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Islamic Human Development and Corruption Control: Evidence on Poverty in OIC Countries

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ABSTRACT

Poverty remains a persistent challenge across many member countries of the Organization of Islamic Cooperation (OIC). This study examines the effects of Islamic human development and corruption control on poverty in OIC countries. Using panel data regression with a Fixed Effects Model (FEM), the study analyses secondary data from nine selected OIC member countries over the period 2011–2023. The findings show that the Aql and Maal dimensions significantly affect poverty, although the direction of their effects differs. Aql has a positive relationship with poverty, whereas Maal contributes to poverty reduction. Rule of Law, Regulatory Quality, Government Effectiveness, and Political Stability also significantly contribute to reducing poverty. In contrast, the Diin, Nafs, and Nasl dimensions show no statistically significant effects. The general Control of Corruption indicator is also insignificant, suggesting that specific governance dimensions provide greater explanatory power for poverty than aggregate corruption control. These findings highlight the importance of strengthening Maqasid Syariah based human development and institutional governance as key components of poverty alleviation strategies in OIC countries.

Keywords : *Islamic Human Development Index (IHDI), Maqasid Shariah, Corruption Control, Governance, Poverty Alleviation.*

INTRODUCTION

Poverty remains a persistent challenge across many member countries of the Organization of Islamic Cooperation (OIC). Despite various poverty alleviation efforts and policies implemented over several decades, poverty remains a complex issue involving economic, social, and structural dimensions (Bao & Liao, 2024). Armed conflict, political instability, and vulnerability to disasters also worsen this condition. In OIC countries such as Niger and Guinea, more than half of the population lives below the national poverty line, indicating that economic growth has not benefited all groups equally (World Bank, 2024a). This condition contributes to social inequality, hunger, limited access to education and health services, and barriers to the global energy transition process (Kelikume, 2021).

The Human Development Index (HDI) has been widely used to measure a country's progress based on three main dimensions: education, health, and income. However, this approach does not fully capture the spiritual and moral values that are important in Muslim societies (Valerio et al., 2022). In Islam, development covers material, religious, and ethical dimensions that support a meaningful life (Khan & Rehman, 2022). The Maqasid Syariah framework explains the main

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objectives of Islamic law and provides an important basis for development in Muslim countries. This framework focuses on the protection of religion (hifz diin), life (hifz nafs), intellect (hifz aql), progeny (hifz nasl), and wealth (hifz maal) (Tumewang et al., 2023). Maqasid Syariah provides a normative guide in Islamic law and a practical approach to promoting social justice, equality, and ethical governance. It has been applied in Islamic finance, economics, and public policy (Al Adawiyah et al., 2025; Taufik et al., 2023). Its main values are also in line with global development agendas such as the Sustainable Development Goals (SDGs), which focus on human well being.

The Islamic Human Development Index (IHDI) was developed to address the limitations of the conventional HDI by including the five dimensions of Maqasid Syariah in its measurement (Gupta et al., 2022). By balancing material well being and spiritual welfare, the IHDI better reflects the needs and values of Muslim societies (Saputro & Sidiq, 2020). The IHDI expands the concept of development beyond material indicators such as income, health, and education by adding spiritual and ethical dimensions. Diin, nafs, aql, nasl, and maal serve as the main dimensions of comprehensive human well being (Aydin, 2017; Hendrie, 2009; Ho, 2022). Although many OIC member countries have strong religious foundations, Maqasid Syariah has not been fully applied in policies addressing structural problems such as poverty and inequality (Hapsari et al., 2024). Islamic values are expected to be reflected in public policies, but their practical implementation remains limited. Weak institutions and widespread corruption also remain major barriers to inclusive development (Taufik & Handayani, 2024).

