

Determinant of Economic Growth in Organization of Islamic Cooperation (OIC) Countries

Agung Nugroho and Sri Herianingrum

Article Information:

To cite this document:

Agung Nugroho, & Sri Herianingrum. (2022). DETERMINANT OF ECONOMIC GROWTH IN ORGANIZATION OF ISLAMIC COOPERATION (OIC) COUNTRIES. Karachi Islamicus, 2(1), 28–42. <https://doi.org/10.58575/ki.v2i1.19>

For Authors: If you would like to write for this Journal, then please use our Author Guidelines 'service information about how to choose which publication to write for and submission guidelines are available for all. Please visit our website for more information.

About Karachi Islamicus:

Karachi Islamicus is a Quarterly Research and Referred Journal published by MANARS, Karachi. The Journal covers authoritative, topical and original research papers in all fields of Islam and Religious Studies that interests a wide range of authors symbolizing an outstanding development within an explicit field.

Review and Publication Policy of Karachi Islamicus:

Articles sent for publication in 'Karachi Islamicus' go through an initial editorial screening followed by a double-blind peer review. The Editorial Board of the Journal is responsible for the selection of reviewers based on their expertise in the relevant field. All the papers will be reviewed by external reviewers (from outside the organization of journal)



© 2022 by the Licensee MANARS, Pakistan. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license <http://creativecommons.org/licenses/by/4.0/>

Determinant of Economic Growth in Organization of Islamic Cooperation (OIC) Countries

Agung Nugroho¹, Sri Herianingrum^{*2}

^{1,2}Department of Islamic Economics, Faculty of Economics and Business, Universitas Airlangga, Surabaya, Indonesia;

*Correspondence: sriheria@gmail.com

Received: 11 January 2022; Accepted: 10 April 2021; Published: 30 June 2022

Abstract: The aim of this research is to find the effect of Inflation Rate, Exchange Rate and Population on Economic Growth in member countries of Organization of Islamic Cooperation (OIC). This research uses sample of 26 selected OIC member countries because it is adapted to the completeness of the publication of available data. This study a quantitative approach and analyzed using panel data analysis. The result revealed that inflation, exchange rate and total population rates simultaneously have a significant influence on economic growth in OIC member countries. Inflation has a significant effect on reducing economic growth. Exchange Rate has a significant effect on economic growth. The total population has a significant effect on economic growth.

Keywords: OIC, Economic Growth, Inflation, Exchange Rate, Population.

Introduction: Economic growth is the process of changing a country's economic condition towards a better time. Gross domestic product is usually used in measuring economic growth (Roedyhantoro, Cahyono 2018). Various factors are affecting economic growth, one of which is inflation. This happened as the economic development in the country is also the impact of other countries that triggered the state affected by inflation. Inflation can be utilized to achieve good economic growth. BI argues that inflation is still categorized well if inflation is still in 1 digit (Roedyhantoro and Cahyono, 2018). If more than that is a problem because it will cause the state to be overwhelmed to overcome inflation.

Inflation in the Islamic economy does not apply if the economy in question is using the dinar or the dirham correctly. The meaning of truth is to use the materials of gold and silver that correspond to the original purpose. According to Islamic economists, Taqiuddin Ahmad ibn al-Maqrizi (1364M – 1441 A.D.) classifies inflation in two groups: Natural inflation, and Human Error Inflation.

Natural Inflation is an inflation that is caused by people who cannot be influenced by humans. Like examples of scarcity on objects that cause prices to rise due to high demand while low bidding or indeed, the production of such goods is not suitable due to the presence of famine or causing bulk damage to goods. This causes bids to be dropped and

requests to rise. Another reason for natural inflation is the inclusion of foreign currency that causes too much aggregate demand to rise.

At the time of Caliph Umar, the caravan of merchants who sold goods abroad bought goods from abroad less value than the value of products sold inside, then the profit from the purchase of these outside goods could cause losses. Therefore, Umar said to stop buying the item so that the price of the goods is equal to the price of goods sold inside.

Human Error Inflation is an inflation-induced human error for violating Islamic sharia and its rules. This is explained in the Quran letter Ar-Rum: 41 which means: "There has been damage to land and sea because of the deeds of the hands of men, that Allah might feel to them part of their deeds that they may return"

According to the interpretation of Ath Thobari explained in his brother "Jami' Al-Bayan fii Ta'wiil Al-Qur'an: Allah SWT reminds man that the poverty in the land and sea and that all the consequences of human deeds when Allah has forbidden him. Ibnu Abbas asserted that the damage to the land was killing his brother, while the damage to the sea was those who carried the ship (looking for the sea result) by force (Hariyanto & Said, 2020).

This becomes clear why in Al-Qur'an has been said so because Allah already knows the nature of man is never content in search of treasures that cause want to continue to seek treasures by inflicting damage on earth that is precisely detrimental to humans.

Another factor affecting economic growth is the exchange rate (Nurfalah et al., 2018). The exchange rate is one of the major factors in decreasing foreign investment that enters the country. If the exchange rate of the country is worse against another country, then another country will invest its capital because it feels more valuable money in the country Supriani and Fianto (2020). This is a blow for the country that is in investment because the inclusion of foreign money will lead to increased inflation, which can also lead to a decline in economic growth.

