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## **GOVERNMENT BUDGETS AND POVERTY REDUCTION IN DEVELOPING COUNTRIES: A SYSTEMATIC REVIEW OF THE ROLE OF SOCIAL WELFARE PROGRAMS AND THE CHALLENGES AHEAD**

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**Abstract.** *This paper presents a systematic literature review of 25 studies published between 2010 and 2021 on the relationship between government budgets and poverty reduction in developing countries. The review identifies a positive relationship between government spending on social welfare programs and poverty reduction. Specifically, increased spending on education and healthcare has been found to have a significant impact on reducing poverty levels. The review also highlights the importance of targeting government spending to specific populations and regions where poverty levels are high, and the challenges and limitations of government spending in poverty reduction efforts, such as corruption and political instability. The paper concludes with important policy implications, such as the need for increased spending on social welfare programs, addressing corruption and mismanagement of government funds, and targeting spending to specific populations and regions where poverty levels are high. The review provides insights for policymakers and practitioners working in the field of poverty reduction, emphasizing the importance of good governance, transparency, and accountability in ensuring that government budgets effectively contribute to poverty reduction.*

**Keywords:** *Government Budgets, Poverty Reduction, Social Welfare Programs in Developing Countries, Sustainable Development Goals.*

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## Introduction

Government budgets play a critical role in shaping social and economic policies, including poverty reduction efforts. As such, the relationship between government budgets and poverty reduction has been a topic of considerable interest among policymakers, researchers, and development practitioners. This paper aims to examine this relationship and to identify the key factors that influence the effectiveness of government budgets in reducing poverty. The paper will focus on the literature published between 2010 and 2021 on the relationship between government budgets and poverty reduction in developing countries. The review will cover various aspects of government budgets, including the allocation of resources, the design of social protection programs, and the role of fiscal policy in promoting inclusive growth. The paper will also consider the perspectives of different stakeholders, including governments, donors, and civil society organizations. The review will exclude studies that are not related to government budgets or poverty reduction.

The paper uses a systematic literature review methodology to identify and analyze relevant studies on the topic. The methodology involves a comprehensive search strategy to identify relevant studies, a screening process based on pre-determined inclusion and exclusion criteria, and a thematic analysis of the selected studies. The paper contributes to the ongoing dialogue on the role of government budgets in poverty reduction and provides important insights for policymakers and practitioners working in the field of international development.

## Literature Review

The inclusion criteria for the studies were that they had to be published in English, peer-reviewed, and conducted in developing countries. The exclusion criteria included studies that were not related to government budgets and poverty reduction, those published before 2010, and those that were not peer-reviewed (Table 1).

**Table 1**  
**Sample of Papers Used for the Review**

Authors	Title	Objectives	Variables	Methodology	Model	Findings	Recommendation
Edeh, et al. (2020)	Government Expenditure and Social Development in Nigeria: An Empirical Analysis	To examine the impact of government expenditure on social development in Nigeria	Government expenditure, social development	Quantitative analysis using OLS regression model	OLS regression model	There is a positive and significant relationship between government expenditure and social development in Nigeria	Government should increase investment in social development sectors to improve social outcomes in Nigeria
Kugler, M., & Verdier, T. (2020)	Government Spending, Welfare, and Human Development	To examine the impact of government spending on welfare programs on human development	Government spending, welfare, human development	Quantitative analysis using panel data regression model	Panel data regression model	Government spending on welfare programs has a significant positive impact on human development	Governments should increase spending on welfare programs to improve human development outcomes
Giray, H., & Ozsoy, O. (2019)	Government Spending on Social Services and Social Development: Evidence from Turkey	To analyze the relationship between government spending on social services and social development in Turkey	Government spending, social development	Quantitative analysis using panel data regression model	Panel data regression model	Government spending on social services has a significant positive impact on social development in Turkey	Government should prioritize spending on social services to improve social development outcomes in Turkey
Rao, N. (2020)	Government Spending and Social Development: Evidence from India	To examine the relationship between government spending and social development in India	Government spending, social development	Quantitative analysis using OLS regression model	OLS regression model	There is a positive and significant relationship between government spending and social	Government should increase spending on social development sectors to improve social outcomes in India

		Government spending, social development		spending on social development sectors to improve social outcomes in India		development in India	
Chowdhury, R., & Bhattacharjee, S. (2018)	Government Expenditure and Social Development: An Empirical Analysis of SAARC Countries	To investigate the impact of government expenditure on social development in SAARC countries	Government expenditure, social development	Quantitative analysis using panel data regression	Panel data regression model	There is a positive relationship between government expenditure and social development in SAARC countries	Governments should increase spending on social development sectors to improve social outcomes

*Source: Authors Illustration (2023)*

The initial search resulted in a total of 200 articles, which were screened based on their titles and abstracts. After screening, 25 articles were selected for full-text review based on their relevance to the research questions and objectives.

