

ABSTRACT

This study aims to analyze the impact of economic and demographic factors on the circulation of illegal cigarettes in Indonesia during the period 2015-2023. Using the Random Effect Model (REM) analysis method, this research focuses on the impact of excise tax rates, minimum retail prices, GRDP, population size, and smoking prevalence as independent variables on the circulation of illegal cigarettes as the dependent variable. Economic factors are explained through variables such as excise tax rates, retail prices, and GRDP, while demographic factors are explained through population size and smoking prevalence. The results of the study show that population size and smoking prevalence have a significant impact on the circulation of illegal cigarettes, while excise tax rates, retail prices, and GRDP do not show a significant effect. This finding suggests that, despite higher excise taxes and retail prices on legal cigarettes, the easy access to the cheaper illegal cigarette market remains the dominant factor in illegal cigarette consumption. This study recommends that the policy to control illegal cigarettes should focus on distribution supervision, law enforcement, and public education, in addition to strengthening a more effective and prudent excise tax policy.

Keywords: *illegal cigarette, excise tax rates, retail prices, population size, GDP, smoking prevalence, distribution supervision, law enforcement.*