The weakening exchange rate can be supported by an excellent policy to utilize the Sofsure exchange rate to make entrepreneurs willing to export the goods that make the real sector still grow above inflation, and exchange rates are falling. This needs to be a concern for the country in giving the policy fit in the situation.

Indonesia, an agricultural country with the world's largest Muslim population, faces severe poverty problems (Fianto et al., 2018). There is a great opportunity for Islamic MFIs to play a significant role in addressing poverty alleviation in Indonesia (Fianto et al., 2019). In this research, Adnan, Ajija (2010) explain that BMT financing is effective in reducing poverty. On economic growth, other factors are the number of inhabitants. When the population of a country rises and accompaniments with a company that needs many employees, that is where the profit of the number of people who can be utilized for labor. Both local and labor workers for overseas.

It also saves the foreign exchange because the more the number of workers who work abroad will make the government income from the people who work abroad by paying the cost and tax when sending money to Indonesia can be achieved (Guan, 2020). And it can also make the family in the home country still live from money sent by families from abroad.

These three factors are interesting to discuss concerning the influence of economic growth in the OIC country. The OIC state is an international organization driven by the concerns of Islamic countries over a variety of problems faced by Muslims. Along with the development of the era, OIC member countries are increasingly aware of the need to work together to build an Islamic-based economy, hence formed the Organization of Islamic Cooperation (OIC) that continues to strive in all forms of colonization and continues to strive in resolving economic problems, especially the country's economic growth. Several studies are discussing economic growth conducted by (Esen, Bayrak 2017), (Wang at al., 2019), (Guru, Yadav 2019), (Khatun, Bist 2019), and (Alshubiri, Elheddad 2020).

The Organization of Islamic Cooperation (OIC), with its attention to economic problems, can certainly influence the members in the ordinances and perspectives in resolving the unemployment problem that, in the end, through the things taken can affect the economic growth. The reflecting of previous studies, there has been no research in the countries of the Organization of Islamic cooperation that focuses on the economic growth rate. The authors were interested in researching the Determination of the economic growth rate of the countries of the Organization of Islamic Cooperation (OIC) years 1991 to 2016. The number of members of the country used in the Organization of Islamic Cooperation (OIC) is 26 countries because these countries have complete data on the variables studied (Haseeb & Azam, 2020).

This study will discuss whether inflation, population, and exchange rates have a significant effect on the level of economic growth in the OIC countries (Roespinoedji et al., 2019). Then whether inflation, population, and exchange Niliai have a significant simultaneous influence on economic growth in the OIC countries. The research itself aims to determine the influence of inflation, population, and exchange rates both partially and simultaneously on the economic growth of the OIC countries.

Literature Review: Gross domestic product (GDP) is the total product produced by a country. Samuelson, Nordhaus (2005) stated that the most comprehensive measurement for measuring the total output in an economy is the gross domestic product (GDP). GDP is a measurement of the market value of the final product of goods and services. There are two events for measuring GDP, which is the prevailing price in each counting period and the constant price for all periods that typically use the base year assessed by the economy in optimal circumstances. The outcome of the GDP measurements in a second way would result in real GDP by eliminating inflation variables.

Several studies are discussing economic growth, as research Li (2019) discusses the economic development in China. Then research from Muda et al., (2016) this study aims to

examine the impact of capital investment and cash dividends policy from the operations of the Regional Development Bank (PT. Bank Sumut) of the contribution to own district resource and economic growth is the result of capital investment is done as a form of application dividend policy and agency theory. The results of this study concluded (1) Shares Holder Equity is a significant effect on its resources revenue. (2) The cash dividend variable significant effect on the own resources revenue (3) Variable Shareholder Equity no significant effect on economic growth. (4) Cash Dividend Variables not a significant impact on economic growth. (5) Local Own Revenue Variable significant effect on economic growth and the influence of Shareholder Equity (70.3%) and cash dividend (1.4%) to the Own Resource Revenue and the magnitude of the effect on the economic growth of shareholder equity variable (41%) and Cash Dividends (9.7%). Ginting et al., (2019) in this research explain that the National Health Insurance program significantly affected Economic Growth. Tanjung at al., (2017) describe that amount of money supply has a positive and significant impact on economic growth. Akhmad at al., (2019) in this research explain that an increase in fuel price causes slow economic growth.

Based on the background, the problem formulation, and the foundation of the theory, this research can formulate hypotheses as follows:

- H1: Inflation has a significant influence on economic growth in the OIC countries.
- H2: The population has a significant effect on economic growth in the OIC countries.
- H3: The exchange rate has a significant effect on economic growth in the OIC countries.
- H4: Inflation, population, and exchange rates are influential simultaneously on economic growth in the OIC countries.

