Economic Growth Factors of Member Countries of the Organisation of Islamic Cooperation (OIC) Influenced by the Influence of Foreign Direct Investment and Foreign Debt

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Abstract:-

- ***Background:***

Factors affecting the economic growth of OIC member countries are an important concern, and two of these factors are Foreign Direct Investment (FDI) and external debt.

- ***Objective:***

It is important to consider the impact of FDI on specific sectors, income distribution, and economic sovereignty. A prudent policy of encouraging FDI needs to ensurethat the benefits are equitably shared by society and the broader economic sector.

- ***Design/Methodology/Approach:***

This research method uses secondary data observed over a five-year observation period starting in 2015 in seven member countries of the Organisation of Islamic Cooperation (OIC) (Indonesia, Morocco, Egypt, Nigeria, Kazakhstan, Pakistan, Turkey) until 2019. The analysis method used is panel data regression.

- ***Findings:***

The economic growth of an OIC member country is influenced by a number of factors, including Foreign Direct Investment (FDI) and external debt. It is important for member countries to manage these factors wisely in order to maximise their benefits for long-term economic development. Coordination among member countries and a balance between FDI and external debt are key to achieving inclusive and sustainable economic growth across the OIC region.

- ***Research Implication:***

Prudent and efficient policy implementation by the government is crucial to ensure that factors such as FDI and external debt contribute positively to economic growth and overall welfare.

- ***Limitations:***

This research requires a holistic approach and an in-depth understanding of the economic, political and financial context of OIC countries. Understanding these limitations canhelp researchers and readers to interpret the results more carefully.

Keywords:- *FDI; Foreign Debt; Economic Growth.*

I. INTRODUCTION

The Organisation of Islamic Cooperation (OIC) is a multilateral cooperation forum involving Muslim-majority countries around the world. Economic growth in this context is oneof the key indicators that define a country's prosperity and progress. Factors affecting the economic growth of OIC member countries are of significant concern, and two of these factors are Foreign Direct Investment (FDI) and external debt.

First of all, FDI plays a crucial role in fuelling economic growth. It brings new capital, technology, management and skills to the host country. For OIC member countries, receiving FDI can be a key driver to develop critical economic sectors. Through FDI, these countries can improve the competitiveness of their industries, increase productivity, create jobs, and enhanceinnovation capacity.

However, the impact of FDI is not always directly positive. Increased FDI can also bring risks, including economic imbalances, exploitation of natural resources, and inequality in profit distribution. Therefore, it is important for OIC member countries to design prudent investment policies to maximise the benefits of FDI and mitigate the risks.

Meanwhile, external debt also plays a significant role in driving economic growth. Utilisation of financial resources through debt can accelerate infrastructure development, improve people's welfare, and build economic capacity. However, unwise debt management can result in excessive financial burden, make debt repayment difficult, and hamper long-termeconomic growth.

It is important for OIC member countries to manage external debt prudently, ensuring that its use is in line with development needs and can deliver sustainable investment returns. In addition, transparency in debt management and improved capacity to negotiate debt terms are also key in minimising external debt-related risks.

Overall, FDI and external debt are two interrelated factors that can affect the economic growth of OIC member countries. In managing these two factors, it is important for countries to adopt policies that are sustainable, oriented towards inclusive economic development, and minimise potential risks.

Economic growth in several OIC member countries fluctuated between 2015 and 2019. The average gross domestic product of OIC countries increased and decreased annually in each country. In Indonesia and Pakistan, GDP tripled in 2016, 2017 and 2018, increasing by 0.1% to 0.2%. Since then, Turkey's GDP increased sharply from 3.2% in 2016 to 7.4% in 2017. In 2018, the financial sector of the domestic economy accounted for an average of 66.7% of GDP in OIC countries (sesric, 2019). Thus, OIC member countries have proven to be able to increasetheir GDP over a period of time.

