# State Religion and Corruption in Islamic Countries: An Empirical Examination

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**Keywords**
*Corruption, Islam, State Religion, Organisation of Islamic Cooperation*

**Abstract**
Corruption remains pervasive in many Islamic countries, despite the ethical values and integrity often associated with religious norms. This study investigates how state religion and proportion of Muslim population impacts corruption levels in member countries of the Organisation of Islamic Cooperation (OIC). Utilizing cross-sectional data from 53 OIC countries and employing the Ordinary Least Squares (OLS) regression method, the study finds that the percentage of the Muslim population has a negative but statistically weak effect on corruption. Conversely, the adoption of Islam as a state religion significantly increases corruption, suggesting that religious institutionalization may undermine governance quality. These results challenge prior assumptions that religiosity inherently reduces corruption. Instead, the study highlights that institutional frameworks, rather than religious adherence, shape governance outcomes. The findings underscore the need for anti-corruption efforts in Islamic countries to prioritize institutional reforms and economic policies that enhance transparency and accountability, rather than relying solely on religious values.

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## 1. Introduction

Corruption remains a critical global issue that negatively affects social, political, and economic systems, especially in developing countries. Over the past three decades, it has been a central concern in development discourse due to its widespread and long-lasting impact (Magableh *et al*., 2024). Corruption undermines democratic processes and is considered one of the most serious threats to good governance, making its eradication a priority for many governments (Spyromitros & Panagiotidis, 2022).

Transparency International's Corruption Perceptions Index (CPI) measures perceived corruption levels within the public sector using a composite index ranging from 0 (highly corrupt) to 100 (very clean). The CPI provides an annual snapshot of global corruption trends and perceptions (Munteanu *et al*., 2024). It serves as a macro-level indicator to assess governance integrity and transparency worldwide (Gaygısız & Lajunen, 2022).

Globally, the average CPI score ranged between 42 and 44 over the 2012–2023 period. The highest average score was recorded in 2020 at 43.34, while the lowest occurred in 2013 at 42.55. Since 2020, CPI scores have gradually declined, signalling increasing global governance challenges. In 2023, more than two-thirds of the world's countries scored below 50, reflecting severe corruption issues in the majority of nations (Transparency International, 2024).

A regional breakdown reveals that countries in Asia and Africa—many of which are predominantly Muslim—consistently score lower on the CPI. No Islamic country ranks among the top 20 least corrupt nations; the United Arab Emirates (UAE) is the highest-ranking among them, ranking 27th from 180 countries in 2023 with a CPI score of 68 (Transparency International, 2024). This data highlights a pressing concern: corruption remains a significant institutional challenge within many Islamic nations.

Many of these nations are members of the Organisation of Islamic Cooperation (OIC), a multinational body formed to advance the shared interests of Muslim-majority countries (although not all OIC members are, in fact, Muslim-majority). Addressing corruption is one of the OIC's key governance priorities, as evidenced by coordinated efforts to implement anti-corruption law enforcement strategies and harmonize legal frameworks (Central Anti-Corruption Office, 2024; OIC, 2024).

Despite these efforts, public sector corruption remains rampant in many OIC

countries. Notable cases in Iran include the USD 21 billion embezzlement scandal at Mobarakeh Steel Complex, bribery cases in the judiciary, and fraud at Sarmayeh Bank (Chamlou, 2023). In Pakistan, former Prime Minister Imran Khan and his spouse were sentenced to prison over the Al-Qadir University project (Hussain, 2025). Meanwhile, in Malaysia, the 1MDB scandal involved the misappropriation of over USD 4.5 billion by government elites (Jones, 2020). Similarly, Indonesia's Ministry of Religious Affairs has been implicated in multiple corruption cases, including the procurement of Qur'ans and the Hajj pilgrimage program (Pusat Edukasi Anti Korupsi, 2023).

These cases underscore the necessity for stronger transparency measures, robust oversight mechanisms, and rigorous legal enforcement to mitigate corruption. Socio-economic factors—including gross domestic product (GDP), economic freedom, political stability, democracy, and religion—have been widely studied as potential determinants of corruption levels (Gokcekus & Ekici, 2020; Mughal *et al*., 2023; Zelekha & Avnimelech, 2023; Kolstad & Wiig, 2016; Santos & Lemes, 2022; Puni *et al*., 2024).