Analysis models with these variables can be arranged in:

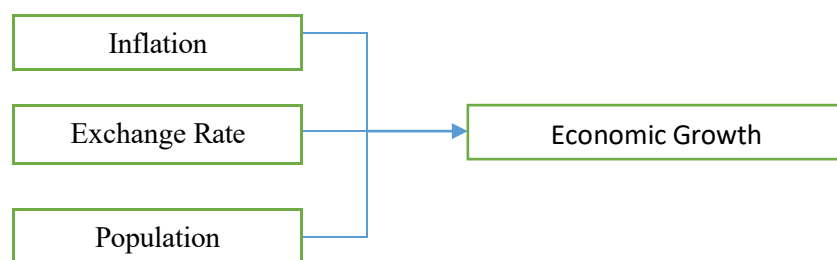


Figure 1. Analysis model of the research

Method: The approach used in this research is descriptive quantitative research (Herianingrum et al., 2019). Descriptive quantitative research is a problem related to the question of independent variables' existence, either on one or more variables (Arsyad at al., 2019). A quantitative approach is made by using an econometric model.

The purpose of the method of quantitative research is to show the influence between variables, seeking theory, looking for generalizations that have predictive value (Sugiyono

2012). A quantitative approach which are commonly used (e.g., Tahir et al., 2019) using an econometric analysis method combined mathematical analysis, economic theory, and statistics.

The approach used in this research is quantitative. The variables used in this study consisted of 3 variables, namely inflation, population, and exchange rate, while the endogenous variable in the study was the level of economic growth. Thus, in this study operational variables used by researchers are:

1. Inflation (X1) is the rate of increase in goods and services at a specified period (Adepoju & Ogundunmade, 2019). The calculation process of the inflation rate used based on CPI calculation. Calculation of CPI is used to calculate inflation because CPI can calculate the price of goods and services purchased by consumers, not only products and services in a country but also goods and services outside the country for consumer consumption in the country. This study's inflation-rate variable was derived from a report on the annual inflation rate published on the website managed by the World Bank. The period used in this study from the years 1991 – 2016. This calculation is listed in percentage units.
2. Exchange Rate (X2) or currency exchange rates are the domestic currency's value against a foreign currency (Chirwa & Odhiambo, 2019). Or used in data is the currency value of the state of OIC against the American dollar. The exchange rate data is the value data obtained from the annual Exchange rate report published on the website managed by the World Bank. The period used in this study from the years 1991 – 2016. The Data is listed in the form of value against the US dollar currency.
3. Population (X3) Inhabitants are people who reside in the geographical region of a country for six months or more and reside for less than six months to settle (Ibhagui, 2020). This definition refers to the recommendation of the International Labor Organization (ILO). The calculation of the population used in this study uses the de facto census method. This is derived from a report of the annual inflation rate published on the website managed by the World Bank. The period used in this study was from the years 1991 – 2016.
4. Economic Growth (Y) In determining economic growth, researchers use the Gross Domestic Product variable. Data used is consistent data because it can be used as a reference to calculate economic growth. Gross Domestic Product itself is the amount of added value produced by all business units within a country or is the sum of the final value of goods and services generated from all economic units of a country in a particular period. The unit used is the currency of the US dollar. This calculation uses constant real GDP during the period 1991 – 2016. Mankiw (2006) describes a better measure of economic prosperity by calculating the output of economic goods and services and will not be influenced by price changes. For this, economists use real GDP.

The analytical techniques used in this study are multiple linear regression using the data-type panel. This research performs an analysis of the combined data of time series data and cross- section data. This study uses the STATA tool to analyze the data regression panel.

According to Gujarati (2003), and Basheer et al., (2014) bin Hidthiir et al. (2019) there are three methods of estimation that can be used in the method of data regression panel, namely, Pooled Least Square (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM).

Pooled Least Square (PLS): The Pooled Least Square (PLS) method is the simplest method; in its estimate, it is assumed that each unit has the same intercept and slope (no difference in time). According to Gujarati (2003), the data panel model with Pooles Least Square approach (PLS) is as follows:

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \beta_3 X_{3it} + \dots + \beta_n X_{nit} + u_{it} \quad (1)$$

Fixed Effect Model (FEM): The Fixed Effect Model (fem) method on the important in regression can be differentiated between individuals as each individual is considered to have its characteristics. In distinguishing the intercept can be used dummy variable. According to Gujarati (2003), Basheer et al. (2018) fixed-effect models with dummy variable techniques can be written as follows:

$$Y_{it} = \alpha_1 + \alpha_2 D_{2i} + \alpha_n D_{ni} + \beta_2 X_{2it} + \beta_3 X_{3it} + \dots + \beta_n X_{nit} + \mu_{it} \quad (2)$$

Random Effect Model (REM): The Random Effects (Random Effect Model/REM) method, according to Widarjono (2013), Basheer et al. (2019) the random effects method, is a Model used to estimate the data panels in which the interference variables may be interconnected between time and between individuals. The panel data model with a random effect approach is as follows:

$$Y_{it} = \beta_1 + \beta_2 X_{2it} + \dots + \beta_n X_{nit} + \varepsilon_{it} + \mu_{it} \quad (3)$$

