

Bank Credit and Economic Growth: Evidence from OIC Countries

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This study aims to explore the impact of bank credit along with three other independent variables, namely population, employment, and inflation, on economic growth in 55 Organization of Islamic Cooperation (OIC) member countries. The data used is annual panel data from 2010 to 2021, obtained from SESRIC OIC. The analysis method applied in this study is static panel data regression. The results show that each independent variable, such as population, employment, inflation, and total bank credit, has a significant effect both simultaneously and partially on the economic growth variable (GDP). Bank credit facilitates the efficient allocation of resources from savers to borrowers who have productive investment opportunities, thereby promoting economic growth. Second, banks act as an important channel in the transmission of monetary policy by providing financial intermediation, receiving and utilizing large amounts of public funds, and creating money supply. Third, bank credit expansion is associated with higher economic growth across industries, encouraging tangible investment but not intangible investment in more debt-dependent industries.

Keywords: Bank Credit, Economic Growth, OIC Countries, Panel

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INTRODUCTION

Economic growth is the increase in national income or production in a country from year to year. To measure economic growth in a country, it can be seen from the level of the country's gross domestic product (GDP). (Simanungkalit, 2020). Todaro (2000) states that the availability of products or services for citizens is a manifestation of increased economic growth. So that economic growth can be interpreted as an increase in production in the economy, which is reflected in an increase in national income (Jhingan, 2018). (Jhingan, 2018). Currently, economic growth has a very important role as a strategic factor because it is considered as an assessment of the economic success of a country or region (Sukirno, 2001). (Sukirno, 2001). Many countries are trying to increase the rate of economic growth of

their country by increasing output continuously through the availability of capital goods, technology and human resources. (Simanungkalit, 2020).

The Organization of Islamic Cooperation (OIC) plays a significant role in bringing together its member states to ensure and protect common interests in various fields, including economic, social, and political. The OIC is now the second-largest intergovernmental organization after the United Nations (UN) in terms of the number of members, involving 57 countries, the majority of whose populations follow the Islamic religion (Tamimah et al., 2019). The economic growth of OIC member countries increased as a result of the post-pandemic economic recovery. This economic recovery reflects the collaborative efforts and policies taken by OIC countries to address the economic impact caused by the COVID-19 pandemic (Riani, 2021).

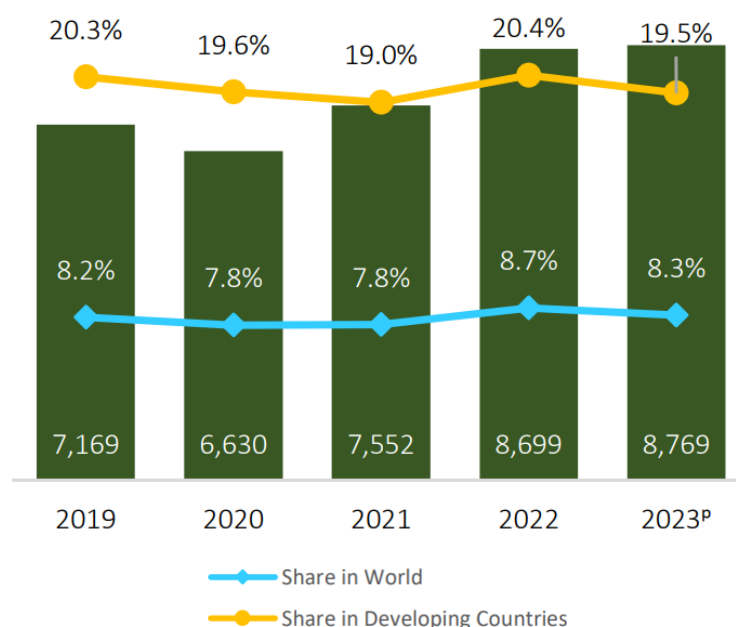


Figure 1. Total GDP and World Share of OIC Countries (at current prices)

Source: Sesric (2023)

Note: In US Dollars (Billion)

