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Analysis Of The Moderating Role Of Governance In The Relationship Between Natural Resource Abundance And Economic Growth Of Oic Countries

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Abstract

This study aims to analyze the influence of natural resource abundance on economic growth by positioning governance as a moderating variable in 25 member countries of the Organization of Islamic Cooperation (OIC) during the period 2008-2021. Using a quantitative explanatory approach with a Fixed Effects (FEM) panel data regression model, this study examines how the dimensions of the Worldwide Governance Indicators (WGI) interact with Natural Resource Rents. Empirical results indicate that natural resource abundance has a positive and significant effect on economic growth. However, this effect is not a simple linear one and is highly dependent on the quality of governance. Of the six WGI indicators, three dimensions proved to be significant moderators: Voice and Accountability, Political Stability, and Control of Corruption. In contrast, formal administrative aspects such as government effectiveness, regulatory quality, and the rule of law did not show a statistically strong moderating role. These findings emphasize the importance of strengthening institutional morale, accountability, and political stability as absolute prerequisites for transforming a potential resource curse into a resource blessing in the Islamic world.

Keywords:Natural Resource Abundance, Economic Growth, Governance

INTRODUCTION

Geopolitically and geoeconomically, the countries united under the banner of the Organization of Islamic Cooperation (OIC) occupy a strategic position as the epicenter of

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the world's natural resources. This region is blessed with a landscape containing vast reserves of energy and extractive commodities, ranging from oil, natural gas, and coal to valuable minerals and forestry biodiversity. Within both conventional and neoclassical development economics, these abundant natural resources carry significant expectations to act as initial capital and the primary engine of growth for accelerating national development. Ideally, the instant liquidity of these primary sector commodities should be able to shift the production possibilities frontier, fund massive infrastructure development, create inclusive employment opportunities, and ultimately lead society to a more equitable level of prosperity.

However, a major clash occurs when these theoretical expectations are confronted with empirical reality on the ground. History records a systemic anomaly that reduces the potential of these natural blessings to a counterproductive phenomenon. Instead of mutating into a leap of prosperity (resource blessing), the massive natural wealth in several OIC member countries has instead transformed into a long-term development stagnation trap, identified in contemporary political economy literature as the resource curse. This paradox is characterized by growth retardation, structural inequality, and acute fiscal vulnerability due to being trapped in fluctuations in global commodity prices. The seriousness of this dependency is not without foundation; World Bank data confirms that the average natural resource rent in OIC member countries has reached a very significant figure, reaching 13.8% of Gross Domestic Product (GDP). This figure reflects an extraordinarily extreme dependency when compared to the global average of only around 2.5%.

As a result of this dependency, the polarization of development outcomes in the OIC region is stark and dramatic. On the one hand, there are success stories from Gulf and Asian countries such as the United Arab Emirates (UAE), Saudi Arabia, and Malaysia, which have successfully combined commodity wealth with good governance, non-oil and gas investment, and economic diversification. However, on the other hand, the dark shadow of the resource curse grips the economies of countries like Nigeria, Sudan, and Yemen, where dependence on the primary sector is intertwined with weak institutions, stagnation of the domestic industrial sector, and persistent structural poverty. The stark divergence of development paths among these resource-rich countries has led academics to a fundamental question: what structural differentiating factors most determine whether natural wealth will be a blessing or a disaster. Referring to the thesis of New Institutional Economics, the answer to this puzzle no longer rests solely on economic technicalities, but rather on the quality of governance and the strength of the

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legal system of public institutions. State institutions act as the rules of the game that determine how economic rents from the extractive sector are redistributed. Without strong institutions, the abundance of money from nature will only encourage rent-seeking behavior by a handful of political elites and weaken the state's incentives to build healthy economic capacity.