There are three estimation techniques used in the data panels i.e., Pooled Least Square (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM) (Gujarati, 2003). In this study, use an estimation model of the data regression panel with two-step testing. First, test F (Chow test) is used to determine between a pooled least square (PLS) model with a fixed effect (FEM) model. And secondly, the Haussafe test is used to identify between the fixed effect model (FEM) and the Random effect (REM) model, following its explanation:

1. **Chow Test:** According to Gujarati (2003), The F test formula is performed with the following formula:

$$F = \frac{R^2_{ur} - R^2_r / (m)}{(1 - R^2_{ur}) / (n - k)}$$

Description:

R^2_r = R^2 Pooled Least Square Model

R^2_{ur} = R^2 Fixed Effect Model

m = Number of variables restricted
n = Number of Samples
k = Number of explanatory variables

The Chow test is used to select between the PLS or the FEM model to be worn. Here's the Chow test hypothesis:

H₀: pooled least square (PLS)
H₁: fixed effect model (FEM)

2. **Hausman Test:** The Hausman test is used to determine which panel data analysis model to use, whether the Fixed Effect Model (FEM) or the Random Effect Model (REM). The Hausman test is performed with the following hypothesis:

H₀: Random Effect Model
H₁: Fixed Effect Model

A statistical test of F essentially indicates whether all the exogenous variables referred to in the model have an influence together against the endogenous variable (Ghozali, 2005). In the research Sadrinata, Rani (2019) also use the F test to measure the impact of macroeconomic variables on banking stability. Simultaneous testing of hypotheses was conducted with F-test. The F-test is used to indicate whether all the exogenous variables included in the model influence in conjunction with the endogenous variable. The hypothesis steps of test-F are as follows:

Formulation of H₀ and H_a Hypothesis:

H₀: b₁ = b₂ = 0
H_a: b₁ = b₂ = 0

Specify the reception area H₀ and h_a by using distribution F with ANOVA, critical point sought on distribution table F with confidence point (α) 5% and degrees of freedom (DF) = n- 1-K

Calculations in the F test can be done using the following formula:

$$F = (R^2/K) / ((1-R^2) (n-k-1)) \quad (5)$$

Description:

R²= A double correlation that has been found
n= Number of samples
k= Number of independent variables

Make Conclusions Reject H₀ or Receive H₀:

If F count > F table means H₀ rejected
If F count < F table means H₀ received

The t-test is performed to determine the influence of exogenous variables against endogenous variables partially. The steps taken to test T are as follows:

Formulating Statistical Hypotheses:

H₀: b₁ 0 means partial inflation has no significant influence on economic growth. H₁: b₁ 0, means inflation has been partially significant to the economic growth.

H₀: b₂ 0, means partial exchange rate has no significant influence on economic growth. H₂: b₂ 0, means the exchange rate has a partial effect on economic growth.

H₀: b₃ 0, means the partial population has no significant influence on economic growth. H₃: b₃ 0, meaning the result of the population partial significant effect on economic growth.

Determining the Level of Significance:

This research has a level of significance selected is 0.1 (10%)

Calculating magnitude T

Compare results from T with significance levels

When the significance is $T < 0.1$ then H₀ rejected.

When the significance of $T > 0.1$ then H₀ received.

According to (Ghozali, 2005), the coefficient of determination is used to measure how far the model's ability in describing the variation of dependent variables. The value of the small coefficient of determination means that independent variables are capable of explaining the limited variety of endogenous variables. A close R² value means that independent variables provide almost all the information needed to predict the variation of the dependent variable (Ghozali, 2005).

Result: This research variable description is explained with 26 OIC State Research data starting in 1991-2016, which has data completeness. The study outlines the specifications of exogenous variables, i.e., inflation, population, and exchange rates. Data descriptions are expected to be obtained more explicit data descriptions of inferred or results so that research can be easily understood. Description of the variables includes mean or average, standard deviation, minimum value, and maximum.

Table 1: Result of Descriptive Statistic

Variable	N	Mean	Max	Min	Std dev
Inflation	676	9.842407	368.4781	35.83668	22.40702
Population	676	4313637,76	261115456	266274	57050471,26
Exchange rate	676	3.982968	30914	0,001785	0.444
Economic Growth	676	1,12E+12	1,28E+11	4,87E+08	2E+11

Source: Data Processed

This study uses regression analysis of data panels by using the STATA 13 program. The data regression panel is a combination of two data: time series and cross-section. It can

provide more data so that it will generate more degrees of freedom (more significant degree of freedom) (Widarjono, 2013). According to Gujarati (2003), there are three methods of estimation that can be used in the method of data regression panel, namely, Pooled Least Square (PLS), Fixed Effect Model (FEM), and Random Effect Model (REM).

To determine which model to use in the study, then using the Chow test, where the significance rate is less than 0.05 (5%) Used is FEM, if the significance rate is more than 0.05 (5%), which is used is PLS. In comparison, the Hausman test where the significance level is less than 0.05, which is drafted is FEM if the significance level is more than 0.05 (5%) Used is REM. After determining which analysis to use, you get the FEM result.

