



RESEARCH ARTICLE

The Impact of The Revolving Door Phenomenon on the Financial Performance

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Abstract

Due to the societal scrutiny of banks' financial performance and concerns about conflicts of interest arising from the revolving door phenomenon among senior bank managers, this study addresses a critical gap in the literature by examining the impact of the revolving door on the performance of Iran's state-owned banks. Although most studies have concentrated on developed economies, few have examined this phenomenon in developing countries with centralized banking systems, such as Iran. Using data from nine state-owned banks over 20 years (2002–2021), the study incorporated a dummy variable from Athanasoglou et al. (2009) into the model to capture the movement of managers and board members between the Central Bank of the Islamic Republic of Iran and state-owned banks. The results revealed that none of the variables adjusted for the revolving door has a significant relationship with the dependent variable, return on assets. Thus, the revolving door phenomenon did not significantly affect bank performance in this context, suggesting that managerial transitions between the Central Bank and state-owned banks did not inherently lead to conflicts of interest. These findings call into question prevailing theoretical claims regarding the detrimental consequences of the revolving-door phenomenon and underscore the need to reassess governance frameworks within highly focused banking systems.

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1. Introduction

The Iranian economy's significant portion is the banking sector. Nonetheless, Iranian banks' performance continues to be vulnerable to different institutional and governance challenges. When focusing on one of these challenges, called the revolving door phenomenon, which is the process by which an entity, for example, a regulatory agency, hires or employs individuals who may have links with a private bank. This phenomenon represents one of the most complex challenges that can significantly affect the financial performance of banks. This dynamic leads to two potential consequences. On one hand, regulatory proficiency can be an asset and enrich banks' strategic horizons and compliance practices; yet on the other hand, the very same adaptive process engenders fears of regulatory capture ([Vanatta 2022](#)), conflict of interest, or compromised integrity of oversight functions ([Chalmers et al. 2022](#)).

Understanding this issue is also essential because feedback loops can have systemic implications for financial stability, transparency and regulatory effectiveness. The revolving door can lead to both positive effects (like better risk management from regulators' expertise) and to adverse consequences (reduced oversight by supervisors and increased moral hazard). Considering that Iran's banking system plays a significant part in economic intermediation and the increasing complexity of financial laws, policymakers, regulators, and bank managers must comprehend how personnel transfer between regulatory and private sectors can impact bank performance and create effective governance mechanisms ([Barth & Mansouri, 2021](#); [Mehrbanpour et al., 2017](#)).

This study aims to empirically examine the impact of the revolving door phenomenon on the financial performance of Iranian banks, with a primary focus on identifying both positive and negative effects. The research contributes to the existing literature by: (1) providing the first systematic analysis of revolving door effects in the banking context of Iran, (2) developing a comprehensive framework for measuring these effects on bank financial performance, and (3) offering evidence-based recommendations for optimizing the benefits while mitigating the risks associated with regulatory-private sector personnel mobility. Overall, the findings provide policymakers with valuable insights. Specifically, they inform decisions on regulatory restrictions on careers, disclosure requirements, and oversight mechanisms to enhance banking sector stability and performance.

This article is organized as follows: The theoretical framework and problem statement are initially delineated. The following section provides a review of relevant domestic and international literature. The factors influencing bank performance, the research methodology, the statistical test results, the conclusions, and the recommendations are presented in sequence.

2. Theoretical framework

A recurring theme in economic and financial discourse is the conflict of interest and the revolving door phenomenon within the banking system. Conflict of interest is one of the primary roots of corruption in governance, which refers to a set of circumstances where secondary interests may influence professional decisions and actions. Such an undue influence can undermine objectivity. A conflict of interest occurs when private interests and incentives might lead to actions with a tendency to cast doubt on the impartiality of someone in public office ([OECD, 2004](#)).

In fact, these definitions highlight that corruption is fundamentally born out of conflict of interest and the measures to preemptively address constitutes anti-corruption. Thus, it is imperative to pinpoint context-specific strategies for the management of conflicts of interest. In certain circumstances, an individual, a group or an institution may be faced with dilemmas in which they have to choose between their obligations and the promotion of the interests of one person or group.

One such scenario occurs when individuals move between legislative and executive roles. For instance, an individual who previously served in a legislative body within a regulatory or policy-

making framework and developed specific relationships and insights may later return to an executive position. Leveraging the information and connections from their legislative tenure, they might prioritize the interests of their current executive institution.