Table 1 FDI of OIC Member Countries for the Period 2015-2019 (Millions US$)

Country	**YEAR**				
	2015	**2016**	**2017**	**2018**	**2019**
Indonesia	16.641	3.921	20.579	20.563	23.883
Kazakhstan	4.056	8.511	4.669	3.627	2.873
Morocco	3.254	2.157	2.686	3.558	1.719
Egypt	6.925	8.106	7.408	8.141	9.010
Nigeria	3.064	3.453	2.412	775	2.305
Pakistan	1.673	2.576	2.496	1.737	2.234
Turkey	18.976	13.651	10.965	12.840	9.290

Source: (Sesric.Org, 2021)

Table 1 explains that FDI inflows to OIC member countries were found to fluctuate from 2015 to 2019. Turkey experienced a significant decline in population every year. From 2017 to 2019, Indonesia attracted around $20 billion of foreign direct investment. FDI inflowsto OIC countries increased by $108.3 billion in 2017, but decreased by $107.4 billion in 2018 (Sesric, 2019). Overall, this situation shows that most OIC countries are able to attract foreign direct investment and should take steps to attract more foreign investment.

Table 2 OIC Member Countries' External Debt 2015-2019 (Millions US$)

Country	**YEAR**				
	2015	**2016**	**2017**	**2018**	**2019**
Indonesia	307.749	318.942	353.563	379.588	402.106
Kazakhstan	153.179	163.488	158.948	156.979	158.958
Morocco	44.375	47.614	51.023	50.430	55.058
Egypt	49.846	69.163	84.722	100.186	115.079
Nigeria	32.413	35.714	45.772	54.183	60.006
Pakistan	66.708	73.057	86.046	93.545	2,234
Turkey	399.948	409.420	456.562	445.973	9,290

Source: (Sesric.Org, 2021)

Table 2 illustrates the changes in foreign debt of several OIC member countries duringthe 2015-2019 period. However, Indonesia's external debt increased significantly every year. In 2017, Turkey's external debt increased from $409 in 2016 to $456. The total external debt of OIC countries reached $1.6 trillion and continued to increase in 2017. Turkey is an OIC member country and has a debt of more than USD 400 billion (Sesric, 2019). It can be concluded that there is an important source of financing for the development of developing countries - external debt financing.

Two factors that play a significant role in influencing the economic growth of OIC member countries are Foreign Direct Investment (FDI) and External Debt. These two factors have a complex and interrelated impact on a country's economic dynamics.

Foreign Direct Investment (FDI) is the flow of capital into a country from foreign investors, either in the form of investment in companies or acquisition of shares. FDI can bringnew technologies, efficient management, and open new market opportunities. In the OIC context, FDI can be a major driver of economic growth by creating jobs, increasing industrial competitiveness, and stimulating certain economic sectors.

On the other hand, external debt also plays an important role. OIC member countries often rely on external sources of funding through loans and debts to support infrastructure andeconomic development projects. However, debt management policies must be carefully managed so as not to create an excessive burden. If not managed properly, external debt can put pressure on a country's economy.

The combination of FDI and external debt can form the foundation of sustainable economic growth if managed wisely. The influence of these two factors can be complementary, where FDI brings innovation and capital, while external debt provides access to additional resources needed to finance strategic projects.

II. LITERATURE REVIEW

- *Economic Growth Theory*

Economic Growth Theory is a conceptual framework used to explain the factors that influence the economic growth of a country or region. There are several theories of economic growth that have been proposed by economists. Some of the main theoretical foundations include:

Adam Smith stated that One of the early thinkers on economic growth, Smith focused his attention on the role of investment in economic growth. The concept of the invisible hand suggests that policies that favour economic freedom and competition can lead to economic growth.

Ricardian theory states that economic growth occurs through capital accumulation, i.e. an increase in the amount of capital used in production. Investment in physical and human capital is considered the key to long-term economic growth.