Table 2: Result Chow's test

F test that all $u_i=0$:	Prob > F = 0.0000
---------------------------	-------------------

Source: Data Processed

Based on table 2 results, Chow's test shows that the probability of the Cross-section F is 0.0000. This figure indicates the significance level below 0.05 (5%), so H_0 rejected, and H_1 accepted. These results can be concluded that the FEM is the right model for use in this research.

The next stage of testing is done by the FEM and REM to know the exact model used. The test was using the Hausman test. Hypotheses in the Hausman test are as follows:

H_0 : Random Effect Model (REM)

H_1 : Fixed Effect Model (FEM)

Table 3: Result of Hausman Test

Coefficients				
	(b)	(B)	(b-B)	sqrt(diag(V_b-V_B))
	re	fe	Difference	S.E.
Inflation	-.0007282	-.0006802	-.000048	.0000656
Population	1.59093	1.624559	-.033565	.0031682
Exchange Rate	.047457	.0467882	0.00006696	.0015892

b = consistent under H_0 and H_a ; obtained from xtreg

B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg

Test: H_0 : difference in coefficients not systematic

$$\chi^2(3) = (b-B)'[(V_b-V_B)^{-1}](b-B) = 118.17$$

$$\text{Prob} > \chi^2 = 0.000$$

Source: Data processed

Based on the Hausman test table can be obtained the probability of chi-squares amounting to 0.0000. The figure shows the significance level above 0.05 (5%), so H0 received. These results can be concluded that the Fixed Effect Model is the Right Model.

According to the table result, the fixed-effect model can be written form equation of dimensions as follows:

$\ln \text{ GDP} = -2.947596 + (-0.0006802 \text{ inflation}) + 0.0467882 \ln \text{ exchange rate} + 1.624559 \ln \text{ population}$ (6)

Table 4: Result of F test

R-sq	Obs per Group
Within = 0.0855	Min = 676
Between = 0.5272	Avg = 26
Overall = 0.5307	Max = 26
	F(3,647) = 1276.74
Corr(u_i,Xb) = 0.7300	Prob>F = 0.0000

Source: Data Processed

Based on the table above, the results of the statistical probability F of 0.0000 are smaller than the significance rate of 0.05 (5%). Then, H0 rejected, and H1 accepted. The hypothesis states inflation, population, and exchange rates simultaneously affect the level of economic growth so that the OIC state can be concluded.

Table 5: Result of T Test

Coef.	Std. Err.	t	P> z 	[95% Conf. Interval]	
.0006802	.0002768	-2.46	0.014	.0012237	.0001366
1.624559	.0313294	51.85	0.000	1.563039	1.686078
0.467882	.0074854	6.25	0.000	0.0320895	0.614869
-2.94759	.5086181	-5.80	0.000	-3.946337	-1.94885

Source: Data Processed

Based on the table above the results of the data regression analysis panel, it can be concluded that the inflation variable T-Test value is shown in the table with a probability value of 0.014. The figure shows the probability value is smaller than the significance level of 0.05 (5%), So that GDP can be deduced significantly towards economic growth. Moreover, T-test value variable number of inhabitants shown in the table with a probability value of 0.000. The figure shows the probability value is smaller than the significance level of 0.05 (5%). It can be concluded that the population is significantly influential in the economic growth rate. Additionally, Test value of the exchange rate variable shown in the table with a probability value of 0.000. The figure shows the probability value is smaller than the significance level of 0.05 (5%), Thus, it can be concluded that the exchange rate significantly affects the level of economic growth.

Discussion: Based on the results of the statistical research data obtained the value of the variable regression coefficient of inflation-0.0006802 and with a probability value of 0.0014. The probability indicates that the value is smaller than 0.05, therefore, inflation can mean a significant impact on economic growth. A regression coefficient of 0.0006802 means that every inflation increases of 1% will decrease economic growth by 0.0006802%. Thus, the hypothesis states that inflation is influential and significant negative towards economic growth is otherwise acceptable.

The results showed that inflation has a significant influence on economic growth. That indicates a tremendous little inflation is affecting economic growth. This significant outcome is in line with studies by Kasidi, Mwakanemela (2013), where his research also discussed inflation on economic growth in Tanzania. In his study, it was revealed that inflation has negatively influenced economic growth. This means that when inflation rises the economic growth decreases. Whereas if inflation falls, then economic growth will increase.

OIC State policyholders should be wary of inflation so that inflation can be utilized for economic growth. Due to the positive influence between inflation and economic growth, inflation occurs in low-rate or single-digit conditions (Kasidi, Mwakanemela 2013). Other researchers have also expressed the same thing that inflation and negative economic growth correlate. A one-way causality relationship occurs in a gross domestic product that affects the consumer price index long term and short.

In the reign of Umar ibn Khattab, there has been inflation where wheat prices rose because of the scarcity of wheat in the market. In the curve, it can be described that the aggregate supply (AS) curve decreases AS the price (P) rises. This is sure to happen when the goods in the market are slightly compared to the high market demand resulting in prices increasing due to numbers. What Umar did in overcoming this was by importing wheat from Egypt to an aggregate supply of goods on the market back up that made prices fall.

