

**ANALYSIS OF THE EFFECT OF FOREIGN DIRECT INVESTMENT,  
TOTAL POPULATION, GOVERNANCE, AND UNEMPLOYMENT ON  
ECONOMIC GROWTH IN ASIAN OIC COUNTRIES**



**UIN**

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YOGYAKARTA  
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# THESIS RATIFICATION PAGE



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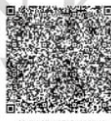
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Setelah membaca, meneliti, memberikan petunjuk dan mengoreksi serta mengadakan perbaikan seperlunya, maka kami selaku pembimbing berpendapat bahwa skripsi saudara:

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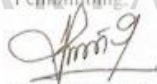
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Dengan ini kami mengharapkan agar skripsi saudara tersebut dapat segera dimunaqasyahkan. Untuk itu kami ucapkan terimakasih.

*Wasalamualaikum Wr. Wb.*

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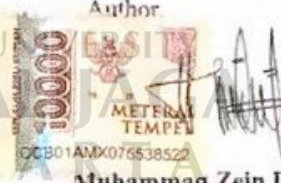
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## ARABIC-LATIN TRANSLITERATION GUIDELINES

The transliteration of Arabic words used in this study is guided by the Joint Decree of the Minister of Religion and the Minister of Education and Culture of the Republic of Indonesia Number: 158/1987 and 0543b/U/1987.

### A. Singel Consonant

Arabic Font	Name	Latin Letters	Describe
ا	Alif	Not symbolized	Not symbolized
ب	Ba	B	Be
ت	Ta	T	T
ث	ša	š	ES (with the above point)
ج	Jim	J	Je
ح	ha	ḥ	ha (with the above point)
خ	Kha	Kh	ka and ha
د	Dal	D	De
ذ	Zal	Ž	zet (with the above point)

ر	Ra	R	Er
ز	Zai	Z	Zet
س	Sin	S	Es
ش	Syin	Sy	Es and ye
ص	ṣad	ṣ	es (with the above point)
ض	ḍad	ḍ	de (with the above point)
ط	ṭa	ṭ	te (with the above point)
ظ	ẓa	ẓ	zet (with the above point)
ع	Ain	... ' ...	inverted commas above
غ	Gain	G	Ge
ف	Fa	F	Ef
ق	Qaf	Q	Qi
ك	Kaf	K	Ka
ل	Lam	L	El
م	Mim	M	Em
ن	Nun	N	N
و	Wawu	W	We
ه	Ha	H	Ha
ء	Hamzah	... ' ...	Apostrof

ي	Ya	Y	Ye
---	----	---	----

### B. Double Consonants because of Written Double Syaddah

متعدين	Written	<i>Muta`aqqidīn</i>
عدة	Written	<i>`iddah</i>

### C. Ta Marbutah

1. When the h is turned off

هبة	Written	<i>Hibbah</i>
جزية	Written	<i>Jizyah</i>

2. When the ta marbutah is alive or with harakat, fathah, kasrah and dammah Written (t)

زكاة الفطر	Written	<i>zakātul fītri</i>
------------	---------	----------------------

### D. Short Vowels

َ	Fathah	Written	A
ِ	Kasrah	Written	I
ُ	Dammah	Written	U



### E. Long Vowels

fathah + alif جاهلية	Written	A <i>Jāhiliyyah</i>
fathah + ya mati يسعى	Written	A <i>yas'ā</i>
kasrah + ya mati كريم	Written	I <i>Karīm</i>
dammah + wawu mati فروض	Written	U <i>furūḍ</i>

### F. Double Vowels

fathah + ya' mati بينكم	Written	Ai <i>bainakum</i>
fathah + wawu mati قول	Written	Au <i>Qaul</i>

### G. Consecutive Short Vowels in One Word Separated by Apostrophe

أأنتم	Written	<i>a'antum</i>
أأعدت	Written	<i>u'iddat</i>
لأئن شكرتم	Written	<i>la'in syakartum</i>

## H. The Article Alif + Lam

1. If followed by the Qamariyah letter

القرآن	Written	<i>al-Qur'ān</i>
القياس	Written	<i>al-Qiyās</i>

2. If followed by the Syamsiyah letters, it is written by doubling the Syamsiyah letters that follow it, and removing the letter (al).