Previous studies have examined the relationship between human development and poverty reduction. Aydin (2017) argues that the IHDI is a more suitable framework for Muslim countries because it includes Maqasid Syariahdimensions that are not covered by the conventional HDI. Ho (2022) shows that improvements in human development contribute directly to national welfare, as shown by lower poverty levels. Recent empirical findings also support a negative relationship between the IHDI and poverty. Strengthening the five dimensions of Maqasid Shariah is closely related to improved social welfare and lower deprivation (Tumewang et al., 2023). Improvements in these dimensions can strengthen social resilience and support poverty alleviation strategies in Muslim countries.

Corruption is also a major barrier to development and poverty alleviation in OIC countries. It affects resource distribution, increases the cost of public services, and limits poor communities' access to education and health services (Gupta et al., 2022). In Yemen and Iran, corruption has led to budget misallocation and greater economic inequality. Yemen has faced the problem of ghost employees in government institutions, while more than 10 million people in Iran live below the absolute poverty line (World Bank, 2023). These conditions indicate that weak institutions and limited state accountability affect the effectiveness of social policies and human development and reduce public trust in government (Gimba et al., 2025).

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New Institutional Economics (NIE) explains this relationship by focusing on the role of institutions in individual behaviour and economic performance (Richter, 2015). Institutions include formal laws and public policies as well as unwritten social norms and cultural practices (Askari et al., 2014). Corruption reflects weak institutional integrity that disrupts the fair distribution of public funds, weakens basic services, and increases the cost of accessing public services (Khan & Rehman, 2022). It also affects economic incentives, limits investment, reduces trust in public institutions, and creates barriers for poor communities in accessing markets, legal protection, and social security (Chavance, 2009).

Many OIC countries continue to face systemic corruption. World Bank (2024b) data on 38 OIC countries show that approximately 84.2% recorded corruption control scores below 5 on a scale of 10, while six were among the twelve most corrupt countries in the world. Previous studies show that corruption negatively affects poverty reduction. Gimba et al. (2025) find that corruption disrupts the fair distribution of resources and public services, increases inequality, and worsens the conditions of vulnerable groups. Similarly, Ali et al. (2022) show that countries with high levels of corruption tend to experience slower poverty reduction because weak administrative capacity and the misuse of public funds reduce the effectiveness of social programmes. However, limited studies have examined Islamic human development and corruption control together in explaining poverty across OIC countries. Therefore, this study examines the effects of Islamic human development and corruption control on poverty in selected OIC countries. By analysing each IHDI dimension with corruption control indicators, this study provides empirical evidence on the specific dimensions related to poverty in OIC countries.

RESEARCH METHOD

This study aims to examine the effects of the Islamic Human Development Index (IHDI) and corruption control on poverty alleviation in selected member countries of the Organization of Islamic Cooperation (OIC) from 2011 to 2023. The sample was selected using purposive sampling due to differences in data availability across countries. The selection criteria included: (1) a relatively high level of Gross Domestic Product (GDP) and (2) the availability of complete macroeconomic and development indicator data from official sources. Based on these criteria, nine countries were selected: Indonesia, Bangladesh, Iran, Malaysia, Nigeria, Pakistan, Türkiye, Egypt, and the United Arab Emirates (UAE).

The study employs the IHDI and corruption control indicators as independent variables, while poverty serves as the dependent variable. The IHDI is constructed based on five dimensions representing the objectives of Shariah (Maqasid Syariah): diin (religion), nafs (life), aql (intellect), nasl (progeny), and maal (wealth). The construction of the IHDI begins with a standardisation process that

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transforms indicators measured in different units into a common scale ranging from 0 to 1. The normalisation formula is as follows:

Index Score = (Actual Value – Minimum Value) / (Maximum Value – Minimum Value)

After all indicators within each dimension are normalised, the final IHDI value is calculated by aggregating the five dimensions using equal weights, following Widiastuti et al. (2022). The equation is expressed as follows:

IHDI = (0.20 × diin index) + (0.20 × nafs index) + (0.20 × aql index) + (0.20 × nasl index) + (0.20 × maal index)

Corruption control is represented by five indicators: Control of Corruption (COC), Political Stability and Absence of Violence/Terrorism (PV), Government Effectiveness (GOVE), Regulatory Quality (RQ), and Rule of Law (RL). These indicators reflect the effectiveness and strength of a country's governance in preventing and addressing corruption. Poverty is measured as the percentage of the population living below the international poverty line of US$2.15 per day. The data used in this study were obtained from established international databases and are summarised in Table 1.