If this inflation occurs as a result of human offsets that violate these rules and conventions in line with the Word of Allah in the Qur'an Ar-Rum Letter: 41 which means: "There has been damage to land and sea because of the deeds of the hands of men, that Allah might feel to them part of their deeds, that they may return"

According to the interpretation of Ath Thobari explained in his brother "Jami ' Al-Bayan fii ta'wil Qur'an: Allah SWT reminds man that, already see the poverty in the land and sea and that all the consequences of human deeds when Allah has forbidden him. Ibnu Abbaas asserted that the damage to the land was killing his brother, while the damage to the sea was those who carried the ship (looking for the sea) by force.

Other causes can be caused by the corruption that ultimately disrupts the market price because producers raise prices to cover the cost of corruption incurred. This leads to the emergence of components that should not exist, resulting in high prices that cause no resource allocation efficiency that could harm the public in general. This has also been

explained in the Word of Allah in the Qur'an surah Ash-Shu'ara: 183), which means: And do not harm man to his rights and do not be rampant in the face of the earth by making a malfunction. The passage above explains that we should not harm others and the rights of others that cause harm to the earth.

Based on the results of the research, statistics obtained the value of a variable regression coefficient population of 1.590994 and with a probability value of 0.000. The probability of the show represents greater than 0.05, so it can be interpreted as a significant number of population impact on economic growth. The regression coefficient of 1.590994. means any increase in population by 1% will increase economic growth by 1.590994%. Thus, the hypothesis states that the population is influential, and significant positive towards economic growth is reported to be accepted.

The results showed that the population has a significant effect on economic growth. This indicates that the small population of OIC countries affects economic growth. This considerable outcome was not in line with Dao (2012) Research found that there was an insignificant influence between economic growth and population growth in developing countries. In the study, they used a statistical model and the data derived from an example of 43 developing countries to give the results that are in want. The effect of population growth on each capita is linear and negative. This is modeled after the Chinese state to drive population growth but does not have an impact on economic growth. But in this study, discussing youth level and population growth rise, then it will increase economic growth. From this study, there were two sides found.

Another case in the research of Berry (2014) in his study, he found a weak relationship between economic growth and economic growth. There is a relationship when accompanied by productivity development will increase economic growth.

Contrary to the two researchers above, research from Furouka (2010), in his study using the Unit Root Test, shows the relationship of real economic growth per capita with the Philippines population. Subsequent Tests with Johansen co-integration also confirm the same thing. The latter, with the Granger, indicates the direct causality of the variable, and this implies that economic development in the Philippines has a positive impact on population growth.

Related to the population that is a creature of God created on the earth so that Allah lowers the verse of Surah Al-Isra verse 88, Allah shows the majesty of the Qur'an which means: "Say: 'Surely if man and Jinn are gathering to make a similar Qur'an this; They will not be able to create that which is similar to him, even though some of them are servants to others.' "QS. Al Israa ', 17:88 Ministry of Religious Affairs, 2008). What if interpreted is that this verse tells about Allah creating creatures that are Jin and human. And Allah makes sure he will not be his creatures imitating that God has made the Qur'an.

The results of the statistical research data obtained the value of the variable regression coefficient of the exchange rate of 0.0467882 and the value of probability 0.000. The value

of probability indicates greater than 0.05, so it can be interpreted as a significant effect on economic growth. A regression coefficient of 0.0467882 means any exchange rate increase of 1% will increase economic growth by 0.0467882%. Thus, the hypothesis states that the exchange rate has a significant positive effect on the indicated profitability.

The results showed that the exchange rate has a significant effect on economic growth. This significant outcome in line with the research of Selimi, Selimi (2017) found that there was a significant influence between the exchange rate and economic growth. In their study, they drew results in applying the OLS that real positive exchange rates affect a country's economic growth. Their further research tries to find real exchange rate influences on economic growth with VAR and Granger. Results of VAR one coefficient of real exchange rate statistically, which means significant long-term relationship exists. Causality test findings find real exchange rate influence on economic growth.

This statement is also in line with the study of (Khondker et al., 2012). They found that in his research, the decline in exchange rates also made the economic growth decrease in substantial weakening. However, it will have a good impact if the government's weaker exchange rate is quickly utilized to affect the economy.

Conclusions: Based on the results of the analysis and the hypothesis test that has been done on this research, then the conclusion is the F-calculation results indicate that the exogenous variable inflation, exchange rate, and several inhabitants simultaneously have a significant effect on economic growth with a probability value of 0.0000 by α 0.05. Thus, the hypothesis of this study proved because H4 received from H0 rejected.

Inflation partially affected a significant positive against profitability with a coefficient value of -0.0006802 and a probability value of 0.014 at α 0.05 (5%). Thus, the hypothesis of this research was evident, as H1 was accepted and H0 rejected. The exchange rate has a significant partial impact on economic growth with a coefficient value of 0.0467882 and a probability value of 0.000 at α 0.05 (5%). Thus, the hypothesis of this research is evident, as the H2 received and H0 are rejected. The population significantly affects the profitability with a coefficient value of 1.624559 and a probability value of 0.000 at α 0.05 (5%). Thus, the hypothesis of this research is evident because H3 is accepted, and H0 rejected.

