

ABSTRACT

This study aims to analyze the influence of corruption, institutional quality, and economic freedom on the inflation rate in member countries of the Organisation of Islamic Cooperation (OIC). The phenomenon of inflation in this region is analyzed using the New Institutional Economics (NIE) perspective, which posits that price stability is not solely influenced by monetary factors but relies heavily on institutional capacity and governance.

This study employs unbalanced panel data covering 44 OIC countries during the period 2008–2021, with a total of 487 observations. The analysis method used is panel data regression with the Fixed Effect Model (FEM) approach, selected based on a series of diagnostic tests.

The results indicate that corruption has a positive and significant effect on inflation, confirming that high levels of corruption trigger economic inefficiency and price increases (cost-push inflation). Institutional quality is proven to have a negative and significant effect, specifically through the Government Effectiveness (GE) and Voice and Accountability (VA) indicators, highlighting the importance of bureaucratic effectiveness and public accountability in maintaining price stability. Conversely, economic freedom is found to have no significant effect on inflation. These findings underscore that inflation control efforts in OIC countries require comprehensive institutional reform and corruption eradication, as economic liberalization alone remains ineffective without the support of strong institutional foundations.

Keywords: *Inflation, Corruption, Institutional Quality, Economic Freedom, OIC Countries, Fixed Effect Model, New Institutional Economics.*