

Poverty Reduction and Economic Development: Evidence from a Systematic Literature Review

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ABSTRACT

Purpose - This article examines the relationship between poverty reduction and economic development through a systematic literature review. The topic is important because economic development does not always reduce poverty evenly across different contexts.

Design/methodology/approach - This study used a Systematic Literature Review guided by the PRISMA framework. Articles were collected from the Directory of Open Access Journals and limited to publications from 2022 to 2026. Of 230 records identified, 18 studies were selected after screening and eligibility assessment.

Findings/Results - The review shows that economic development generally supports poverty reduction, but the effect is not automatic or uniform. Income inequality weakens the poverty-reducing effect of growth, while inclusive growth, fiscal policy, social assistance, human development, employment, infrastructure, and financial inclusion strengthen welfare improvement.

Originality/Value - This study highlights poverty reduction as a multidimensional outcome shaped by growth, distribution, institutions, and social capability. The main implication is that inclusive and context-sensitive development strategies are needed to achieve more equitable and sustainable outcomes.

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1. Introduction

Poverty reduction remains one of the most consequential objectives in development studies because it lies at the intersection of economic progress, social justice, human capability expansion, and public policy effectiveness. In developing countries, debates on development are no longer limited to how much economies grow, but increasingly concern how growth is distributed, how it reshapes livelihoods, and whether it improves material and nonmaterial dimensions of wellbeing. The scholarly literature compiled in the source corpus consistently shows that economic development is associated with lower poverty, yet it also emphasizes that the relationship is conditional rather than automatic. In this sense, poverty reduction is best understood not merely as a derivative of aggregate expansion, but as an outcome shaped by institutions, structural change, and policy design.

Within this discussion, poverty reduction refers to the process through which individuals and households move out of deprivation, whether measured in income terms or through broader indicators of health, education, and living conditions. Economic development, by contrast, denotes a wider transformation that includes growth in output, changes in sectoral productivity, improvements in employment opportunities, and rising access to productive resources and public services. The literature further suggests that these concepts are deeply interconnected, since development creates the economic and institutional conditions through which poverty may decline, while persistent poverty can itself constrain productivity, inclusion, and long term development prospects. Recent scholarship also broadens the analytical lens by treating poverty as multidimensional, thereby challenging narrow interpretations that equate development success with rising gross domestic product alone (Balasubramanian et al., 2023; Erumban & de Vries, 2024; Fang & Zhang, 2021).

A recurring finding in prior research is that economic growth remains an important driver of poverty reduction, especially in low and middle income contexts. However, the same body of work shows that growth by itself is insufficient to guarantee broad based welfare improvements. The source corpus notes that, across developing countries, rising income is closely linked to falling poverty, but this effect becomes weaker when growth is unevenly distributed or concentrated in less inclusive sectors. This means that the central policy question is not only whether economies grow, but also what kind of growth occurs, who benefits from it, and through which channels those benefits reach vulnerable populations (Dávila, 2023; Erumban & de Vries, 2024; Fang & Zhang, 2021).

The multidimensional character of poverty provides an especially important reason for reexamining the growth poverty nexus. Evidence synthesized in the source corpus indicates that economic expansion reduces multidimensional poverty at a slower rate than it reduces income poverty. One study cited in the corpus reports that a 10 percent increase in gross domestic product reduces multidimensional poverty by only about 4 to 5 percent, implying that deprivations in education, health, and living standards are more resistant to aggregate economic improvement alone (Balasubramanian et al., 2023). This finding carries major theoretical and practical implications because it suggests that development cannot be treated as a purely macroeconomic phenomenon. Instead, it must be understood as a layered process in which market performance, social investment, and institutional inclusion operate together.