Based on the research that has been done, the advice for further research related to the theme and topic such as OIC countries pay more attention to inflation, exchange rates, and the population to increase their economic growth. OIC state is more complete in presenting data at the World Bank. Moreover, the next researcher can add other variables that affect economic growth by adding years and countries if later data submitted by each OIC state is complete.

References:

- ¹. Adepoju, A. A., & Ogundunmade, T. P. (2019). Economic Growth and Its Determinants: A Cross-Country Evidence. STATISTICS, 69.

2. Akhmad, A., Romadhoni, B., Karim, K., Tajibu, M. J., & Syukur, M. (2019). The impact of fuel oil price fluctuations on Indonesia's macro economic condition. *International Journal of Energy Economics and Policy*, 9(2), 277.
3. Alshubiri, F., & Elheddad, M. (2019). Foreign finance, economic growth and CO2 emissions Nexus in OECD countries. *International Journal of Climate Change Strategies and Management*.
4. Arsyad, M. (2019). Government Expenditure and Private Investment on the Value of Agricultural Sector in Labor Absorption. *Int. J. Innov. Technol. Explor. Eng.*, 8, 496-501.
5. Basheer, M. F. (2014). Impact of Corporate Governance on Corporate Cash Holdings: An empirical study of firms in manufacturing industry of Pakistan. *International Journal of Innovation and Applied Studies*, 7(4), 1371.
6. Basheer, M., Ahmad, A., & Hassan, S. (2019). Impact of economic and financial factors on tax revenue: Evidence from the Middle East countries. *Accounting*, 5(2), 53-60.
7. Basheer, M. F., Waemustafa, W., & Ahmad, A. A. (2018). The Paradox of Managerial Ownership and Financial Decisions of the Textile Sector: An Asian Market Perspective. *The Journal of Social Sciences Research*, 184-190.
8. Berry, C. (2014). The relationship between economic growth and population growth. *SPERI British Political Economy Brief*, 7.
9. Bin Hidthiir, M. H., Basheer, M. F., & Hassan, S. G. (2019). The Simultaneity of Corporate Financial Decisions Under Different Levels of Managerial Ownership: A Case of Pakistani Listed Firms. *Research in World Economy*, 10(2).
10. Chirwa, T. G., & Odhiambo, N. M. (2019). The nexus between key macroeconomic determinants and economic growth in Zambia: a dynamic multivariate Granger causality linkage. *Empirical Economics*, 57(1), 301-327.
11. Choudhury, M. A., Adnan, M. A., & Ajija, S. R. (2015). The effectiveness of Baitul Maal wat Tamwil in reducing poverty. *Humanomics*.
12. Dao, M. Q. (2012). Government expenditure and growth in developing countries. *Progress in Development Studies*, 12(1), 77-82.
13. Esen, Ö., & Bayrak, M. (2017). Does more energy consumption support economic growth in net energy-importing countries ? *Journal of Economics, Finance and Administrative Science*, 22(42), 75–98. <https://doi.org/10.1108/JEFAS-01-2017-0015>
14. Fianto, B. A., Gan, C., & Hu, B. (2019). Financing from Islamic microfinance institutions: evidence from Indonesia. *Agricultural Finance Review*, 79(5), 633–645. <https://doi.org/10.1108/AFR-10-2018-0091>
15. Fianto, B. A., Gan, C., Hu, B., & Roudaki, J. (2018). Equity financing and debt-based financing: Evidence from Islamic microfinance institutions in Indonesia. *Pacific Basin Finance Journal*, 52(August 2016), 163–172. <https://doi.org/10.1016/j.pacfin.2017.09.010>
16. Furouka, F. (2010). Population Growth and Economic Development: Empirical Evidence from the Philippines. *Philippine Journal of Development*, XXXVII(68), 81–93.
18. Ghozali, I. (2005). *Aplikasi Analisis Multivariate dengan Program SPSS*. Badan Penerbit UNDIP.
19. Ginting, R. R., Ramli, Afifuddin, S., & Zulfendri. (2019). Path analysis on economy, human development index and poverty in Indonesia. *International Journal of Civil Engineering and Technology*, 10(1), 548–558.
20. Guan, M. (2020). Mental burnout of english teachers and countermeasures. *Revista Argentina de Clínica Psicológica*, 29(2), 244-248.
21. Gujarati, D. N. (2003). *Ekonometri Dasar*. Terjemahan: Sumarno Zain. Erlangga.
22. Guru, B. K., & Yadav, I. S. (2019). Financial development and economic growth : panel evidence from BRICS. *Journal of Economics, Finance and Administrative Science*, 24(47), 113–126. <https://doi.org/10.1108/JEFAS-12-2017-0125>
23. Hariyanto, B., & Said, L. R. (2020). Evaluating Talent Management Practices in Indonesia State-Owned Enterprises: A Case of Adhi Karya Ltd. *Systematic Reviews in Pharmacy*, 11(3). Herianingrum,

