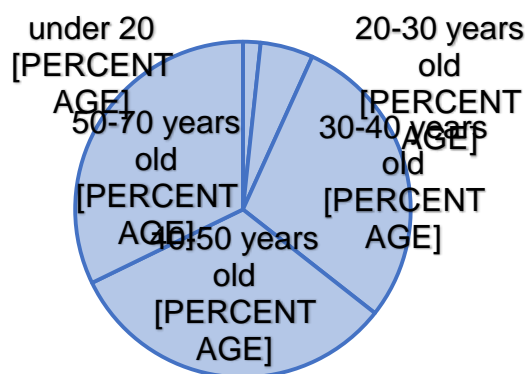
**3.4. FACTORS AFFECTING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

**3.4.1. The Party and State's Orientation on the Informal Economic Sector**

The documents of the 12th and 13th Party Congresses affirm the socialist-oriented market economy; although there has been no specific policy for 2015-2023, the orientation towards private economic development has indirectly improved the legal framework and promoted the formalization of the informal economic sector.

**3.4.2. Cultural and Traditional Factors**

The dissertation's survey results on the age of participation in the informal economic sector in Vietnam during the period from late 2023 to early 2024 are described in Chart 3.12.



**Chart 3.12. Rate of Participation in the Informal Economic Sector by Age**

*Source: Author's survey results from 2023-2024*

Convenient consumption habits and traditional market culture sustain the informal economic sector; differences in age, education level, and the prevalence of informal costs reflect the profound impact of culture on economic behavior and policy approaches.

### **3.4.3. Resources for Policy Implementation**

Resources for policy implementation include financial resources, technical infrastructure, and human resources. Assessing the current state of resources for policy implementation contributes to further clarifying the factors affecting policies towards the informal economic sector in Vietnam.

### **3.4.4. Characteristics of the Informal Economic Sector in Vietnam Today**

The characteristics of the informal economic sector cause actors to avoid regulations and have limited access to social security; formalization is mainly driven by intrinsic motivations such as expanding scale and increasing credibility.

## **3.5. GENERAL ASSESSMENT OF POLICIES FOR THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

### **3.5.1. Achievements**

During the period 2015–2023, the informal economic sector was increasingly recognized as an important component of the economy. Policies gradually improved the legal framework, established clearer tax regulations, and maintained acceptable compliance costs. Support measures, digital transformation initiatives, and post-registration incentives have contributed to promoting formalization.

### **3.5.2. Limitations**

**Legal framework and identification of subjects:** The regulatory system remains fragmented and overlapping, with inconsistent criteria for defining the informal sector. Incomplete and inconsistent data across localities hinder effective management and migration control.

**Regulatory policies on production and business activities:** Enforcement remains difficult, tax collection efficiency is low, leading to budget revenue losses and unfair competition. Informal costs persist, and online business activities are difficult to regulate.

**Support policies:** Limited accessibility and effectiveness, with weak coverage. Information dissemination and communication remain inadequate. Social insurance policies are unattractive and administrative procedures remain complex.

Formalization-promoting policies: Lack of coherence and limited resources reduce effectiveness. Policies have not strongly influenced behavioral change or significantly reduced informality.

### **3.5.3. Causes of limitations**

Key causes include lack of policy coordination and overlapping regulations; turnover-based tax calculation methods with weak measurement tools due to widespread cash transactions; insufficient policy differentiation reflecting the diversity of the informal sector; limited institutional, human, and technological capacity; and ineffective policy communication. In addition, weak financial and statistical data systems further constrain policymaking. Internal characteristics of the sector, such as small scale, income instability, and cash-based practices, along with external shocks such as pandemics, also hinder formalization efforts.

## **CHAPTER 4**

### **SOLUTIONS FOR IMPROVING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

#### **4.1. INTERNATIONAL AND DOMESTIC CONTEXTS RELATED TO POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR IN VIETNAM**

##### **4.1.1. International and Domestic Contexts**

**4.1.1.1. *International context:*** Changes in thinking about the informal economic sector, globalization, global value chains, inclusive development, and the 2030 Agenda

**4.1.1.2. *Domestic context:*** The orientation of the 14th Party Congress emphasizes institutional improvement, reduction of compliance costs, and support for the transition of the informal economic sector to formality; it also highlights the role of the private sector, digital transformation, social security, and transparent governance. The Fourth Industrial Revolution, digital business models, and market volatility (such as COVID-19 and natural disasters) have simultaneously created opportunities and imposed pressures on governance, standardization, and policy adaptation.

##### **4.1.2. Requirements of the National Development Framework Related to Policies Towards the Informal Economic Sector**

Policies towards the informal economic sector are within the national

development framework towards becoming a developed country by 2045. The 2021-2030 planning with a vision to 2050 aims for a fair society, digital governance, sustainable social security, and protection of vulnerable people. The 2021-2025 plan promotes sustainable growth, productivity enhancement, and social security. The DWCP 2022-2026 with ILO emphasizes decent work and comprehensive social security. Resolution 42-NQ/TW proposes reducing informal employment, reforming voluntary social insurance, budget support, and promoting digital transformation. The Asia-Pacific conclusion 2022 promotes formalization.

#### **4.2. VIEWPOINTS ON IMPROVING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR BY 2030**

Principles for developing policies towards the informal economic sector include: (1) Alignment with the country's general development orientation and institutionalization of the Party's lines; (2) Clearly defining the scope of the informal economic sector and unifying legal documents, inter-sectoral coordination; (3) Ensuring equality in competition among economic sectors; (4) Respecting traditional culture, avoiding haste; (5) Considering age and education level when issuing support policies; (6) Based on residents' living standards, updated according to socio-economic changes; (7) Ensuring the interests of implementing officials linked to responsibilities to limit negativity; (8) Learning from international experience combined with Vietnam's practice.