Another central issue concerns inequality and the inclusiveness of development outcomes. The literature assembled in the source corpus shows that poverty reduction weakens when inequality is high or rising, even in settings where overall growth remains positive. Related

studies on China and ASEAN further suggest that pro poor growth and redistributive policy are essential for sustaining poverty reduction and preventing households from falling back into vulnerability (Fang & Zhang, 2021). Such findings shift the analytical focus from growth quantity to growth quality. In other words, the poverty reducing effect of development depends not only on expansion itself, but also on the degree to which that expansion is socially shared, territorially balanced, and institutionally supported.

The structure of the economy also matters greatly. Recent evidence highlights that sectoral composition and structural transformation shape how strongly development translates into poverty reduction. The source corpus indicates that productivity growth in agriculture tends to be strongly poverty reducing, particularly in earlier stages of development, while manufacturing assumes a more prominent role in later transformation phases. By contrast, low productivity and informal services often generate more limited poverty reduction effects. Studies of developing economies and the IGAD region likewise show that shifts of labor from lower productivity activities toward more productive sectors are closely linked to faster poverty decline, although the effects vary across regional and institutional contexts (Erumban & de Vries, 2024; Mateko et al., 2025).

Beyond growth and structural change, previous studies increasingly emphasize the role of public policy and enabling institutions. The source corpus summarizes evidence showing that social transfers can amplify the poverty reducing effect of economic growth, especially in relation to child and relative poverty (Dávila, 2023; Sirén, 2023). Other studies point to education, financial inclusion, digital technology, and financial system development as complementary drivers that support longer term poverty reduction by expanding human capability, access to formal finance, and participation in modern economic activity (Lechman & Popowska, 2022; Paul et al., 2023; Shi & Qamruzzaman, 2022). Research on entrepreneurship and job creation also suggests that productive inclusion is essential, because income empowerment depends not only on redistribution, but also on the creation of viable economic opportunities for low income populations (Adenutsi, 2023).

Even so, the existing literature remains fragmented in several important respects. First, studies often focus on single channels, such as growth, inequality, structural transformation, social spending, or financial inclusion, rather than explaining how these mechanisms interact. Second, the evidence is geographically dispersed across Asia, Latin America, Africa, and multi country panels, which enriches the literature but also makes comparative interpretation more difficult. Third, empirical findings point to variation in outcomes across sectors, indicators, and regional settings, suggesting that poverty reduction is highly context sensitive rather than governed by one universal model. These conditions create a need for a more integrated reading of the literature so that the field can move beyond isolated findings toward a clearer conceptual and empirical map of how economic development reduces poverty under different circumstances.

This unresolved condition forms the main research gap addressed by the present article. Although many studies have examined particular dimensions of the relationship between poverty reduction and economic development, the source corpus indicates that the evidence is still dispersed across themes of inclusive growth, multidimensional poverty, sectoral transformation, social policy, entrepreneurship, digitalization, and financial inclusion. What remains insufficiently consolidated is a systematic synthesis that brings these strands together into one analytical framework. Therefore, a Systematic Literature Review is necessary to identify dominant patterns, clarify conceptual linkages, highlight empirical

consistencies and inconsistencies, and show where future inquiry should be directed. This approach is particularly relevant for SINTA indexed scholarship because it can generate an academically rigorous synthesis while also producing policy relevant knowledge grounded in prior peer reviewed studies.

Based on that rationale, this study aims to examine, analyze, map, and synthesize previous research findings on Poverty Reduction and Economic Development: Evidence from a Systematic Literature Review. The review focuses on how economic development affects poverty reduction through the channels of growth, inequality, structural transformation, social policy, education, financial inclusion, digital technology, and productive opportunity creation. The article contributes theoretically by integrating fragmented insights into a more coherent understanding of the development poverty nexus, and it contributes practically by offering an evidence based reference for researchers, academics, educators, and policy makers seeking more inclusive and effective poverty reduction strategies. By clarifying what the literature shows, where it converges, and where it remains incomplete, this review is expected to strengthen both future scholarship and the design of development interventions.