Although the linear relationship between natural resources and economic growth has been widely explored globally, this study aims to fill three important research gaps that have largely escaped prior academic attention. First, the majority of previous empirical studies tend to paint a broad macro-picture of the world or limit their analysis to a single, homogeneous geographic region (such as sub-Saharan Africa or Asia in general). This study offers novelty by specifically focusing on the OIC member countries—a region rich in resources but with structural diversity and unique economic systems that warrant further study. Second, previous studies often position governance as an independent variable or use aggregate indicators. This study employs a decomposition approach by explicitly testing the role of governance as a moderating variable through six indicators from the Worldwide Governance Indicators (WGI): Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption. This step is crucial for distinguishing the actual impact of political-moral aspects on the administrative-formal bureaucracy in moderating the effect of natural resources. Third, transcending the barriers of conventional Western analysis, the main theoretical novelty of this research lies in the effort to integrate empirical institutional analysis with a normative-philosophical review of Islamic Economics. This research dissects the phenomenon of the resource-growth relationship through the principles of Maqasid Sharia (especially Hifdz al-Mal or protection of public assets) as well as the moral-distributive mandate contained in the Qur'an, Surah Al-Hashr verse 7, which emphasizes the command that wealth and riches should not only circulate and accumulate among the rich (elite) only.

Through the reconstruction of this comprehensive panel data moderation model, the urgency of this research goes beyond providing new theoretical contributions to the field of development economics and Islamic institutionalism. The empirical findings are expected to provide a comprehensive overview and practical input for policymakers in Muslim countries in designing transparent, effective, and accountable natural resource management strategies to achieve distributive justice and inclusive and sustainable economic growth. Based on this argument, this research was conducted with the official title: "Natural Resource Abundance and Economic Growth: The Moderating Role of

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Governance in OIC Countries."

Theoretical Review

Neoclassical Economic Growth Theory (Solow-Swan Model)

The Neoclassical Economic Growth Theory, developed by Robert Solow and Trevor Swan in 1956, places natural resources or land as a crucial primary factor of production alongside capital accumulation and labor. From this macroeconomic perspective, the abundant availability of natural resources is expected to accelerate a country's economic output through the optimization of capital investment and the effective utilization of technological advances. Instant liquidity and foreign exchange earnings generated from the exploitation and export of primary commodities should theoretically shift the production possibility frontier to a higher level. These fresh funds are then converted into physical capital and secondary infrastructure investment, which stimulate aggregate labor productivity, thus pushing the country to a steady state with a higher level of welfare.

Resource Curse Theory

The Resource Curse theory, proposed by Richard Auty and empirically developed by Jeffrey D. Sachs and Andrew M. Warner, challenges the optimistic assumptions of neoclassical governments by exposing the paradox of development in commodity-rich countries. This theory explains a phenomenon in which countries endowed with abundant natural resources tend to experience stagnation or lower economic growth rates compared to countries with limited resources. The destructive impact of this curse is generally transmitted through the phenomenon of Dutch Disease, where a surge in natural resource export revenues triggers an appreciation of the real exchange rate of the domestic currency, simultaneously stifling the competitiveness of local manufacturing and agricultural sectors. Furthermore, the abundance of "easy money" from natural resources royalties tends to foster rent-seeking behavior among the ruling elite, eroding government incentives to build accountable tax capacity, and neglecting investment in long-term strategic sectors such as education.

Institutional Theory (New Institutional Economics)

The New Institutional Theory, proposed by Nobel Prize-winning economist Douglass North, serves as an analytical bridge to explain why some resource-rich countries prosper while others collapse. North asserts that institutions, both formal

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(constitutions, regulations, laws) and informal (norms, culture, values), constitute the "rules of the game" that determine the structure of economic incentives and reduce transaction costs. In the context of natural resource economics, the quality of the institutional environment acts as an absolute game changer. Institutions with strong and transparent governance will function as shock absorbers, disciplinedly ensuring that natural rent revenues are reallocated for productive public interests. Conversely, in countries with weak institutions, the character of institutions will mutate into grabber institutions that divert natural resources into a maze of corruption, bureaucratic inefficiency, sterile law enforcement, and conflicts over land concession rights.

Review of Economic Growth and Governance from a Sharia Economic Perspective

In the epistemology of Islamic Economics, true economic growth should not be measured in a reductionist manner based solely on material-quantitative indicators such as the increase in Gross Domestic Product (GDP) figures. True economic growth is the achievement of inclusive and equitable prosperity in this world and the hereafter (falah), which is substantively aligned with the objectives of sharia (Maqasid Syariah) in maintaining the five basic elements of humankind: religion (hifdz ad-din), soul (hifdz an-nafs), reason (hifdz al-'aql), descendants (hifdz an-nasl), and wealth (hifdz al-mal). Governance in the Islamic perspective is firmly rooted in the principle of Amanah (the spiritual responsibility of the ruler as a trustee of Allah) and the principle of Istikhlaf (humans as caliphs who manage the earth and are obliged to create welfare).