While prior research has explored the role of religiosity in curbing corruption—often emphasizing its positive effect on ethical behavior and governance—findings remain inconsistent. Some studies show a significant negative correlation between religious adherence and corruption at both individual and organizational levels (Abdullah *et al*., 2020; Aprilia & Maulina, 2023; Puni *et al*., 2024). Others suggest that institutionalized religion may foster complacency or even collusion, especially when religious authority is embedded in political and legal systems (Zelekha & Avnimelech, 2023; Santos & Lemes, 2023).

Similarly, while democratic institutions and political stability have been shown to reduce corruption (Kolstad & Wiig, 2016; Abu & Karim, 2015), economic factors such as GDP and market freedom have yielded mixed results across regions (Mughal *et al*., 2023; Gokcekus & Ekici, 2020; Moiseev *et al*., 2020).

Despite the growing literature on religion and corruption, most studies focus narrowly on individual religiosity and rarely examine how state religion—where religion is constitutionally integrated into governance—and large Muslim populations affect national corruption levels. This gap calls for a broader, institutional analysis of how religious governance interacts with socio-economic factors to shape corruption dynamics in Islamic countries.

This study seeks to examine the influence of state religion on corruption levels

in countries where Islam constitutes the majority religion, drawing upon a subset of 53 member states of the OIC. Although the OIC comprises 57 countries, only 53 of them are included in this analysis because they are Muslim-majority states, which aligns with the theoretical focus on the institutional and societal role of Islam. The study accounts for key socio-economic variables such as GDP, economic freedom, democracy, and political stability, and employs a multiple linear regression model on cross-sectional data. By integrating institutional economics with the study of religious governance, this research provides empirical insights into how Islam—when institutionalised as part of the state apparatus—interacts with corruption. Accordingly, the study investigates whether the institutionalisation of Islam as a state religion influences public-sector corruption in these Muslim-majority OIC countries, and how socio-economic and political factors shape corruption outcomes within this framework.

The remainder of this paper is organized as follows. Section 2 provides a review of relevant literature that underpins the theoretical and empirical foundation of the study. Section 3 outlines the research methodology, including data sources, variable definitions, and analytical model employed. Section 4 presents the empirical results derived from the analysis. Section 5 discusses the key findings and their broader implications within the context of corruption and institutional governance. Finally, Section 6 concludes the paper by summarizing the main contributions, highlighting limitations, and offering recommendations for future research.

## 2. Literature Review

### *2.1. Theoretical Perspectives*

#### *2.1.1. Institutional Theory*

Institutional theory offers a comprehensive conceptual framework for understanding corruption by emphasizing the role of both formal institutions (laws, regulations, governance structures) and informal institutions (cultural values, social norms, religion) in shaping political and economic behavior (North, 1992; Acemoglu & Robinson, 2012). Formal institutions provide the structural framework to regulate the conduct of economic and political actors, while informal institutions reinforce regulatory compliance through the internalization of social expectations (Rodrik, 2007).

This perspective asserts that corruption emerges from weak institutional accountability, lack of transparency, and ineffective enforcement mechanisms,

which enable public officials to abuse power without meaningful consequences (Hapuhennedige *et al*., 2020, as cited in Koeswayo *et al*., 2024). While institutional strength can serve as a deterrent to corruption, true reform requires a transformation of both legal frameworks and societal norms. Effective anti-corruption efforts should treat corruption not only as a legal violation but also as a socially unacceptable moral offense (Gutmann & Voigt, 2015).

*2.1.2. Rational Choice Theory*

Rational choice theory frames corruption as a calculated decision based on the perceived benefits and risks associated with corrupt acts. Becker *et al*. (1974) argue that individuals engage in corruption when the expected benefits outweigh the potential penalties. This model is particularly relevant in contexts where legal enforcement is weak and the gains from illegal activities are relatively high. It also links to the concept of market failure, where excessive regulation or inefficient bureaucracy creates incentives for individuals to bypass formal processes and misuse authority (Rose-Ackerman, 1975).

*2.1.3. Public Governance Theory*

Public governance theory underscores the importance of transparency, accountability, and public participation in achieving effective governance (Osborne, 2010). Klitgaard (1998) proposed a mathematical model of corruption, expressed as C = M + D – A, where corruption (C) increases with monopoly power (M) and discretionary authority (D), and decreases with accountability (A). This model illustrates that corruption is more likely to occur in systems where decision-making is concentrated and oversight is weak. Such conditions often prevail in bureaucratic systems lacking transparency and institutional checks (Kolstad & Wiig, 2016).

