



Shahid Chamran
University of Ahvaz

Quarterly Journal of Quantitative Economics

Journal Homepage:

www.jqe.scu.ac.ir

Print ISSN: 2008-5850

Online ISSN: 2717-4271



Evaluation the Role of Household Risk Management on Economic Growth: Case Study of Selected OIC Member Countries with emphasis on Iran

Farzam Sajjadih Khajooei *, Sadegh Bakhtiari **,  Sara Ghobadi ***

* Ph.D. Student of Economics, Department of Economics, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran.

Email: sajjadihfarzam@gmail.com

Postal address: Iran, Isfahan, Isfahan, Jey Street, Arghavanieh, Daneshgah Boulevard, 8155139998.

** Professor of Economics, Department of Economics, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran. (Corresponding Author)

Email: bakhtiari_sadegh@yahoo.com



[0000-0001-6476-8009](https://orcid.org/0000-0001-6476-8009)

*** Assistant Professor of Economics, Department of Economics, Isfahan (Khorasgan) Branch, Islamic Azad University, Isfahan, Iran.

Email: sgbobadi@khuisf.ac.ir

ARTICLE HISTORY

Received: 21 February 2020

Revision: 13 October 2020

Acceptance: 16 December 2020

JEL

CLASSIFICATION

D10, O4, C23

KEYWORDS

Household, Risk Management, Composite Index, Economic Growth, Dynamic Panel Data

Acknowledgments: Acknowledgments may be made to individuals or institutions that have made an important contribution.

Conflict of Interest: The authors declare no conflict of interest.

Funding: The author received no financial support for the research, authorship, and publication of this article.

How to Cite:

Sajjadih Khajooei, Farzam., Bakhtiari, Sadegh & Ghobadi, Sara. (2022). Evaluation the Role of Household Risk Management on Economic Growth: Case Study of Selected OIC Member Countries with emphasis on Iran. *Quarterly Journal of Quantitative Economics (JQE)*, 19(3), 93-124.

 [10.22055/JQE.2020.32698.2219](https://doi.org/10.22055/JQE.2020.32698.2219)



© 2022 Shahid Chamran University of Ahvaz, Ahvaz, Iran. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution-NonCommercial 4.0 International (CC BY-NC 4.0 license) (<http://creativecommons.org/licenses/by-nc/4.0/>)

EXTENDED ABSTRACT

INTRODUCTION

Institutional economists have considered institutions and institution-based structures as the fundamental factors of the growth in new theories of economic growth. Accordingly, an increasing number of studies, besides analyzing the relevant institutions and structures, have investigated the relationship between these factors and economic growth. Risk management, as an institutional economics-based motivating structure, has a significant and special position. Accordingly, this research attempts to formulate an indicator to measure household risk management and investigate its impact on the economic growth of selected countries of the Organization of Islamic Cooperation (OIC) for the period 2005-2017.

METHODOLOGY

In this study, a dynamic panel data approach has been used to evaluate the role of household risk management in the economic growth of selected countries of the Organization of Islamic Cooperation during the period 2005-2017. In addition, the required information has been received from the World Bank and the International Monetary Fund.

Specifying research model

To investigate the study's hypotheses following equations were used:

$$GDPG_{it} = \alpha_0 + \alpha_1 GDPG_{it-1} + \alpha_2 HRM_{it} + \alpha_3 SE_{it} + \alpha_4 POPG_{it} + \alpha_5 INF_{it} + \alpha_6 K_{it} + \alpha_7 LP_{it} + v_{it} \quad (1)$$

In these equation GDPG, HRM, SE, POPG, INF, K and LP refer respectively to gross domestic product growth, household risk management,

self-employment, population growth rate, inflation, gross capital formation and labor productivity.

FINDINGS

The results of this study show that in selected Islamic countries and in the period 2005 to 2017, the effect of household risk management and self-employment on economic growth was positive and significant and the effect of population growth rate and inflation on economic growth was negative and significant. In fact, increasing household access to credit by investing in education and health; Improving social support through adaptation of labor supply and demand; Strengthening human capital by increasing productive power and ultimately improving the state capacity by improving household livelihoods as positive consequences of household risk management and increasing innovative activities as a positive consequence of self-employment will increase economic growth. . Meanwhile, increasing inflation by reducing the purchasing power and investment, and on the other hand, increasing the population growth rate due to limited resources and insufficient infrastructure, can reduce economic growth.