Conversely, individuals with extensive experience in executive positions may subsequently join legislative bodies, where they could prioritize the interests of their former executive colleagues in decision-making processes. They may pass laws that work in their favor career-wise down the road, knowing that their time in the legislature is temporary, and looking ahead to a return to executive life. The practice of switching between lobbying and legislation is indicative of what experts refer to as the revolving door, which has been used to describe how individuals often cycle between Congress and various executive branches, signalling potential conflicts of interest if not potential corruption. In its more precise sense, the transfer of personnel between executive agencies and legislative or regulatory bodies, and vice versa, is a crucial governance problem affecting many countries collectively known as "revolving door" (Chalmers et al., 2022).

Around the world, revolving door abuse is most common in sectors including financial services, health care and energy. However, in Iran, it is particularly acute in the banking sector. The major authority regulating banking is the Central Bank of the Islamic Republic of Iran. Its leadership, including the Governor and board members, is often selected from state-owned banks, in which they previously enforced all of the Central Bank's laws, which opens the closed loop to create a fertile soil for corruption and rent-seeking behaviors.

Drawing from this institutional analysis, three principal relationships were noted between the regulatory and executive sectors. The first, and most obvious, comes from direct associations with executive bodies while serving in a regulatory government role (i.e., holding a position on the board of an executive organization). The second involves informal ties to executive institutions while in government office, such as through advisory roles or integrating executive interests into regulatory decision-making. The second major type is employment at an executive agency prior to or following the time that they work in a regulatory role (Shive and Forster, 2017).

Most regulatory measures, such as bans on dual-officeholding, address the first kind of connection. However, other forms, especially the third one, which is highly prone to corruption, remain largely unregulated.

In Iran, individuals appointed as governors or senior managers of the Central Bank frequently have prior experience in state-owned banks and often return to them after their tenure. Consequently, during their time at the Central Bank, they may refrain from making decisions that could harm state-owned or private banks and might exploit their networks and privileges for personal gain.

Profitability is a key metric for evaluating the performance of economic entities, providing essential insights for stakeholders, including governments, beneficiaries, and the public. The importance of factors influencing bank profitability becomes more evident when banks can better understand diverse economic variables and accurately forecast financial and economic indicators using appropriate tools (Monsef and Mansouri, 2011).

Numerous studies have examined the determinants of bank profitability across different economic environments; however, these determinants often vary with the specific institutional and governance structures of each context. Among these structural conditions, one with received limited scholarly attention is the revolving door phenomenon, in which personnel circulate between regulatory authorities and the banking sector. This phenomenon, fundamentally rooted in conflicts of interest, can distort decision-making processes and impair bank performance by creating discrepancies between personal interests and professional responsibilities.

There are four principal reasons for studying banks' financial performance. First, Iran's financial system is predominantly bank-centric, with the capital market playing a subordinate role. Second,

banks are significant employers within the economy. Third, banks play a crucial role in aggregating small-scale savings for large economic projects, thereby offering valuable insights. Fourth, challenges such as international sanctions, insufficient resources for private-sector investment, and the resulting competition for financial resources underscore the need for optimal resource allocation.

Therefore, this article aims to examine the impact of selected key financial performance indicators on the profitability of Iran's state-owned banks, with an emphasis on the revolving-door phenomenon.

2.1. Literature review

However, scholarly interest in such a phenomenon, the revolving door (transfer of people between regulatory agencies and the private building), is growing, as it may affect financial performance, governance and public trust among various institutional actors. So far, existing studies offer mixed evidence, indicating that the impacts of this practice are highly context contingent and mediated by institutional quality, the structure of ownership, and the nature of regulatory oversight.

A large body of international-level research highlights the potential value added from revolving-door practices. [Blanes et al. \(2012\)](#) claimed that government-affiliated lobbyists can leverage their existing networks and knowledge of the ins and outs of government bureaucracy, yielding advantageous outcomes for firms in need of special access or regulatory favors. Also, [Shive and Forster \(2017\)](#) showed that when firms hire ex-regulators, their stock market performance improves, especially during times of regulatory change, as these individuals provide firms with knowledge about future changes in policy and help the firms adjust accordingly.

Other research supports this argument from other angles. [Canayaz et al. \(2015\)](#) provided evidence of a strong positive link between revolving door hires and abnormal stock returns among U.S. firms. [Roudini \(2023\)](#) showed that employing former regulators is positively correlated with greater innovation and higher rates of approval for new products in the pharmaceutical sector. The findings were consistent with the resource dependence theory, which suggests that organizations gain from external access to experts and networks that can reduce uncertainty and improve strategic positioning. In this perspective, revolving-door practices could become an avenue for transferring regulatory knowledge into companies and ultimately strengthening compliance, improving risk management, and creating a competitive advantage.