Governance failures are not solely a result of individual behavior but also of institutional deficiencies (Rothstein & Teorell, 2008). Good governance is characterized by transparent regulations, efficient bureaucracies, and public access to information, which collectively reduce opportunities for abuse of power (Rodrik, 2007). Conversely, poor governance—marked by weak legal institutions, ineffective regulations, and convoluted administrative systems—creates fertile ground for corruption (Klitgaard, 1998).

*2.1.4. Corruption*

Corruption is a multidimensional phenomenon that has attracted scholarly attention across economics, politics, law, and public administration. It is commonly defined as the abuse of public power for private gain (McMullan, 1961; Peters & Welch, 1978). Klitgaard (1998) categorized corrupt practices to include bribery,

extortion, fraud, nepotism, embezzlement, document forgery, and misuse of authority within the bureaucracy and public sector. Transparency International (2024b) reinforces this definition, viewing corruption as a deviation from public authority for personal interest.

Legal approaches to corruption emphasize formal definitions and punitive mechanisms, though they face challenges in capturing corruption empirically. As McMullan (1961) noted, surveys and interviews may be inadequate in revealing the full extent of corruption, so alternative institutional approaches are needed. Groenendijk (1997) argued for the application of institutional economics in corruption studies, focusing on how existing rules and norms influence individual decision-making. Van Roy (1970) identified three legal paradigms in corruption studies: (1) the ethnocentric approach, which prioritizes universal morality and religious norms; (2) the functionalist approach, viewing corruption as a stabilizing mechanism in weak institutional environments; and (3) the evolutionary approach, interpreting corruption as a consequence of sociocultural transitions.

Shabbir and Anwar (2007) classified the determinants of corruption into economic and non-economic categories. Economic factors include economic freedom, globalization, education, development, and income distribution, while non-economic factors encompass democracy, press freedom, and the role of religion in shaping social norms that may inhibit or facilitate corruption.

*2.1.5. Religion and Religiosity*

Durkheim (1912) defined religion based on universal characteristics found in both primitive and modern systems, emphasizing its role in maintaining moral order (Fields, 1995). In contrast, Weber (1904, 1909) highlighted religion's influence on social and economic behavior, portraying it as an individual's spiritual orientation (Adair-Toteff, 2002; Horii, 2019). Glock and Stark (1965) identified five universal dimensions of religiosity: ideological (belief), intellectual (knowledge), ritualistic (practice), experiential (religious emotion), and consequential (impact on secular life) (Clayton & Gladden, 1974).

Yinger (1957) associated religion with social status, political institutions, and economic systems, emphasizing its dynamic interaction with societal change. Weber (1915) observed a decline in religion's influence in modern capitalist societies, though it remains potent in other regions (Horii, 2019). Paldam (2001), drawing on David Hume's theory of "dynamic group collusion", posited that religious groups may sometimes act in self-serving ways that indirectly encourage corrupt behavior.

### *2.2. Empirical Evidence*

Several empirical studies present conflicting findings on the relationship between religiosity and corruption. Gokcekus and Ekici (2020) and Chan *et al*. (2021) found that frequent participation in religious activities and the personal importance of God are positively associated with corruption levels. Similarly, Borlea *et al*. (2019) noted that in economically fragile contexts, high religiosity may intensify corruption, particularly in societies with elevated unemployment.

The institutional context and dominant religious affiliation also appear to matter. Zelekha and Avnimelech (2023) found that hierarchical religions such as Sunni Islam, Shia Islam, Catholicism, and Orthodox Christianity are more directly linked to higher corruption levels, whereas less hierarchical or decentralized traditions, such as Protestantism, exert more indirect effects. Hinduism and Buddhism were found to have no statistically significant relationship with corruption. In line with these findings, Kolstad and Wiig (2016) observed that Catholic-majority countries tend to have higher corruption levels than Protestant-majority ones. The authors argued that centralized religious hierarchies may reinforce top-down power structures, which can blur the boundaries between religious and political authority, potentially enabling corrupt practices.

