

Governance Performance of Muslim and Non-Muslim Countries

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Governance refers to the processes and structures implemented by organizations to ensure that they operate effectively, responsibly, and in accordance with legal and ethical standards. It encompasses the systems and practices by which organizations are directed, controlled, and held accountable. Governance is a critical aspect of various sectors, including business, government, non-profit organizations, and other institutions. This paper studied two groups of Muslim and Non-Muslim countries by comparing their governance performances using several indicators of Worldwide Governance Indicators (WGI) within 2015 to 2019. The objectives are: (1) to evaluate the performance of Muslim world nations compares to the non-Muslim counterparts in terms of governance and related issues; (2) to deduce the implication for policy, in order to improve the performance of economic and governance indicators in countries. In general, the results show that in several indicators, Muslim-based countries have advantages over non-Muslim countries. However, on several other governance indicators, Muslim countries are relatively behind. Therefore, in the future, governance in Muslim-based countries needs to be improved to make it better.

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INTRODUCTION

Governance refers to the processes and structures implemented by organizations to ensure that they operate effectively, responsibly, and in accordance with legal and ethical standards. It encompasses the systems and practices by which organizations are directed, controlled, and held accountable. Governance is a critical aspect of various sectors, including business, government, non-profit organizations, and other institutions.

In the context of government, governance refers to the processes, structures, and mechanisms through which public policies are formulated, implemented, and evaluated. It includes the roles and responsibilities of various government entities and officials. Good governance in the public sector involves principles such as transparency, accountability, responsiveness, and the rule of law. Effective governance is crucial for fostering public trust and ensuring the efficient delivery of public services (Duit & Galaz, 2008).

The specific principles and practices of governance can vary across different contexts, but common themes include accountability, transparency, fairness, and responsibility. Strong governance is crucial for maintaining trust, managing risks, and achieving the goals of an organization or society.

The Organization of Islamic Cooperation (OIC) is an international organization founded in 1969, consisting of 57 member states. The OIC is the second-largest intergovernmental organization after the United Nations and is primarily focused on addressing the concerns and promoting the interests of the Muslim world. The member countries span across Asia, Africa, Europe, and the Middle East.

OIC is also known as 'Muslim country'. The term "Muslim countries" or "Islamic countries" refers to nations where Islam is the predominant religion and often plays a significant role in shaping the culture, legal system, and societal norms (Otto, 2012). It's important to note that the terms "Muslim countries" and "Islamic countries" can be broad, as the level of religious influence and the specific interpretation of Islamic principles can vary widely among nations. Additionally, some countries may have significant Muslim populations even if they are not officially Islamic states. It's important to be aware that the status of countries can change, and political or social developments may impact the religious landscape. Additionally, some countries may have diverse religious populations, and the majority religion may not

necessarily dictate the legal or political structure of the country (Hossain, 2012).

The OIC has a permanent secretariat based in Jeddah, Saudi Arabia, and various specialized agencies and institutions to facilitate its work. The organization has also established a Human Rights Commission and a Peace and Security Council. The OIC has faced challenges, including internal conflicts among member states, diverse political ideologies, and economic disparities. Efforts are ongoing to enhance cooperation, resolve conflicts, and address the evolving needs of the Muslim world. The OIC continues to play a role in promoting cooperation and addressing challenges faced by member states. It remains an important platform for diplomatic engagement and collaboration among countries with significant Muslim populations.

There are several studies related to governance, especially in the case of OIC countries. Some of these studies, for example, were carried out by Shaikh et al., (2019), Wibowo (2020), Karimpour et al., (2021), Ali & Sultan (2023), and also the study conducted by Mahdi & Mimoun (2021).

This paper studied two groups of Muslim and Non-Muslim countries by comparing their governance performances using several indicators of Worldwide Governance Indicators (WGI) within 2015 to 2019. The objectives are: (1) to evaluate the performance of Muslim world nations compares to the non-Muslim counterparts in terms of governance and related issues; (2) to evaluate the impact of performance on the economic and financial market variables; and (3) to deduce the implication for policy, in order to improve the performance of economic and governance indicators in countries. The Muslim countries consist of Indonesia, UAE, Egypt, Algeria, and Bangladesh. Meanwhile, the Non-Muslim countries, Nicaragua, UK, Papua New Guinea, Sri Lanka, and Mexico are used as comparison, respectively.

METHOD

This study will try to compare governance between Muslim and non-Muslim based countries. This study uses simple comparative analysis by comparing data from the WGI or Worldwide Governance Indicators within 2015 to 2019 and then elaborating it based on available facts. This study then concludes in general the research objectives to be achieved qualitatively. The WGI are a set of aggregate governance indicators developed by the World Bank. These indicators are designed to measure the quality of governance in countries around the world. The

Worldwide Governance Indicators provide data on six dimensions of governance.