Table 1. Variables, Indicators, Measures, and Data Sources

Variable	Indicator	Data/Measure	Data Source
Islamic Human Development Index (IHDI) (X1)	Diin – Religion	Intentional homicides per 100,000 population	WDI, UN Data
	Nafs – Life	Life expectancy at birth	SESRIC, UN Data
	Aql – Intellect	Primary school enrolment rate	SESRIC, UN Data
	Nasl – Progeny	Under-five mortality rate per 1,000 live births	SESRIC, UN Data
	Maal – Wealth	Gross Domestic Product (GDP) per capita (US$)	WDI
Corruption Control (X2)	Control of Corruption	Level of corruption	WGI
	Government Effectiveness	Bureaucratic quality	WGI
	Regulatory Quality	Investment profile	WGI
	Rule of Law	Law and order	WGI
	Political Stability and Absence of Violence/Terrorism	Government stability, internal and external conflict, and ethnic tensions	WGI
Poverty (Y)	Poverty Rate	Poverty headcount ratio	SD

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		based on the Report international poverty line of US$2.15 per day

Source: Authors' compilation (2026)

This study employs a panel data regression approach to analyse the relationship between poverty and its determinants over the 2011–2023 period. The empirical model is specified as follows:

$$Y_{it}: f(X1_{it}, X2_{it})$$

where Yit represents the poverty rate, *i* denotes the country, and *t* refers to the year. X1 represents the Islamic Human Development Index (IHDI), comprising five dimensions: diin, nafs, aql, nasl, and maal. X2 represents corruption control, measured using Control of Corruption (COC), Government Effectiveness (GOVE), Regulatory Quality (RQ), Rule of Law (ROL), and Political Stability (PS). The model assumes that observations from the previous period do not directly affect the current period. Panel regression is estimated using the Fixed Effects Model (FEM) and Random Effects Model (REM). FEM accounts for time-invariant country-specific characteristics by allowing each cross-sectional unit to have a different intercept. This approach controls for unobserved heterogeneity that may affect the estimation results. In contrast, REM assumes that country-specific effects are random and uncorrelated with the explanatory variables, with these variations incorporated into the error component (Gujarati & Porter, 2010).

A series of specification tests is conducted to select the most appropriate model among pooled Ordinary Least Squares (OLS), fixed effects, and random effects. The Chow test compares pooled OLS and FEM, where a statistically significant result indicates that FEM is preferred. The Breusch–Pagan Lagrange Multiplier (LM) test evaluates whether REM is more appropriate than pooled OLS. A significant result supports the use of REM. The Hausman test is then used to select between FEM and REM by examining whether the individual effects are correlated with the explanatory variables. Rejection of the null hypothesis indicates that FEM is the preferred estimator (Gujarati & Porter, 2010). Diagnostic tests are also conducted to assess the reliability of the regression estimates. Serial correlation is examined using the Wooldridge test, which identifies serial correlation in panel data residuals that may affect the accuracy of the standard errors. The Modified Wald test is used to detect heteroskedasticity arising from differences in error variances across cross sectional units (Gujarati & Porter, 2010).

RESULT AND DISCUSSION

Descriptive Statistics

This section presents and discusses the empirical results of the study. The analysis begins with descriptive statistics, followed by panel data model selection and regression results. The findings are then discussed in relation to Islamic human development, corruption control, and poverty in OIC countries.