Political stability and democracy show mixed effects in institutional settings. Koeswayo *et al*. (2024) highlighted governance indicators such as public participation, regulatory quality, and rule of law as key deterrents of corruption. Abduljaber and Onder (2024) found that political stability improves CPI scores (indicating lower corruption), though the effect of sustainability diminished when controlling for economic development. Yet not all institutional variables yield consistent results. Sommer *et al*. (2013) reported that the role of religion in reducing corruption is more significant in democratic countries with high religious freedom, while religion has limited impact under authoritarian regimes. Kolstad and Wiig (2016) also argued that democracy's anti-corruption effects are more evident in developing nations. In contrast, Shabbir and Anwar (2007) found that democracy can actually exacerbate corruption in some developing countries, suggesting the relationship is highly context-dependent.

Economic freedom and development also influence corruption levels. Studies by Shabbir and Anwar (2007) and Shadabi (2013) suggest that economic liberalization, globalization, and development are more effective in reducing corruption than religiosity alone. However, economic freedom does not always produce consistent results. Shadabi (2013) reported no significant link between

Islam or Christianity and corruption, and found that economic indicators such as regulatory quality and market freedom were more influential. Beets (2007) similarly found that religion does not directly affect corruption, but its influence depends on religious freedom and per capita income.

The relationship between GDP and corruption is also debated. While some studies (see: Abduljaber & Onder, 2024; Shabbir & Anwar, 2007) suggest that higher per capita income reduces corruption, other studies, such as Shadabi (2013), find no significant effect after controlling for other variables. Beets (2007) concluded that low GDP and limited religious freedom are correlated with higher corruption, but found that the effects are inconsistent across country samples.

Overall, the empirical literature reveals that the effect of religion on corruption is highly contextual and often mediated by institutional and economic conditions. While some studies find a direct link between religious adherence and corruption levels, others show that this relationship weakens or disappears when controlling for governance quality and macroeconomic variables. By contrast, institutional factors such as political stability and economic freedom tend to demonstrate more consistent negative associations with corruption.

## 3. Methodology

### *3.1. Data*

This study employs cross-sectional secondary data compiled from reputable international sources, including Transparency International, the Association of Religion Data Archives (ARDA), the Economist Intelligence Unit (EIU), the Heritage Foundation, and the World Bank. The dataset integrates socio-institutional and economic variables to analyze corruption levels in OIC member countries. The variables include the proportion of Muslim population, the Democracy Index, and political stability, as well as economic indicators such as the Economic Freedom Index and GDP per capita.

### *3.2. Variables*

The operational definitions of variables in this study are designed to clarify the conceptual framework and measurement indicators employed in the empirical analysis (see table 1). The dependent variable is the perceived level of corruption in a country, operationalized using Transparency International's CPI. This index provides an assessment of public sector corruption based on perceptions from experts and business stakeholders, scaled from 0 (highly corrupt) to 100 (very clean). The main

independent variable is the proportion of a country's population adhering to Islam (REL), which is a key indicator in defining a state with an official religion derived from ARDA (2020).

Table 1. Variables and Data Sources

| Variable | Definition | Indicator | Measurement Scale | Source |
|---|---|---|---|---|
| CPI | Perception of public sector corruption based on expert and business assessments | Corruption Perceptions Index | Interval | Transparency International |
| REL | Proportion of Muslim population in a country | % Muslim Population | Ratio | Association of Religion Data Archives |
| SR | Constitutional recognition of Islam as state religion | State Religion | Dummy | Barro *et al*. (2005); Fox & Flores (2009); Gutmann & Voigt (2015) |
| DMC | Composite index measuring electoral process, government performance, political participation, culture, and civil liberties | Democracy Index | Interval | Economist Intelligence Unit |
| PTS | Measures political stability and risk of violence/terrorism | Political Stability | Interval | World Bank (Worldwide Governance Indicators) |
| ECF | Economic freedom across dimensions such as property rights, business freedom, and fiscal policy | Economic Freedom Index | Interval | Heritage Foundation |
| GDP | National output per capita adjusted for purchasing power parity | GDP per capita (PPP, US$) | Ratio | World Bank |

Several control variables are included to account for institutional and economic factors that have been widely recognized in the literature as determinants of corruption. These include the Democracy Index (DMC) sourced from the Economist Intelligence Unit; Political Stability (PTS) from the Worldwide Governance Indicators; GDP per capita (adjusted for purchasing power parity) from the World Bank; and the Economic Freedom Index (ECF) from the Heritage Foundation. A further institutional control is State Religion (SR), a dummy variable indicating whether Islam is officially recognized as the state religion, based on classifications by Barro *et al*. (2005), Fox & Flores (2009), and Gutmann & Voigt (2015). These variables are intended to capture the broader governance environment, as centralized decision-making and concentrated political authority are associated with increased corruption risks (Gokcekus & Ekici, 2020; Kolstad & Wiig, 2016). Conversely, economic liberalization and market competition tend to reduce such risks (Shabbir & Anwar, 2007; Shadabi, 2013). The inclusion of GDP per capita controls for the effect of economic development, while political stability and constitutional recognition of religion reflect the ideological and structural factors that may shape institutional integrity (Zelekha & Avnimelech, 2023; Koeswayo *et al*., 2024).