In contrast, a separate body of literature emphasizes the negative effects of revolving door dynamics. [Lucca et al. \(2014\)](#) provided evidence that bank regulators who hire ex-regulators may dilute supervisory effectiveness and increase systemic risk. Firms with former Partners managing them engage in more earnings management (higher abnormal accruals, [Menon and Williams \(2004\)](#)). For example, [Tenekejdjeva \(2020\)](#) concluded that solvency measures are widely over-reported in the insurance sector and estimates annual consumer costs of \$27 billion. On the Chinese listed firm end, [Li \(2023\)](#) found revolving-door appointments to be linked to 0.6–1.9% declines in profitability per year after those hires; such hiring behavior suggests political entanglement/non-reduction of finance constraints rather than that above. This aligned well with agency theory, suggesting that conflicts of interest and misaligned incentives may hinder monitoring and reduce firm performance.

Together, the literature paints an unclear picture. On the one side, revolving door practices increase information accessibility, lessen regulatory uncertainty, and have positive influences on firm value. They may also be a recipe for greater regulatory laxity, corruption and decreased accountability. These are not universal effects, but rather contingent on the institutional context; as such, they provide divergent findings.

As evidence synthesis suggests, "six studies" have reported positive effects (e.g., improved stock returns, reduced risk to the firm and increased innovation), with three of them hiding negative results (profitability decreases, misreporting overstatement in solvency). Importantly, mechanisms vary by

context in advanced economies, with stronger institutional checks, knowledge transfer and signaling effects dominating. In parallel, regulatory capture and negative external perceptions are stronger in environments with poorer governance and higher political risk.

While the amount of research continues to grow, a critical gap exists. Most empirical research is focused on developed financial markets, while emerging economies have been underexplored. Contextual moderators—including state ownership, bypoliticized oversight, and weaker institutional frameworks—are likely to shape the effects of revolving-door practices. For instance, whereas investors in developed economies usually perceive hiring an ex-regulator as a positive signal of compliance, the evidence from China suggests that such appointments may serve as liabilities and rather bring down profitability and constrain financing (Li, 2023).

This gap is particularly pronounced in the case of Iran. The financial system is dominated by state-owned banks that function in a landscape where political authority and regulatory agencies are tightly interlinked. This distinctive setting also allows us to explore whether, as is sometimes claimed, revolving door movements within such a context improve financial performance by facilitating knowledge transfer or actually hinder it through conflicts of interest and increased systemic vulnerabilities.

Given the current status of the literature and drawing upon that, this study contributes in two aspects: First, we extend empirical studies on revolving door practice to an underexplored setting of emerging economies with a focus on state-owned banks in Iran. Second, the study investigates the impact of managerial transfers between the Central Bank of Iran and state-owned banks on financial performance over 20 years. This exploration extends the global discourse on revolving doors and simultaneously speaks to how institutional conditions inform the tightrope between efficiency gains and ethical risks in terms of who governs banking.

2.2. Factors influencing bank performance

Researchers such as Athanasoglou et al. (2009) have categorized the factors influencing bank performance into two groups: internal and external factors.

Internal Factors

Internal factors are those under the bank's management control. The study derives these factors from the CAMELS ratios, where high managerial incentives to fulfill their responsibilities effectively contribute to enhanced bank profitability. This study examines the effect of managerial incentives on bank performance by analyzing balance sheet items and income statements (Williams, 2017).

- **Capital Adequacy Ratio:** One of the most significant CAMELS ratios is the capital adequacy ratio, defined as the ratio of shareholders' equity to the bank's total assets, which serves as a measure of banks' performance, soundness, and financial stability. An increase in capital adequacy enhances banks' risk-taking capacity, thereby reducing the risk of bankruptcy. However, this also reduces bank profits. Considering future profits decline, banks may be less inclined to avoid risk (Talebi and Salgi, 2016).

- **Asset Quality Ratio:** The second internal factor is the asset quality ratio. Assets within the banking network primarily consist of various types of facilities, which form the foundation of banking system operations by allocating interest-bearing and non-interest-bearing resources. Goddard et al. (2004) identified a positive and statistically significant association between profitability and total asset value.

