

Analysis of the Relationship between Governance Indicators and Investment in the Oil sector of Iran and Selected Countries

*Marjan Daman Keshideh**

*Mahdi Hassani***

*Nemat Falihi Pirbasti****

DOI: <https://doi.org/10.22096/esp.2026.2058934.1816>

Received Date: 27/08/2025 - Accepted Date: 09/02/2026

Abstract

Oil revenues constitute a fundamental determinant of the economic performance and structural development of oil-rich and oil-exporting nations. Given this significance, it is plausible that governance indicators exert a considerable influence on investment within this sector, while the size and role of the government are often subject to fluctuations in global oil prices. This study aims to investigate the causal relationship between governance indicators and investment in the oil sector. It examines six key governance indicators—Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption—in relation to oil sector investment in Iran and eight selected countries over the period 1996–2022. Utilizing Granger causality and the Hsiao causality method, the empirical analysis reveals a bidirectional causal relationship between oil sector investment and all selected governance indicators, with the sole exception of the Voice and Accountability index. These findings underscore the critical importance of legislative frameworks and the significant impact of public sector productivity and efficiency on investment dynamics in the oil industry. Consequently, streamlining government operations and enhancing the quality of laws and regulations are identified as pivotal measures for fostering substantial and effective transformation within the oil sector.

Keywords: Good Governance; Investment; Oil; Iran.

JEL Classification: G19, O16, F21, Q43.

* Assistant Professor, Faculty of Economics and Accounting, Islamic Azad University, Central Tehran Branch, Tehran, Iran.

Email: m.damankeshideh@yahoo.com

** PhD student in Oil and Gas Economics; Markets and Finance, Faculty of Economics and Accounting, Islamic Azad University, Central Tehran Branch, Tehran, Iran.

Email: hasanimahdi@yahoo.com

*** Assistant Professor, Faculty of Economics and Accounting, Islamic Azad University, Central Tehran Branch, Tehran, Iran.

Email: nem.falihi_pirbasti@iauctb.ac.ir



Bibliography

- Abbasian, Ezatollah, Mahdi Moradpour Oladi, and Vahid Abbasioun. "The impact of oil price uncertainty on the industrial, service and construction sectors." *Quarterly Journal of Economic Research* 7, no. 2 (2007): 109-124. [In Persian]
- Amin, Sakib Bin, Tauhid Irteza Ali, and Umme Marzana. "The dynamics of good governance in promoting energy security: The case of Bangladesh." *Acta Universitatis Danubius. Relationes Internationales* 10, no. 1 (2017): 61-78.
- Arab Yarmohammadi, Javad, and Ali Esmaili Khoshmardan. *Governance indicators and assessment of the situation in Iran*. Tehran: Economic Affairs Research Institute, Ministry of Economic Affairs and Finance, 2020. [In Persian]
- Assari Arani, Abbas, and Ahmad Jafari Samimi, and Meysam Rasoulimir. "Investigation of the Impact Oil Shocks on Current Account in OPEC Countries." *Quarterly Journal of Quantitative Economics* 7, no. 3 (2010): 1-21. [In Persian]
- Azimzadeh Arani, Mohammad, Reza Tahmaseby Blukabad, and Mohammad Amir Rizvandi. "The regulatory position in the governance structure of Iran's energy sector." *Strategic Studies of public policy* 14, no. 53 (2025): 54-80. [In Persian]
- Bashlakova, Volga, and Henadzi Bashlakov. "The study of the shadow economy in modern conditions: Theory, methodology, practice." *The Quarterly Review of Economics and Finance* 81 (2021): 468-480.
- Derakhshan, Masoud. "Strategic Considerations in Policy Formulations in Iranian Oil and Gas Upstream Sectors." *Strategy* 18, no. 4 (2011): 109-131. [In Persian]
- Gholipour, Rahmatollah. "Analysis and feasibility of a good governance model in Iran with emphasis on the role of the government." *Journal of Management Knowledge* 17, no. 5 (2005): 85-111. [In Persian]
- Homayoun, Mohammad Bagher, Mohammad Reza Akbari, Hamid Heydari, and Amir Hossein Sohankar. "Examining the dimensions of energy governance with a focus on the oil and gas industry; a case study of Saudi Arabia." *Quarterly Journal of Governance Knowledge* 2, no. 3 (2023): 126-151. [In Persian]
- Huang, C. J. "The impact of governance on happiness: Evidence from quantile regressions." *World Academy of Science, Engineering and Technology*,

International Journal of Social, Behavioral, Educational, Economic, Business and Industrial Engineering 10, no. 7 (2016): 2539-2542.

Isazadeh, Saeed, and Akbar Ahmadzadeh. "Institution, Governance, and Economic Growth." *Iranian Journal of Economic Research* 13, no. 40 (2009): 1-28. [In Persian]

Khalatbari, F. "Optimal exploitation of oil resources for sustainable development." *Social Security Journal* 2, no. 3 (2000): 23-50. [In Persian]

Ma, Zheng, and Bo Norregaard Jorgensen. "A discussion of building automation and stakeholder engagement for the readiness of energy flexible buildings." *Energy Informatics* 1, no. 1 (2018): 1-15.

Meidari, Ahmad. "Introduction to Good Governance Theory." *Social Welfare Quarterly* 6, no. 22 (2006): 261-287. [In Persian]

Ministry of Oil Public Relations Department. *Oil, gas and petrochemical laws and regulations*. Tehran: Legal Affairs of the National Iranian Oil Company, 2010. [In Persian]

Neya, Tiga, Akwasi A. Abunyewa, Oble Neya, Benewende JB Zoungrana, Kangbeni Dimobe, Hypolite Tiendrebeogo, and John Magistro. "Carbon sequestration potential and marketable carbon value of smallholder agroforestry parklands across climatic zones of Burkina Faso: current status and way forward for REDD+ implementation." *Environmental management* 65, no. 2 (2020): 203-211.

Ott, Jan C. "Good governance and happiness in nations: Technical quality precedes democracy and quality beats size." *Journal of Happiness Studies* 11, no. 3 (2010): 353-368.

Sahabi, Bahram, Mansor Etesami, and Khaled Aminpour. "Effect of Good Governance and Government Size on Financial Development in Selected Countries." *Economic Growth and Development Research* 3, no. 12 (2013): 105-118. [In Persian]

Sharifzadeh, Fattah, and Rahmatallah Gholipour. "Good governance and the role of the government." *Organizational Culture Management* 1, no. 2 (2003): 93-109. [In Persian]