السماء	Written	<i>as-samā</i>
الشمس	Written	<i>asy-syams</i>

## I. Writing Words in Sentences

ذوي الفروض	Written	<i>ẓawi al-furūd</i>
أهل السنة	Written	<i>ahl as-sunnah</i>

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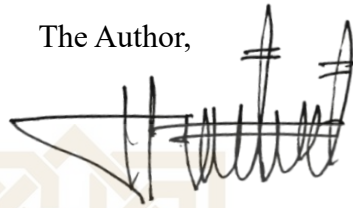
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Yogyakarta, January 14, 2025

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## ABSTRACT

This study aims to examine the effects of Foreign Direct Investment (FDI), total population, governance, and unemployment on economic growth in 21 Asian countries that are members of the Organization of Islamic Cooperation (OIC) during the period 2010–2022. Using panel data analysis and the Fixed Effect Model (FEM), the research reveals that FDI has a positive impact on economic growth by driving capital inflows and innovation, while the total population also contributes positively by expanding labor markets and consumer bases. Governance demonstrates a significant positive influence, reflecting the importance of institutional quality and effective policymaking. However, unemployment negatively affects economic growth, underscoring its adverse implications for productivity and economic stability. These findings suggest that enhancing governance, attracting FDI, and addressing unemployment are crucial strategies for sustaining economic development in OIC member countries in Asia.

**Keywords:** *economic growth, FDI, Asian OIC countries, Fixed Effect Model.*

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## ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh Foreign Direct Investment (FDI), jumlah penduduk, tata kelola pemerintahan, dan pengangguran terhadap pertumbuhan ekonomi di 21 negara Asia anggota Organisasi Kerja Sama Islam (OKI) selama periode 2010–2022. Dengan menggunakan analisis data panel dan model Fixed Effect Model (FEM), hasil penelitian menunjukkan bahwa FDI berpengaruh positif terhadap pertumbuhan ekonomi melalui peningkatan arus modal dan inovasi, sementara jumlah penduduk juga memberikan kontribusi positif dengan memperluas pasar tenaga kerja dan konsumsi. Tata kelola pemerintahan memiliki pengaruh positif yang signifikan, mencerminkan pentingnya kualitas institusi dan kebijakan yang efektif. Namun, pengangguran berpengaruh negatif terhadap pertumbuhan ekonomi, menyoroti dampak buruknya terhadap produktivitas dan stabilitas ekonomi. Temuan ini mengindikasikan pentingnya peningkatan tata kelola, menarik investasi asing, dan mengatasi pengangguran untuk mendukung perkembangan ekonomi yang berkelanjutan di negara-negara anggota OKI di Asia.

**Kata Kunci:** *Pertumbuhan Ekonomi, FDI, Negara OKI Asia, Fixed Effect Model.*

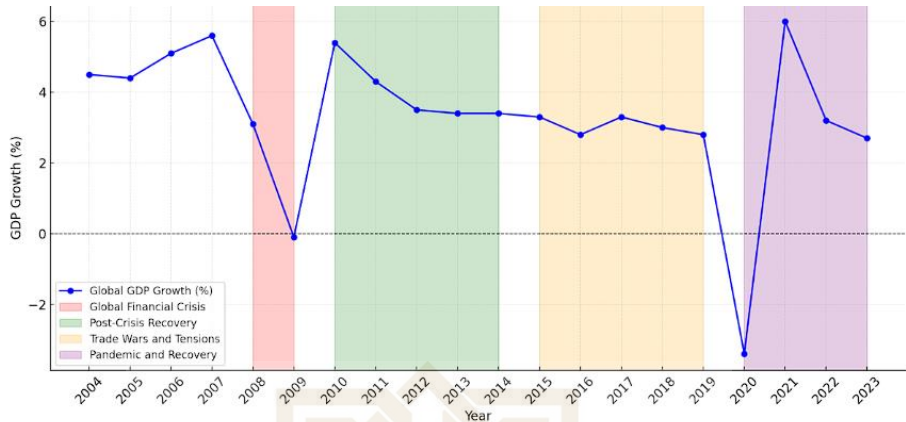
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## CHAPTER I INTRODUCTION

### A. Background of the Study

Over the past 20 years, global economic growth has experienced significant fluctuations, starting with stable expansion before the 2008 financial crisis that triggered a global recession (IMF, 2009). The 2010–2014 period marked a slow post-crisis recovery in developed Countries, hampered by the Eurozone debt crisis and fiscal austerity measures, while developing nations experienced accelerated growth driven by rising commodity prices (World Bank, 2014). However, this recovery was disrupted by trade wars and protectionism between 2015–2019 (World Bank, 2019).