#### **4.3. SOLUTIONS FOR IMPROVING POLICIES TOWARDS THE INFORMAL ECONOMIC SECTOR BY 2030**

##### **4.3.1. Solutions for harmonizing the Legal Scope of the Informal Economic Sector**

It is necessary to clearly define target groups to ensure effective policy implementation: (i) harmonizing legal regulations on non-business registration entities and strengthening inter-agency coordination; (ii) applying a unified national income threshold, combined with a flexible digital declaration mechanism; (iii) enhancing the role of community participation, digital data, and cooperation with trading platforms for statistical collection; (iv) ensuring transparency in procedures, reducing direct contact, minimizing administrative burdens, and strengthening enforcement mechanisms.

##### **4.3.2. Solutions for Improving Policies Regulating Production and Business Activities**

Tax reform should be implemented toward a tiered system, shifting from

turnover-based taxation to profit-based taxation, alongside the application of digital technologies for transaction management. Business location planning should be strengthened through the development of centralized markets, improved quality and safety control, and the application of risk-based management approaches.

#### **4.3.3. Solutions for Improving Support Policies**

Support policies for the informal economic sector need to differentiate target groups. Solutions include: (1) Maintaining current policies for groups with fixed locations; (2) Supporting tax and fee-exempt locations for street vendors, planning "markets" with business culture regulations, each household registering one location and declaring daily; (3) Building markets as cultural tourism centers, promoting brands; (4) Disseminating voluntary social insurance, amending pension calculations based on the last 5 years, improving healthcare; (5) Digitizing data, widespread dissemination to not miss disaster-affected targets; (6) Supporting tax declaration for the elderly, digital transformation for those under 50; (7) Disseminating new business culture, preserving the nation's good traditions, while gradually eliminating backward, short-term production and business thinking. Supporting citizens to enhance self-discipline, creativity, flexibility, a culture of placing personal interests within societal and community interests, a culture of emphasizing social responsibility...

#### **4.3.4. Solutions for Improving Formalization Incentive Policies**

Formalization incentive policies need to maintain registration procedure support and improve: (1) Reducing administrative procedures after registration; (2) Switching to mandatory online procedures to reduce "informal" costs; (3) Investing in science, technology, and education to improve public knowledge; (4) Supporting free inspections for fire safety, food safety, and environment; (5) Promoting cashless transactions; (6) Managing by commodities, flexible registration via hotline/app; (7) Long-term, transparent, and fair stable policies; (8) Sustainable development limiting shocks; (9) Prioritizing education and training, creating formal employment, developing the macro-economy to narrow the informal economic sector.

## CONCLUSION AND RECOMMENDATIONS

### 1. Conclusion

The dissertation entitled “Policies for the Informal Economic Sector in Vietnam” is developed on the basis of an integrated analysis of theoretical foundations, international experience, and domestic practices. First, at the theoretical level, the study systematizes the conceptual framework of the informal economic sector and related policies, affirming its dual nature: while it contributes to employment creation and poverty reduction, it also entails risks related to low productivity, fiscal revenue losses, and inequality. Accordingly, policy approaches should focus on management, support, and the gradual promotion of formalization along a defined pathway.

Second, the dissertation identifies the content of state management, develops a system of evaluation criteria, and analyzes influencing factors in order to clarify the mechanisms and levels of policy impact, thereby demonstrating that these factors directly shape policy design and effectiveness.

Third, the empirical findings for the period 2015–2023 show that policies have improved in the direction of support and formalization; however, limitations remain in terms of policy coherence, target classification, compliance costs, and gaps between policy design and implementation.

Fourth, in the new context particularly digital transformation and international integration policies are shifting from control-oriented approaches toward enabling and incentivizing formalization.

Fifth, the dissertation proposes a comprehensive set of solutions, emphasizing the balance of interests, clearer target segmentation, and the application of digital technologies in managing the informal economic sector.

### 2. Limitations

The study is constrained in terms of scope and data availability due to the inherently difficult-to-access nature of the informal sector. The survey coverage is limited to several localities and is not nationally representative. Quantitative analysis remains incomplete, with some aspects still theoretical and not fully quantified in terms of policy impacts. In addition, post-2025 policy developments lack sufficient data for long-term assessment.

### **3. Recommendations for Further Research**

Future studies should apply the Difference-in-Differences (DID) method to evaluate policy impacts; strengthen quantitative analysis; further clarify the relationship between policy and sustainable development; and examine the long-term effects of digital transformation on the size and structure of the informal economic sector over the next 10–20 years.

## **LIST OF THE AUTHOR'S SCIENTIFIC PUBLICATIONS RELATED TO THE DISSERTATION TOPIC**

1. Nguyen Thi Thanh Nga (2019), "For the informal economic sector to contribute more to socio-economic development," *Journal of Economics and Forecasting*, (17), pp. 49-51.
2. Nguyen Thi Thanh Nga (2019), "Factors affecting the informal economic sector and policy implications," *Asia-Pacific Journal*, (555), pp. 66-68.
3. Nguyen Thi Thanh Nga (2021), "Management of the informal economic sector in developing countries and lessons learned for Vietnam," *Asia-Pacific Journal*, (590), pp. 84-86.
4. Nguyen Thi Thanh Nga (2023), "Changes in policies towards the informal economic sector in Vietnam today," *Asia-Pacific Journal*, (639), pp. 37-39.
5. Nguyen Thi Thanh Nga (2024), "The current state of policies towards the informal economic sector in Vietnam," *Asia-Pacific Journal*, (657), pp. 25-27.