Therefore, the moral principles of sharia strictly prohibit monopolies, corrupt practices (risywah), and the concentration of wealth in only a small circle of political elites or certain extractive economic actors. The rejection of this economic exclusivity is explicitly mandated in the Qur'an, Surah Al-Hashr, verse 7, which outlines a distributive philosophy that wealth and riches should not only circulate among the wealthy. Through the lens of sharia, conventional empirical governance variables such as control of corruption (Control of Corruption) and public accountability (Voice and Accountability) are not merely Western administrative instruments, but rather the embodiment of sharia values to ensure distributive justice of public wealth for the benefit of the people (maslahah ammah).

RESEARCH METHODS

This study uses a quantitative approach with an explanatory research design to examine causal relationships and interactions between variables. The data used is

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balanced panel data covering 25 OIC member countries during the observation period of 2008-2021, resulting in a total of 350 observation units.

Official data sources are obtained from the World Bank's World Development Indicators (WDI) and Worldwide Governance Indicators (WGI). Econometric processing and analysis were performed using EViews 12 software.

RESULTS AND DISCUSSION

Operational Definition of Variables

No	Variables	Operational Definition	Formula	Unit	Data source
1	Natural Resource Rents **Independent Variable (X)**	Percentage of total value of natural resource rents to GDP (oil, gas, coal, minerals and forests).	NRR= (Tota Resource Rents/ GDF × 100%	Percentage (%)	***World Bank* (WDI)**
2	Economic Growth (GDP Growth) **Dependent Variable (Y)**	The annual economic growth rate that reflects the increase in a country's national output.	GDP Growth = ((GDP_t - GDP_(t-1)) / GDP_(t-1)) × 100%	Percentage (%)	***World Bank*(WDI)**
3	Governance Index **Moderating Variable (M)**	The quality of governance is measured by six WGI indicators (Voice and Accountability, Political Stability, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption).	The average value of the six WGI dimensions	Index Scale (-2.5 to +2.5)	***World Bank*(WDI)**

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Panel Data Regression Econometric Model

To test the hypothesis partially and the moderating interaction, two main regression models were constructed as follows:

Model 1 (Basic Model Without Moderation):

$$Y = \alpha + \beta_1 X + \varepsilon$$

Model 2 (Multidimensional Moderation Interaction Model):

$$Y = \alpha + \beta_1 X + \beta_2 M + \beta_3 (X \times M) + \varepsilon$$

1. **Research Results and Data Analysis**
2. **Estimation Model Selection Test Results**

To determine the best estimation method between the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), a series of formal tests were conducted:

1. **Chow Test:**Comparing the CEM and FEM models, the F-statistic value was 2.229764 with a probability value (p-value) of 0.0046 (<0.05). Therefore, the null hypothesis is rejected, indicating that the Fixed Effect (FEM) model is more appropriate than the Common Effect model.
2. **Hausman test:**Comparing the REM and FEM models, the Chi-Square Statistic value was 27.762231 with a probability value (p-value) of 0.0002 (<0.05). Therefore, the null hypothesis is rejected, confirming that the Fixed Effect Model (FEM) is the best consistent estimate for controlling inter-country heterogeneity (time-invariant attributes).

Classical Assumption Test Results

1. **Normality Test:**The results of the residual test using Jarque-Bera confirm that the distribution of residual data meets the assumption of normal distribution without any extreme deviations that test the reliability of the parameters.
2. **Heteroscedasticity Test:**Through the Glejser test, the probability value for the independent variable was obtained as 0.7256 (> 0.05), proving that the model is free from heteroscedasticity symptoms (the error variance is homoscedastic).
3. **Autocorrelation Test:**The initial Durbin-Watson (DW) value of 2.7349 indicated negative autocorrelation. This problem was successfully resolved through First Difference data transformation, resulting in a new DW value of 1.7301, which falls within the safe autocorrelation-free range (-2 to +2).