Furthermore, the situation worsened with the onset of the COVID-19 pandemic in 2020, which triggered the largest economic contraction since the Great Depression, posing a significant challenge to the recovery of economic growth. (OECD, 2021), followed by uneven recovery shaped by high inflation, geopolitical tensions, and the energy transition (UNCTAD, 2023). Amid these challenges, economic globalization weakened, digital transformation accelerated, and sustainability emerged as a key priority (World Economic Forum, 2022).



*Figure 1.1 Global Economic Growth*  
*Source: International Monetary Fund, 2024*

Adding to these shifts, the COVID-19 pandemic and its containment measures in 2020 led to a historic global economic downturn, further amplifying the urgency for structural changes in economies worldwide. The IMF (2024) reports that global real GDP shrank by 2.7% during that year, with advanced economies experiencing a sharper decline of 3.9%, compared to a 1.8% contraction in developing nations. After pandemic restrictions were lifted, the world witnessed a robust economic recovery in 2021, achieving a global growth rate of 6.5%. This rebound was fueled by significant recoveries in both advanced economies (5.7%) and developing Countries (7.0%). However, the impressive recovery figures for 2021 should be interpreted cautiously due to the base effect. The dramatic output losses in 2020 created a low starting point, resulting in inflated year-on-year growth rates for 2021 (UN, 2021).





*Figure 1.2 Real GDP Growth (%)*

*Source: IMF, World Economic Outlook Database,  
April 2024*

According to the IMF's World Economic Outlook (WEO) Database, nearly all advanced economies recorded negative GDP growth in 2020, while 122 out of 153 developing Countries also faced economic contractions. In 2021, all advanced economies returned to positive growth, signaling recovery, whereas 20 developing nations continued to experience GDP declines. By 2022, most advanced and developing economies recorded positive growth, although 11 out of 41 advanced nations and 14 out of 150 developing nations reported GDP contractions in 2023. Looking ahead, forecasts for 2024 and 2025 suggest that negative growth rates are likely to be limited to only a small number of advanced and developing nations.

However, the pandemic's impact on per capita GDP growth in developing countries has significantly slowed their overall growth trajectory, highlighting ongoing challenges in achieving sustained economic recovery. This has hindered progress in narrowing the income gap with advanced economies, as highlighted by SESRIC (2022). Between 2011 and 2019, developing Countries achieved higher GDP per capita growth compared to advanced economies, with an average differential of 2.8 percentage points. Developing Asia notably outpaced other regions, With a growth differential of 4.8%, the region outpaced others, while the Latin America and Caribbean (LAC) region fell behind, recording a 0.4% decline compared to advanced economies, highlighting distinct economic challenges.

As the base effect normalized in 2022, Real GDP growth rates returned to pre-pandemic levels, with a moderate 3.5% achieved in 2022., with a slight slowdown to an estimated 3.3% in 2023. Global economic growth is projected to remain steady at 3.3% in 2025, following a marginal dip to 3.2% in 2024. This trend highlights the effects of tight monetary policies, reduced fiscal support, and weak productivity growth (IMF, 2024a; 2024b).

Advanced economies are anticipated to experience converging growth rates in the coming quarters. In the euro area, economic activity appears to have hit its lowest point,

with a 2024 growth forecast of 0.9%, revised upward by 0.1 percentage points due to stronger service momentum and better-than-expected net exports in the year's first half. Consumption is anticipated to pick up in 2025, supported by rising real wages and increased investment, aided by more favorable financing conditions as monetary policy eases gradually. However, challenges persist in the manufacturing sector, particularly in countries like Germany (IMF, 2024b).

Nevertheless, projections for 2020–2025 suggest a positive trend, with the growth gap between developing and advanced economies expected to narrow, signaling potential convergence in global economic performance. Developing nations are forecasted to maintain a growth differential of 2.1 percentage points, slightly below the previous decade's average. Developing Asia is projected to remain a leader, with a differential of 3.0 points, signaling continued but slower growth. It is projected that the Middle East and Central Asia, along with Sub-Saharan Africa, will experience a decrease in growth differentials, narrowing to 1.0 and 1.5 points, respectively. This trend indicates a relative slowdown in the pace of economic convergence in these regions. Meanwhile, the LAC region is expected to recover modestly, achieving a positive differential of 0.3 points, marking a tentative improvement in economic convergence. Developing Europe is forecasted to sustain its growth

differential at 1.1 percentage points compared to advanced economies.