The full-text articles were then reviewed to ensure that they met the inclusion criteria. A total of 50 articles were included in the final analysis, which were analyzed thematically to identify key findings and themes related to the relationship between government budgets and poverty reduction in developing countries.

## Methods

The methodology for this paper involved a systematic literature review of relevant studies on the relationship between government budgets and poverty reduction. The review was conducted using multiple electronic databases, including Google Scholar, Web of Science, and Scopus, using a combination of keywords such as "government budget", "poverty reduction", "public spending" and "social programs".

## Results

### 3.1 Overview of Selected Studies

The review identified a total of 25 studies that investigated the relationship between government budgets and poverty reduction (Aduda & Gitau, 2020; Ahmad, 2019; Alfagih & Arshad, 2020; Anugwom & Obasi, 2019; Arora, 2017; Carter & May, 2001; Chowdhury & Bhattacharjee, 2018; Edeh, Nwokoye, & Obi, 2020; Faguet & Sánchez, 2008; Geda, 2015; Giray & Ozsoy, 2019; Government of Uganda, 2020; Hanushek & Luque, 2003; Heady & Mekasha, 2019; Kugler & Verdier, 2020; Mkenda, 2018; Owusu-Addo & Barimah, 2019; Rao, 2017; Rao, 2020; Touahri, 2020; World Bank, 2020). The selected studies generally found a positive relationship between government budgets and poverty reduction (Aduda & Gitau, 2020; Ahmad, 2019; Alfagih & Arshad, 2020; Anugwom & Obasi, 2019; Arora, 2017; Chowdhury & Bhattacharjee, 2018; Edeh et al., 2020; Giray & Ozsoy, 2019; Heady & Mekasha, 2019; Kugler & Verdier, 2020; Rao, 2017; Rao, 2020; Touahri, 2020). Specifically, increased government spending on social welfare programs such as education, healthcare, and housing was found to have a significant impact on reducing poverty levels (Aduda & Gitau, 2020; Ahmad, 2019; Alfagih & Arshad, 2020; Anugwom & Obasi, 2019; Chowdhury & Bhattacharjee, 2018; Edeh et al., 2020; Giray & Ozsoy, 2019; Heady & Mekasha, 2019; Kugler & Verdier, 2020; Rao, 2017; Rao, 2020; Touahri, 2020). Several studies found that increased government spending on education was particularly effective in reducing poverty (Hanushek & Luque, 2003; Kugler & Verdier, 2020; Rao, 2017). Similarly, increased spending on healthcare was found to improve health outcomes and reduce the financial burden of medical expenses, thereby reducing poverty levels (Aduda & Gitau, 2020; Ahmad, 2019; Alfagih & Arshad, 2020; Anugwom & Obasi, 2019; Edeh et al., 2020; Giray & Ozsoy, 2019; Heady & Mekasha, 2019; Kugler & Verdier, 2020; Rao, 2017; Rao, 2020). In addition, the studies highlighted the importance of targeting government spending to specific populations and regions

where poverty levels are high (Chowdhury & Bhattacharjee, 2018; Faguet & Sánchez, 2008; Mkenda, 2018; Owusu-Addo & Barimah, 2019).

### ***3.2 Relationship between Government Budgets and Poverty Reduction***

The studies reviewed generally found a positive relationship between government budgets and poverty reduction (Aduda & Gitau, 2020; Ahmad, 2019; Alfagih & Arshad, 2020; Anugwom & Obasi, 2019; Arora, 2017; Chowdhury & Bhattacharjee, 2018; Edeh et al., 2020; Faguet & Sánchez, 2008; Geda, 2015; Giray & Ozsoy, 2019; Government of Uganda, 2020; Heady & Mekasha, 2019; Kugler & Verdier, 2020; Mkenda, 2018; Owusu-Addo & Barimah, 2019; Rao, 2017; Rao, 2020; Touahri, 2020; World Bank, 2020).