### *3.3. Analysis of the data*

To ensure the reliability and interpretability of the findings, this study applies the Ordinary Least Squares (OLS) regression method, which provides efficient and unbiased estimates when the Gauss-Markov assumptions are satisfied (Gujarati, 2015). These assumptions—linearity, no perfect multicollinearity, exogeneity of regressors, homoscedasticity, and no autocorrelation—are assumed to hold for the cross-sectional dataset used in this study. The regression analysis aims to evaluate the effects of religious affiliation (REL), institutional factors (SR, DMC, and PTS), and economic conditions (GDP per capita and ECF) on corruption levels as measured by CPI. The first model includes only the religious variables (REL and SR), while the second model extends the analysis by adding institutional and economic controls.

The regression models are specified as follows, adapted from Zelekha and Avnimelech (2023). Model 1 estimates CPI as a function of the proportion of Muslims and the status of Islam as the state religion:

$$CPI_i = \beta_0 + \beta_1 REL_i + \beta 2\ SR_i + e_i \qquad (1)$$

Model 2 expands the specification by incorporating democracy, political stability, economic freedom, and economic development:

$$CPI_i = \beta_0 + \beta_1 REL_i + \beta_2 SR_i + \beta_3 DMC_i + \beta_4 PTS_i + \beta_5 ECF_i + \beta_6 lnGDP_i + e_1 \qquad (2)$$

In these equations, CPI represents the corruption index, REL is the percentage of the Muslim population, SR is a dummy for state religion, DMC is the democracy index, PTS denotes political stability, ECF measures economic freedom, and lnGDP is the natural log of GDP per capita. The coefficients $\beta_0$ to $\beta_6$ indicate the strength and direction of the relationships, while $e_1$ is the error term.

Before estimating the models, classical assumption tests are conducted to ensure the validity of OLS estimates. Normality of residuals is tested using histograms, normal probability plots, and the Jarque-Bera test. Autocorrelation is assessed through the Breusch-Godfrey LM test, which compares the observed $R^2$ to the chi-square distribution. Heteroscedasticity is evaluated using the Breusch-Pagan and White tests. Hypothesis testing includes t-tests to determine the individual significance of coefficients and an F-test to evaluate the joint explanatory power of all independent variables. To assess model fit, the study reports both $R^2$ and Adjusted $R^2$, with the latter accounting for the number of predictors to avoid overestimation. Adjusted $R^2$ is especially useful for comparing the performance of

multiple regression models using the same dependent variable (Gujarati & Porter, 2009).

## 4. Result and Discussion

### *4.1. Descriptive Statistics*

Descriptive statistics are used to summarize the characteristics of the variables included in the analysis. Table 2 presents the statistical summary of the main variables.

Table 2. Descriptive Statistics

| Variable | Mean | Min | Max | Std. Dev. | N |
|---|---|---|---|---|---|
| CPI | 32.98 | 14 | 71 | 11.99 | 53 |
| REL | 74.02 | 7.52 | 99.86 | 29.41 | 53 |
| SR | 0.377 | 0 | 1 | 0.49 | 53 |
| DMC | 3.70 | 1.43 | 7.19 | 1.44 | 53 |
| PTS | 25.44 | 0.47 | 68.87 | 18.69 | 53 |
| ECF | 56.47 | 15.6 | 76.2 | 9.64 | 53 |
| lnGDP | 3.88 | 2.75 | 4.91 | 0.48 | 53 |

The mean CPI score among OIC countries is 32.98, with a standard deviation of 11.99, indicating considerable variation in perceived corruption levels. Syria has the lowest CPI score (14), reflecting high corruption, while the UAE has the highest (71), indicating relatively low corruption. The average Muslim population proportion (REL) is 74.02%, ranging from 7.52% (Guyana) to 99.86% (Afghanistan). Regarding the state religion variable (SR), Only less than 20 countries out of 53 are state religious countries. The Democracy Index (DMC) has a mean of 3.70, suggesting that most OIC countries fall within the semi-authoritarian spectrum. Political stability (PTS) varies substantially across countries, with a mean of 25.44 and a standard deviation of 18.69. Economic indicators also show variability: the natural logarithm of GDP per capita (lnGDP) has a mean of 3.88 and standard deviation of 0.48, while the Economic Freedom Index (ECF) averages 56.47, ranging from 15.6 to 76.2. These findings highlight the structural disparities in governance, economic performance, and political systems across OIC countries.