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Table 1. Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max	Obs
POV	6.097.521	8.245.843	0.13	32.11	117
DIIN	0.1053846	0.0684375	0.00	1.00	117
NAFS	0.1011111	0.0540558	0.00	1.00	117
AQL	0.0973504	0.0612428	0.00	1.00	117
NASL	0.0920513	0.0593142	0.00	1.00	117
MAAL	0.0982906	0.05745	0.00	1.00	117
COC	-0.4299145	0.6893181	-1.28	1.27	117
ROL	-0.3674359	0.5729298	-1.18	0.88	117
RQ	-0.3282906	0.7469562	-1.71	1.1	117
GOVE	-0.1340171	0.7950689	-1.21	1.5	117
PS	-0.9984615	0.9286936	-2.81	0.91	117
IHDI	0.4949573	0.1187697	0.14	0.76	117

Source. Authors' calculations (2026)

Table 2 presents the descriptive statistics for all variables used in the panel data analysis. The dependent variable, poverty (POV), has a mean value of 6.10 and a standard deviation of 8.25, indicating considerable variation in poverty levels across the selected OIC countries. The minimum POV value is 0.13, while the maximum reaches 32.11, reflecting substantial disparities in poverty levels within the sample. The Islamic Human Development Index (IHDI), constructed as a composite index based on five dimensions of Maqasid Syariah include diin (religion), nafs (life), aql (intellect), nasl (progeny), and maal (wealth) has a mean value of 0.495 and a standard deviation of 0.119. The five IHDI dimensions have relatively similar mean values, ranging from 0.092 to 0.105, indicating limited variation in their average values across the overall sample.

The governance indicators show greater variation. Control of Corruption (COC) has a mean value of −0.429 and a standard deviation of 0.689. Rule of Law (ROL) and Regulatory Quality (RQ) record mean values of −0.367 and −0.329, respectively. Government Effectiveness (GOVE) has a mean value of −0.134 and a standard deviation of 0.795. Political Stability (PS) records the lowest mean value at −0.999 and the highest standard deviation at 0.929, indicating substantial variation in political stability across the countries in the sample. All variables are analysed based on 117 observations.

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Panel Data Model Selection

Table 2. Hausman dan Chow Test

Statistik / Uji	CEM	FEM	REM
Hausman Test (χ^2, p-value)	-	χ^2 = 13.82*	p = 0.0185
Chow Test (F-stat, p-value)	F = 5.67**	p = 0.0043	-

Source. Authors' calculations (2026)

The results of the Hausman and Chow tests provide statistical evidence that the Fixed Effects Model (FEM) is the most appropriate estimation method for the panel data analysis in this study. The Hausman test yields a chi-square statistic of 13.82 with a p-value of 0.0185, indicating a significant difference between the FEM and the Random Effects Model (REM). Meanwhile, the Chow test, which compares the FEM with the Common Effects Model (CEM), produces an F-statistic of 5.67 with a p-value of 0.0043. These results support the selection of the FEM in accounting for unobserved heterogeneity across cross-sectional units. Given the significant results of both specification tests, the Breusch–Pagan Lagrange Multiplier (LM) test was not conducted, as the preferred model had already been identified (Gujarati & Porter, 2010).

Regression Results

Table 3. Panel Data Regression Results

Variable	M1	M2	M3	CEM	FEM	REM
IHDI	2.770	-0.950	-1.230			
COC	-1.880	-0.990	-1.310	-1.120	2.430***	-1.050***
DIIN				6.410	-5.380***	3.950***
NAFS				-4.230	2.670***	0.880***
AQL				5.210*	11.870***	6.540***
NASL				-3.430	-2.010***	-1.660***
MAAL				-5.770	-8.640***	-5.130***
ROL				-2.120	-7.730***	-4.220***
RQ				-1.650	-6.380***	-3.110***
GOVE				-6.220**	-6.220***	-3.980***
PS				-2.430	-4.550***	-2.130***
Mean VIF				1.42	1.48	1.44***
F-Test				6.31*	9.84***	-
R^2 within				-	0.7842	0.5725
R^2 overall				0.3765	0.7847	0.5744
Constant	2.180	1.770	2.210	6.820	4.330**	4.110