- **Management Ratio:** The management ratio is another important parameter that affects bank performance. The ratio uses operating income (which includes shared and non-shared income) as a measure within the CAMELS system, as it is also considered the main source of revenues for banks.

This income is the result of their core and perennial business, given that state-owned banks have legislative approved goals.

- **Liquidity Ratio:** This is another important CAMELS ratio, which gives the ratio of total deposits to the bank's total assets. This is also called the customer deposit ratio, which is reflected under the liability section of the balance sheet and this is the major source of funds in the banking network. This study includes the variable because it enables evaluation of bank profitability by considering the status of a key balance-sheet liability item.

External Factors

External factors beyond the bank's management's control also play a crucial role in explaining bank profitability. These include two primary factors: inflation and gross domestic product (GDP).

- **Inflation:** Inflation is known as a problem for any country; it is an unwanted phenomenon in its nature that causes damage to society that cannot be repaired. Enterprise profitability becomes volatile as inflation-induced price fluctuations set in. When many producers and suppliers begin to expand their operations with bank-financed borrowing, this volatility could result in overdue claims and the costs associated with these claims are imposed on banks that extend loans (Esmaeilzadeh Mogheri, 2009).

- **GDP:** The second external factor is Gross Domestic Product (GDP), defined as the total market value of all items produced within a country in one year. Overall, a surprise in GDP is generally associated with an increase in profits. Weak economic conditions can erode the quality of banks' loan portfolios that generate credit losses and higher reserves, which may curtail profits. On the contrary, and as a result of increased borrower liquidity and higher demand for loans that boost bank profitability (Athanasoglou et al., 2009), economic conditions improve.

- **Revolving Door Phenomenon (RD):** A final factor impacting bank performance is the revolving door phenomenon, and its effects have been largely missing from models developed by researchers in this area. Although this phenomenon has benefits, such as promoting greater synergy and collaboration between legislators and executive institutions, it also brings serious risks. Ranging on the other end from intensified information rent-seeking, discrimination in procurement, outsourcing and government tenders, biased policies —especially in the selection of winners — and regulatory inefficiencies. These risks decrease the quality of bank performance and are an important factor in decreasing profit.

3. Methodology and statistical population

This applied research was conducted based on its objectives and analytical in its approach to collecting statistical data using documentary methods for data collection. Based on the data and available techniques, regression analysis was used to examine the findings, with computations performed in EViews. Due to the unavailability of bank financial statements prior to 2002, the study period of 2002–2021 was chosen, corresponding to 1381–1400 in the Persian calendar, spanning 20 years.

Furthermore, pursuant to Iran's Administrative-Employment Law, which prohibits the transfer of employees from private and public institutions to the government sector, the revolving door phenomenon is observable and feasible solely between government executive institutions and sovereign legislative bodies. As a result, the study excludes semi-private and private banks from the statistical population. The study thus focuses exclusively on nine state-owned banks: *National Bank, Sepah Bank, Agricultural Bank, Housing Bank, Industry and Mine Bank, Export Development Bank of Iran, Post Bank, Cooperative Development Bank, and Mehr Iran Gharz-al-Hasna Bank.*

The dataset consists of 173 bank-year observations, structured as panel data. Following the 2019

merger of five military banks into *Sepah Bank*, the bank's financial statements have yet to be released. Also, *Mehr Iran Gharz-al-Hasna Bank* was established in 2007, and its financial statements were thus excluded from the sample before that year. All data and statistics used in this study were obtained from the financial statements available on the websites of the Central Bank of the Islamic Republic of Iran and the banks.

3.1. The model

After identifying the factors influencing bank performance based on the framework of Athanasoglou et al. (2009) and through its subsequent extension and modification, the primary and revised model employed in this study is presented as follows:

$$ROA_{it} = \beta_0 + \beta_1 CA_{it} + \beta_2 AQ_{it} + \beta_3 MC_{it} + \beta_4 Earnings_{it} + \beta_5 Liq_{it} + \beta_6 CA.RD_{it} + \beta_7 AQ.RD_{it} + \beta_8 MC.RD_{it} + \beta_9 Earnings.RD_{it} + \beta_{10} Liq.RD_{it} + \beta_{11} Inflation_t + \beta_{12} GDP_t + \varepsilon_{it} \quad (1)$$