- *Economic Growth Theory in Islamic Perspective*

The theory of economic growth from an Islamic perspective includes a number of theoretical foundations that differ from the conventional approach. Some of the key concepts in Islamic economic growth theory involve moral values, ethics, and sharia principles. Here are some of the theoretical underpinnings of the Islamic view of economic growth:

Tawhid is a basic concept in Islam that emphasises the oneness of God. In the context of economics, this concept demands adherence to God's rules in every aspect of life, including the economy. The application of Shariah principles is considered a key cornerstone in achieving sustainable economic growth. The principles of fairness and justice are strongly emphasised in Islam, and this includes the distribution of income and wealth. The Islamic economic system emphasises the need to ensure that wealth is distributed fairly, avoiding extreme inequality.

Islam encourages economic empowerment through enterprise and entrepreneurship. Capital owners are expected to invest and manage their wealth in a productive manner to support economic growth and community welfare. In the Islamic view, economic growth is notonly measured in material terms, but also in terms of moral and social well-being. These principles create a distinct theoretical foundation in understanding and promoting economic growth from an Islamic perspective.

- *Foreign Direct Investment Theory*

Foreign Direct Investment (FDI) refers to direct investment by a foreign entity intobusinesses or assets in another country. The theoretical foundation of FDI involves various approaches and concepts used to explain why and how foreign companies choose to investdirectly in a particular country. Some of the main theories that explain FDI involve economic, political, and social factors. Here are some of the relevant theoretical foundations: International Capital Theory:

This theory posits that FDI occurs because capital flows across national borders, seeking higher rates of return in the destination country compared to the home country. Factors such as interest rate differentials, fiscal policy, and differences in economic development can be key determinants.

- *International Trade Theory:*

Some theories of international trade, such as David Ricardo's theory of comparative advantage, can be linked to FDI. FDI can be seen as an attempt to access a country's comparative advantage, utilising the country's specialised resources or expertise.

- *Dunning's Theory of Competitive Advantage (Dunning's Eclectic Paradigm):*

This theory was developed by John Dunning and suggests that there are three main factors that drive FDI: ownership advantages, location advantages, and internalisation advantages. Property advantages involve unique assets or advantages owned by foreign firms.Product Life Cycle Theory:

This theory by Raymond Vernon says that FDI tends to arise when a new product is first introduced. Initially, production takes place in the home country, but as time passes and the product matures, production may be moved to countries with lower production costs.

- *Dependency Theory:*

This approach suggests that FDI can be explained by economic and power inequalities between countries. FDI is often perceived as a tool by advanced industrialised countries to maintain their dominance and control of resources in developing countries.

- *Portfolio Investment Theory:*

This theory considers FDI as a form of portfolio investment, where investors seek diversification of investment risks and returns by placing their capital in different countries.

In addition to these theories, political, legal and social factors can also play an important role in explaining the motivations behind FDI. Changes in government policies, political stability, and market and infrastructure conditions can also influence a company's decision to invest directly in a country.

➢ *Foreign Direct Investment Theory in Islamic Perspective*

There is no specific theory that explicitly mentions "Foreign Direct Investment (FDI)" in an Islamic perspective. However, Islamic economic principles can provide a theoretical foundation for understanding foreign investment, including FDI. Here are some relevant Islamic economic principles:

- *Principles of Justice and Balance:*

Islamic economics emphasises the importance of fairness and balance in the distribution of wealth and profits. In the context of FDI, this can be interpreted as the need to ensure that the economic benefits generated from foreign investmentare also enjoyed by local communities.

- *Prohibition of Riba (Interest):*

Islam prohibits the practice of usury, or interest. Therefore, financial agreements involving interest payments in the context of investment should be avoided. This may affect the financial structure and payment arrangements in FDI transactions.

- *Sustainable Economic Growth:*

Islam promotes sustainable and equitable economic growth, taking into account environmental sustainability and the interests of society. In the context of FDI, investments that support sustainable development and provide long-term benefits to society can be considered compatible with Islamic values.

- *Community Participation:*

Islam underlines the importance of active community participation in economic decision-making. In the context of FDI, transparency and involvement of local communities can be considered essential to ensure that foreign investment benefits local communities.

- *Local Ownership and Control:*

The principle of local ownership and control can be taken into consideration. Islam encourages equitable ownership and management of economicresources that takes into account the interests of local communities.

