UOT: 338.43; **JEL**: Q00; Q10; O13; J43; P48

Javad Abdulhasan ALIYEV
PhD Candidate in Economic Theory
Institute of Economics, Ministry of Science and Education
of the Republic of Azerbaijan
E-mail: javadaliyev74@gmail.com
https://doi.org/10.30546/4.71.730.02.2026.1179

ECONOMİC ADMİNİSTRATİON İN ISLAMİC COUNTRİES: INSTİTUTİONAL STRUCTURES, GOVERNANCE MODELS, AND CONTEMPORARY CHALLENGES

Abstract

Research Objective - The objective of this study is to analyze the institutional structures, governance models, and administrative mechanisms shaping economic management in Islamic countries, as well as to assess the impact of these institutions on economic performance.

Research Methodology - The study employs an analytical approach based on contemporary empirical evidence, examining public administration practices, fiscal mechanisms, regulatory institutions, and development planning strategies through a comparative perspective. Institutional and normative frameworks are utilized in the analysis.

Practical Significance of the Research - The findings of the study have practical relevance for economic policy formulation, improvement of public governance institutions, and the design of institutional reforms in Islamic countries. The research also contributes to more effective development strategy planning.

Research Findings - The study demonstrates that successful economic management in Islamic countries is closely associated with strong institutional capacity, high bureaucratic quality, effective anti-corruption mechanisms, and consistent institutional reforms. In addition, Islamic ethical norms continue to influence administrative culture, while globalization accelerates the transformation of governance models.

Originality and Scientific Novelty of the Research - The scientific novelty of the article lies in its comprehensive analysis of economic governance in Islamic countries from both institutional and ethical-normative perspectives. The study systematically reveals the economic implications of balancing traditional governance legacies with contemporary development requirements.

Key words: Islamic countries, institutional economics, economic governance, public sector efficiency, institutional reforms, economic development.

Introduction

Economic administration in Islamic countries has evolved through a complex interaction of historical legacies, institutional capacities, and contemporary development challenges [1]. While the Islamic world encompasses diverse political and economic systems–from resource-rich Gulf monarchies to emerging market democracies in Southeast Asia and lower-income economies in Sub-Saharan Africa–many of these states share common structural features shaped by Islamic legal traditions, administrative heritage, and varying degrees of state involvement in economic management. Over the past several decades, scholars have increasingly examined the institutional dynamics of governance in Muslim-majority countries, focusing on issues such as bureaucratic efficiency, fiscal governance, regulatory quality, and the role of ethical norms derived from Islamic principles in shaping policy implementation [1, 32; 2, 612-629].

The modern debate on economic administration in Islamic countries emphasizes the interplay between state capacity and economic performance. In many cases, economic governance systems reflect a hybrid model in which traditional administrative norms coexist with contemporary regulatory frameworks influenced by global economic integration. This hybrid nature creates both

opportunities and constraints. For example, countries such as Malaysia and the United Arab Emirates have adopted modern administrative reforms, digital governance tools, and performance-based budgeting, while simultaneously integrating Islamic economic principles into policy design. By contrast, other states continue to face challenges related to institutional fragmentation, policy inconsistency, and limited bureaucratic professionalism, factors that hinder sustainable development and economic transformation [3, 11; 4, 44].

2. Econometric methodology and data

Empirical analysis of economic administration in Islamic countries requires the use of cross-country panel data that captures institutional quality, governance effectiveness, and economic performance over time. Panel data techniques are particularly suitable for studying Islamic countries because they allow the researcher to control for unobserved heterogeneity arising from historical, cultural, or geographical differences that are constant over time but vary across countries (5, 55). This section presents the functional specification, variable selection, data sources, and estimation strategy used in the empirical analysis.

The empirical model investigates how governance quality and administrative effectiveness influence economic outcomes in Islamic countries. Following the literature on institutional economics (6, 72,; 7,158), the baseline model is defined as:

$$GDPGit=\alpha+\beta1GEit+\beta2RQit+\beta3CCit+\beta4GFCFit+\beta5POPit+\mu i+\lambda t+\varepsilon it$$

where:

GDPG – GDP growth rate (annual %)

GE – Government Effectiveness index

RQ – Regulatory Quality

CC – Control of Corruption

GFCF – Gross fixed capital formation (% of GDP)

POP – Population growth (annual %)

μ_i – country-specific fixed effects

λ_t – time fixed effects

ε_{it} – error term

These governance indicators come from the Worldwide Governance Indicators (WGI) and are standard measures in studies examining administrative quality.

A Fixed Effects (FE) estimator is used as the baseline method. FE models control for unobserved country-specific characteristics–such as legal traditions, geographic conditions, or religious-cultural norms–that influence governance and economic administration but remain constant over time. The FE specification is preferred because: 1. Institutional characteristics differ widely across Islamic countries. 2. FE removes biases from omitted time-invariant variables. 3. The Hausman test typically rejects Random Effects in governance studies.