A vital measure of a country's economic advancement and development is its growth rate (Abdulkadir, A., Afriana, W., & Azis, 2017). The rise in Gross Domestic Product (GDP) per capita plays an essential role in the economic development process, applicable to both developed and developing nations, including those within the Organization of Islamic Cooperation (OIC) (Khan et al., 2023).

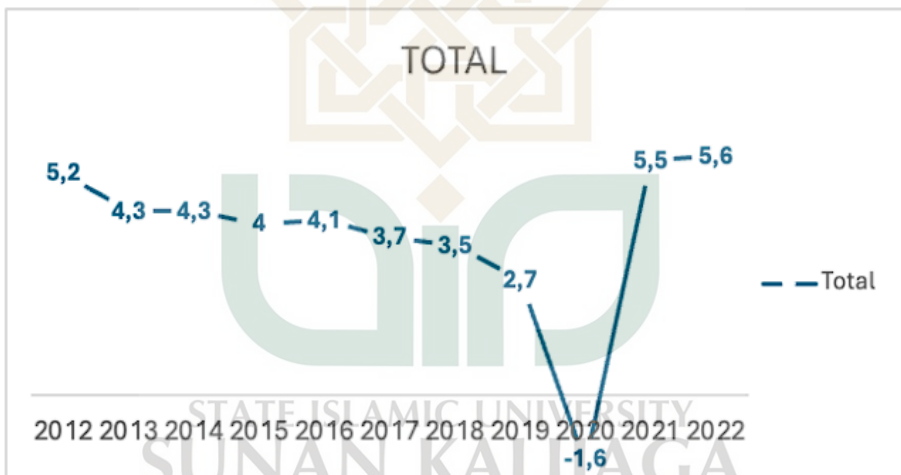
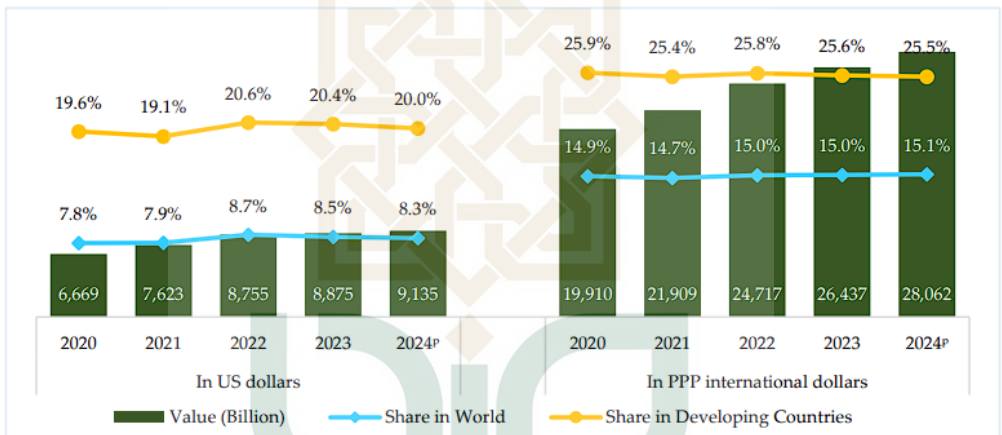


Figure 1.3 Real GDP Growth of OIC Countries in 2012-2022  
*Source: BPS (2023)*

The economic growth in OIC Countries has witnessed a notable decline, falling from 5.2% in 2012 to 2.7% by 2019. The COVID-19 pandemic further exacerbated this trend, leading to a contraction of -1.6%. However, as the global

economy began to recover, OIC nations experienced a resurgence, with a growth rate of 5.5% in 2021. This positive momentum continued into 2022, when the average GDP growth rate for OIC Countries reached an impressive 5.6%, the highest it has been in the past decade. Nonetheless, it is crucial to recognize that, despite this recovery, the economic growth rate in OIC Countries remains relatively low in



*Figure 1.4 Total GDP and World Shares of OIC Countries*

*Source: SESRIC staff calculation based on IMF, World Economic Outlook Database, April 2024*

In 2023, the total GDP of OIC Countries reached a noteworthy US\$ 8.9 trillion, reflecting a modest growth of 1.4% compared to the previous year. Looking ahead to 2024, this figure is anticipated to rise by 2.9%, reaching US\$ 9.1 trillion. However, it's important to note that OIC Countries, collectively, accounted for 8.5% of the global GDP in 2023, representing a slight decline of 0.2 percentage points from

the year before. This share is expected to decrease further to 8.3% in 2024.