- *Business Ethics:*

The principles of business ethics in Islam, such as honesty, integrity, and fairness, can also be applied in the context of FDI. Parties involved in foreign investment are expected to conduct their business in compliance with Islamic ethical norms.

It is important to note that the application of these principles may vary depending on the interpretation and implementation of each Muslim community. In addition, regulations and laws on FDI may differ between Muslim countries.

➢ *Foreign Debt Theory*

The Foreign Debt Theory encompasses various economic views and concepts related to the useof debt by a country from foreign parties. Some of the theoretical foundations commonly associated with the Foreign Debt Theory include:

- *Investment Finance Theory:*

This theory emphasises that external debt can be used as a source of financing for investment projects that have a high rate of return. By using debt, countries can scale up projects and increase economic growth.

- *Human Capital Theory:*

According to this theory, foreign debt can be used to finance education and training of human resources. By improving the quality of human resources, countries can create comparative advantage and increase productivity.

- *Life Cycle Theory:*

This theory states that countries can use debt to address imbalances in the economic lifecycle. For example, in times of economic downturn, countries can take on debt to finance government spending and increase aggregate demand.

- *Investment Opportunity Theory:*

External debt can also be seen as an investment opportunity to capitalise on projects that cannot be funded internally. This theory emphasises that external debt can be a good alternative when internal resources are limited.

- *Theory of Foreign Exchange Rate Effects:*

Some theories emphasise that the use of external debt can also be affected by changes in the exchange rate. If the exchange rate is favourable, countries may be more inclined to takeon external debt.

- *Theory of Economic Development:*

This theory focuses on the use of external debt as a tool to support economic development. Developing countries often take on debt to finance large infrastructure and development projects.

- *Debt Sustainability Theory:*

This theory addresses the concept of debt sustainability, which is the extent to which a country can service its debt without experiencing significant financial difficulties. Debt sustainability is a concern because too much debt can put pressure on a country's finances.

It is important to note that approaches to External Debt Theory can vary between economists and political views. Factors such as global economic conditions, fiscal and monetary policies,as well as the internal economic health of a country can influence the approach to the use of external debt.

- *Foreign Debt Theory in Islamic Perspective*

The theory of Foreign Debt in an Islamic perspective has a theoretical basis related to the principles of Islamic economics and the laws contained in the Qur'an and Hadith. The following are some of the theoretical foundations that can be identified:

- *Riba (Interest):*

Islamic economics prohibits the practice of usury, which includes the payment or receipt of interest. Therefore, in the context of external debt, this concept emphasises the importance of avoiding interest-bearing debt.

- *Qardh (Interest-free Loan):*

Islam encourages interest-free lending or qardh as a way to help others withoutimposing the additional burden of interest. This concept can be applied in relations between countries.

- *Principles of Fairness and Balance:*

Islam encourages the principles of fairness and balance in every economic transaction.In the context of foreign debt, financing should be done fairly and not burden the borrowing party.

- *Productive Investment:*

Islam encourages the use of funds for productive investments that can benefit society. Therefore, foreign debt should be directed to projects that can improve welfare and economicgrowth.

- *Islamic Law on Debt:*

Islamic law has provisions relating to debt, including provisions on suspension of payments (moratorium) in difficult circumstances. This can serve as a basis for assessing and managing external debt in the context of Islamic economics.

In practice, the application of foreign debt theory in an Islamic perspective involves the involvement of Islamic economic scholars and jurists to provide guidance in accordance with Islamic economic principles and moral values contained in Islamic teachings.

- *Relationship between Foreign Direct Investment and Economic Growth*

The relationship between Foreign Direct Investment (FDI) and economic growth has been the subject of economic research for decades. A number of theories and conceptual foundations have been developed to explain this relationship. One of the main theories that attempt to explain the relationship between FDI and economic growth is the endogenous growth theory. This theory emphasises capital accumulation, innovation and knowledge as factors that trigger economic growth. FDI can be considered as a source of foreign capital that can increase investment and productivity. In addition, FDI often brings new technology and knowledge that can improve production efficiency.