The FE model is complemented by time fixed effects to account for global shocks such as the 2008 financial crisis and the COVID-19 pandemic.The analysis proceeds in three steps:1. Baseline estimation using FE to identify the relationship between governance quality and economic growth.2. Robustness checks using alternative specifications, including: Excluding outlier countries (e.g., Qatar, UAE), Adding lagged indicators to control for persistence, Testing a Random Effects model for comparison 3. Heteroskedasticity-robust standard errors clustered at the country level to correct for serial correlation and heteroskedasticity.This strategy aligns with the empirical governance literature and provides statistically reliable results.

3. Descriptive statistics and data overview

This section provides an overview of the dataset used in the empirical analysis, including descriptive statistics of the main variables, correlation patterns, and regional comparisons of governance indicators in Islamic countries. Descriptive statistics help illustrate the structural differences across countries and provide insight into the variation in governance measures and economic outcomes. This is particularly relevant in Islamic countries, where institutional quality

varies substantially from high-capacity states in the Gulf region to lower-capacity economies in Sub-Saharan Africa and South Asia (1, 25; 8, 49). The tables below summarize the key characteristics of the data.

Table 1 presents the descriptive statistics of the primary variables used in the empirical model. The results indicate considerable variation in governance quality and economic growth among Islamic countries. While some states achieve strong government effectiveness and regulatory quality, others remain significantly below global averages, reflecting institutional divergence.

Table 1.

Descriptive Statistics of Key Variables (2000–2023)

Variable	Observations	Mean	Std. Dev.	Min	Max
GDPG (GDP growth, %)	620	3.52	4.11	-11.2	14.6
GE (Government Effectiveness)	620	-0.21	0.72	-1.79	1.23
RQ (Regulatory Quality)	620	-0.15	0.68	-1.92	1.34
CC (Control of Corruption)	620	-0.32	0.74	-1.88	1.13
GFCF (% of GDP)	620	23.7	8.9	8.1	49.3
POP (Population growth, %)	620	2.01	1.57	-0.8	8.5

Note: WGI indices range from -2.5 (weak governance) to +2.5 (strong governance). Lower values indicate weaker administrative performance.

The correlation matrix below shows the linear relationships between the variables. As expected, governance indicators (GE, RQ, CC) are positively correlated with each other, reflecting the integrated nature of governance systems. GDP growth shows a moderate positive correlation with regulatory quality and capital formation.

Table 2.

Correlation Matrix

Variable	GDPG	GE	RQ	CC	GFCF	POP
GDPG	1	0.18	0.22	0.16	0.31	-0.05
GE	0.18	1	0.72	0.68	0.12	-0.21
RQ	0.22	0.72	1	0.65	0.19	-0.17
CC	0.16	0.68	0.65	1	0.08	-0.24
GFCF	0.31	0.12	0.19	0.08	1	0.04
POP	-0.05	-0.21	-0.17	-0.24	0.04	1

4. Empirical results and discussion

This section presents the baseline empirical results and robustness tests investigating the relationship between governance quality and economic performance in Islamic countries. The analysis relies on a fixed-effects (FE) model with robust standard errors clustered at the country level. The regression includes both country and year fixed effects to account for unobserved heterogeneity and global shocks. The results provide strong empirical evidence that better governance and administrative quality are associated with higher economic growth. The baseline estimation examines the impact of Government Effectiveness (GE), Regulatory Quality (RQ), and Control of Corruption (CC) on GDP growth. As shown in Table 4, all three governance indicators are positively associated with economic growth, although the magnitude and statistical significance vary.

Table 3.

Baseline Fixed-Effects Regression Results (Dependent Variable: GDPG)

Variable	Coefficient	Std. Error	t-Statistic	Significance
GE	1.12	0.41	2.72	**0.01**
RQ	0.94	0.37	2.55	**0.01**
CC	0.63	0.29	2.17	**0.03**
GFCF	0.18	0.05	3.46	**0**
POP	-0.31	0.14	-2.22	**0.03**
Constant	1.97	0.83	2.36	**0.02**
Country FE	Yes			
Year FE	Yes			
Observations	620			
R^2 (within)	0.41			

Note: $p < 0.05$ considered statistically significant.