Moreover, the share of OIC Countries in the total GDP of developing nations decreased from 20.6% in 2022 to 20.4% in 2023, with projections indicating a further dip to 20.0% in 2024. This trend suggests that the OIC Countries are experiencing slower growth compared to the global economy. In terms of Purchasing Power Parity (PPP), valued in international dollars, the total GDP of OIC Countries stood at 26.4 trillion dollars in 2023, with an anticipated rise to 28.1 trillion dollars in 2024. In this context, OIC Countries represented 15.0% of global GDP in 2023, maintaining the same share as the previous year, and this proportion is expected to see a slight increase to 15.1% in 2024. Several factors contribute to the economic growth of OIC Countries in Asia, including Foreign Direct Investment, population dynamics, governance, and unemployment rates (SESRIC, 2022).

Firstly, FDI plays an important role in driving economic growth. By bringing capital, technology, and new expertise, FDI can help Countries build stronger industries and create more jobs (Muliyah et al., 2020). Rusli et al. (2023) also mention that FDI provides funding for projects and infrastructure, boosting production and competitiveness. It brings technology, knowledge, and new job opportunities,

which can reduce unemployment, increase exports, and enhance a country's economy. According to the UNCTAD World Investment Report (2024), global foreign direct investment (FDI) fell by 1.8% to US\$ 1.33 trillion in 2023, driven by trade conflicts and geopolitical uncertainties amid a weak global economy. With substantial fluctuations in investment, the decline exceeded 10%. FDI flows to developing Countries dropped by 8.1% to US\$ 658 billion, with restrictive financing conditions causing a 26% decrease in international project finance, which is critical for infrastructure investments, particularly impacting the least developed Countries (LDCs).

Kwaku et al., (2023) contend that foreign direct investment (FDI) has a negative and significant impact on economic growth in Ghana. In contrast, Okwu et al., (2020) Research has shown that foreign direct investment (FDI) plays a crucial role in promoting economic growth across various global contexts. Agrawal and Khan (2011) emphasize the importance of attracting FDI to improve economic efficiency and productivity in developing Countries. Sokang (2018) further demonstrates that FDI can effectively eliminate capital shortages, foster technological advancements, and contribute positively to overall economic development.

Additionally, Saleem et al. (2019) highlight that enhancing workers' skills and training new talent can significantly increase total factor productivity (TFP), which in turn drives economic progress. Baltabaev (2014) adds that the interaction between FDI and TFP strengthens GDP by facilitating capital investment and technology transfer, ultimately improving local business production processes.

In recent years, the impact of population growth on the economic landscape of member Countries of the Organization of Islamic Cooperation (OIC) has drawn significant attention. The OIC is a diverse coalition of nations, each with its unique levels of economic development, demographic trends, and societal challenges. While many developed regions are grappling with stagnating or declining populations, some Sub-Saharan African Countries, particularly Nigeria, are witnessing population growth rates that outpace their economic progress (Adeosun and Popogbe, 2021). Notably, Nigeria is experiencing a surge in population growth and is projected by the United Nations to become the world's third most populous country by 2050 (UNDP, 2023). Similarly, Pakistan, the largest Muslim-majority nation in South Asia, and Indonesia, the largest Muslim-majority country globally, have also demonstrated remarkable economic advancement among OIC members (Susilowati et al., 2019).



Research suggests a strong link between population growth and economic development. Studies indicate that rising population density can fuel economic expansion. Azam, Khan, and Khan (2020) support this assertion through Kremer's theory, which argues that population growth promotes economic growth in both the short and long term. This perspective is further reinforced by Efuntade (2020), while Jan, Ullah, and Ahmed (2021) discovered that in Pakistan, the interaction between population growth and enhanced human capital plays a significant role in driving economic growth.

Governance also emerges as a crucial factor influencing economic development. This complex concept is understood in various ways by scholars, researchers, and policymakers. USAID (2002) describes governance as a web of interactions involving structures, characteristics, and processes characterized by transparency, accountability, and participation. The UNDP (1997) defines governance as the exercise of executive, economic, and political authority to manage a country's affairs at all levels, involving intricate processes, regulations, and organizations that enable citizens to express their voices and fulfill their rights and obligations (Awan et al., 2018). It also emphasizes compliance with laws and institutional frameworks (Kaufmann et al., 2011). Since 1996, the World Bank has published six governance

indicators as part of its Worldwide Governance Indicators (WGI) project, including Voice and Accountability, Political Stability, Government Effectiveness, Rule of Law, Regulatory Quality, and Control of Corruption.