At current prices, the total GDP of OIC countries, contracted by US\$ 6.6 trillion in 2020 due to the COVID-19 pandemic, recovered to US\$ 7.6 trillion in 2021 and surpassed pre-pandemic levels in 2019. By 2022, the figure increased by 15.2% to US\$8.7 trillion as a result of the ongoing gradual recovery. With an economy of this size, OIC countries as a whole accounted for 8.7% of global GDP in 2022, up 0.9 percentage points from the previous year. The share of OIC countries to the total GDP of developing countries also increased from 19.0% in 2021 to 20.4% in 2022, indicating that the current output recovery is faster in

OIC countries than the rest of the world. However, this situation is expected to reverse in 2023 given the expectation of limited output growth in the OIC group of countries.

The increase in Gross Domestic Product (GDP) of the Organization of Islamic Cooperation (OIC) countries is significantly influenced by economic indicators that support growth, one of which is population. The role of population in a country can be a determining factor that supports or hinders economic growth. (Nurhidayah, 2022). This problem is common to all countries in the world. This assumption is

reinforced by the theory of [Malthus \(2018\)](#) which states that there is a correlation between population growth and economic growth with a geometric growth pattern. However, this opinion is different from Adam Smith's view in [Lange \(2017\)](#) who argued that an increase in population can create more labor, which in turn will improve the economy. This idea is also supported by research [Peter & Bakari \(2018\)](#) which shows that population growth has a positive impact on economic growth.

Population growth may have a positive effect on the economy. For example, an increase in the number of people in one country will lead to more access to labor, which will lead to higher productivity, which will then lead to more goods being produced. Output (as measured by GDP) will increase in the country as a result! More people in the country will also lead to more demand for goods. Demanding and producing more goods will yield economic growth. This is an example of

population growth having a positive effect on the economy.

Furthermore, an equally important indicator of economic growth is employment. Many claim that labor plays a crucial role in a country's economic development. This means that labor force participation is the main driving factor for growth. ([Nurhidayah, 2022](#)). [Larasati & Sulasmiyati \(2018\)](#) noted that humans are one of the crucial factors of production because without human resources, other factors of production cannot be optimally utilized and used. In the context of OIC countries, data from [Sesric \(2023\)](#) shows that the employment-to-population ratio (EPR) has increased. After falling to a historic low of 54.5% worldwide in 2020 due to job losses, it recovered by 1.2 percentage points to 55.7% in 2021 and further increased by 0.7 percentage points to 56.4% in 2022. Despite the increase, the EPR in OIC countries is still lower than the rest of the world over the last five-year period (2018-2022).

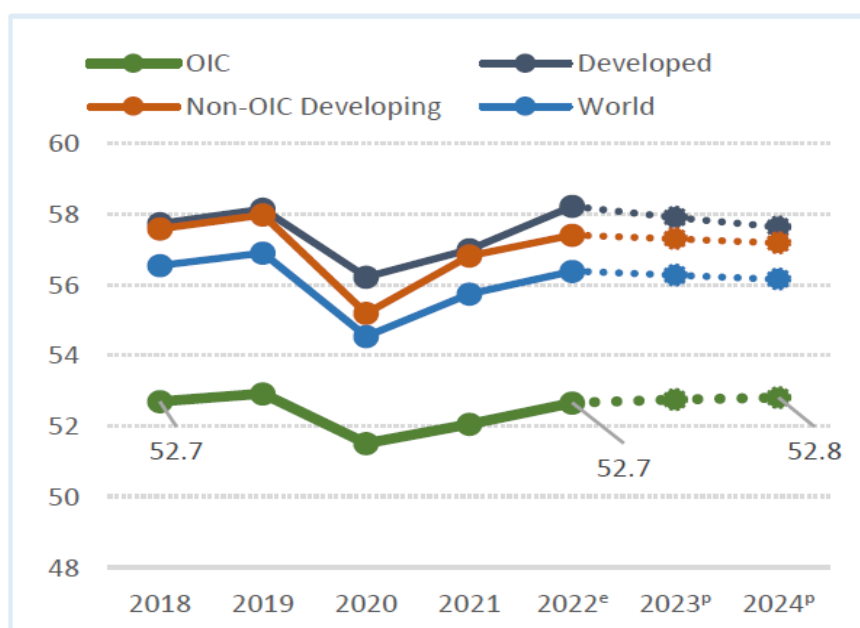


Figure 2. Employment to Population Ratio

Source: Sesric (2023)