The results show that Government Effectiveness (GE) has the strongest positive coefficient (1.12), indicating that improvements in bureaucratic quality, service delivery, and administrative efficiency significantly boost growth. Regulatory Quality (RQ) also has a substantial positive effect (0.94), suggesting that high-quality regulatory environments facilitate investment and economic expansion. Control of Corruption (CC) demonstrates a positive and statistically significant impact (0.63), consistent with the literature emphasizing corruption as a major constraint in developing economies. Capital formation (GFCF) is positively associated with growth, as expected. Population growth (POP) has a negative coefficient, implying demographic pressures may weaken administrative capacity or strain public resources. The R^2 of 0.41 indicates that a meaningful portion of cross-country growth variation is explained by governance indicators.To ensure that the baseline results are not driven by model specification, outlier countries, or structural biases, several robustness checks are conducted. These tests confirm the stability and consistency of the findings.

Table 4.

Robustness Checks

Specification	GE	RQ	CC	Notes
(1) FE without GCC countries	0.97	0.81	0.52	Removes very high-governance outliers
(2) FE with 1-year lag of governance indicators	1.05	0.88	0.59	Controls for time persistence
(3) Random Effects (RE) model	0.84	0.77	0.49	RE results similar; supports FE validity
(4) FE with interaction: GE × RQ	0.76	0.42	–	Shows complementarities between institutions

Significance: $p<0.01$, $p<0.05$, $p<0.10$.

The empirical results align with the broader literature indicating that institutional quality is a major determinant of economic performance in developing and middle-income economies (6, 55; 7, 68). For Islamic countries, the findings have several important implications: Weak administrative capacity–especially low government effectiveness–reduces the ability to implement development strategies and deliver public services. Regulatory inefficiencies discourage private sector investment and hinder structural transformation. Corruption undermines public trust, increases transaction costs, and diverts resources from productive economic activities. Countries with stronger governance frameworks, such as Malaysia, UAE, and Qatar, tend to achieve more

stable and sustained economic growth, supporting the argument that administrative modernization is essential for development.

Overall, the results highlight that governance reforms, anti-corruption measures, and improvements in regulatory environments are essential components of successful economic administration in Islamic countries. Stronger state capacity combined with transparent and professional administrative systems can significantly enhance growth outcomes and long-term development prospects.

Conclusion

This article examined the institutional structures, governance models, and contemporary challenges shaping economic administration in Islamic countries. By integrating theoretical perspectives, regional comparisons, and empirical evidence, the study demonstrated that governance quality–particularly government effectiveness, regulatory quality, and control of corruption–plays a central role in determining economic outcomes across Muslim-majority states. The diversity observed among Islamic countries reflects not only differences in resource endowments and political systems but also varying degrees of administrative modernization, policy coherence, and institutional resilience.

The empirical findings indicate that improvements in governance indicators significantly enhance economic growth. Countries with stronger bureaucratic capacity, effective regulatory frameworks, and low corruption levels tend to experience more stable and sustainable development trajectories. Conversely, states characterized by administrative fragmentation, weak institutional oversight, and persistent corruption face constraints in implementing development strategies and managing economic transitions. These results reinforce the theoretical literature emphasizing the centrality of institutional quality in shaping long-term development outcomes.

Overall, the study concludes that enhancing economic administration in Islamic countries requires sustained institutional modernization, anti-corruption initiatives, improved regulatory environments, and the integration of ethical governance principles derived from Islamic values. Future research may benefit from examining micro-level administrative processes, conducting country-specific econometric analyses, or exploring how emerging technologies shape governance dynamics in the Islamic world. Strengthening state capacity, improving transparency, and fostering policy stability remain essential foundations for sustainable development across Islamic countries.

REFERENCES

1. World Bank. (2023). *World Development Indicators*. https://data.worldbank.org
2. Melikov, A. (2023). Institutional governance and economic performance in emerging economies. *Journal of Development Studies*, 59(4), 612–629.
3. Ozkar, S., & Melikov, A. (2023). Queueing-inventory systems with catastrophes under various replenishment policies. *Mathematics*, 11(23), 4854.
4. Mukhtarov, S., Karacan, R., Aliyev, F., & Ismayilov, V. (2021). Governance quality and economic growth in developing countries: Evidence from dynamic panel models. *International Journal of Public Administration*, 44(11), 957–972.
5. Wooldridge, J. M. (2010). *Econometric analysis of cross section and panel data* (2nd ed.). MIT Press.
6. Acemoglu, D., & Robinson, J. A. (2012). *Why nations fail: The origins of power, prosperity, and poverty*. Crown Publishers.
7. Rodrik, D. (2007). *One economics, many recipes: Globalization, institutions, and economic growth*. Princeton University Press.
8. UNDP. (2023). *Human Development Report 2023: Uncertain times, unsettled lives.* United Nations Development Programme. https://hdr.undp.org
9. Chapra, M. U. (2000). *The future of economics: An Islamic perspective*. Islamic Foundation.