Where return on assets (ROA) is calculated as net profit divided by total assets for bank *i* in year *t*. Capital adequacy ratio (CA) is the ratio of shareholders' equity to total assets of bank *i* in year *t*. Asset quality (AQ) shows the ratio of total liabilities to total assets of bank *i* in year *t*. Management ratio (MC) defines Operating income divided by total assets for bank *i* in year *t* profitability ratio (Earnings) indicates total loans granted/total deposits for bank *i* in year *t*; Liquidity Ratio presents the time deposits/totals asset of a bank in year a Time Period Length inflation and gross domestic product (GDP) were used as external determinant affecting number one performances of banks

Additionally, RD_{it} was included as a variable in the model to investigate the influence of the revolving door effect on bank performance and interaction terms between independent variables (internal determinants) and RD_{it} . This is a dummy variable taking the value of one if the positions of CEO or board member between the Central Bank of the Islamic Republic of Iran and state-owned banks experience a turnover, zero otherwise (Table 1).

First, return on assets (ROA) is used as a measure for financial performance in the study due to having two influences. First, ROA is recognised in the banking literature as a sound proxy for operational efficiency (see Athanasoglou et al., 2009 for a comprehensive overview), particularly within studies exploring how internal management and governance mechanisms influence this outcome. As a direct measure of the degree to which banks utilize their asset base in pursuing profits, it is also a ratio that assesses the relevance of revolving-door dynamics. Second, reliable and comparable data for Iranian state-owned banks were not consistently available across the study period for alternative measures, such as return on equity (ROE) and market-based indicators (e.g., Tobin's *Q* and stock returns). This limitation arises from the fact that these banks are not publicly traded and operate under distinctive ownership and reporting structures, which restricts the use of market-based metrics.

Table 1. Summary of model variables

Variable	Abbreviation	Measurement Method	References
Dependent	Return on Assets Ratio	ROA_{it}	Net Income/Total Assets
Independent	Capital Adequacy Ratio	CA_{it}	Equity/Total Assets
	Asset Quality Ratio	AQ_{it}	Total Liabilities/Total Assets

Control	Management Ratio	MC_{it}	Operating Income/Total Assets	Lopez (1999)
	Profitability Ratio	$Earnings_{it}$	Total Loans/Total Deposits	Lopez (1999)
	Liquidity Ratio	Liq_{it}	Deposits/Total Assets	Lopez (1999)
	Revolving-Door Index	RD_{it}	Dummy variable (1 = transfer occurred; 0 = otherwise)	Vanatta (2024) and Chalmers et al. (2022)
	Inflation Rate	$Inflation_t$	Annual percentage change in CPI	The Central Bank of the Islamic Republic of Iran (Database)
	Gross Domestic Product Index	GDP_t	Annual growth rate of GDP (%)	The Central Bank of the Islamic Republic of Iran (Database)

4. Findings

The subsequent section presents the research findings, including descriptive statistics, homogeneity and correlation tests, regression analysis, and robustness checks using additional variables to assess the research model.

4.1. Descriptive statistics

Table 2 presents descriptive statistics for the research variables, summarizing each variable's data distribution.

Table 2. Descriptive statistics

Variable	Mean	Median	Max	Min	S. Deviation
<i>ROA</i>	-0.007	0.003	0.101	-0.485	0.072
<i>CA</i>	0.130	0.068	0.854	-0.077	0.152
<i>AQ</i>	0.856	0.934	1.425	0.144	0.200
<i>MC</i>	0.064	0.053	0.599	-0.041	0.058
<i>Earnings</i>	1.383	1.157	3.795	0.007	0.895
<i>Liq</i>	0.307	0.290	0.792	0.003	0.202
<i>CA.RD</i>	0.010	0.000	0.201	-0.051	0.033
<i>AQ.RD</i>	0.138	0.000	1.051	0.000	0.328
<i>MC.RD</i>	0.008	0.000	0.109	0.000	0.021
<i>Earnings.RD</i>	0.209	0.000	3.344	0.000	0.599
<i>Liq.RD</i>	0.045	0.000	0.557	0.000	0.122
<i>Inflation</i>	21.661	15.800	47.100	9.000	12.09
<i>GDP</i>	2.696	3.300	14.163	-8.555	5.130

4.2. Unit Root Test (Stationarity Test)

Ensuring stationarity within the series used in a model is essential to avoid misleading statistical inferences and erroneous regression results. To ensure robust analysis, the stationarity of the variables was examined using the Augmented Dickey–Fuller test for unit roots. A summary of the unit root test results appears in Table 3. To select the optimal lag length, the study applied the Schwarz-Bayesian Criterion.