The Solow-Swan model is an economic growth model that highlights capital accumulation as a key factor in long-term growth. FDI can be considered as capital flows thatcan increase a country's capital stock, which in turn can increase production and national income. The theory emphasises the importance of investment in human resources, such as education and training, for economic growth. FDI can influence economic growth by introducing modern management practices, employee training, and technology transfer, all of which can improve the quality of a country's human capital. FDI often brings new technologies and innovations to the recipient country. This theory states that countries that are able to adopt and integrate foreign technology effectively will experience higher economic growth.

New growth theory emphasises the role of innovation and research and development inlong-term economic growth. FDI can help in transferring technological knowledge and fuellinginnovative activity in an economy. FDI can generate spillover effects, where the positive impactof the investment trickles down to other sectors in the recipient economy. This can include increased employee training, technology transfer, and improved production efficiency.

It is important to note that the impact of FDI on economic growth may vary depending on economic conditions, government policies, and other factors. Some empirical studies also show that the benefits of FDI are not always evenly distributed across all sectors or layers of society within a country.

- *The Relationship of Foreign Debt to Economic Growth*

The relationship between external debt and economic growth is a complex issue that has been the subject of much attention in the economic literature. Opinions on the impact of external debt on economic growth may vary depending on a country's economic context, the level of debt, the use of borrowed funds, and other factors. Here are some general considerations If external debt is used for productive investments, such as infrastructure, education, and projects that increase economic productivity, it can make a positive contribution to economic growth. These investments can open up new opportunities, improve efficiency, and create jobs.

If a country is overburdened with debt repayments, this may hamper economic growth as a large portion of the country's revenue is used to pay interest and principal on the debt. If the debt burden is too great, the country may find it difficult to fulfil basic development needs and public services.

An increase in external debt can affect the exchange rate and inflation rate. Currency depreciation or high inflation rates can have a negative impact on economic growth, as they increase the cost of imports and make domestic economic activity difficult. Debt sustainabilityis an important factor. If a country is unable to repay its debts, this can result in a financial crisis which can be detrimental to economic growth. Therefore, good debt management is necessary.

External factors, such as commodity price fluctuations or global economic instability, can also affect the relationship between external debt and economic growth.

Often, the impact of external debt on economic growth is not linear, and evaluations should consider country-specific context and factors. It is important to pay attention to debt management, diversification of financing sources, and sustainable economic policies to achievebalanced and stable economic growth.

III. RESEARCH METHODS

This research method uses secondary data observed during the five-year observation period starting in 2015 in seven member countries of the Organisation of Islamic Cooperation (OIC) (Indonesia, Morocco, Egypt, Nigeria, Kazakhstan, Pakistan, Turkey) until 2019. The analysis method used is panel data regression. This research uses panel data regression analysis with economic growth as the dependent variable (Y) and foreign direct investment (X1) and foreign debt (X2) as independent variables. The first testing stage is classical acceptance testing and model determination. The optimal model chosen is fixed effect model (FEM). To obtain the best results in multiple linear regression testing, this classical assumption test must be fulfilled (Ghozali, 2011).

The normality test was not carried out in this study because 35 observations were used in this study, while the normality test is only used when the number of observations is less than 30 If the observations are more than 30, then there is no need to do a normality test because the distribution of the sampling error term is close to normal (Ajija, Sari, Setianto, 2011). Therefore, the classical hypothesis tests used in this study are multicollinearity test, heteroscedasticity test, and autocorrelation test.

- *The Model used in this Study is:*

$$Yit = \alpha + \beta 1\ \mathrm{X1}it + \beta 2\ \mathrm{X2}it + \mathrm{s}itt$$

With a hint:

Y = Economic Growth
A = Constant
β1, β2 = Coefficient of each independent variable regressionX1=FDI
X2 = EXTERNAL DEBT
E = Error term
t = Time
i = OIC Member Countries

IV. RESULTS

- *A Summary of the Results and Discussion in the Study is Detailed in the Table below.*

Table 3 Chow Test Model Redundant Fixed Effects Tests Pool: NEGARA Test cross-section fixed effects