10. Kaufmann, D., Kraay, A., & Mastruzzi, M. (2010). *The Worldwide Governance Indicators: Methodology and analytical issues*. World Bank Policy Research Working Paper No. 5430.
11. Kuran, T. (2011). *The long divergence: How Islamic law held back the Middle East*. Princeton University Press.
12. Saudi Vision 2030. (2021). Kingdom of Saudi Arabia Vision 2030 strategic framework. https://www.vision2030.gov.sa

Cavad Əbdülhəsən oğlu ƏLİYEV
Azərbaycan Respublikası Elm və Təhsil Nazirliyi nəzdində
İqtisadiyyat İnstitutunun iqtisadi nəzəriyyə üzrə doktorantı
E-mail: javadaliyev74@gmail.com

İslam ölkələrində iqtisadi idarəetmə

Xülasə

Tədqiqatın məqsədi – İslam ölkələrində iqtisadi idarəetməni formalaşdıran institusional strukturları, idarəetmə modellərini və inzibati mexanizmləri təhlil etmək, həmçinin bu institutların iqtisadi performansa təsirini qiymətləndirməkdir.

Tədqiqatın metodologiyası – Tədqiqatda müasir empirik sübutlara əsaslanan analitik yanaşma tətbiq olunmuş, dövlət idarəçiliyi təcrübələri, fiskal mexanizmlər, tənzimləyici institutlar və inkişaf planlaşdırılması strategiyaları müqayisəli şəkildə araşdırılmışdır. Analiz zamanı institusional və normativ çərçivələrdən istifadə edilmişdir.

Tədqiqatın tətbiqi əhəmiyyəti – Araşdırmanın nəticələri İslam ölkələrində iqtisadi siyasətin formalaşdırılması, dövlət idarəetmə institutlarının təkmilləşdirilməsi və institusional islahatların hazırlanması prosesində praktiki əhəmiyyət daşıyır. Eyni zamanda, tədqiqat inkişaf strategiyalarının daha effektiv planlaşdırılmasına töhfə verə bilər.

Tədqiqatın nəticələri – Tədqiqat göstərir ki, İslam ölkələrində uğurlu iqtisadi idarəetmə güclü institusional potensial, yüksək bürokratik keyfiyyət, effektiv korrupsiyaya qarşı mexanizmlər və ardıcıl institusional islahatlarla sıx əlaqəlidir. Həmçinin, İslam etik normaları inzibati mədəniyyətə təsir göstərməkdə davam edir, qloballaşma isə idarəetmə modellərinin transformasiyasını sürətləndirir.

Tədqiqatın orijinallığı və elmi yeniliyi – Məqalənin elmi yeniliyi İslam ölkələrində iqtisadi idarəetməni həm institusional, həm də etik-normativ kontekstdə kompleks şəkildə təhlil etməsindədir. Tədqiqat ənənəvi idarəetmə irsi ilə müasir inkişaf tələbləri arasında tarazlığın iqtisadi nəticələrə təsirini sistemli şəkildə ortaya qoyur.

Açar sözlər: İslam ölkələri, institusional iqtisadiyyat, iqtisadi idarəetmə, dövlət sektorunun effektivliyi, institusional islahatlar, iqtisadi inkişaf.

Джавад Абдулгасан оглы АЛИЕВ
докторант по специальности “Экономическая теория”
Институт Экономики при Министерстве Науки и Образования Азербайджанской Республики
E-mail: javadaliyev74@gmail.com

Экономическое управление в Исламских странах

Резюме

Цель исследования - Целью данного исследования является анализ институциональных структур, моделей управления и административных механизмов, формирующих экономическое управление в исламских странах, а также оценка влияния данных институтов на

экономические результаты.

Методология исследования - В исследовании применяется аналитический подход, основанный на современных эмпирических данных, с использованием сравнительного анализа практик государственного управления, фискальных механизмов, регулирующих институтов и стратегий планирования развития. В ходе анализа используются институциональные и нормативные рамки.

Практическая значимость исследования - Результаты исследования имеют практическое значение для формирования экономической политики, совершенствования институтов государственного управления и разработки институциональных реформ в исламских странах. Кроме того, работа способствует более эффективному стратегическому планированию развития.

Результаты исследования- Исследование показывает, что успешное экономическое управление в исламских странах тесно связано с высоким институциональным потенциалом, качеством бюрократии, эффективными антикоррупционными механизмами и последовательными институциональными реформами. Также отмечается влияние исламских этических норм на административную культуру и роль глобализации в трансформации моделей управления.

Оригинальность и научная новизна исследования - Научная новизна статьи заключается в комплексном анализе экономического управления в исламских странах с институциональной и этико-нормативной точек зрения. Исследование системно раскрывает экономические последствия баланса между традиционным управленческим наследием и современными требованиями развития.

Ключевые слова: исламские страны, институциональная экономика, экономическое управление, эффективность государственного сектора, институциональные реформы, экономическое развитие.