A country's inflation rate is another important indicator that can have a significant impact on economic growth. Inflation is considered as one of the main factors affecting a country's economic growth conditions, and there are various views regarding its impact on economic growth. According to [Philips \(1958\)](#) as cited in [Simanungkalit \(2020\)](#) According to [Philips \(1958\)](#) as cited in [Simanungkalit \(2020\)](#), high inflation is believed to have a positive influence on economic growth (GDP) by reducing the

unemployment rate. This view is also supported by figures who adhere to the structural and Keynesian perspectives, who believe that inflation does not harm economic growth. In contrast, the monetarist view states that inflation is potentially detrimental to economic growth. This view was reinforced by events in the 1970s, where countries with high inflation rates, particularly in Latin America, experienced declining growth rates, supporting the view that inflation has a negative, rather than positive, effect on economic growth.

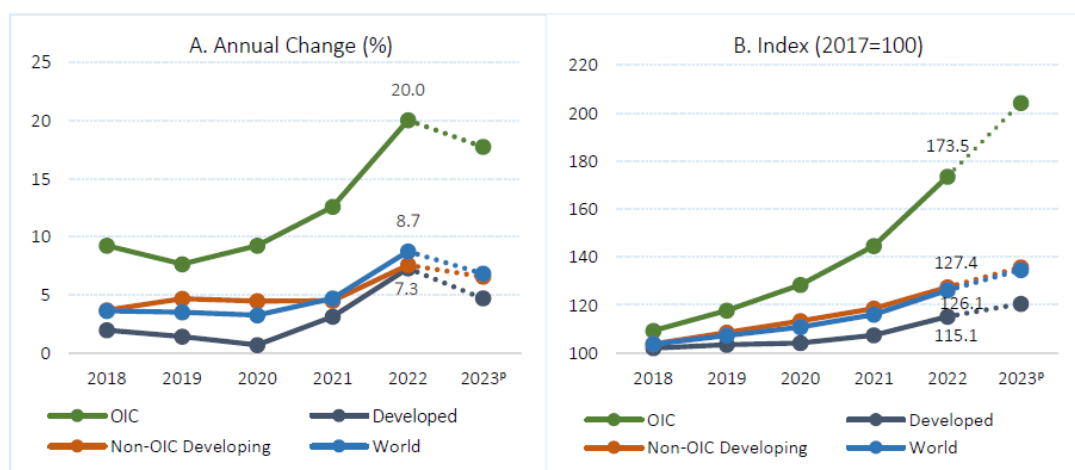


Figure 3. Inflation Rate (Annual Average Consumer Prices)

Source: (Sesric, 2023)

Consumer price inflation increased in most countries of the world in 2022. However, on average, the increase is more significant in the OIC group of countries (7.4 percentage points) compared to non-OIC countries, OIC developing countries (3.1 percentage points) and developed countries (4.2 percentage points). Inflation in OIC countries increased sharply to 20.0% in 2022, compared to 12.6% in 2021.

In macroeconomic scope, one of the important indicators to assess the stability of a country's economy is the amount of bank credit. Increased economic growth is often closely related to the role of banks in providing financial services, considering that almost all financial activities require support from banking institutions (Zumaidah et al., 2018). (Zumaidah et al., 2018). Banks function as financial intermediaries that channel credit, which is very beneficial for the business world. (Zumaidah et al., 2018). Bank credit is the amount of money lent by a bank or financial institution to a borrower with the agreement to be returned along with interest over time. It refers to the amount of credit available to businesses or individuals in the form of loans from financial institutions. This credit converts savings into investment, promoting economic growth. Furthermore, bank credit provides financial support to businesses for the expansion of their operations and modernization of their technology. This expansion often increases the productive capacity of the business, which in turn increases output (Ojong et al., 2015). Thus, the availability of credit facilitates the intermediation role that is crucial for economic growth. (Adebisi, 2023).