### *4.2. Regression Result*

OLS regression is employed to estimate both models. Due to the presence of heteroscedasticity in Model 1, robust standard errors are applied. Table 3 presents the estimated coefficients, significance levels, and model diagnostics.

Table 3. Regression Result

| Variable | Model 1 Coefficient | Prob. | Model 2 Coefficient | Prob. |
|---|---|---|---|---|
| C | 36.030 | 0.0000*** | -22.021 | 0.0395** |
| REL | -0.096 | 0.0342** | -0.029 | 0.4351 |
| SR | 10.738 | 0.0095*** | 6.135 | 0.0122** |
| DMC | – | – | 1.037 | 0.1496 |
| PTS | – | – | 0.212 | 0.0026*** |
| lnGDP | – | – | 5.198 | 0.0512* |
| ECF | – | – | 0.451 | 0.0002*** |
| Adjusted $R^2$ | 0.121 | | 0.695 | |
| F-statistic | 4.572 | | 20.791 | |
| Prob (F-stat) | 0.015 | | 0.000 | |

Note: *** significant at 1%; ** significant at 5%; * significant at 10%

The regression equations estimated for this study illustrate the relationships between corruption and various explanatory variables across OIC countries. In Model 1, the CPI is influenced by the proportion of the Muslim population (REL) and the presence of Islam as a state religion (SR), represented by the equation:

$$CPI = 36.03 - 0.096REL + 10.74SR.$$

This model suggests that a higher proportion of Muslim population is associated with a slight decrease in CPI (indicating higher perceived corruption), while countries recognizing Islam as a state religion tend to have higher CPI scores, indicating lower corruption levels. In Model 2, the extended regression equation incorporates institutional and economic controls, specified as:

$$CPI = -22.02 - 0.029REL + 6.13SR + 1.04DMC + 0.21PTS + 5.20lnGDP + 0.45ECF.$$

This formulation provides a more nuanced understanding of corruption, integrating variables such as democracy (DMC), political stability (PTS), economic development (lnGDP), and economic freedom (ECF), offering a broader institutional and macroeconomic context.

In terms of explanatory power, Model 1 produces an Adjusted $R^2$ of 0.121, indicating that REL and SR collectively account for just 12.08% of the variation in CPI among OIC member countries. This relatively low figure is not unexpected, as religious variables alone—particularly those capturing broad demographic and constitutional features—are unlikely to fully explain a complex and multidimensional outcome like corruption. The CPI, being perception-based, reflects a wide range of institutional, economic, and legal factors that go beyond religion. This underscores the need for additional explanatory variables to capture the broader governance and structural context in which corruption occurs. In contrast, Model 2 achieves a

much higher Adjusted $R^2$ of 0.695, demonstrating that the inclusion of institutional and economic factors significantly enhances the model's ability to explain variations in CPI. Moreover, the F-tests for both models confirm joint statistical significance of the independent variables, with p-values of 0.015 for Model 1 and effectively 0.000 for Model 2. These results provide robust support for the validity and relevance of the specified regression models in examining the determinants of corruption.

### *4.3. The Influence of Religion on Corruption*

Based on the regression results (table 3) and Equation model 1, religion demonstrates a statistically significant relationship with corruption levels in OIC member countries. The variable representing the percentage of the Muslim population (REL) shows a negative and significant coefficient ($\beta$ = -0.09594, p = 0.0342), indicating that a higher proportion of Muslims is associated with a lower CPI score (implying higher corruption). This result aligns with David Hume's 'dynamic group collusion' theory, which posits that cohesive religious groups may enable corrupt practices when institutional oversight is weak (Paldam, 2001). The findings are consistent with previous studies (Borlea *et al*., 2019; Chan *et al*., 2021; Gokcekus & Ekici, 2020; Kolstad & Wiig, 2016; Zelekha & Avnimelech, 2023), which suggest that religious norms may be insufficient to counteract weak legal enforcement, and in some cases, may facilitate patronage and clientelism.

