

ABSTRACT

In general, developing countries like Indonesia have a high record of shadow economy activities. However, the relationship between the shadow economy and national income cannot be determined with certainty due to gaps in previous research findings. Therefore, this study aims to further analyze the shadow economy activities in Indonesia. The research is conducted to understand the relationship or influence among various variables, including Gross Domestic Product (GDP), Tax Revenue, Control of Corruption, and Foreign Direct Investment (FDI), on the shadow economy in Indonesia from 1996 to 2021. Based on statistical analysis using the OLS method, it is found that the variable GDP does not have a significant impact, while the variables Tax Revenue and Foreign Direct Investment (FDI) have a significant negative impact on the shadow economy. Lastly, the corruption variable has a significant positive influence on the shadow economy in Indonesia during the period from 1996 to 2021. The limitation of this study is that only four independent variables were used, and these variables collectively account for 51% of the influence on the shadow economy.

Keyword: shadow economy, GDP, Tax Revenue, Corruption, FDI