Based on this background, in the context of the Organization of Islamic Cooperation (OIC), this study aims to investigate the impact of bank credit on economic growth in OIC countries. By involving the

variables population, employment, inflation, and total bank credit.

Problem Formulation

Based on the background above, the researcher then formulates the problem that is the focus of this research: (1) Does population affect economic growth (GDP) in OIC countries? (2) Does employment affect economic growth (GDP) in OIC countries? (3) Does inflation affect economic growth (GDP) in OIC countries? (4) Does total bank credit affect economic growth (GDP) in OIC countries?

THEORETICAL FOUNDATION

Population (POP) and GDP

Population generally refers to the total of individuals or entities living in a geographical area or in a certain context during a certain period of time, according to the requirements set by the country's rules. (Yenny & Anwar, 2020). According to Tambunan (2003) from the demand side, a large population is a great potential for market growth, which means a factor for the growth of economic activities. From the supply side, a large population with good education and health, discipline and a high work ethic are important assets for production. Population has a very important role in the economic development of a region, because uncontrolled population growth can hinder the achievement of economic development goals, such as people's welfare and poverty reduction. (Didu & Fauzi, 2016). This opinion is also consistent with research findings by Didu & Fauzi (2016) According to the Classics, population is generally considered an obstacle to development, especially when it is large and

population growth is high. In this context, the population is considered a burden on development.

1. Optimal Population Theory

This theory has been developed by the Classics. According to this theory, the law of diminishing returns means that not all people can be involved in the production process. If forced, it will actually reduce the level of economic output (Rafsanjani & Sukmana, 2014). Classical economists put the main focus on the impact of population growth on economic growth. In their growth theory, it was assumed that land area and natural resources were fixed, and the level of technology did not change. On the basis of these assumptions, they analyzed how population growth affects the level of national production and income. According to the classical economists' view, the law of diminishing returns would affect economic growth. This indicates that economic growth will not continue continuously. In the beginning, when the population was small and natural resources were relatively abundant, the rate of return on investment was high. This led to entrepreneurs earning huge profits, encouraging new investments and realizing economic growth. However, such a situation cannot continue. When the population is too large, the increase in population will reduce the level of economic activity because the productivity of each resident has decreased, as explained by Rukmana (2012).

H1: Population affects economic growth (GDP)

Employment (EMP) and GDP

The workforce is divided into two groups, namely the labor force and the non-labor force. The labor force includes workers or people of working age who are currently working, who may be temporarily unemployed, and who are actively seeking work. Meanwhile, the unlabor force includes the labor force or population of working age who are not working, do not have a job, and are not looking for work. This includes people who are attending school (students), taking care of households (such as housewives who are not employed), and receiving income without providing direct labor services. The number of the labor force working reflects the condition of existing employment, and the greater the available employment can increase a country's economic growth. (Sulaksono, 2015).

According to Todaro (2000) According to Todaro (2000), population growth and labor force growth, which come after population growth, are usually regarded as positive factors that promote economic growth. A larger labor force can increase the amount of productive labor, while greater population growth can

increase the size of the domestic market. However, the question arises whether rapid population growth actually has a positive or negative impact on economic growth.

It is argued that the positive or negative effect of population growth is highly dependent on the ability of the regional economic system to absorb and utilize the increase in labor productively. This ability is influenced by factors such as labor availability, capital accumulation, and supporting production factors, including managerial and administrative skills. Population growth and the aspects associated with an increase in the size of the labor force are also considered positive factors in determining economic growth. In other words, the more the labor force, the more productive the workforce, because the growth of the labor force can increase the labor participation rate (TPAK). (Sulaksono, 2015).