CONCLUSION

Based on the positive and significant effects of household risk management and self-employment and negative and significant effects of population growth rate and inflation on the economic growth of selected OIC member countries in the desired period, these policy recommendations can be suggested:

- Governments can strengthen household risk management by facilitating household access to credits, supporting labor unions, upgrading education systems, developing public health programs, diversifying government revenue sources, and improving health facilities.
- Granting free loans to start businesses, creating the right conditions by governments to increase competitiveness and tax breaks can lead to self-employment incentives.
- Governments can partially offset the negative effects of population growth through optimal resource management, with keeping the

balance between population growth and economic growth, by taking advantage of population potential.

- Governments and the central bank can tackle inflation by raising interest rates, controlling wages, and controlling the money supply.

Reference

- Acemoglu, D., Johnson, S., & Robinson, J. A. (2005). Institutions as a fundamental cause of long-run growth. *Handbook of economic growth, 1*, 385-472.
- Arellano, M., & Bond, S. (1991). Some tests of specification for panel data: Monte Carlo evidence and an application to employment equations. *The review of economic studies*, 58(2), 277-297.
- Arun, T. G., & Bendig, M. (2010). Risk management among the poor: The case of microfinancial services, IZA Discussion papers 5147, Institute of Labor Economics (IZA).
- Asadzadeh, A., Khodaverdizadeh, S., Beheshti, K., Shomali, A. (2015). A Study of the Effect of Population Growth on Per Capita GDP in Iran Using an ARDL Approach. *Journal of Applied Economics Studies in Iran*, 4(14), 69-87. https://aes.basu.ac.ir/article_1118.html?lang=en (in persian).
- Ashrafi, A., Yahya Abadi, A., Samadi, S. (2013). Analysis of the effect of population growth and inflation on economic growth in D8 countries. *1th National E-Conference on Future Perspective of Iranian Economy: National Production Supporting Approach*. Isfahan Islamic Azad University. <http://conference.khuisf.ac.ir/Dorsapax/userfiles/file/pazhohesh/eghtesad%2092/NCFPIE121.pdf> (in persian).
- Asian Development Bank. (2003). Social protection: our framework policies and strategies.
- Atrkar Roshan, S., Noorian, M., Shirin bakhsh masooleh, S. (2016). The impact of government social spending on women's economic development (with an emphasis on education and health), in Selected Asian Countries. *Women's Studies Sociological and Psychological*, 14(3), 37-60, doi: 10.22051/JWSPS.2016.2556 (in persian).
- Bales, S. (2013). *Impact of health shocks on household welfare in Vietnam-Estimates using fixed effects estimation*. Rotterdam: Erasmus Universiteit.
- Bozorgmehri, M., Mohammad khani, A., Nemati, F. (2016). Divergence in Organization of Islamic Cooperation, the Causes and Roots. *Political Studies of Islamic World*, 5(2), 25-52. https://psiw.journals.ikiu.ac.ir/article_920.html?lang=en (in persian).
- Brock, W., and Durlauf, S. N. (2001). Growth empirics and reality. *World Bank Economic Review*, 15: 229-272.
- Bugdol. M., Jedynek. P. (2012). Współczesne systemy zarządzania. Jakość, bezpieczeństwo, ryzyko. Wydawnictwo Helion, Gliwice.

- De Vreyer, P., and Lambert, S. (2014). "Household risk management in Senegal", [Research Report] Univerite Paris-Dauphine, pp.46.
- Elahi, N., Heydari, H., Kiaalhosseini, S., Abolhasani chimeh, M. (2018). Economic complexity and institutional factors: Comparison between developed, emerging and developing countries. *Journal of Econometric Modelling*, 3(3), 11-37. doi: 10.22075/JEM.2019.17030.1267 (in persian).
- Foa, R. (2014). Household Risk Preparation Indices-Construction and Diagnostics.
- Gohari, L., Salimifar, M., Aboutorabi, M A. (2016). The Effect of Financial Development on Human Capital in Iran. *The Economic Research*, 16 (3), 181-207. <https://ecor.modares.ac.ir/article-18-9360-en.html> (in persian).
- International Monetary Fund. (2019). Global Data, Available from: <https://www.imf.org/en/Data> [Accessed 5 December 2019].
- Jalili, A., Panahi, H., Sojoodi, S. (2020). Investigating the relation between womens health and economic growth in D8 countries: Konya panel causality approach. *Quarterly Journal of Quantitative Economics*, 16(4), 129-162. doi: 10.22055/jqe.2019.27386.1955 (in persian).
- Jani, S. (2020). Analyzing different institutional levels effect on economic growth and their causality relation in the countries of South West Asia and OECD, *Quarterly Journal of Quantitative Economics*, 17(1), 1-33. doi: 10.22055/jqe.2019.25189.1835 (in persian).
- Joint Research Centre-European Commission, (2008). *Handbook on constructing composite indicators: methodology and user guide*. OECD publishing.
- Kardgar, E., and Ahrari, M. (2015). Analysis of the Institutional Aspects of Risk Management in the Insurance Industry based on Transaction Cost Economics Approach. *The Journal of Planning and Budgeting*, 20 (1), 193-212. <http://jpbud.ir/article-1-1196-fa.html> (in persian).
- Lucas, R. E. (1988). On the mechanics of economic development. *Journal of Monetary, Economics*, 22(1): 3 -42
- Mashhadi Ahmad, M. (2013). The Meaning and Concept of Institutions in Institutionalism A Look at Differences between Old and New Institutionalism and the Role of Institutions in Economic Activities. *Economics Research*, 13(48), 49-77. https://joer.atu.ac.ir/article_915.html?lang=en (in persian).
- Mousavi Jahromi, Y. (2009). *Economic development and planning*. (Sixth Edition): Payame-Noor University. (in persian)
- Nadiri, M., and Mohammadi, T. (2011). Estimating an Institutional Structure in Economic Growth Using GMM Dynamic Panel Data Method. *Economic Modeling*, 5(15), 1-24. https://eco.firuzkuh.iau.ir/article_555516_en.html?lang=fa, (in persian).
- North, D. C. (1990), *Institutions, Institutional Change and Economic Performance*. New York: Cambridge University Press.
- Ostrowska, M., and Mazur, S. (2015). Diversified Risk Management. *Procedia Economics and Finance*, (23): 615-621.