Kaufmann et al. (1999) made substantial contributions to governance understanding, defining it as a synthesis of various traditions and institutions employed by governments. They underline the significance of authorities in designing and implementing effective policies for selecting, monitoring, and transitioning governments. Their framework also highlights the crucial role of institutions that govern the economic and social interactions between the state and its citizens. The overarching concept of governance encapsulates three essential elements: the processes of selecting, monitoring, and replacing systems; the government's capacity to manage and enact effective policies; and the dynamics of the social and economic relationships between the state and its populace.

Turning to the issue of unemployment, it can be understood as a state of forced labor, occurring when individuals actively seek employment but have not yet secured a position. The working-age population, typically defined as those aged 15 to 64 years, falls within this category, although not everyone in this age group is required to be employed (Murapi et al., 2021). Involuntary

unemployment arises unintentionally, often as a consequence of sluggish economic growth that leads to business failures and subsequent layoffs. In contrast, voluntary unemployment is characterized by individuals who, despite being able to find suitable employment, choose not to seek work (Sitohang, 2017).

Frictional unemployment arises from a mismatch between the supply and demand for labor, where job seekers are unable to find work due to factors like distance, wages not meeting expectations, or a lack of available positions in their field. Unemployment can significantly affect economic growth. High unemployment in a region leads to lower income levels, which in turn causes a decline in both production and consumption, further diminishing societal well-being. Economic growth theories explore the factors that influence and drive long-term economic growth, emphasizing how these factors interact to foster progress (Muslim, 2014). Indicators of economic growth include rising national income per capita and a reduction in unemployment as a share of the total labor force (Mahrany, 2012).

Economic growth in Asian OIC Countries is influenced by complex and interconnected factors such as Foreign Direct Investment (FDI), population dynamics, governance quality, and unemployment. While existing studies

extensively discuss these variables, most research either focuses on global or regional aggregates, often overlooking the unique socio-economic, cultural, and political contexts of OIC member states in Asia (Khan et al., 2023; Mulyah et al., 2020). For instance, the role of governance in facilitating FDI inflows or managing unemployment is frequently studied in developed nations, but similar analyses in Asian OIC Countries remain scarce (Kaufmann et al., 2011). Additionally, population dynamics, including rapid growth in Countries like Indonesia and Pakistan, require a tailored examination to understand their implications on labor markets and economic productivity (Adeosun & Popogbe, 2021).

Existing research often treats FDI, population, governance, and unemployment as independent variables, without adequately exploring their combined effects on economic growth (Efuntade & Efuntade, 2020; Jan et al., 2021). Furthermore, studies on governance quality tend to generalize findings without considering variations in political stability, regulatory frameworks, and institutional effectiveness among Asian OIC Countries (Awan et al., 2018; Kaufmann et al., 1999). Similarly, the impact of population growth is commonly analyzed without accounting for its interactions with labor market conditions and unemployment trends (Furuoka, 2018).

These limitations highlight the need for a holistic approach that integrates these variables and examines their interplay within the specific socio-economic framework of Asian OIC Countries. This research aims to fill this gap by providing a comprehensive analysis, exploring these interlinked variables in the context of Asian OIC Countries, and addressing a critical gap in the literature. Additionally, the chosen research period encompasses diverse phenomena that have led to changes in economic growth, making it a crucial aspect to analyze in this study. By doing so, this research contributes to a deeper understanding of growth drivers in these nations and offers practical recommendations for sustainable development, providing insights that are particularly relevant for policymakers in this region.

## **B. Research Questions**

Research questions are the fundamental inquiries that guide this study in understanding the factors influencing economic growth in the member Countries of the Organization of Islamic Cooperation (OIC) in Asia. These questions include:

1. What is the impact of Foreign Direct Investment (FDI) on economic growth in OIC Asian Countries?
2. In what ways does population growth influence economic growth in OIC Asian Countries?

3. How does the quality of governance affect economic growth in OIC Asian Countries?
4. What is the relationship between unemployment and economic growth in OIC Asian Countries?