H2: Employment affects economic growth (GDP)

Inflation (INF) and GDP

Inflation refers to a sustained rise in prices. Inflation that arises due to an increase in demand for goods is also known as demand pull inflation. (Nainggolan et al., 2022). Inflation arises because aggregate demand grows faster than supply, increasing the cost of goods and services. The imbalance between aggregate demand and supply is often related to government deficits. The impact of inflation can also include an increase in the price of goods and labor wages, which in turn can contribute to higher selling prices and cost of goods. (Nurina, 2016).

Inflation is one of the key indicators in the economy that cannot be ignored, as it can have far-reaching effects on both the overall economy and the welfare of the people. Therefore, studies have investigated the relationship between inflation and economic growth of a country. There is a view that inflation has a negative influence on economic growth, which means that the higher the inflation rate, the weaker a country's economy. (Tamimah et al., 2019).

On the other hand, there are studies that suggest that inflation does not have a significant effect on economic growth (Semuel & Nurina, 2015). In the context of the economy, high inflation rates can create economic instability, reduce investment levels, hamper exports, and potentially increase unemployment rates. From a welfare perspective, high inflation can result in a decrease in people's real income, especially for workers with fixed incomes, which in turn can reduce people's consumption levels and increase poverty levels (Rukmana, 2012). (Rukmana, 2012). It is important to note that the higher the inflation rate, the lower the

economic growth and investment in the long run, as reflected in the ratio of investment to Gross Domestic Product (GDP). Although the negative impact of inflation on economic growth is relatively small, in the long run, it can have a substantial impact on people's welfare. Therefore, addressing high inflation is considered necessary to ensure economic stability and improve people's welfare. (Satria, 2012).

Hence, there is a debate on the causal relationship between inflation and economic growth, and an in-depth understanding of contextual factors is required to detail the impact of inflation on a country's economic welfare.

H3: Inflation affects economic growth (GDP) Total bank credit (BANK)

Credit is the transfer of money from a lender to a borrower. (Adebisi, 2023). Ajayi (2000) notes that credit implies a promise by one party to pay another party for money borrowed or goods and services received. Credit is inseparable from the banking sector because banks function as conduits of funds to be received in the form of deposits from surplus economic units and passed on to deficit economic units that need funds for productive purposes. Therefore, banks are debtors to depositors and creditors to borrowers. (Adebisi, 2023).

The relationship between bank credit, real sector and economic growth has been widely studied. Murty et al. (2012) examined the long-term impact of bank credit on economic growth in Ethiopia, the results showed a positive and significant equilibrium relationship between bank credit and economic growth in Ethiopia. Furqani & Mulyany (2009) in a study conducted in Malaysia on Islamic banks and economic growth, the results generally show that in the long run, Islamic bank financing is significantly and positively correlated with economic growth and capital accumulation of Malaysia. Krishnankutty (2011) tried to look at the relationship between bank credit and economic growth in North East India, using panel data for North East India from 1999-2007 the study found that bank credit did not have much impact on economic growth, the reason was mainly due to defaults in payments and lack of supervision by the authorities.

1. Demand-following and Supply-leading Theory

According to Patrick (1966) there are two potential causal relationships between financial sector

progress and economic growth, namely demand-following and supply-leading. In the context of demand-following, it refers to a situation where financial sector growth follows and responds to increasing demand. This phenomenon refers to a situation where the establishment of financial institutions, assets and liabilities, as well as various financial services, occurs in response to the increased demand for financial services from investors and savers in the real sector. When the real economy experiences growth, the demand for financial services also increases, and the more financial services are used, the development of the financial sector becomes positive. In contrast, under supply-leading, the financial sector takes a leading role in advancing and promoting real sector growth. This hypothesis implies that the development of financial institutions and markets will increase the supply of financial services, especially the demand from entrepreneurs and investors, which in turn will result in real economic growth.