2. Literature Review & Hypothesis Development

Poverty reduction and economic development are closely related concepts in development scholarship, yet the literature shows that their relationship is more complex than a simple increase in gross domestic product. In the source corpus, poverty reduction is understood not only as a decline in income deprivation, but also as an improvement in broader dimensions of wellbeing, including health, education, and living standards. Economic development, in turn, is presented as a process that combines income growth, sectoral transformation, productivity improvement, and institutional support. From this perspective, development becomes meaningful when it expands real welfare outcomes rather than merely increasing aggregate output. The literature also highlights three closely connected concepts that are central to this topic, namely inclusive growth, structural transformation, and multidimensional poverty. Inclusive growth emphasizes that the benefits of development must reach broader segments of society; structural transformation refers to the movement of labor and value creation from lower productivity sectors to more productive ones; and multidimensional poverty broadens the assessment of deprivation beyond income measures alone. Together, these concepts provide the basic theoretical foundation for understanding why some forms of development reduce poverty more effectively than others (Balasubramanian et al., 2023; Erumban & de Vries, 2024; Fang & Zhang, 2021).

The relationship among these concepts is supported by a development logic in which growth creates opportunities, but distribution, sectoral composition, and institutional intervention determine whether those opportunities actually reduce poverty. The source corpus indicates that growth in agriculture and manufacturing is generally more poverty reducing than expansion in low productivity informal services, especially in developing economies undergoing structural transformation. At the same time, high or rising inequality can weaken the poverty reducing power of income growth, which means that development must be inclusive if it is to generate sustained welfare gains. This logic is reinforced by the multidimensional poverty perspective, which shows that income expansion alone does not automatically eliminate deprivations in health, education, and living standards. As a result, the theoretical basis of this topic rests on the idea that poverty reduction is shaped by the interaction of economic growth, structural change, distributive conditions, and supportive

public policy rather than by macroeconomic expansion in isolation (Balasubramanian et al., 2023; Mateko et al., 2025).

Several recent studies from 2020 to 2026 strengthen this interpretation. Fang and Zhang (2021) show, in the context of China, that poverty reduction is more sustainable when growth is accompanied by policies that support redistribution and reduce vulnerability, thereby contributing to the inclusive growth perspective. Lechman and Popowska (2022) demonstrate that digital technologies can support poverty reduction in low income and lower middle income countries, suggesting that development today also involves technological inclusion and institutional readiness. Balasubramanian et al. (2023) contribute a multidimensional perspective by finding that economic growth reduces multidimensional poverty more slowly than income poverty, which implies that social policy remains necessary even in growing economies. Erumban and de Vries (2024) further show that structural change plays a decisive role, because the shift of labor from lower productivity activities toward more productive sectors is associated with faster poverty reduction. More recently, Mateko et al. (2025) extend this line of argument by confirming the significance of structural transformation for poverty alleviation in developing regions. Collectively, these studies show that the literature is moving beyond a narrow growth centered view and toward a more integrated understanding of poverty reduction.

Despite these advances, an important gap remains. The literature is still dispersed across different explanatory channels, such as growth, inequality, sectoral transformation, social protection, education, financial inclusion, entrepreneurship, and digitalization. Although each study contributes important evidence, the findings remain somewhat fragmented and are often discussed within separate analytical traditions. In addition, the results are not always directly comparable because they emerge from different regional settings, indicators of poverty, and policy environments. This condition creates both a theoretical and an empirical gap, since there is still limited synthesis that systematically integrates the diverse mechanisms through which economic development affects poverty reduction. Therefore, the present article adopts an integrated conceptual focus that treats poverty reduction as the outcome of four interrelated dimensions, namely growth performance, inclusive distribution, structural transformation, and policy institutional support. This framework serves as the theoretical basis for the Systematic Literature Review and guides the analysis of how previous studies explain the relationship between poverty reduction and economic development across different contexts.