### **C. Research Purposes**

The research purpose is the main objective that this study aims to achieve in addressing the formulated research questions. Specifically, the purposes are:

1. This study aims to analyze how Foreign Direct Investment (FDI) impacts economic growth in Asian OIC Countries.
2. The focus here is to examine the influence of population growth on the economic development of Asian OIC Countries.
3. This evaluation will explore how the quality of governance affects economic growth in OIC Asian Countries.
4. The objective is to assess the relationship between unemployment rates and economic growth in OIC Asian Countries.

### **D. Benefit of Research**

Benefit of Research refers to the value or contributions that a study provides to various stakeholders. For this research, the benefits include:

1. Theoretical Contribution:

The study expands on existing literature by exploring the impact of FDI, population growth, governance quality, and unemployment on economic growth, specifically in the context of Asian OIC Countries. It fills a gap by focusing on the unique dynamics within this region, providing deeper insights into how these factors influence economic development in these nations.

2. Policy Implications for Asian OIC Countries:

The research offers practical recommendations for policymakers in Asian OIC Countries, identifying key drivers of economic growth. The findings will help guide the formulation of policies that aim to attract foreign direct investment, enhance governance quality, manage population growth, and address unemployment challenges, leading to more sustainable and inclusive economic development.

3. Implications for International Organizations and Development Agencies:

The study's results will be valuable for international organizations and development agencies working with OIC Countries. It provides empirical evidence that can be used to inform programs and initiatives aimed at improving governance, boosting economic growth, and

tackling unemployment, offering practical lessons for other regions facing similar development challenges.

4. Contribution to Sustainable Development Goals (SDGs):

The research supports the achievement of the SDGs by providing recommendations that promote economic prosperity, reduce inequalities, and improve social well-being across OIC Countries. By emphasizing policies that foster inclusive growth, the study contributes to the global effort to create more equitable and sustainable economies.

**E. Systemation of Writing**

The research is structured into five comprehensive chapters to ensure a systematic and detailed exploration of the objectives, analysis, and findings:

**CHAPTER I: Introduction**

This chapter provides an overview of the research background, highlighting the importance of economic growth in Asian OIC Countries and the influence of factors such as FDI, total population, governance, and unemployment. It also outlines the research problem, objectives, questions, significance, and the scope of the study.

**CHAPTER II: Literature Review**



This chapter delves into the theoretical and empirical underpinnings of the study. It discusses key theories related to economic growth, FDI, population dynamics, governance, and unemployment. Additionally, it reviews relevant prior studies and presents a conceptual framework illustrating the relationships among the variables.

### **CHAPTER 3: Research Methodology**

This chapter explains the research design, data sources, and analytical methods employed. It details the variables used, including economic growth as the dependent variable and FDI, total population, governance, and unemployment as independent variables. The chapter also describes the use of panel data regression to analyze these relationships.

### **CHAPTER 4: Result and Discussion**

This chapter presents the results of the data analysis, including descriptive statistics and regression outputs. It provides an in-depth discussion of the findings, comparing them with theoretical expectations and prior research, and highlighting unique insights for Asian OIC Countries.

### **CHAPTER 5: Conclusion and Recommendation**

This final chapter summarizes the research findings, emphasizing the effects of FDI, total population, governance,

and unemployment on economic growth. It offers policy recommendations for Asian OIC Countries, addresses study limitations, and suggests directions for future research.

This structured approach ensures a logical flow of information, enabling the research objectives to be addressed comprehensively. It organizes findings in a clear sequence, enhancing the interpretability of results. By emphasizing practical relevance, the study provides actionable insights for policymakers and stakeholders. This framework ensures every aspect of the research contributes meaningfully to its overall understanding and application..



## CHAPTER V CONCLUSION

### A. Conclusion

This study, which analyzes the factors influencing economic growth in 21 OIC Asian Countries over the period from 2010 to 2022 using the Fixed Effects Model (FEM), provides a comprehensive understanding of the key drivers of economic performance in the region. The research focuses on Foreign Direct Investment (FDI), population growth (POP), governance quality (GOV), and unemployment (UNM), all of which significantly impact the Gross Domestic Product (GDP) of the Countries in the sample.

Firstly, the study highlights that Foreign Direct Investment (FDI) has a positive and significant impact on GDP. With a probability value of 0.0022, which is less than the 0.05 significance level, the findings indicate that higher levels of FDI contribute to greater economic growth. FDI brings not only capital but also technology, managerial expertise, and access to international markets, all of which can enhance productivity and drive long-term growth. Therefore, policies aimed at attracting and retaining FDI are crucial for supporting sustainable economic development.