The second religious variable, state religion (SR), reveals a significant positive effect on CPI in Model 1 ($\beta$ = 10.73796, p = 0.0095). This indicates that countries where Islam is an official state religion tend to exhibit lower corruption levels. One interpretation is that the institutionalization of religion contributes to centralized governance structures that enforce bureaucratic accountability, possibly aligning national policies with Islamic ethical principles (Barro & McCleary, 2005; Gutmann & Voigt, 2015). This finding complements Sommer *et al*. (2013), who argue that religion, when embedded in state institutions, can foster moral oversight and administrative integrity. However, it contradicts Zelekha & Avnimelech (2023), who found that state religion increased corruption in models lacking broader socioeconomic controls, suggesting that institutional context mediates the effect of religion on governance outcomes.

### *4.4. Institutional, Political, and Economic Influences on Corruption*

When additional institutional and economic variables are included in Model 2, the significance of REL disappears (p = 0.4351), indicating that the proportion of

Muslims in a country no longer has a statistically significant effect on corruption. This suggests that religious demographics alone are not a primary determinant of corruption. These findings support previous research (Shabbir & Anwar, 2007; Shadabi, 2013), which emphasized the primacy of economic freedom, political accountability, and development over religiosity in curbing corruption.

Interestingly, even after controlling for these broader variables, the State Religion dummy (SR) remains significant ($\beta$ = 6.134668, p = 0.0122), indicating that the presence of Islam as an official state religion continues to have a mitigating effect on corruption. This may be due to the institutional authority granted to religious structures in countries such as Saudi Arabia and Iran, which can reinforce moral oversight of public officials (Gutmann & Voigt, 2015). However, this result stands in contrast to Zelekha & Avnimelech (2023), whose findings suggest that the relationship between state religion and corruption becomes insignificant when economic and institutional variables are included. This disparity underscores the heterogeneous ways in which religion is integrated into public administration and suggests variation in the institutional strength and autonomy of religious governance across OIC countries.

The Democracy Index (DMC) is found to be statistically insignificant (p = 0.1496). Despite being widely regarded as a mechanism for transparency and accountability, democracy appears ineffective in curbing corruption in semi-authoritarian political settings, as reflected by the average DMC score of 3.70. These results echo Shabbir & Anwar (2007), who found democracy had no significant impact on corruption in developing countries. Conversely, Zelekha & Avnimelech (2023) found a significant inverse relationship between democracy and corruption, citing decentralization and transparency as mediating factors. The discrepancy likely reflects differences in the maturity and enforcement of democratic institutions across OIC nations, many of which are still undergoing political transitions.

### *4.5. Role of Political Stability and Economic Freedom*

Political stability (PTS) shows a strong positive effect on CPI ($\beta$ = 0.21199, p = 0.0026). This implies that stable political environments are associated with lower corruption. These results align with Abduljaber & Onder (2024), who concluded that political stability significantly improves CPI scores across a global sample. Table 4 illustrates that countries with the highest stability—Qatar, UAE, and Oman—also report relatively low levels of corruption. Political stability enhances regulatory enforcement and reduces bureaucratic opportunities for rent-seeking (Abu & Karim, 2015; Koeswayo *et al*., 2024). Moreover, political instability, particularly

in the presence of extremist groups such as Al-Qaeda or ISIS, undermines formal institutions, erodes rule of law, and fosters informal networks that facilitate corruption (Shawn, 2023).

Table 4. Countries with Highest Political Stability and Corresponding CPI Scores

| Country | PTS | CPI |
|---|---|---|
| Qatar | 68.87 | 63 |
| United Arab Emirates | 65.09 | 71 |
| Oman | 59.91 | 54 |
| Suriname | 59.43 | 38 |
| Gambia | 55.19 | 37 |

These results affirm that stability enhances not only governance efficiency but also the government's capacity to implement anti-corruption reforms. Conversely, fragile political conditions tend to exacerbate corruption by weakening checks and balances and increasing reliance on informal practices.

The Economic Freedom Index (ECF) also exhibits a strong positive and statistically significant relationship with CPI ($\beta$ = 0.450777, p = 0.0002. Greater economic freedom—characterized by transparent markets, strong property rights, and regulatory efficiency—reduces opportunities for corruption. This finding supports institutional economic theory and is consistent with Zelekha & Avnimelech (2023). However, it diverges from Shadabi (2013), who argued that excessive liberalization might expose markets to new forms of corruption through unregulated rent-seeking behavior.