H4: Total bank credit affects economic growth (GDP)

RESEARCH METHODS

The data used in this study is secondary data in the form of annual *panel data* from 2010 to 2021. The data is obtained from the OIC SESRIC source which is specific to the statistical data of OIC countries. Next, the estimation process will be carried out by specifying the model that can be formulated in this study. The model used to analyze the effect of bank credit variables and 3 other independent variables on economic growth in 55 OIC countries is a panel regression model. There are 2 countries that are not included due to limited data available, namely Somalia and Turkmenistan. The complete variables in this study are as follows:

$Y = \text{GDP}$

$X_1 = \text{Population (POP)}$

$X_2 = \text{Employment (EMP)}$

$X_3 = \text{Inflation (INF)}$

$X_4 = \text{Total bank credit (BANK)}$

Next, the estimation process will be carried out by specifying the model that can be formulated in this study. The modeling is as follows:

$$GDP_{it} = \alpha + \beta_1 POP_{it} + \beta_2 EMP_{it} + \beta_3 INF_{it} + \beta_4 BANK_{it} + \varepsilon_{it}(1)$$

This research is quantitative in nature using panel data regression analysis. The use of panel data is basic in

the process of estimating research data, namely utilization in obtaining characteristics between time and

between individuals. Panel data regression is able to minimize collinearity between variables and maximize the degree of freedom in improving efficiency (Firdaus, 2011). The method that will be used in this research is

static panel data regression. Panel data analysis will select the best model with several tests such as the Chow test, Hausman test and LM test.

Table 1. Model Selection Test

| Testing | Results | Decision |
|-------------------------------|-----------------------|------------|
| Chow Test | Prob > 0.05 | CEM |
| | Prob < 0.05 | FEM |
| Hausman Test | Prob > 0.05 | REM |
| | Prob < 0.05 | FEM |
| Lagrange Multiplier (LM) Test | Prob > 0.05 | CEM |
| | Prob < 0.05 | REM |

RESULT AND DISCUSSION

Panel Regression Model Testing

The Chow test is a test to determine the type of model to be selected between the common effect model or the fixed effect model. The hypothesis in determining

the panel data regression model is that if the cross section chi-square value < 0.05 significant value, the fixed effect model will be selected. Based on the results of data processing for the Chow test, the statistical probability value is 0.000 < 0.05, so the FEM model is selected.

Table 2. Chow test results

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|--------------------------|-------------|----------|---------------|
| Cross-section F | 65.808034 | (56,622) | 0.0000 |
| Cross-section Chi-square | 1323.453466 | 54 | 0.0000 |

Furthermore, to determine the type of model to be selected between the random effect model and the fixed effect model, the Hausman test is used. The hypothesis in determining the panel data regression model is if the chi-square value < significant value (0.05),

then the fixed effect model will be selected. Based on the results of data processing for the Hausman test, the statistical probability value is 0.0144 < 0.05, then the FEM model is selected.

Table 3. Hausman Test Results

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

| Test Summary | Chi-Sq. Stat | Chi-Sq. d.f. | Prob. |
|----------------------|--------------|--------------|---------------|
| Cross-section random | 13.501157 | 5 | 0.0144 |

Furthermore, the following is the Panel Data Regression Equation obtained from the processing of existing data based on the selected FEM model.

$$Y = 3.621 + 0.130 \cdot X_1 + 0.005 \cdot X_2 - 0.897 \cdot X_3 + 0.015 \cdot X_4$$

F Test Results & Coefficient of Determination (FEM Model)

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---------------------------------------|-------------|-----------------------|-------------|--------|
| C | 3.621295 | 0.156463 | 23.14476 | 0.0000 |
| POP | 0.130541 | 0.056189 | 2.323256 | 0.0205 |
| EMP | 0.005277 | 0.000884 | 5.971699 | 0.0000 |
| INF | -0.003984 | 0.000754 | -5.284744 | 0.0000 |
| BANK | 0.005590 | 0.001587 | 3.521198 | 0.0005 |
| Effects Specification | | | | |
| Cross-section fixed (dummy variables) | | | | |
| R-squared | 0.978205 | Mean dependent var | 3.509485 | |
| Adjusted R-squared | 0.976102 | S.D. dependent var | 1.755116 | |
| S.E. of regression | 0.271324 | Akaike info criterion | 0.314139 | |
| Sum squared resid | 44.24373 | Schwarz criterion | 0.715718 | |
| Log likelihood | -44.66577 | Hannan-Quinn criter. | 0.469793 | |
| F-statistic | 465.0738 | Durbin-Watson stat | 1.167536 | |
| Prob(F-statistic) | 0.000000 | | | |

