



**UNIVERSITI TEKNOLOGI MARA**

**DETERMINANTS OF SHADOW  
ECONOMY: EVIDENCE FROM  
GERMANY**

**NUR JULIANA BINTI AL-JUNIT**

Thesis submitted in fulfilment  
of the requirements for the degree of  
**Bachelor of Business Administration  
(Hons) (Finance)**

**Faculty of Business and Management**

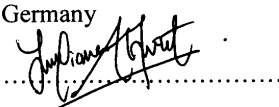
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## AUTHOR'S DECLARATION

I declare that the work in this project paper was carried out in the accordance with the regulations of Universiti Teknologi MARA. It is original and is the results of my own work, unless otherwise indicated or acknowledged as referenced work. This thesis has not been submitted to any other academic institution or non-academic institution for any degree or qualification.

I, hereby, acknowledge that I have been supplied with the Academic Rules and Regulations for Universiti Teknologi MARA regulating the conduct of my study and research.

Name of student : Nur Juliana binti Al-Junit  
Student I.D. No. : 2014810892  
Programme : BBA (Hons) (Finance)  
Faculty : Business and Management  
Project Paper Title : Determinants of Shadow Economy: Evidence from  
Germany  
Signature of Student :   
Date : July 2017

## **ABSTRACT**

Shadow economy or also known as hidden economy has grown immensely all over the world and it exists alongside the official economy. The fact that this economy exists under 'shadow', the government has overlooked this problem. It is identified as a threat to a country as it undeniably has diverse impacts on the country in so many aspects. This research aims to identify the factors that influence the size of shadow economy. The researcher has specifically made a study on Germany which contains 33 observations beginning from 1983 to 2015 annually. The data is taken from secondary data sources which then are analysed to obtain the empirical results. The independent variables are tax burden, unemployment rate and self-employment rate. Several tests have been done to ensure the fulfilment of the underlying assumptions. The findings have found that all variables have significant relationship with the size of shadow economy. Based on the empirical results, the tax burden and unemployment rate are found to be positively related to size of shadow economy whilst the self-employment rate is found to be contravened with the expected sign as it is found to be negatively related with the size of shadow economy. The researcher has reached to a conclusion on this topic and has provided several recommendations to reduce the size of shadow economy.

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