Joined-up Text and Circular Themes: Help Sheet 2:

The process of wrapping text around a circle, or other shape, will inevitably disrupt the shape of individual letters and 'force the joins apart' in places or push them closer together. The latter results in 'punching' a series of holes in the text - this unwanted effect becomes more apparent at larger font sizes required in bigger images.
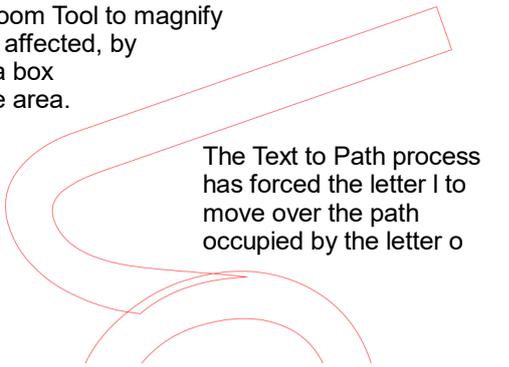
If you are going to apply a filter to your newly created circular text I would apply the filter before trying to 'plug the gaps'. Many filters will also deform the text and it is worth waiting to see what happens - the effect may be to cover up these initial imperfections. If it doesn't produce a satisfactory outcome you can always hit undo or revert to an earlier stage by moving back up the Undo History tree.

Typical gappping between
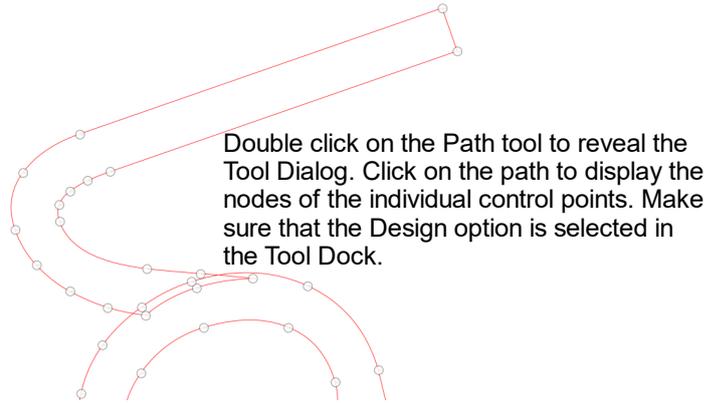 letters l and o
(magnified at 400%):

Paths method for repairing gaps between letters (Slow and painful but accurate):

Use the Zoom Tool to magnify
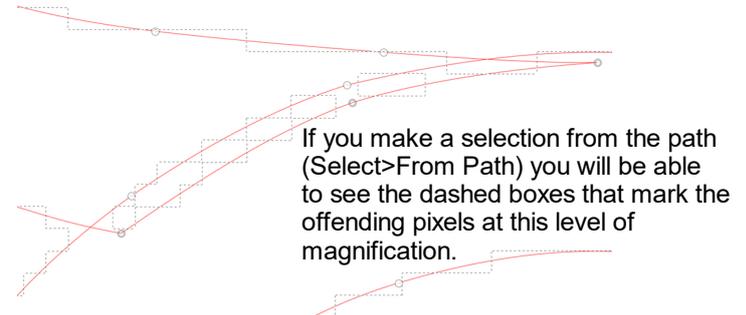the region affected, by
'drawing' a box
around the area.

The Text to Path process
has forced the letter l to
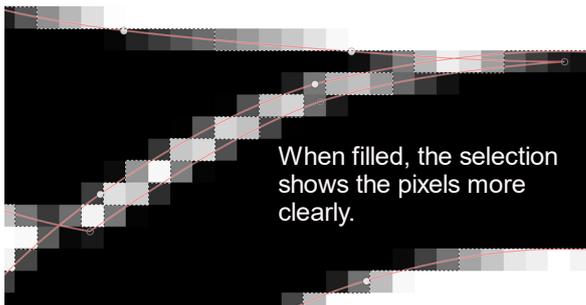move over the path
occupied by the letter o

Double click on the Path tool to reveal the
Tool Dialog. Click on the path to display the
nodes of the individual control points. Make
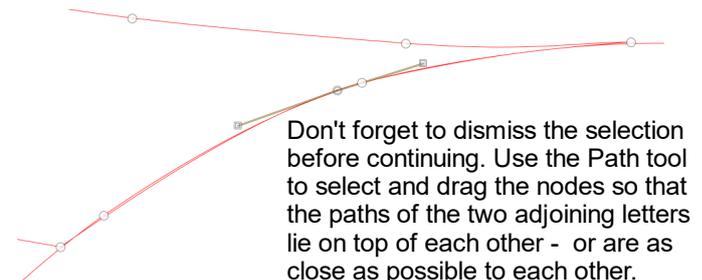sure that the Design option is selected in
the Tool Dock.

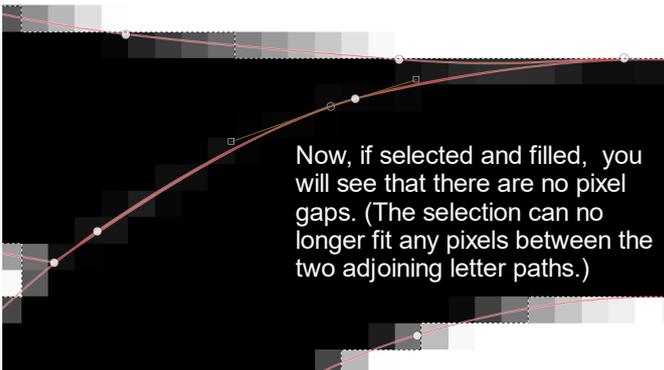Zoom in even further to get a better
view of the overlapping paths.

If you make a selection from the path
(Select>From Path) you will be able
to see the dashed boxes that mark the
offending pixels at this level of
magnification.

When filled, the selection
shows the pixels more
clearly.

Don't forget to dismiss the selection
before continuing. Use the Path tool
to select and drag the nodes so that
the paths of the two adjoining letters
lie on top of each other - or are as
close as possible to each other.
(You may have to adjust the contol
points for some of these nodes too.)

Now, if selected and filled, you
will see that there are no pixel
gaps. (The selection can no
longer fit any pixels between the
two adjoining letter paths.)

Continue this process for each of the gaps between
letters that concern you or until you lose the will to
live. As I said earlier - it is a slow, sad business - but
it is very effective.