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Simple Regression Model Estimation Results (Model 1)

Dependent Variable: Y
Method: Panel Least Squares
Date: 02/25/26 Time: 01:57
Sample: 2008 2021
Periods included: 14
Cross-sections included: 25
Total panel (balanced) observations: 350

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.949296	1.039217	-2.837997	0.0048
X	0.385162	0.058400	6.595195	0.0000

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.166551	Mean dependent var	3.436203
Adjusted R-squared	0.102241	S.D. dependent var	7.454885
S.E. of regression	7.063513	Akaike info criterion	6.819144
Sum squared resid	16165.40	Schwarz criterion	7.105733
Log likelihood	-1167.350	Hannan-Quinn criter.	6.933217
F-statistic	2.589839	Durbin-Watson stat	2.628659
Prob(F-statistic)	0.000074		

Based on the output of Model 1, natural resource abundance has a positive and partially significant effect on economic growth with a coefficient value of 0.385 and a p-value of 0.0000. Every 1% increase in natural resource rent will increase economic growth by 0.385%. However, the R-Squared value is only 16.66%, indicating that the variation in economic growth that can be explained by this basic model is very limited, while the remaining 83.34% is influenced by other structural variables outside the model.

Estimation Results of the Moderated Interaction Model (Model 2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion Statement
C	1.341188	2.347648	0.571290	0.5682	-
X	0.583241	0.108547	5.373142	0.0000	Significant
XM1 (Interaction	**0.858125**	**0.181978**	**4.715532**	**0.0000**	**Significant Moderation**

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Voice)					
XM2 (Interaction Stability)	**-0.119036**	**0.059997**	**-1.984054**	**0.0481**	**Significant Moderation**
XM3 (Interaction Effectiveness)	-0.108054	0.221471	-0.487891	0.6260	Not Significant
XM4 (Interaction Reg. Quality)	-0.076692	0.162517	-0.471898	0.6373	Not Significant
XM5 (Interaction Rule of Law)	0.099984	0.173711	0.575575	0.5653	Not Significant
XM6 (Interaction Corruption)	**-0.009196**	**0.002683**	**-3.426850**	**0.0007**	**Significant Moderation**

R-squared after Moderation: 0.279891 | F-statistic: 3.277501 | Prob(F-statistic): 0.000000

When moderating variables were included in the model, the R-Squared value jumped from 16.66% to 27.99% (an 11.33% increase in the model's apparent power). These results empirically demonstrate that the relationship between natural resource abundance and economic growth is nonlinear and dependent on institutional conditions.

Theoretical Discussion and Synthesis

1. The Dialectic of Natural Resource Abundance on the Economic Growth of OIC Countries

Based on the results of panel data regression estimation using the Fixed Effect Model (FEM) in Model 1, this study found that the abundance of natural resources (SDA) has a positive and partially significant effect on the rate of economic growth in 25 OIC member countries during the period 2008–2021. Empirically, the t-statistic value of 6.595195 with a probability of 0.0000 (<0.05) proves that the first hypothesis is accepted. The positive regression coefficient of 0.385 indicates that every one percent increase in

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the contribution of natural resource rents to GDP will stimulate annual real GDP growth by 0.385%, assuming ceteris paribus.

These findings provide a brief confirmation of the validity of the Solow-Swan model of Neoclassical Economic Growth Theory, which positions natural resources (land) as a crucial initial endowment for shifting the production frontier curve to a higher level. Instant liquidity from extractive commodity exports (oil, gas, and minerals) is recognized as a "growth engine" that provides fiscal space for OIC countries, particularly in the Middle East, to rapidly fund large-scale infrastructure development.

However, this portrait of neoclassical optimism leaves a significant anomaly when we examine the coefficient of determination (R2) before moderation, which is only 0.166551. This statistical reality indicates that natural resource abundance alone can only explain 16.66% of the variation in economic growth, while the majority of the remaining 83.34% is influenced by other structural factors outside the basic model. This very wide gap in apparent power is an early signal that natural resources cannot work mechanistically and automatically to create long-term prosperity.

This empirical fact draws discussion into the theoretical dialectic of the resource curse hypothesis proposed by Richard Auty and Sachs and Warner. The low effective contribution of natural resources to long-term growth stability in OIC countries is due to an economic structure that tends to be "blunt" due to chronic dependency on the primary sector. When a government relies too heavily on natural resources, it systematically neglects the manufacturing and service sectors, which have higher added value.

This situation is exacerbated by the macroeconomic transmission of Dutch Disease, where global commodity price volatility and real exchange rate appreciation of the domestic currency reduce the competitiveness of non-natural resource commodities in international markets. Consequently, when a price shock occurs in a country's primary fiscal commodity, the domestic economy immediately contracts due to the lack of a diversified economic buffer sector.