3. Methodology

3.1. Review Design

This study employed a Systematic Literature Review (SLR) to examine *Poverty Reduction and Economic Development: Evidence from a Systematic Literature Review*. The review was designed to identify, analyze, map, and synthesize findings from previous studies concerning the relationship between economic growth and poverty reduction, the mediating and moderating role of income inequality, the contribution of fiscal policy and social assistance, the importance of inclusive growth, human development, and financial inclusion, as well as the theoretical and practical implications of these dimensions for sustainable poverty reduction. Following the PRISMA guided review process, the identification stage yielded 230 records from the selected database search. These records were subsequently screened through title and abstract review and then assessed through full text eligibility evaluation

based on predefined inclusion and exclusion criteria. During this process, studies were excluded because they were not directly focused on the poverty reduction and economic development nexus, fell outside the defined publication scope, applied non comparable designs for the final analytical synthesis, or did not provide sufficient substantive contribution to the review focus. As a result, 18 studies were retained and included in the final review. The article selection process is presented in the PRISMA flow diagram below.

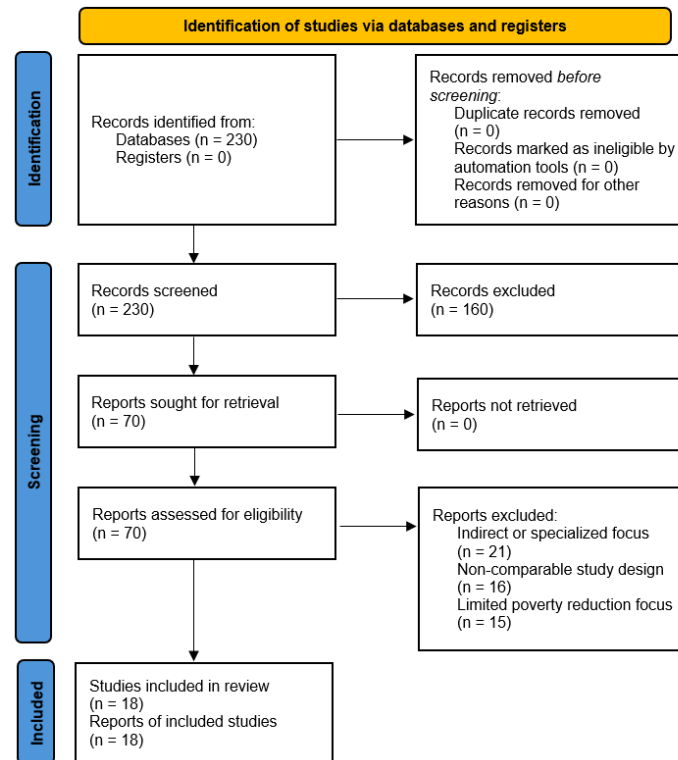


Figure 1. The PRISMA flow diagram detailing the screening and selection process of literature

3.2. Inclusion and Exclusion Criteria

The review process followed the PRISMA 2020 reporting framework so that the stages of identification, screening, eligibility assessment, and final inclusion could be presented clearly and methodologically. The inclusion criteria covered journal articles published between 2022 and 2026, available in full text, issued by credible scholarly journals, and directly related to poverty reduction, poverty alleviation, economic development, economic growth, inclusive growth, pro poor growth, inequality, welfare, human development, employment, or social protection. Articles were excluded if they were duplicates, unavailable in full text, not journal articles, outside the defined publication range, or insufficiently relevant to the substantive focus of the review.

3.3. Data Sources and Article Search

The literature search was conducted through the Directory of Open Access Journals (DOAJ), which describes itself as a global index of diverse open access journals committed to quality scholarly content and broad accessibility. The search was limited to publications issued from

2022 to 2026 in order to capture recent developments in the study of poverty reduction and economic development. Search strings were formulated using Boolean operators to ensure conceptual breadth while maintaining topical precision. The principal search expression combined terms such as ("poverty reduction" OR "poverty alleviation") AND ("economic development" OR "economic growth" OR "inclusive growth" OR "pro poor growth") AND ("income inequality" OR "human development" OR "social protection" OR employment OR welfare), with closely related terms added during the refinement process when needed. Such an explicit search strategy is consistent with recent methodological guidance emphasizing careful database choice, transparent literature sampling, and reproducible search procedures in systematic reviews.

