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Title: [Institutional and macroeconomic determinants of financial development in the OIC countries](#)

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Abstract: The role of financial development to the growth process is recognised in the literature and policy cycles, therefore, what determines it is also worthy of attention. This study investigates the institutional and macroeconomic determinants of financial development in 50 OIC member countries from 2003 to 2011. Dynamic panel approach-system-GMM is employed. The results revealed that overall level of income positively influences financial development, and exchange rate encourages financial depth and lending activities. Financial openness is found to promote financial depth only, while institutional quality promotes lending activities. On the other hand, inflation stimulates bank private credit and reduces the depth of the financial sector. This mixed results implied that, policy makers in the OIC countries, shall adopt a hybrid of economic and financial policies as well as implement political, legal and governance reforms in order to enhance financial development and hence promote economic growth.

Keywords: determinants; financial development; institutions; Organisation of Islamic Conference; OIC; system-GMM.

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