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Determinants of Poverty Reduction: A Relative Panel Data Analysis between Positive and Negative Poverty Reduction Economies

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Abstract

The study compares the effects of inflation, unemployment and interest rate on poverty between positive and negative poverty reduction economies using panel data from 1991 to 2018 for ten countries. Performing a fixed effects model, the results indicate that when all the ten countries are included, only interest and unemployment rate affect poverty while inflation does not. However, when countries are classified into positive and negative poverty reduction economies, results show that poverty rate is deep-rooted more on the ability of the population to access funds from either employment income or financial markets than on prices of goods and services but with varying individualistic country characteristics. This implies different policies need to be implemented to reduce poverty based on unique characteristics of the country based primarily on the level of income distribution in the economy and structure of the economy in terms of income classification status as low, middle or high income countries. Conclusively, intervening policies implemented to reduce poverty yield the same results whether a country is a positive or negative poverty reduction economy, meaning this classification does not matter for policy targeting purposes, rather determinant macroeconomic factors matter.

Keywords: Eradication; Policies; Employment; Inflation; Interest.

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