Decomposition Analysis of Moderating Role of Governance (WGI)

The crucial question of what determines whether natural resources become a resource blessing or a resource curse is answered when the moderating variable of governance (Worldwide Governance Indicators) is included in Model 2. The development of the interaction model is proven to significantly boost the coefficient of determination (R2) to 0.279891, or an increase in apparent power of 11.33%. This increase confirms empirically that the relationship between natural resource abundance and economic

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growth in OIC countries is not a simple linear one, but rather is contingent or highly dependent on the quality of the institutional environment.

Interestingly, the decomposition results of the six WGI indicators show that not all governance dimensions play a uniform role in moderating this relationship. Empirical findings identify a clear dichotomy between the effectiveness of the Political-Moral Dimension and the Administrative-Formal Dimension in the OIC region.

Dominance of the Effectiveness of the Political-Moral Dimension (Significant Indicator)

1. The regression results of Model 2 prove that the three dimensions of governance based on political legitimacy, stability, and moral oversight prove to be statistically significant game changers:
   - Voice and Accountability Interaction: Has a probability value of 0.0000 (<0.05), indicating that public participation, press freedom, and civil control effectively mitigate information asymmetry between the authorities and the people regarding mining concession contracts. This transparency acts as a brake on rent-seeking behavior that is often rampant in energy-rich countries.
   - Interaction between Political Stability and Absence of Violence: Significant at the 5% level with a probability of 0.0481. Political stability serves as a guarantor of long-term macro policy consistency. With the minimal risk of physical conflict or repressive power shifts, revenues from the extractive sector can be sustainably redistributed into national strategic projects, such as human capital and non-oil and gas infrastructure.
   - Control of Corruption Interaction: Shows very strong significance with a probability value of 0.0007. Control of corruption emerges as the most vital moderating indicator. Effective anti-corruption instruments function as a fiscal safeguard system that ensures that natural resource rents flow entirely into the state treasury for public prosperity, rather than leaking into the pockets of the ruling elite.

Administrative-Formal Dimension Sterility (Insignificant Indicator)

In contrast, this study found a unique finding: three indicators of formal-bureaucratic governance—Government Effectiveness, Regulatory Quality, and Rule of Law—generated probability values above the 0.05 threshold. The insignificance of these administrative indicators reflects the phenomenon of window dressing in most OIC countries during the 2008–2021 period.

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Many member states possess a seemingly well-written legal superstructure (Rule of Law) and formally sophisticated economic regulations. However, these instruments are "blunt" and lose their effectiveness when confronted by the commodity-based ruling elite because the root causes of political instability and systemic corruption have not been addressed. Without a foundation of public accountability and clean politics, no matter how sophisticated the bureaucratic administration system, these regulations will simply be renegotiated to legalize exploitation by a small elite.

Comparative Contrast Analysis: Success Story vs Resource Trap

To demonstrate how this governance moderation mechanism works at the real level, this study conducts a sharp comparative analysis of two OIC member countries that have similar natural resource characteristics but have ended up with contrasting economic fates: the United Arab Emirates (UAE) and Nigeria.

The United Arab Emirates represents the successful transformation of resource blessings. Supported by strong political stability and institutional accountability, the UAE has disciplinedly diverted its oil and gas rental revenues into Sovereign Wealth Funds (SWFs) such as the Abu Dhabi Investment Authority. These endowments are transparently managed and reinvested in productive non-oil and gas sectors, including international tourism, global financial centers, and digital infrastructure. In line with Paul Romer's Endogenous Growth Theory, the UAE has successfully converted depletable natural capital into a knowledge-based economy.

In contrast to the UAE, Nigeria is a classic example of the resource trap phenomenon due to the complete failure of governance variables, particularly the very weak Control of Corruption aspect. The abundance of revenues from the crude oil sector actually triggered mass rent-seeking behavior within the bureaucracy and crippled the government's incentive to build a healthy non-oil and gas tax base. The local manufacturing sector experienced premature deindustrialization due to the inability of institutions to mitigate the impact of Dutch Disease. When global crude oil prices collapsed, Nigeria's entire state budget was shaken, leaving a deep debt burden and structural poverty in the community.