Table 3. Results of the Unit Root Test

Series	Augmented Dickey–Fuller Test Statistic	Critical Values			Degree	Results
		%1	%5	%10		
ROA	-6.355	-3.469	-2.879	-2.576	I (0)	In levels

CA	-4.521	-3.469	-2.879	-2.576	I (0)	In levels
AQ	-7.370	-3.469	-2.879	-2.576	I (0)	In levels
MC	-6.200	-3.469	-2.879	-2.576	I (0)	In levels
Earnings	-4.831	-3.469	-2.879	-2.576	I (0)	In levels
Liq	-4.344	-3.469	-2.879	-2.576	I (0)	In levels
CA.RD	-8.573	-3.469	-2.879	-2.576	I (0)	In levels
AQ.RD	-4.866	-3.469	-2.879	-2.576	I (0)	In levels
MC.RD	-7.907	-3.469	-2.879	-2.576	I (0)	In levels
Earnings.RD	-8.341	-3.469	-2.879	-2.576	I (0)	In levels
Liq.RD	-7.175	-3.469	-2.879	-2.576	I (0)	In levels
Inflation	-9.764	-3.469	-2.879	-2.576	I (0)	In levels
GDP	-8.023	-3.469	-2.879	-2.576	I (0)	In levels

Based on the results of the Augmented Dickey–Fuller unit root test in Table 3, all the research variables are in levels and do not exhibit a unit root. Consequently, the regression outcomes are not spurious.

4.3. Correlation coefficient results

Table 4 displays the correlation coefficients between the dependent variable and the independent variables. These results illustrate the relationship between the return on assets and the independent variables in the study and indicate the degree of dispersion around the regression line.

Table 4. Correlation coefficient results

	<i>ROA</i>	<i>CA</i>	<i>AQ</i>	<i>MC</i>	<i>Earnings</i>	<i>Liq</i>	<i>CA.RD</i>	<i>AQ.RD</i>	<i>MC.RD</i>	<i>Earnings.RD</i>	<i>Liq.RD</i>	<i>Inflation</i>	<i>GDP</i>
<i>ROA</i>	1	0.083	-0.076	0.357	-0.350	0.043	-0.023	-0.107	-0.072	-0.099	-0.102	-0.039	0.019
<i>CA</i>		1	-0.627	0.132	0.292	-0.236	0.016	-0.137	-0.088	-0.088	-0.122	-0.133	0.193
<i>AQ</i>			1	0.010	-0.392	0.256	-0.079	0.048	0.006	-0.047	0.015	0.096	-0.034
<i>MC</i>				1	-0.339	0.173	-0.024	-0.060	0.012	-0.071	-0.071	0.014	-0.048
<i>Earnings</i>					1	-0.567	0.008	-0.079	-0.066	0.040	-0.081	0.081	-0.044
<i>Liq</i>						1	-0.063	0.012	-0.024	-0.080	0.036	-0.092	-0.023
<i>CA.RD</i>							1	0.744	0.849	0.863	0.801	0.098	-0.015
<i>AQ.RD</i>								1	0.949	0.912	0.967	-0.039	0.024
<i>MC.RD</i>									1	0.925	0.936	0.015	0.011
<i>Earnings.RD</i>										1	0.908	0.072	-0.027
<i>Liq.RD</i>											1	-0.039	0.009
<i>Inflation</i>												1	-0.508
<i>GDP</i>													1

Based on the correlation coefficients in Table 4, a negative relationship exists between the dependent variable (return on assets) and the independent variables, including the asset quality ratio, profitability ratio, and inflation index. Consequently, the findings suggest that increases in these variables are associated with decreases in the return on assets. Furthermore, the correlation between these variables and the return on assets is weak, indicating relatively high dispersion around the regression line.

In contrast, the results indicate a positive relationship between the dependent variable and the following independent variables, including the capital adequacy ratio, management efficiency ratio, liquidity ratio, and the gross domestic product index (with correlation coefficients of 0.083, 0.357, 0.043, and 0.018, respectively). These coefficients indicate that increases in these variables are associated with higher asset returns for state-owned banks. Moreover, the correlation between the management efficiency ratio and the dependent variable exhibits minimal dispersion around the regression line.

4.4. Regression estimation

To test the research model, the results of the multivariate regression, along with the t-test, F-test, and Durbin-Watson test, are presented in Table 5. The results were analyzed at the 5% significance level.