The f-statistic value of 465.0738 is greater than the f table value (ie 3.0725) and the significance value is 0.0000 less than 0.05, then H_0 is rejected and H_a is accepted. This means that the X1-X4 variables jointly affect the Y variable.

Meanwhile, the adjusted R-square value is 0.976102 or 97.61%. This coefficient value indicates that the independent variables (X1, X2, X3, and X4) are able to explain variable Y by 97.61% while the rest is explained by other variables outside the model.

Meanwhile, the results of hypothesis testing on the panel data regression equation, the effect of independent variables on the dependent variable partially are as follows:

- The t test results on variable X1 (POP) obtained a significance value of 0.0205 which is smaller than 0.05, then H_a is accepted and H_0 is rejected. This means that the Population variable has a significant effect on OIC GDP.
- The t test results on variable X2 (EMP) obtained a significance value of 0.0000 which is smaller than 0.05, then H_a is accepted and H_0 is rejected. This means that the Employment variable has a significant effect on OIC GDP.
- The t test results on variable X3 (INF) obtained a significance value of 0.0000 which is smaller than 0.05, then H_a is accepted and H_0 is

rejected. This means that the inflation rate variable has a significant effect on OIC GDP.

- The t test results on variable X4 (BANK) obtained a significance value of 0.0005 which is smaller than 0.05, then H_a is accepted and H_0 is rejected. This means that the Bank Credit variable has a significant effect on OIC GDP.

Findings

Based on the research results, a number of findings were obtained that can be utilized to make policies for related parties. The findings include, based on the results of the chow test and hausman test, the selected model is the FEM model. Then, based on the results of the F test and the Coefficient of Determination, it is found that the f-statistic value explains that the X1-X4 variables jointly affect the Y variable. Meanwhile, the adjusted R-square value shows that the independent variables (X1, X2, X3, and X4) are able to explain the Y variable by 97.61% while the rest is explained by other variables outside the model. Furthermore, based on the hypothesis results, it was found that the population variable has a significant effect on OIC GDP. The results of this study support the statement from [Islami et al \(2022\)](#) that a larger population can produce a larger labor force as well, so that it can contribute to increased economic growth. More people working can lead to higher productivity

and in turn GDP will increase. It also has an impact on increasing consumer spending, as more people have disposable income to spend on goods and services. This increased spending stimulates economic growth and contributes to higher GDP.

Employment has a significant effect on OIC GDP. The results of this study are relevant to the research of [Islami et al \(2022\)](#) which states that Employment has a positive and significant impact on GDP through increased labor force participation and productivity. In addition, it is also relevant to Okun's Law of Economics that with a 1% increase in unemployment, a country's GDP will fall by a larger percentage, usually double. When more people work, the labor force becomes more productive, resulting in higher output and economic growth. This increase in productivity can be due to workers acquiring specialized skills and knowledge, which can improve their efficiency and contribute to overall economic growth. In addition, as more people have jobs, they have more disposable income to buy goods and services, which in turn stimulates economic growth. Higher consumer spending can lead to an increase in demand for products and services, encouraging businesses to invest and expand, thus further boosting economic growth. Furthermore, higher employment rates can also increase government revenue through taxes and social security contributions, which can be used to fund public services and infrastructure projects, thus further stimulating economic growth.