Effects Test	Statistic	d. f	Prob.
Creoss-Section F	4.755048	(6,26)	0.0022

Hausman Test Correlated Random Effects - HausmanTest Pool: NEGARA Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi- Sq. d.f	Prob.
Cross-Section Random	16.585991	2	0.0003

Source: Eviews 12 Test Results (Processed, 2023)

Based on the Chow test results, H0 is rejected because the cross-sectional F probabilityvalue is 0.0022 <0.05. This means that the fixed effect model is better than the common effect model because it is smaller than the significance level. Then, since the cross-sectional random probability value is 0.0003 <, then H0 is accepted with the Hausman test. 0.05 means smaller than the significance level and means that the fixed effect model is better than the random effectmodel.

Table 4 Classical Assumption Test Multicollinearity Test

	FDI	ULN
FDI	1.000000	0.787729
ULN	0.787729	1.000000

Heteroscedasticity Test Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-Statistic	1.553894	Prob. F (2,32)	0.2270
Obs*R-Squared	3.098246	Prob. Chi-Squared (2)	0.2124
Scaled Explained SS	2.479984	Prob. Chi-Squared (2)	0.2894

Autocorrelation Test Breusch-Godfrey Serial Correlation LM Test:

F-Statistic	0.904525	Prob. F(2,30)	0.4155
Obs*E-Squared	1.990527	Prob. Chi-Square(2)	0.3696

Source: Eviews 12 Test Results (processed, 2023)

Based on the multicollinearity test results, it appears that there is no multicollinearity in the regression model because the correlation value of each variable is less than 0.8. The heteroscedasticity test explains the absence of heteroscedasticity based on the probability value. The Chi-square of Obs*R-square shows an alpha value greater than 0.05, namely 0.2124. This means that there is no heteroscedasticity. The autocorrelation test results show that there is no autocorrelation based on the probability value. The Chi-square of Obs*R-square has an alpha value greater than 0.05 or 0.3696. This means that there is no autocorrelation.

- *Panel Data Regression Analysis*

Model selection produces a fixed effect model that is better at explaining the panel data regression model in this test. The following is the estimation of the resulting fixed effect model.

Table 5 Fixed Effect Model

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.160978	0.486986	-2.384008	0.0247
FDI?	-0.016712	0.006402	-2.610394	0.0148
UTANG_LN?	0.213813	0.062781	3.405692	0.0022
Fixed Effects (Cross)				
INDONESIA-C	0.105435			
KAZAKHSTAN-C	-0.131376			
MAROKO-C	0.017709			
MESIR-C	0.209904			
NIGERIA-C	-0.226828			
PAKISTAN-C	0.120635			
TURKI-C	-0.095479			

Source: Eviews 12 Test Results (Processed, 2023)

PE = -1.160978 -0.016712FDI + 0.213813ULN

- *The Regression Results can be Explained by the Effect of the Independent Variables on the Dependent Variable as follows:*

In Indonesia, an increase in the independent variables, namely FDI and foreign debt in Indonesia by 1% increases Indonesia's economic growth by 0.105435. In Kazakhstan A 1% increase in the independent variables of foreign direct investment and foreign debt in Kazakhstan decreases Kazakhstan's economic growth by -0.131376. In Morocco A 1% increase in the independent variables, namely FDI and Moroccan foreign debt, decreases Morocco's economic growth by 0.017709. In Egypt An increase in the independent variables, namely foreign direct investment and foreign debt in Egypt by 1% increases Egypt's economic growthby 0.209904. In the country of Nigeria An increase in the independent variable by 1%, namely FDI and Nigeria's foreign debt, decreases Nigeria's economic growth by -0.226828. in Pakistan If the independent variable, namely FDI and Pakistan's foreign debt, increases by 1%, Pakistan's economic growth will increase by 0.120635. in Turkey An increase in the independent variable, namely FDI and foreign debt in Turkey by 1% will decrease Turkey's economic growth by -0.095479.