- Rampini, A. A., & Viswanathan, S. (2016). *Household risk management* (No. w22293). National Bureau of Economic Research.
- Rao, N., Singh, C., Solomon, D., Camfield, L., Sidiki, R., Angula, M., Poonacha, P., Sidibe, A., and Lawson, E. (2020). Managing risk, changing aspirations and household dynamics: Implications for wellbeing and adaptation in semi-arid Africa and India. *World Development*, 125, 104667.
- Rizvandi, M A., Sahabi, B., Momeni, F., Yavari, K. (2016). Exploring the Definition of Institution: Assessing Recent Alternative Approaches in Defining Institution. *The Journal of Planning and Budgeting*, 20 (4), 185-210. <http://jpbud.ir/article-1-1303-fa.html> (in persian).
- Samadi, A H., Abolhasan Beigi, K. (2013). Testing Wagner's Law in Selected OIC Member States Evidence from Panel Cointegration Tests. *Quarterly Journal of Economic Research and Policies*, 20 (64) :115-130. <http://qjerp.ir/article-1-525-en.html> (in persian).
- Samadi, M., and Rezaei, M. (2011). Survey the educational role of the family in the formal and public education system from the perspective of science and religion. *Scientific Journal of Islamic Education*, 19(12), 95-117. https://iej.ihu.ac.ir/article_200818.html (in Persian).
- Sarlak, A., and Hozhabr Kiani, K. (2015). The Effects of and Health Expenditure on Economic Growth in Iran's Provinces. *Journal of Applied Economics Studies in Iran*, 4(13), 171-185. https://aes.basu.ac.ir/article_1041.html?lang=en (in persian).
- Seyed Shokri, KH., and Karkhaneh, A. (2012). Survey the effect of inflation on economic growth: selected case study countries member of islamic conference. *Journal of Financial Economics (Financial Economics and Development)*, (6)18, 139-150. http://ecj.iauctb.ac.ir/article_511612.html (in persian).
- Siddiqui, D. A., and Ahmed, Q. M. (2013). The effect of institution on economic growth: A global analysis based on GMM dynamic panel estimation. *Structural Change and Economic Dynamic*, 24, 18-33.
- Skalamera-Alilovic, D., Arbula Blecich, A., and Blazekovic K. (2017). Self-Employment: Personal Characteristics of the Self-Employment and Impact on Economic Growth. In *INTERDISCIPLINARY MANAGEMENT RESEARCH CONFERENCE XIII*.
- Taiebnia A., and Nikoonesbati, A. (2013). Institutions and Economic Growth. *The Journal of Planning and Budgeting*. 18 (1), 109-132. <http://jpbud.ir/article-1-849-en.html> (in persian).
- The Heritage Foundation. (2019). Explore the Data, Available from: <https://www.heritage.org/index/explore> [Accessed 13 December 2019].
- United Nations Development Programme. (2019). Human Development Reports (Data), Available from: <http://hdr.undp.org/en/data#> [Accessed 10 November 2019].



- Woods, M., Linsley, P. (2017). *The Routledge Companion to Accounting and Risk*. Taylor & Francis, London: Routledge.
- World Bank. (2019). World Bank Open Data, Available from: <https://data.worldbank.org> [Accessed 10 November 2019].