Moreover, the study demonstrates that population growth (POP) plays a positive role in economic development. With a probability value of 0.0066, which is less than 0.05, and a positive coefficient of 0.132, the results show that population growth contributes positively to economic growth. A growing population increases the labor force and consumer purchasing power, which stimulates demand for goods and services, further driving economic expansion. However, to ensure that population growth yields positive results, improvements in education, infrastructure, and healthcare are necessary to enable the expanding workforce to contribute effectively to the economy.

Additionally, governance quality (GOV) was found to have a positive and significant influence on GDP. With a probability value of 0.0005 and a positive coefficient of 0.0009, the study underscores the importance of good governance in fostering economic growth. Countries with stronger governance, characterized by transparency, effective regulation, rule of law, and political stability, create an environment conducive to investment and business development. These nations tend to have more efficient public services, less corruption, and more predictable economic policies, which ultimately attract investment and support economic activities.

Finally, the study indicates that unemployment (UNM) has a negative and significant effect on GDP. The probability value of 0.0000 and the negative coefficient of -0.017 suggest that higher unemployment rates impede economic growth. Unemployment reduces consumer purchasing power, diminishes productivity, and can lead to social instability. Moreover, high unemployment puts a strain on government resources as more individuals require welfare, which can slow down economic development. Therefore, reducing unemployment through job creation, skills development, and labor market reforms is essential for promoting long-term economic stability and growth.

In conclusion, the findings of this study emphasize the importance of factors such as FDI, population growth, governance quality, and unemployment in shaping economic growth in OIC Asian Countries. Moreover, the results suggest that policies focusing on attracting more FDI, improving governance, leveraging population growth for economic benefits, and reducing unemployment could foster more sustainable and stable economic growth in the region. By addressing these critical areas, OIC Countries can maximize their economic potential and improve the well-being of their populations.

## B. Suggestion

### 1. For Academic

Future research in this area should explore sector-specific impacts of FDI, population growth, governance quality, and unemployment on economic growth. While this study offers valuable insights, further academic investigations could focus on how these factors affect different industries, such as technology, agriculture, and manufacturing, to provide more targeted policy suggestions. Longitudinal studies that examine the long-term effects of governance quality on economic development would be particularly valuable. By assessing how governance reforms influence macroeconomic indicators over time, academics can offer practical recommendations for enhancing institutional frameworks. Collaboration with international organizations such as the World Bank, IMF, and regional development banks could also provide a broader, comparative perspective on how the economic growth strategies of OIC Countries align with global trends. This would help in creating more context-specific economic models tailored to the region's unique challenges.

### 2. For Practioners

Practitioners in both the public and private sectors should focus on leveraging FDI not only for capital inflows but also to drive technological advancements and improve management practices in local firms. This approach will boost productivity and enhance competitiveness in the long term. Another crucial area for practitioners is the development of skills programs in collaboration with governments and educational institutions. By aligning workforce skills with the needs of emerging industries, such as technology and renewable energy, practitioners can help ensure that the labor force is ready for the demands of modern economies. Furthermore, fostering innovation and entrepreneurship should be a key priority. Supporting startups and small businesses through access to financing and markets can help create jobs, stimulate economic activity, and build resilience in the economy.

### 3. For Policy Makers

Policymakers should continue to enhance the investment climate to attract more FDI by improving regulatory frameworks and reducing bureaucratic hurdles. Creating a favorable environment with incentives for foreign investors, along with ensuring political stability and strengthening legal protections for investors, will help sustain inflows of FDI. In addition,

policymakers must prioritize investments in education and healthcare to ensure that the growing population contributes positively to economic growth. Expanding access to education and creating a healthier workforce will improve productivity and provide long-term economic benefits. Moreover, governance reforms should be a top priority for policymakers, as transparent and accountable governance fosters a stable environment for businesses and investors. By reducing corruption and promoting the rule of law, governments can build investor confidence and enhance economic stability. Finally, reducing unemployment is essential for driving economic growth and stability. Policymakers should implement policies that generate job opportunities, especially in sectors with high growth potential. Vocational training programs, entrepreneurship support, and infrastructure investments can reduce unemployment rates, stimulate economic activity, and contribute to greater social stability.

By implementing these suggestions, academics, practitioners, and policymakers can collectively contribute to enhancing economic growth in OIC Countries, promoting sustainable and inclusive development for their citizens.



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