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Variable	M1	M2	M3	CEM	FEM	REM
	117	117	117	117	117	117

Note: *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Source. Authors' calculations (2026)

The F-statistic of 9.84 for the Fixed Effects Model (FEM) indicates that the independent variables jointly have a significant effect on poverty at the 1% level ($p < 0.01$). The within R^2 value of 0.7842 indicates that approximately 78.42% of the within-country variation in poverty is explained by the model. Among the IHDI dimensions, AQL (intellect) has a positive and statistically significant coefficient ($\beta = 11.870$; $p < 0.01$), indicating that an increase in the AQL index is associated with a higher poverty rate. In contrast, MAAL (wealth) has a negative and statistically significant coefficient ($\beta = -8.640$; $p < 0.01$), suggesting that improvements in the wealth dimension are associated with lower poverty. DIIN (religion), NAFS (life), and NASL (progeny) do not show statistically significant effects on poverty.

Among the governance indicators, Rule of Law (ROL), Regulatory Quality (RQ), Government Effectiveness (GOVE), and Political Stability (PS) have negative and statistically significant coefficients of −7.730, −6.380, −6.220, and −4.550, respectively ($p < 0.01$). These results indicate that improvements in these governance dimensions are associated with lower poverty rates. Control of Corruption (COC), however, does not show a statistically significant effect on poverty.

Islamic Human Development and Poverty Alleviation

The Islamic Human Development Index (IHDI) was initially analysed as an aggregate index but did not show a significant effect on poverty in OIC countries. This result suggests that the aggregate IHDI may not fully capture the different roles of its individual dimensions in explaining poverty. Aggregate modelling may overlook variations across individual dimensions (Widiastuti et al., 2022). Therefore, examining the five dimensions separately provides a clearer understanding of how Islamic human development is related to poverty in OIC countries.

The Aql (intellect) dimension shows a positive and significant relationship with poverty. This finding differs from the expected role of education and intellectual development in supporting economic participation and mobility (Khan & Rehman, 2022). The positive coefficient suggests that improvements in the Aql dimension do not directly translate into lower poverty levels during the study period. This may indicate that greater access to education alone is insufficient when it is not followed by employment opportunities and effective economic participation. In contrast, the Maal (wealth) dimension shows a negative and significant relationship with poverty. This finding indicates that improvements in economic welfare, represented by GDP per capita, are associated with lower poverty levels.

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From the perspective of Islamic development, economic resources can support poverty reduction when they contribute to broader social welfare and more equitable wealth distribution (Hapsari et al., 2024; Maurya & Kanaujiya, 2020). Meanwhile, Nasl, Nafs, and Diin do not show statistically significant effects. Their relationship with poverty may be indirect and require a longer period to produce measurable economic outcomes (Castro Torres et al., 2022; Hassan et al., 2022; Kachoria et al., 2022; Maurya & Kanaujiya, 2020; Odukoya et al., 2022).

Corruption Control and Poverty Alleviation

The Control of Corruption (COC) indicator does not show a statistically significant effect on poverty in OIC countries. However, Rule of Law (ROL), Regulatory Quality (RQ), Government Effectiveness (GOVE), and Political Stability (PS) show significant relationships with poverty. These findings suggest that specific institutional mechanisms provide a clearer explanation of poverty dynamics than the general corruption control indicator. The negative and significant relationship between Rule of Law (ROL) and poverty indicates that stronger legal institutions are associated with lower poverty levels. Effective legal institutions can improve access to justice for vulnerable groups and support the equitable implementation of public policies (Gimba et al., 2025; Widiastuti et al., 2019). In contrast, weak rule of law in several OIC countries may limit access to public services and weaken the enforcement of pro-poor policies.