3.4. Article Selection Process

The article selection procedure followed the four main PRISMA stages, namely identification, screening, eligibility, and inclusion. In the identification stage, all records retrieved from the initial DOAJ search were documented in a review database. The screening stage involved examining titles and abstracts in order to remove clearly irrelevant records, duplicate articles, and studies that did not satisfy the predefined inclusion criteria. Articles that remained potentially relevant were then reviewed in full text during the eligibility stage to assess their direct alignment with the research topic, publication period, article type, and accessibility requirements. The final inclusion stage retained only those studies that met all methodological and substantive criteria and offered adequate analytical value for synthesis. Organizing the process in this way strengthens transparency and enables readers to follow how the initial pool of studies was gradually narrowed to the final review corpus.

3.5. Data Extraction and Analysis

After the final set of studies had been determined, each article was reviewed in depth and its key data were extracted using a structured review matrix. The extracted elements included the title, author, year of publication, research objective, method, analytical focus, and principal findings. The selected studies were then analyzed through a descriptive qualitative synthesis. This analysis emphasized thematic grouping, comparison of findings across studies, identification of recurring patterns, interpretation of dominant tendencies, and recognition of inconsistencies or underexplored areas. The aim of this analytical process was not merely to summarize previous studies, but to develop a coherent narrative regarding how the literature explains the relationship between poverty reduction and economic development through such dimensions as growth, inequality, human development, welfare support, and broader inclusion mechanisms. This form of synthesis is in line with current methodological discussions that stress the value of explicit evidence integration and carefully documented review procedures.

3.6. Quality Assessment and Presentation of the Synthesis

To ensure methodological and substantive rigor, the selected articles were also subjected to a quality assessment process before being incorporated into the final synthesis. Each study was evaluated according to its relevance to the review topic, clarity of research objectives, transparency of methods, adequacy of analysis, and contribution to understanding the relationship between poverty reduction and economic development. This assessment step was essential because systematic reviews depend not only on collecting available studies, but

also on judging whether the included evidence is sufficiently credible and informative for synthesis. Recent methodological guidance from JBI and related review scholarship underscores the importance of appraisal and risk of bias considerations as part of evidence synthesis practice. The results of the review are therefore presented narratively and, where necessary, may be complemented by a summary table of included studies in order to facilitate comparison of their characteristics and findings. Overall, the method was designed to make the entire review process transparent, from identification and selection to appraisal, extraction, analysis, and synthesis.

4. Result and Discussion

The PRISMA guided selection process, as coded from the source dossier, began with 230 records identified from database derived search results preserved in one compiled document. No duplicate records, automation based removals, or other pre screening deletions were explicitly indicated in the source corpus, so all 230 records entered the screening stage. Title and abstract screening excluded 160 records because they were either outside the 2022 to 2026 publication range, insufficiently aligned with the topic of poverty reduction and economic development, or focused on adjacent issues without a direct analytical fit. The remaining 70 records were retained for eligibility review using the full structured entries available in the corpus. From these, 52 reports were excluded because they addressed specialized but indirect poverty themes, used non comparable review or case based designs, or treated development or inequality without poverty reduction as a central analytical outcome. The final synthesis therefore included 18 studies, reflecting the PRISMA stages of identification, screening, eligibility, and inclusion.

