Research Title: Exploring the Determinants of Underground Economy of Pakistan

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Abstract: Presence of the underground economy distorts the statistical information of economy leading to inadequate policies that lead to unexpected results. This thesis attempts to identify the determinants of the underground economy for Pakistan. Political Rights, Political Terror, capital control, black market exchange rate, capital control and movement of people, urban population, rural population and Age dependency ratio of young explain the movement in the underground economy significantly in case of Pakistan, and also explain hike of underground economy in 1998 when it reached 102% of GDP for Pakistan. Pakistan needs to control volatility of political situation, bring reforms to reduce friction in capital and labour movement nationally and internationally and spread awareness to control population growth to counter the increase in underground economy.