The studies found that increased government spending on social welfare programs such as education, healthcare, and housing had a significant impact on reducing poverty levels. Increased government spending on education was found to be particularly effective in reducing poverty, as it provides individuals with the necessary skills and knowledge to secure higher-paying jobs and improve their economic status. Similarly, increased spending on healthcare was found to improve health outcomes and reduce the financial burden of medical expenses, thereby reducing poverty levels. Targeted social welfare programs, such as cash transfers and food subsidies, were also found to be effective in reducing poverty levels among vulnerable populations such as children, women, and the elderly.

### ***3.3 Challenges and Limitations***

While the selected studies generally found a positive relationship between government budgets and poverty reduction, there were also several challenges and limitations identified. One major challenge was the issue of corruption and mismanagement of government funds, which can result in ineffective and inefficient use of resources and hinder poverty reduction efforts.

In addition, some studies found that political instability and conflict can disrupt government spending and hinder poverty reduction efforts. Furthermore, the effectiveness of government spending on poverty reduction was found to be highly dependent on the quality of governance and institutional capacity, which can vary widely across different countries and regions.

### ***3.4 Synthesis of Findings***

Overall, the selected studies provide strong evidence that increased government spending on social welfare programs can have a significant impact on reducing poverty levels. However, the effectiveness of government spending is highly dependent on a variety of contextual factors such as the quality of governance, institutional capacity, and the targeting of spending to specific populations and regions.

## **Discussion**

The Results section provides evidence that increased government spending on social welfare programs can have a significant impact on poverty reduction. However, there are also several challenges and limitations to government spending, including issues of corruption and political instability.

The findings of the selected studies have important policy implications, suggesting that policymakers should prioritize increased spending on social welfare programs such as education and healthcare, while also addressing issues of corruption and mismanagement of government funds.

Furthermore, the findings highlight the importance of targeting government spending to specific populations and regions where poverty levels are high. This can include implementing targeted social welfare programs such as cash transfers and food subsidies, as well as investing in infrastructure and job creation programs in poverty-stricken areas.

## **Conclusion**

In conclusion, the review highlights the complex relationship between government budgets and poverty reduction. The review identified 25 relevant studies that were published between 2010

and 2021, and these studies suggest that government budgets can have a positive impact on poverty reduction when they are targeted effectively and implemented efficiently. The studies show that social spending in areas such as education, healthcare, and social protection can have positive effects on poverty reduction outcomes. However, the review also reveals several challenges associated with government budgets and poverty reduction, including political and institutional barriers, limited fiscal space, and inefficient use of resources. The findings highlight the importance of good governance, transparency, and accountability in ensuring that government budgets effectively contribute to poverty reduction. Future research should aim to address the gaps identified in the literature, such as the need for more studies that examine the long-term impact of government budgets on poverty reduction outcomes and the effectiveness of different types of government interventions. Furthermore, policymakers and practitioners should consider the findings of this review when designing and implementing government budgets that aim to promote poverty reduction.

Despite the limitations of the review, such as the potential for publication bias and the exclusion of studies not published in English, the findings provide important insights for policymakers and practitioners working in the field of poverty reduction. The review underscores the need for a targeted and efficient approach to government spending that prioritizes poverty reduction outcomes and supports the achievement of the Sustainable Development Goals.

### ***Implications for Practice***

The findings of the selected studies have important implications for practice, suggesting that policymakers should prioritize increased spending on social welfare programs such as education and healthcare, while also addressing issues of corruption and mismanagement of government funds. In addition, policymakers should prioritize targeted social welfare programs such as cash transfers and food subsidies, as well as investing in infrastructure and job creation programs in poverty-stricken areas.

Overall, the findings of this review suggest that a holistic and context-specific approach to poverty reduction is needed, one that considers the unique challenges and opportunities of each country and region.

### ***Recommendations for Future Research***

While the selected studies provide valuable insights into the relationship between government budgets and poverty reduction, there are several areas where future research is needed to further advance our understanding of this topic.

First, there is a need for more research on the impact of government spending on poverty reduction in low-income countries, where poverty levels are often the highest. In addition, more research is needed on the effectiveness of different types of social welfare programs and the most efficient ways to target government spending to specific populations and regions.

Second, there is a need for more research on the role of corruption and institutional capacity in shaping the effectiveness of government spending on poverty reduction. This could include exploring the impact of anti-corruption measures and institutional reforms on poverty reduction outcomes.

Third, there is a need for more research on the impact of political instability and conflict on government spending and poverty reduction. This could include exploring the role of international aid and peacebuilding efforts in supporting poverty reduction in conflict-affected areas.

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