Regulatory Quality (RQ) also shows a significant relationship with poverty, indicating the importance of effective regulatory systems in supporting poverty reduction. A better regulatory environment can create fairer economic conditions, particularly for small businesses, and improve the efficiency of public services (Gimba et al., 2025). Similarly, the significant relationship between Government Effectiveness (GOVE) and poverty highlights the role of government capacity in designing and implementing poverty alleviation programmes. Responsive, transparent, and coordinated governments are better able to develop interventions that address the underlying causes of poverty (Khan & Rehman, 2022; Saroj et al., 2024).

Political Stability (PS) also has a significant relationship with poverty, reinforcing the importance of stable political conditions for long-term development. Political instability can worsen poverty by disrupting education, healthcare services, and social investment (Al Farooque et al., 2022). Although Control of Corruption (COC) does not show a statistically significant effect, corruption remains relevant to poverty alleviation because it can reduce public trust and hinder the distribution of essential services, with greater consequences for poor communities (Widiastuti et al., 2019). In many OIC countries, weak bureaucratic accountability and the politicisation of policies have limited the effectiveness of poverty alleviation programmes (Ho, 2022). Therefore, anti-corruption efforts should be accompanied

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by institutional reforms that directly address weaknesses in governance systems (Al Farooque et al., 2022).

CONCLUSION AND SUGGESTIONS

This study examines the effects of the Islamic Human Development Index (IHDI) and corruption control indicators on poverty alleviation in selected OIC countries. The aggregate IHDI does not show a statistically significant effect on poverty. Similarly, the Control of Corruption (COC) indicator is not statistically significant. Among the Maqasid Syariah dimensions, Aql (intellect) shows a positive and significant relationship with poverty. This finding indicates that improvements in the measured intellectual dimension do not necessarily translate directly into poverty reduction during the study period. In contrast, Maal (wealth) has a negative and significant relationship with poverty, highlighting the importance of economic resources and access to wealth in reducing poverty. Diin (religion), Nafs (life), and Nasl (progeny) do not show statistically significant effects, which may reflect their indirect and long-term relationship with poverty.

The findings on corruption control mechanisms highlight the importance of institutional strength in poverty alleviation. Rule of Law, Regulatory Quality, Government Effectiveness, and Political Stability show negative and significant relationships with poverty. Strong legal systems can improve justice and protection for vulnerable groups, while effective regulation and government performance support the implementation of inclusive and pro-poor policies. Political stability also provides conditions for consistent policy implementation and investment. In contrast, the general Control of Corruption (COC) indicator is not statistically significant, suggesting that specific institutional mechanisms may provide a clearer explanation of poverty dynamics than the general corruption control measure.

Based on these findings, OIC countries should adopt a multidimensional and integrated approach to poverty alleviation by strengthening economic capacity and institutional effectiveness. Policymakers should improve the economic relevance and outcomes of education, expand equitable access to economic resources, and strengthen transparency, accountability, legal enforcement, and administrative efficiency. Anti corruption efforts should not rely solely on general corruption control measures but should be accompanied by institutional reforms that address specific weaknesses in public governance. The Maqasid Syariah framework should also be integrated into national development planning to ensure that poverty alleviation policies are aligned with Islamic development principles and supported by effective institutional mechanisms.

Limitations dan Future Research

Several limitations of this research are, first, the use of multi-country panel data may not fully capture local realities and informal institutions that influence poverty. Second, several variables, especially those related to religious dimensions

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and social structure, are difficult to quantify and therefore have the potential to be underrepresented in empirical models. Third, this analysis has not considered the effects of time lags or the dynamic interrelationships between governance, human development and poverty. Future research is recommended to use more detailed data, longitudinal designs to explore these complex relationships in more depth. Future research is recommended to use more detailed data and longitudinal designs to explore these complex relationships in greater depth.

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