ANALYSIS

Muslim world nations performance evaluation relative to non-Muslim counterparts in terms of governance and related issues

1. Strength of Legal rights index

As a star achiever, Mexican banking system performed stable and stood as the most efficient economic institution in 2017. Papua New Guinea able to achieve the rocketed performance in 2016 since online registry had been activated to allow lenders accept moveable property as collateral. In the UK, loan market also remained stable even though several sectors in economy and borrowers were affected by uncertainty and macroeconomic disruption such as Brexit (the UK's formal exit from the EU), and trade

war. In Muslim country such as UAE also experienced rocketed performance in 2018 due to sound regulation was applied to regulate the transaction agreement by implementing both local government law and choice of foreign law in the principle of freedom of contracts. Satisfactory credit registration and collateral law in Indonesia had impact to the increasing number of loans given to the society, however, the regulations for borrowers still need to be improved (Ali, et al, 2020). Strength of legal right can lead to the growth of GDP, Foreign Direct Investment (FDI), and portfolio equity in Muslim countries. Therefore, less stringent regulations for Muslim countries such as allowing entrepreneurs to give non-proprietary security rights of movable assets without specific collateral are required especially in Algeria in order to increase entrepreneurs' access to credit.

Figure 1: (1) Strength of Legal Rights Index (0 = weak to 12 = strong)

COUNTRIES	2015	2016	2017	2018	2019
Bangladesh	5	5	5	5	5
Nicaragua	1	1	1	2	2
UAE	2	2	2	6	6
UK	7	7	7	7	7
Egypt	2	2	2	5	5
Papua New Guinea	3	9	9	9	9
Algeria	2	2	2	2	2
Sri Lanka	2	2	2	2	2
Indonesia	5	6	6	6	6
Mexico	10	10	10	10	10

Figure 1. Strength of legal rights index (0=weak to 12=strong)

2. Government Effectiveness Estimate of governance

Low performance of Government Effectiveness (GE) in majority nations of Muslim was due to low income and tax collection, hence it created budget pressure for government expenditure (Muhammad & Rana, 2018). Nevertheless, UAE and Indonesia still performed well due to good governance practice in government system. UAE implemented electronic-based governance (GCR, 2015-2016) as well as for Indonesia (Ombudsman, 2019). On the other hand, almost all non-Muslim countries had low

performances except UK. According to SGI (2018), the UK's government and public administration are very law-abiding. On the contrary, Nicaragua performed bad where the public administration was politicized, lack of professionalism and less monitoring (BTI, 2018). Positive correlation was found between GE and FDI in Muslim countries. Therefore, Muslim countries, especially Bangladesh, Egypt, and Algeria (the country with the weak score) are expected to improve sound practice of democracy, macro-economic indicator controlling, and a wider and excellent public service in order to attract more foreign investment.

Government Effectiveness Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

COUNTRIES	2015	2016	2017	2018	2019
Bangladesh	-0.72	-0.68	-0.73	-0.75	-0.74
Nicaragua	-0.82	-0.69	-0.63	-0.8	-0.77
UAE	1.51	1.42	1.42	1.43	1.38
UK	1.74	1.6	1.41	1.34	1.44
Egypt	-0.77	-0.66	-0.62	-0.58	-0.42
Papua New Guinea	-0.61	-0.74	-0.67	-0.68	-0.81
Algeria	-0.5	-0.53	-0.59	-0.44	-0.52
Sri Lanka	-0.01	-0.03	-0.15	-0.24	-0.11
Indonesia	-0.24	0.01	0.04	0.18	0.18
Mexico	0.21	0.13	-0.03	-0.15	-0.16

Figure 2. Government effectiveness estimate of governance

3. Regulatory Quality Estimate of governance

UAE and the UK performed well although the UK experienced decreasing within the last three years. UAE recorded faster growth of the private sector especially for non-oil sector in 2019, while the UK showed significant increasing in manufacture and services sector. On the contrary, the worst performance happened in Algeria as part of Muslim

group. The weak quality of Algeria's government also shown by the massive demonstration in 2019 to protest against government policies. The citizens were not satisfied to the economy and business situation. Muslim countries are expected to improve the effectiveness of investment regulations (such as price controls and the foreign trade and business regulation) to optimize the number of FDI in the country (Rammal, 2006).