Table 5. Regression estimation results

$$ROA_{it} = \beta_0 + \beta_1 CA_{it} + \beta_2 AQ_{it} + \beta_3 MC_{it} + \beta_4 Earnings_{it} + \beta_5 Liq_{it} + \beta_6 CA.RD_{it} + \beta_7 AQ.RD_{it} + \beta_8 MC.RD_{it} + \beta_9 Earnings.RD_{it} + \beta_{10} Liq.RD_{it} + \beta_{11} Inflation_t + \beta_{12} GDP_t + \varepsilon_{it}$$

Component	Coef.	S. deviation	t-statistic	p-value
intercept	2.934	0.800	3.665	0.000
CA	-0.182	0.886	-0.206	0.837
AQ	-1.431	0.661	-2.167	0.032
MC	5.455	1.861	2.931	0.004
Earnings	-0.730	0.144	-5.061	0.000
Liq	-1.429	0.573	-2.496	0.014
CA.RD	1.447	1.220	1.186	0.238
AQ.RD	0.915	2.747	0.333	0.739
MC.RD	-25.219	31.248	-0.807	0.421
Earnings.RD	0.019	0.891	0.022	0.983
Liq.RD	-3.595	5.715	-0.629	0.530
Inflation	-0.004	0.009	-0.386	0.670
GDP	-0.003	0.022	-0.148	0.883
F-statistic			4.835	
p-value			0.000	
Adjusted R-squared			0.280	
Adjusted R-squared			0.222	
Durbin-Watson Statistic			1.011	

Based on the results in Table 5, the coefficient for the asset quality ratio (AQ) is -1.431, which indicates that a one-percentage-point increase in the asset quality ratio is associated with a 1.431-percentage-point decrease in the return on assets (ROA). At the 5% significance level, the p-value for this coefficient is 0.032, suggesting a statistically significant relationship between asset quality and ROA.

Similarly, the coefficient for the management efficiency ratio (MC) is 5.455, implying that a 1-percentage-point increase in management efficiency corresponds to a 5.455-percentage-point increase in ROA. The p-value for this coefficient is 0.004, confirming a significant positive relationship between management efficiency and ROA at the 5% significance level.

Furthermore, the coefficients for the profitability ratio (Earnings) and the liquidity ratio (Liq) are -0.730 and -1.429, respectively. These negative coefficients suggest that increases in profitability and liquidity ratios are associated with decreases in ROA. The p-values for these coefficients are 0.000 and 0.014, respectively, indicating statistically significant negative relationships at the 5% significance level.

Conversely, other independent variables, including the capital adequacy ratio (CA), inflation rate (Inflation), gross domestic product (GDP), and the interaction terms involving the revolving-door dummy variable (CA.RD, AQ.RD, MC.RD, Earnings.RD, and Liq.RD), do not exhibit statistically significant relationships with ROA.

The overall multivariate regression model is statistically significant, as evidenced by an F-test p-value of 0.000, which is below the 0.05 threshold. With an R-squared value of 0.28, the model explains roughly 28% of the variation in ROA through its independent variables.

Additionally, the Durbin-Watson statistic reported in Table 5 is slightly above one, indicating no autocorrelation in the residuals. This result shows that the residuals follow a random pattern,

confirming that the regression assumption of independence holds.

4.5. Redundant variables test

The Redundant Variables Test tests the hypothesis that a set of variables in a regression equation may be unnecessary. Specifically, this test assesses whether the coefficients of these variables are jointly equal to zero, implying that the model may omit them without compromising its explanatory power. In this context, the null hypothesis posits that the interaction terms between the dummy variable representing managerial transitions (RD) and the independent variables: capital adequacy (CA.RD), asset quality (AQ.RD), management ratio (MC.RD), earnings ratio (Earnings.RD), and liquidity ratio (Liq.RD) are redundant in the multiple regression model. Table 6 presents the results of the Redundant Variables Test.

Table 6. Results of the redundant variables test

Null Hypothesis	F-Statistic	Log-Likelihood Ratio	p-value (F-Statistic)	p-value (Chi-Square)	Test Result
The interaction terms (CA.RD, AQ.RD, MC.RD, Earnings.RD, Liq.RD) are redundant in the regression model.	0.977	5.225	0.434	0.389	Null Hypothesis Accepted

As indicated in Table 6, the p-value associated with the F-statistic is 0.434, which exceeds the conventional significance level of 0.05. Consequently, we fail to reject the null hypothesis, suggesting that the interaction terms (CA.RD, AQ.RD, MC.RD, Earnings. RD, Liq.RD) do not contribute significantly to the model and can be considered redundant.