Table 6 Determination Coefficient Test

R-Squared	0.633874
Adjusted R-Squared	**0521220**

Source: Eviews 12 Test Results (processed, 2023)

- *Table 6 Shows the R2 Value of 0.633874 or 63%.*

This shows that the relationship between FDI and external debt is highly dependent on economic growth. This means that the independent variables, namely FDI and external debt, can explain the economic growth of variable Y, which is 63%, and the dependent variable is able to explain economic growth on average by 63%. The remaining 37% of the average independent variable is explained by other variables that are not included in the regression model of this study.

Table 7 Simultaneous F Test

F-Statistic	5.626728
Prob (F-Statistic)	**0.000343**

Source: Eviews 12 Test Results (Processed, 2023)

Based on Table 7, the results of the F-test calculation show a probability value (F-statistic) of 0.000343. Therefore, it can be interpreted that the independent variables, namely FDI and external debt, affect the dependent variable, namely economic growth.

Table 8 Partial T Test

Variable	T-Statistic	Prob.	Keterangan
FDI	-2.610394	0.0148	Signifikan
ULN	3.405692	0.0022	Signifikan

Source: Eviews 12 Test Results (processed, 2023)

- *T-Test Testing that has been Presented in Table 6, the Results can be Seen as follows:*

- *Economic growth is influenced by Foreign Direct Investment in 7 OIC member Islamic countries (Indonesia, Morocco, Egypt, Nigeria, Kazakhstan, Pakistan, Turkey).*

From the calculation of the t test, the probability value is 0.0148. This value shows that the probability value is smaller than the significance level (α = 0.05) and the t-statistic value is - 2.610394. Therefore, the FDI hypothesis can be said to have a significant negative impact on the economic growth of the seven OIC countries.

- *Economic growth is influenced by Foreign Debt in 7 OIC member Islamic countries (Indonesia, Morocco, Egypt, Nigeria, Kazakhstan, Pakistan, Turkey).*

From the calculation of the t test, the probability value is 0.0022. This value shows that the probability value is smaller than the significance level (α = 0.05) and the t-statistic value shows 3.405692. It can be concluded that the foreign debt hypothesis has a significant positive effect on the economic growth of the seven OIC countries.

V. DISCUSSION

➢ *The Effect of Foreign Direct Investment on Economic Growth*

The T-stat test shows the probability value of FDI of 0.0148 with a significance level of 5% (0.05). The significance value of FDI is 0.0148 which means it is smaller than 0.05 so that the hypothesis is accepted. It can be concluded that the FDI variable has a significant effecton the economic growth of the seven OIC countries. The following results are not in accordance with the initial research assumption which states that foreign direct investment has a positive influence. However, this is supported by Saquib's (2013) research on foreign direct investment, where the existence of an investment monopoly controlled by a country has a significant negative impact on economic growth.

The effect of Foreign Direct Investment (FDI) on a country's economic growth can vary depending on various factors, including government policies, global market conditions, the economic sector receiving the investment, and overall macroeconomic conditions. Here are some of the ways in which FDI can affect economic growth:

FDI can provide important financial resources for major projects and infrastructure development, which can increase production capacity and economic competitiveness. Foreign investment often brings with it new technologies, knowledge and skills. This technology transfer can increase productivity and innovation in certain sectors. FDI can create direct and indirect employment. Factories and large projects funded by FDI usually require local labour, which can help reduce unemployment. Foreign investment can boost exports, helping the country earn foreign exchange and improving the trade balance.

FDI can bring better management practices, higher production standards, and more efficient business processes, which can improve overall productivity. Foreign investment can help local companies better enter global markets through the capital support, business networks, and market knowledge brought by foreign investors. FDI can provide economic stability by diversifying economic sectors and increasing resistance to fluctuations in the domestic economy.

Despite the benefits, it is important to remember that the impact of FDI is not always positive. Some critics argue that FDI can lead to economic dependency, social inequality, and exploitation of natural resources. Therefore, good policy management by the government is crucial to ensure that FDI provides optimal benefits for economic growth and people's welfare.