- S., Ratnasari, R. T., Widiastuti, T., Amalia, R. C., Mawardi, I., & Fadhlillah, H. (2019). The impact of islamic bank financing on business. *Entrepreneurship and Sustainability Issues*, 7(1), 133–145. [https://doi.org/10.9770/jesi.2019.7.1\(11\)](https://doi.org/10.9770/jesi.2019.7.1(11))
- ²⁵Haseeb, M., & Azam, M. (2020). Dynamic nexus among tourism, corruption, democracy and environmental degradation: a panel data investigation. *Environment, Development and Sustainability*, 1-19.
- ²⁶Ibhagui, O. (2020). How does foreign direct investment affect growth in sub-Saharan Africa? New evidence from threshold analysis. *Journal of Economic Studies*, 47(1), 149–181. <https://doi.org/10.1108/JES-06-2018-0198>
- ²⁷Kasidi, F., & Mwakanemela, K. (2013). IMPACT OF INFLATION ON ECONOMIC GROWTH : A CASE STUDY OF TANZANIA. *Asian Journal of Empirical Research*, 3(4), 363–380.
- ²⁸GROWTH : A CASE STUDY OF TANZANIA. *Asian Journal of Empirical Research*, 3(4), 363–380.
- ²⁹Khatun, R., & Bist, J. P. (2019). Financial development , openness in financial services trade and economic growth A panel data analysis in BRICS economies. *International Trade, Politics and Development*, 3(2), 42–65. <https://doi.org/10.1108/ITPD-05-2019-0002>
- ³⁰Khondker, B. H., Bidisha, S. H., & Razzaque, M. A. (2012). The Exchange Rate and Economic Growth An Empirical Assessment on Bangladesh. *International Growth Centre*, 1–49.
- ³¹Li, Y. (2019). Creating a reliable financing mechanism for economic development. *China Political Economy*, 2(1), 14–27. <https://doi.org/10.1108/CPE-04-2019-0007>
- ³²Mankiw, N. G. (2006). *Makroekonomi Edisi Keenam*. Terjemahan oleh Fitria Liza dan Imam Nurmawan. Erlangga.
- ³³Muda, I., Dharsuky, A., Sadalia, I., & Siregar, H. S. (2016). IMPACT OF CAPITAL INVESTMENTS AND CASH DIVIDEND POLICY ON REGIONAL DEVELOPMENT BANK (BPD) PT. BANK SUMUT TO THE DISTRICT OWN SOURCE REVENUE AND ECONOMIC GROWTH. *I J A B E R*, 14(11), 7863–7880.
- ³⁴Nurfalah, I., Rusydiana, A. S., Laila, N., & Cahyono, E. F. (2018). Early Warning to Banking Crises in the Dual Financial System in Indonesia : The Markov Switching Approach. *JKAU: Islamic Econ*, 31(2), 133–156. <https://doi.org/10.4197/Islec>
- ³⁵Roespinoedji, D., Faritzal, A., Sudrajat, A., Ahmed, U., & Oktari, S. D. (2019). The Effect of HR Relational Strategy and Transactional Strategy on Supply Chain Performance: The Moderating Role of Environment Orientation. *Int. J Sup. Chain. Mgt*, 8(2), 1.
- ³⁶Roedyhantoro, T., & Cahyono, E. F. (2018). Pengaruh Instrumen Moneter Konvensional dan Instrumen Moneter Syariah Terhadap Produk Domestik Bruto Periode 2012-2016. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 5(5), 362–376.
- ³⁷Sadrinata, F. F., & Rani, L. N. (2019). Analisis Perbandingan Pengaruh Variabel Makro Ekonomi terhadap Stabilitas Bank Syariah dan Bank Konvensional di Indonesia Periode Tahun 2010-2017. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 6(10), 2369–2380. <https://doi.org/10.20473/vol6iss201912pp2369-2380>
- ³⁸Samuelson, P., & Nordhaus. (2005). *Economics Edisi ke delapan*. McGraw-Hill International.
- ³⁹Selimi, N., & Selimi, V. (2017). THE EFFECTS OF EXCHANGE RATE ON ECONOMIC GROWTH IN THE REPUBLIC OF MACEDONIA. *ECOFORUM*, 6(3), 50–55.
- ⁴⁰Tahir, R., Athar, M. R., Faisal, F., Shahani, N.N., & Solangi, B. (2019). Green organizational culture: A review of literature and future research agenda. *Annals of Contemporary Developments in Management & HR (ACDMHR)*, 1(1), 23-38.
- ⁴¹Tanjung, A. A., Afifuddin, S., Daulay, M., & Ruslan, D. (2017). Relationship between monetary policy, fiscal, country risk and macroeconomic variable in Indonesia. *International Journal of Economic Research*, 14(15), 207–219.
- ⁴²Wang, Z., Deng, X., & Liu, G. (2019). Environmental income in economic growth of a large open economy for the era of eco-urbanization. *Forestry Economics Review*, 1(1), 32–56. <https://doi.org/10.1108/FER-04-2019-0008>
- ⁴³Widarjono, A. (2013). *Ekonometrika: Pengantar dan Aplikasinya*. Ekononsia