ABSTRACT

GDP reflect all of the economic activities in a country. But, in fact, some of the activities are not included in the national account. This condition makes the policies biased. So that, it is important to make these activities take into account. The purpose of this study is to estimate the shadow economy in ASEAN countries. Besides, it examines the impact of institutional quality to the shadow economy in developing countries.

This study is panel data analysis using 7 countries as the sample started from 2007 to 2016. The shadow economy estimated by model approach, the MIMIC. To examine the institutional quality, this study used Ordinary Least Square regression.

The result showed that shadow economy in ASEAN countries generally increased since 2007. Thailand has the biggest share of shadow economy by average 46,84%. The OLS regression result showed that institutional quality has negative relationship to shadow economy, except regulatory quality. Control of corruption, political stability and absence of violence, and voice and accountability significantly reduced the shadow economy.

Keywords: shadow economy, MIMIC, institutional quality