Table 1. Synthesis of selected studies on poverty reduction and economic development

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
1	Irmawanti & Winario (2026)	Pertumbuhan Ekonomi Dan Ketimpangan: Dampaknya Terhadap Kemiskinan Di Indonesia	To analyze the relationship between economic growth, income inequality, and poverty in Indonesia	Descriptive and analytical study using secondary data	Economic growth, inequality, poverty	Secondary data from official institutions	Uneven growth widens inequality and weakens poverty reduction; inclusive growth is more effective
2	Yusuf & Pratysto (2026)	The Role of Economic Growth, Income Inequality, and Social Assistance in Shaping Poverty	To examine how growth, inequality, unemployment, and social assistance shape poverty	Quantitative panel data with fixed effects and robust standard errors	GDP, inequality, unemployment, social assistance, poverty	Panel data for 2019–2023	Growth reduces poverty, inequality significantly shapes poverty dynamics, social assistance is

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
		Dynamics in Central Java					protective, unemployment is insignificant
3	Istiqomah & Floresti (2024)	Economic Growth and Poverty: The Moderating Effect of Income Inequality	To test whether inequality moderates the relationship between growth and poverty	Panel data moderated regression	Growth, poverty, Gini index	Secondary provincial data, 34 provinces, 2016–2020	The growth poverty relationship is conditional on inequality; inclusive growth is necessary
4	Doğan & Aslan (2023)	The relationship of economic growth, income inequality and poverty: a study on developing countries	To examine long run relationships among growth, poverty, and inequality in eight developing countries	Panel data analysis, cointegration, causality, and panel regression	Poverty, inequality, per capita income, democracy, HDI, misery index	Multi country panel indicators	Per capita income and democracy reduce poverty, while income increases inequality; the variables are cointegrated
5	Naufal & Fikriah (2023)	Regional Nexus of Economic Growth, Income Inequality and Poverty	To explore the regional interplay among growth, inequality, and poverty in Aceh	Granger causality analysis	Growth, inequality, poverty	23 districts/cities in Aceh	Growth and poverty show bidirectional causality; inequality worsens poverty and hampers growth
6	Agussalim et al. (2024)	The Path to Poverty Reduction: How Do Economic Growth and Fiscal Policy Influence Poverty Through	To assess direct and indirect effects of growth and fiscal policy on poverty through inequality	Autoregressive cross lagged SEM using panel data	Growth, fiscal spending, taxes, inequality, poverty	34 provinces, 2010–2023	Growth and education and health spending reduce poverty directly outside Java; taxes raise inequality;

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
		Inequality in Indonesia?					social safety nets are weakly targeted
7	Efe (2026)	Regional Inclusive Growth in Türkiye: Measurement, Drivers and Fiscal Policy Implications	To measure inclusive growth across regions and identify its drivers	Multidimensional inclusive growth index, correlation, and decomposition analysis	Income, employment, poverty, inequality, gender gaps, human capital, infrastructure, social protection	Regional inclusive growth index	Regional disparities are driven more by health, education, social protection, digital infrastructure, and labor market conditions than by basic infrastructure alone
8	Satriawan et al. (2025)	Inequality, Poverty, and Human Capability in Sumatra's Inclusive Growth	To assess determinants of inclusive growth in Sumatra	OLS and fixed effects panel model	Inequality, poverty, unemployment, labor force participation, HDI, inclusive growth	Gini, poverty rate, unemployment, labor participation, HDI	Inequality, poverty, and unemployment reduce inclusive growth, while labor participation and HDI strengthen it
9	Siatan et al. (2025)	Dynamics of inclusive growth in Indonesia: Key factors in emerging and lagging regions of Java	To analyze drivers of inclusive growth across regions in Java	Panel regression with fixed effects	Growth, human capital, financial inclusion, employment, infrastructure, poverty, inequality	Time series and cross sectional regional data, 2019–2023	Growth, human capital, financial inclusion, employment, and roads support inclusive growth; inequality weakens it
10	Agustin & Bintoro	Structural Analysis of the Impact of	To examine how regional expenditure and	SEM PLS	Growth, education spending, health	District/city data in East Java, 2018–	Economic growth and social spending