5. Conclusions and discussions

This study employed the model developed by Athanasoglou et al. (2009) to examine the impact of the revolving door phenomenon on the performance of state-owned banks in Iran. By incorporating a dummy variable representing the transfer and rotation of executives and board members between the Central Bank of the Islamic Republic of Iran and state-owned banks, the study aimed to assess the influence of such movements on bank performance.

The findings indicated that none of the independent variables, adjusted for managerial transitions, exhibit a statistically significant relationship with Return on Assets (ROA). This lack of significance suggests that the revolving door phenomenon and the potential conflicts of interest it may entail do not materially affect the profitability of state-owned banks in Iran.

As previously discussed, conflicts of interest arising from the movement of executives between the Central Bank and state-owned banks can lead to corruption or rent-seeking behaviors. However, the results of this study imply that managerial transitions linked to the revolving door phenomenon have not adversely affected the financial performance (ROA) of state-owned banks. The results suggest that executives transitioning between these institutions maintain integrity and do not engage in conflicts of interest or use their positions for personal advantage. Furthermore, stringent oversight by relevant authorities during their tenure mitigates potential conflicts of interest, corruption, and rent-seeking activities.

Hence, the lack of a statistically significant relationship between revolving door practices and the financial performance of Iranian state-owned banks can be explained by several factors. One possible explanation lies in the institutional environment: Formalized procedures and supervisory mechanisms

regulate managerial transfers between the Central Bank and state-owned banks, thereby limiting opportunities for conflicts of interest or regulatory capture. In such a setting, revolving door movements may have a neutral rather than a decisive impact on performance outcomes.

At the same time, the study should explicitly acknowledge methodological considerations. The study's methodology measures revolving-door practices using a dummy variable that captures managerial transfers but excludes their duration, frequency, or intensity. Moreover, the exclusive reliance on ROA as the performance indicator, while consistent with the banking literature, may not fully capture market-based, reputational, or long-term governance effects. These factors may have contributed to the absence of statistical significance in the results.

Based on these findings, future research should explore conflicts of interest and the revolving door phenomenon in post-employment contexts, particularly before and after retirement. The lack of post-retirement oversight may facilitate the transfer of occupational rents to subsequent employment phases, potentially leading to conflicts of interest.

The findings differed in several key aspects from those reported in studies conducted in developed economies, where institutional and regulatory structures are stronger. Empirical studies in advanced economies such as the United States and Europe have often linked revolving-door practices to positive outcomes, including improved stock market performance and better risk management (Shive and Forster, 2017; Canayaz et al., 2015). Previous studies have typically attributed these results to the transfer of regulatory expertise and privileged access to policy information. By contrast, our analysis of Iranian state-owned banks finds no statistically significant effect. This suggests that under conditions of strong state control and formal oversight, the revolving door may not significantly influence financial performance.

The results also stood in contrast to evidence from China (Li, 2023), where revolving door appointments were associated with declines in profitability and financing constraints due to perceptions of political entanglement. In the Iranian case, the absence of a significant relationship pointed instead to a neutral outcome that revolving door movements neither generate measurable efficiency gains nor impose discernible financial costs. This comparison highlights the critical role of institutional context in shaping the outcomes of revolving door practices.

Taken together, these contrasts reinforce the view that the revolving door phenomenon is not universal in its effects but is instead contingent on governance structures, ownership patterns, and regulatory environments. This study contributes to broadening the global debate by documenting a neutral impact in the Iranian state-owned banking sector, which highlights the need for more context-sensitive approaches in analyzing the intersection of governance, regulation, and bank performance.

In addition, the limited number of observations in the multivariate regression analysis posed a constraint in this study. Expanding the sample size in future research could address this limitation and enhance the robustness of the findings.

Future research should expand the analysis of revolving-door dynamics in state-owned banks by addressing multiple dimensions. First, studies could investigate managerial transitions at levels below the CEO and board, as well as post-employment movements, to capture the full scope and intensity of personnel rotations. Second, qualitative approaches, including case studies, interviews, and archival analyses, are needed to assess non-financial consequences such as distortions in credit allocation, regulatory leniency, factional influence, and impacts on public trust. Finally, research should incorporate a broader set of performance and governance indicators beyond accounting profitability, such as non-performing loans, loan quality, regulatory enforcement, and transparency metrics, enabling a more comprehensive understanding of how revolving-door practices affect institutional integrity and the stability of state banking systems.

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