Regulatory Quality Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

COUNTRIES	2015	2016	2017	2018	2019
Bangladesh	-0.9	-0.8	-0.81	-0.83	-0.93
Nicaragua	-0.39	-0.51	-0.67	-0.71	-0.69
UAE	1.11	0.97	1.01	0.93	0.98
UK	1.85	1.76	1.71	1.78	1.63
Egypt	-0.84	-0.92	-0.86	-0.86	-0.83
Papua New Guinea	-0.55	-0.56	-0.65	-0.53	-0.54
Algeria	-1.17	-1.17	-1.2	-1.26	-1.3
Sri Lanka	-0.05	-0.1	-0.13	-0.17	-0.18
Indonesia	-0.22	-0.12	-0.11	-0.14	-0.09
Mexico	0.36	0.29	0.20	0.16	0.10

Figure 3. Regulatory quality estimate of governance

4. Control of Corruption Estimate of governance

Among all countries, Nicaragua reached the lowest rank and experienced a sharp decrease after 2017, even getting worse in 2019. According to Miller

& Chevalier (2016), the rate of corruption risk in Nicaraguan courts happened at every level of justice (GCR, 2015-2016; BTI, 2016) and had impact on reducing foreign investment. On the other hand, corruption is also becoming a big issue in Muslim-

majority nations and getting worse in 2019 for several countries, except UAE. Weak integrity of officials leads to poor governance of corruption in Muslim countries, such as the case of Indonesia, where corruption committed by state officials recently (Idrus Marham, former Minister of Social Affairs, Imam Nahrawi,

former Minister of Youth and Sport, and some others). Muslim countries should learn from UAE and UK to fight corruption by strengthening ethical and moral value in compliance to Islamic teachings.

Control of Corruption Estimate of governance (ranges from approximately -2.5 (weak) to 2.5 (strong) governance performance)

COUNTRIES	2015	2016	2017	2018	2019
Bangladesh	-0.81	-0.86	-0.83	-0.91	-0.99
Nicaragua	-0.89	-0.87	-0.87	-1.09	-1.12
UAE	1.07	1.17	1.13	1.15	1.11
UK	1.88	1.9	1.84	1.83	1.77
Egypt	-0.64	-0.64	-0.54	-0.57	-0.67
Papua New Guinea	-0.94	-0.93	-0.9	-0.88	-0.99
Algeria	-0.65	-0.68	-0.6	-0.63	-0.62
Sri Lanka	-0.34	-0.31	-0.45	-0.34	-0.32
Indonesia	-0.46	-0.40	-0.25	-0.25	-0.42
Mexico	-0.77	-0.72	-0.93	-0.85	-0.82

Figure 4. Control of corruption estimate of governance

Governance in the Organization of Islamic Cooperation member countries varies widely due to differences in political systems, historical contexts, economic conditions, and cultural factors. The OIC consists of 57 member states, each with its own unique governance structure. Here are some general observations and considerations related to governance in OIC countries.

First, Diversity of Political Systems. OIC member countries have diverse political systems, ranging from monarchies to republics and from democracies to authoritarian regimes. The governance structures may be influenced by cultural and historical factors, and the level of political freedom and citizen participation can vary.

Second, Rule of Law and Legal Systems. The adherence to the rule of law and the effectiveness of legal systems vary among OIC countries. Some countries have well-established legal frameworks, while others may face challenges related to corruption, judicial independence, and the enforcement of laws.

Third, Economic Governance. Economic governance in OIC countries is influenced by factors such as the presence of natural resources, economic diversification, and government policies. The effectiveness of economic governance can impact

issues such as fiscal management, business regulations, and the overall business environment.

Forth, Political Stability. Political stability varies across OIC member countries, and factors such as internal conflicts, regional tensions, and geopolitical considerations can influence governance and stability. Fifth, Corruption and Transparency. Corruption levels differ among OIC countries, and efforts to address corruption vary. Some countries have implemented measures to enhance transparency and combat corruption, while others may face challenges in this regard.

Sixth, Human Rights and Civil Liberties. Human rights practices and the protection of civil liberties can differ significantly among OIC member countries. Factors such as freedom of expression, religious freedom, and protection of minority rights may vary, and some countries may face scrutiny in these areas.

Seventh, Social and Cultural Influences. Social and cultural factors play a significant role in shaping governance practices. Cultural norms and traditions can influence political structures, decision-making processes, and societal expectations.

Last but not least, International Relations. The foreign policies and international relations of OIC

member countries can impact their governance. Regional alliances, diplomatic relationships, and geopolitical considerations all play a role in shaping governance structures and policies.

CONCLUSION

This study will try to compare governance quality between Muslim and non-Muslim based countries. This study uses simple comparative analysis by comparing data from the WGI or Worldwide Governance Indicators within 2015 to 2019. In general, the results show that in several indicators, Muslim-based countries have advantages over non-Muslim countries. However, on several other governance indicators, Muslim countries are relatively behind. Therefore, in the future, governance in Muslim-based countries needs to be improved to make it better.

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