Integration of Findings in the Perspective of Institutional Theory and Islamic Economics

Theoretically, the empirical comparison above validates the theses of Douglass North, Acemoglu, and Robinson regarding the implications of institutional types. The

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fundamental difference between prosperous and ruined natural resource-rich countries lies not in the volume of underground reserves, but in the character of their institutions. Inclusive, producer-based institutions, such as those in the UAE, will generate economic prosperity, while extractive, rent-grabbing institutions, such as those in Nigeria, will consistently lead countries toward the resource curse.

Going beyond materialistic Western institutional analysis, Islamic Economics provides a far more holistic moral-philosophical perspective. In Islamic epistemology, the failure of natural resource governance in several Muslim countries is essentially a radical violation of the principle of Amanah (trust) and the concept of Istikhlaf (humanity as a vicegerent managing God's trust). Power and natural resources are public goods, the management of which must be fully oriented towards achieving Maslahah Ammah (public welfare) and fulfilling Maqasid Sharia—particularly the aspect of Hifdz al-Mal (protection and preservation of public assets from destruction and selfish exploitation).

Normatively and applicatively, the results of empirical testing in this thesis—which prove the vital role of Control of Corruption and Voice and Accountability—are a form of real fulfillment of the sharia commandment contained in the Al-Qur'an, Surah Al-Hasyr, verse 7:

مَّآ أَفَآءَ ٱللَّهُ عَلَىٰ رَسُولِهِۦ مِنْ أَهْلِ ٱلْقُرَىٰ فَلِلَّهِ وَلِلرَّسُولِ وَلِذِى ٱلْقُرْبَىٰ وَٱلْمَسَٰكِينِ وَٱبْنِ ٱلسَّبِيلِ كَىْ لَا يَكُونَ دُولَةًۢ بَيْنَ ٱلْأَغْنِيَآءِ مِنكُمْ ۚ وَمَآ ءَاتَىٰكُمُ ٱلرَّسُولُ فَخُذُوهُ God bless you وَمَا نَهَىٰكُمْ عَنْهُ فَٱنتَهُوا۟ ۚ وَٱتَّقُوا۟ ٱللَّهَ ۖ إِنَّ ٱللَّهَ شَدِيدُ ٱلْعِقَابِ

Translation: "Whatever looted wealth (fai-i) Allah gave to His Messenger (from property) which came from the people of the cities is for Allah, for the Messenger, relatives, orphans, poor people and people who are on a journey, so that the wealth does not circulate among the rich among you. His punishment."

This verse is a key pillar of the Islamic philosophy of wealth distribution. When an OIC country allows fiscal budget leakage due to corruption or closes off public oversight, its abundant natural resources are "trapped" and circulate only within the political elite and mining entrepreneurs. This violates the Islamic principle of distributive justice. Therefore, strengthening institutional governance based on anti-corruption, contract transparency, and ensuring political stability in OIC countries is not merely an administrative-managerial instrument, but a sharia obligation to achieve social justice and blessed economic growth for future generations.

CONCLUSION

This study concludes that the abundance of natural resources in the 25 OIC member countries during the 2008–2021 period had a positive and significant impact on

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economic growth. However, this influence is not automatic and is strongly influenced by the quality of governance. The analysis shows that political and moral governance dimensions such as Voice and Accountability, Political Stability, and Control of Corruption have been proven to strengthen the relationship between natural resources and economic growth. In contrast, formal administrative dimensions such as Government Effectiveness, Regulatory Quality, and Rule of Law have not shown a significant moderating effect. These findings emphasize that the success of resource-rich countries is determined not only by the size of commodity reserves, but also by the ability of institutions to create transparency, political stability, and control corruption. From a Sharia Economic perspective, accountable governance is a form of implementation of the principles of trust and distributive justice so that public wealth can be utilized for the benefit of the wider community.

This study still has limitations because it only uses aggregate natural resource rents indicators, thus not being able to distinguish the influence of each specific natural resource sector. Furthermore, the use of perception-based governance indicators from the WGI has the potential to introduce subjective bias in measuring institutional quality. Therefore, future research is recommended to add other control variables such as foreign direct investment, inflation, education quality, trade openness, and economic diversification to make the research model more comprehensive. Future research can also expand the scope of study by comparing OIC and non-OIC countries or using a dynamic panel approach to capture long-term relationships in more depth. Practically, the results of this study provide important implications for OIC governments to strengthen institutional reforms, increase transparency in natural resource management, expand public oversight, and direct extractive sector revenues toward downstream industries and human capital development to create inclusive and sustainable economic growth.

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