➢ *The Effect of Foreign Debt on Economic Growth*

The test results show that external debt has a significant positive impact on the economic growth of the seven OIC countries. The test conducted using the t test shows the probability value of the external debt variable of 0.0022 and a significance level of 5% (0.05).The significant value of foreign debt is 0.0022 so that the hypothesis is accepted. It can be concluded that the foreign debt variable has a significant positive effect on the economic growth of the seven OIC countries.

The effect of external debt on economic growth can vary depending on a number of factors, and economists' views often differ on its impact. Here are some aspects to consider:

- *Infrastructure Investment:*

Positive: External debt can be used to fund infrastructure projects that are essential for long-term economic growth, such as roads, airports, ports, and energy projects. Negatives: If debt is used without careful consideration, or if the projects do not deliver the expected economic results, it can lead to a prolonged debt burden.

- *Capital and Economic Growth:*

Positive: Foreign debt can give a country access to capital needed to increase production and productivity. Negatives: Too much debt can increase financial risk and lead to dependence on foreign capital, which can be problematic in the event of exchange rate fluctuations or changes in global market conditions.

- *Effects on the Balance of Payments:*

Positives: Foreign debt can help improve a country's balance of payments, especially ifit is used to finance export projects that can increase foreign exchange earnings. Negatives: High dependence on foreign debt can also increase the risk of exchange rate fluctuations and interest payments.

- *Debt Burden and Financial Risk:*

Positive: If debt is used wisely and the projects being funded deliver positive economic outcomes, the debt can provide higher returns than its interest costs. Negatives: Too much debtor inefficient use of it can increase financial risk and impose a significant interest payment burden.

- *Global Conditions:*

Positive: In some cases, low interest rates in the international market can make external debt more affordable for a country. Negative: Changes in global economic conditions or rising interest rates can increase the debt burden and hamper economic growth.

It is important to remember that the benefits or risks of external debt largely depend onhow the debt is managed, the wise allocation of funds, and government policies. Debt increases should be accompanied by careful planning and transparency to minimise risks and maximise benefits for economic growth.

VI. CONCLUSIONS

Based on the results of the research and discussion that has been carried out in the previous chapter, the following conclusions can be drawn.

- This is true when foreign direct investment occurs and dependence on foreign investment arises. This is certainly not good. This is because changes in the FDI situation and differences in the industrial structure of each country can lead to conflict, which can question the political stability of the country and hinder economic growth.
- The impact of external debt on economic growth is positive and significant. This is dueto the preference for the use of external debt in financing the development of several productive sectors. These productive sectors are considered most suitable for supporting economic growth that improves welfare and improves the country's economy.

Some suggestions and recommendations are given in connection with this study. Suggestions and recommendations for future research are expected to contribute to a more comprehensive analysis of the factors affecting economic growth in OIC member countries. Moreover, the exploration of the Islamic economy for cooperation between OIC countries has great development potential.

MANAGERIAL IMPLICATIONS

The economic growth of an Organisation of Islamic Cooperation (OIC) member country is influenced by factors such as Foreign Direct Investment (FDI) and external debt. The implications can be broken down for government, society, and academia as follows:

- *Government:*

If FDI increases, the government may experience an increase in revenue through taxes and can use those resources for infrastructure development and economic projects. The government should ensure that external debt is managed wisely. While debt can provide an additional source of funding, poor debt management can lead to a high interest payment burden. Governments need to develop investment policies that allow FDI in without compromising economic sovereignty. They also need to monitor debt levels so that they do not reach unsustainable levels.

- *Society:*

An increase in FDI can create more employment opportunities, which can improve people's living standards. If economic growth is not balanced, people may face the problem ofinflation and rising prices of goods and services. Increased revenue from FDI and good debt management can support sectors such as education and public welfare.

- *Academics:*

Academics can conduct research and analyses to understand the impact of FDI and external debt on the economic growth of OIC countries. This can help governments and other organisations to make better decisions. Based on the research findings, academics can provide policy recommendations to governments and international organisations to increase the positive impact of FDI and manage debt effectively.

It is important to note that prudent and efficient policy implementation by the government is crucial to ensure that factors such as FDI and external debt make a positive contribution to economic growth and overall public welfare.

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