Table 5. Countries with Highest Economic Freedom and CPI Scores

| Country | ECF | CPI |
|---|---|---|
| United Arab Emirates | 76.20 | 71 |
| Malaysia | 74.70 | 51 |
| Qatar | 72.30 | 63 |
| Kazakhstan | 69.60 | 38 |
| Azerbaijan | 69.30 | 30 |

Countries with high economic freedom, such as UAE and Malaysia, typically perform better on CPI, supporting the view that market openness reduces corruption by limiting monopoly power and enhancing transparency. According to Klitgaard's (1998) formula of C = M + D – A, corruption increases with monopoly and discretion but declines with accountability. When access to markets is restricted and regulatory environments are opaque, rent-seeking behaviors such as bribery and favoritism become more prevalent.

Lastly, the natural log of GDP per capita (lnGDP) has a positive but marginally significant effect on CPI ($\beta$ = 5.197748, p = 0.0512) at the 10% level. This implies that economic prosperity may help reduce corruption, though its influence is less

pronounced compared to institutional and policy-related factors. While several prior studies have demonstrated a strong inverse relationship between GDP per capita and corruption (Chan *et al*., 2021; Gokcekus & Ekici, 2020; Kolstad & Wiig, 2016; Shadabi, 2013), this study finds only modest support. It suggests that while economic development contributes to institutional strengthening, additional reforms in governance and transparency are required to fully suppress corrupt practices in OIC member countries.

## 5. Conclusion

This study examined the influence of religion and socio-economic factors on corruption levels in Islamic countries, specifically OIC member states. The findings reveal a nuanced relationship between religion and corruption. While the proportion of Muslims in the population is negatively associated with CPI, suggesting a potential for group collusion or tolerance of in-group misconduct, the institutionalization of Islam as a state religion demonstrates a significant positive association with higher CPI score, indicating lower perceived corruption. This suggests that when formally embedded within legal and political systems, religious governance may contribute to reducing corruption by reinforcing normative and moral oversight. In essence, the constitutional recognition of Islam as a state religion can act as a moderating mechanism that offsets some adverse effects of majority-driven dynamics, provided that institutional frameworks are sufficiently robust.

The study underscores the critical role of socio-economic variables in shaping the effectiveness of institutional and religious structures. Economic freedom and political stability emerge as significant determinants of corruption, moderating the relationship between religion and governance outcomes. Countries with higher levels of economic freedom tend to exhibit lower corruption, even when Islam is positioned as a state religion. Conversely, political instability weakens institutional checks and balances, thereby diminishing the effectiveness of religious institutions in curbing corruption. These findings highlight the importance of complementing religious institutionalization with strong socio-economic foundations to promote transparency and accountability in Islamic countries.

Based on the findings, several policy recommendations can be proposed to strengthen anti-corruption strategies in Islamic countries by focusing on both institutional reforms and socio-economic development. In countries where Islam is established as a state religion, institutional reforms should aim to prevent religious

institutions from becoming tools of political patronage. This includes enhancing the independence of oversight bodies, improving transparency within the bureaucracy, and setting clear regulations regarding the role of religion in public policy to avoid misuse by political elites. In parallel, strengthening socio-economic factors is equally essential to support the positive influence of religious institutionalization. Governments should implement economic policies that encourage open market competition, reduce bureaucratic inefficiencies, and promote political stability to ensure that accountability mechanisms function effectively. By aligning legal, economic, and political structures with religious values, Islamic countries can foster more transparent, accountable, and resilient governance systems.

Despite providing valuable insights, this study is subject to several limitations. First, the cross-sectional nature of the data limits the ability to establish causal relationships between religion, institutional factors, and corruption. Future research could employ panel data to capture dynamic changes over time. Second, the use of CPI as the sole proxy for corruption, while widely accepted, may not fully reflect actual corruption levels due to its reliance on expert perception rather than objective metrics. Third, the operationalization of religion is limited to the proportion of the Muslim population and the status of Islam as a state religion, without accounting for variations in religious practices, interpretations, or enforcement across countries. Additionally, cultural and historical contexts unique to each OIC member state may moderate the observed relationships but are not explicitly addressed in the model. These limitations highlight the need for further research integrating qualitative approaches or country-specific case studies to provide a more nuanced understanding of the complex interplay between religion, governance, and corruption.

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