Inflation has a significant effect on OIC GDP. The results of this study support research from [Salamai et al \(2022\)](#) that there is no significant relationship between GDP and inflation rates in Saudi Arabia. [Qudah & Aloulou \(2020\)](#) explain that inflation can affect GDP through various channels, such as consumer behavior, business decisions, and monetary policy responses. [Shomurodov et al \(2020\)](#) explained that inflation is closely related to the CPI, which measures changes in the prices of goods and services. A higher inflation rate can lead to an increase in the CPI, which in turn can affect consumer behavior and spending habits, ultimately impacting GDP. Furthermore, inflation can have both positive and negative impacts on economic growth. For example, an inverse relationship between growth and inflation may arise if a slowdown in the growth rate tends to result in higher inflation. On the other hand, economic growth can have a positive impact on inflation, as better economic growth can lead to increased consumer spending and demand for goods

and services, thereby raising prices ([Indriastutin & Muharam, 2021](#)).

Finally, Bank Credit has a significant effect on OIC GDP. The results of this study support research from [Ho & Saadaoui \(2022\)](#) who examined the relationship between bank credit and economic growth in ASEAN countries, finding a positive effect of bank credit expansion on economic growth, with a significant threshold for the ratio of credit to GDP. This suggests that bank credit has a significant impact on economic growth, especially below a predetermined threshold. Similarly, [Patwary et al \(2023\)](#) investigated the impact of bank agricultural credit on agricultural GDP in Bangladesh, revealing a long-run relationship between bank agricultural credit and agricultural output, indicating a significant effect of bank credit on agricultural GDP. Bank credit affects the contribution of investment to GDP growth in several ways, as suggested by scientific journal references.

First, according to [Singh et al \(2017\)](#), bank credit facilitates the efficient allocation of resources from savers to borrowers who have productive investment opportunities, thereby promoting economic growth. Second, banks act as an important channel in the transmission of monetary policy by providing financial intermediation, receiving and utilizing large amounts of public funds, and creating money supply. Third, bank credit expansion is associated with higher economic growth across industries, encouraging tangible investment but not intangible investment in more debt-dependent industries. Fourth, changes in loan growth have a positive and statistically significant impact on GDP, highlighting the importance of incorporating monitoring of credit developments into the monetary policy toolkit ([Cappiello et al., 2010](#)). Finally, the positive effect of bank credit expansion on economic growth becomes significant when the credit-to-GDP ratio is below a certain threshold, suggesting a nonlinear relationship between bank credit and economic growth ([Ho & Saadaoui, 2022](#)).

CONCLUSION

This study aims to analyze the impact of bank credit on economic growth (GDP) of OIC countries using panel regression approach. The results concluded that based on the results of the chow test and hausman test, the selected model is the FEM model. Then, based on the results of the F test and the Coefficient of Determination, it was found that the f-statistic value explained that the X1-X4 variables jointly affect the Y

variable. Meanwhile, the adjusted R-square value shows that the independent variables (X1, X2, X3, and X4) are able to explain the Y variable by 97.61% while the rest is explained by other variables outside the model. Furthermore, based on the results of the hypothesis it was found that the variables of population, Employment, Inflation and Bank Credit have a significant effect on OIC GDP. Based on the results of this study, there are a number of policy recommendations for regulators, practitioners and academics. Regulators and practitioners can consider policies that support population monitoring and management, employment policies that support job creation and improvement of labor skills, maintain effective anti-inflation policies, design policies that support healthy and sustainable credit growth, and identify specific economic sectors that have a significant impact on economic growth and implement policies that encourage investment and development in these sectors.

This could include programs to increase birth rates or moderate migration in order to design economic policies that match population growth rates, training and education that match labor market needs can help improve the quality and quantity of the workforce, close monitoring of factors that cause inflation and development of strategies to cope with inflationary pressures, improved banking regulations, provision of incentives for lending to strategic sectors, and close monitoring of credit risk, fiscal incentives, financial assistance, and special deregulation to increase the competitiveness of these sectors. Then, academics can conduct further research to explore other factors that may affect economic growth in OIC countries, and can also use other relevant analytical tools. The results of such research can provide a better understanding and provide a basis for more appropriate and effective policy making.

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