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
	(2025)	Regional Expenditures and Employment on Poverty Depth	employment affect poverty depth		spending, social protection spending, inequality, poverty depth	2023	reduce poverty depth, partly through inequality; the pattern suggests limited inclusiveness of growth
11	Ladjin et al. (2024)	Determination of District/City Poverty Levels in Central Sulawesi Province Autoregressive Distributed Lag (ARDL) Approach	To examine the effects of growth and HDI on poverty	Panel ARDL	Growth, HDI, poverty	District/city panel data	No short run effect was found, but long run growth lowers poverty; the HDI result is positive and significant in the source record
12	Khan (2024)	Analyzing the effects of financial inclusion on poverty and income inequality in SAARC developing nations	To assess the effect of financial inclusion on poverty and inequality	FMOLS, fixed effects, and GMM	Financial inclusion, poverty, inequality	Country and panel analysis, 2004–2021	Financial inclusion lowers both poverty and inequality across SAARC developing countries
13	Yusuf et al. (2025)	The role of Sukuk financing in economic growth and poverty reduction: Empirical evidence from selected ASEAN	To examine the dual effect of Sukuk financing on growth and poverty reduction	Simultaneous panel equations, instrumental least squares, and two stage least squares	Sukuk financing, GDP growth, poverty headcount, HDI, inflation	Panel data for Indonesia, Malaysia, and Brunei, 2019–2023	Sukuk financing raises growth, and higher growth reduces poverty; inflation increases poverty

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
		countries					
14	Okpara et al. (2025)	Effects of International Remittances on Poverty Level, Inequality and Household Income in Nigeria	To analyze how remittances and macroeconomic factors affect poverty and inequality	ARDL	Remittances, FDI, poverty persistence, inequality, household savings	Time series macroeconomic data	Remittances reduce poverty and improve income distribution, while FDI has delayed benefits and may intensify inequality
15	Njoya & Tchoffo (2025)	Investing in transport infrastructure for sustainable development: new insights on economic growth and poverty reduction in a low-middle income economy	To evaluate the effect of transport infrastructure on growth and poverty reduction	Dynamic computable general equilibrium model and microsimulation	Road, rail, air, water transport, growth, poverty	CGE and microsimulation model	Road investment has the largest growth and poverty reduction effect, but benefits weaken without sustained investment
16	Hlongwane (2025)	Examining the role of economic growth on poverty reduction and income inequality in South Africa	To examine the links among growth, poverty reduction, and inequality in South Africa	VECM, ARDL, and GMM	Growth, poverty, inequality, employment, electricity access	Time series data, 1993–2023	Growth supports poverty reduction and lowers inequality; employment and electricity access are critical complementary factors
17	Yakubu & Aladejare (2024)	Does economic growth, external debt, and institutional	To assess the effect of growth, debt, and institutional quality on	ARDL	Growth, external debt, institutional quality, poverty,	Time series data, 1990–2022	Growth has no significant long run poverty reducing

No.	Authors and year	Article title	Research objective	Method	Main focus / variables	Indicators / instruments	Main findings
		al quality promote poverty and income inequality in Nigeria?	poverty and inequality		inequality		effect, while debt worsens poverty and inequality
18	Sulaema n & Sukmana (2023)	Economic Growth, Income Inequality, Government Integrity, and Spending towards SDG 1 on Poverty Eradication: An Empirical Study from Twenty Muslim-Majority Countries	To test how growth, inequality, government integrity, and public spending affect poverty eradication	Pooled OLS, fixed effects, and random effects	Growth, inequality, integrity, spending, poverty eradication	Panel data from twenty countries	Growth, public expenditure, and government integrity reduce poverty, while inequality increases it

The selected studies show several clear descriptive tendencies. First, the publication pattern is recent, with three studies published in 2023, five in 2024, seven in 2025, and three in 2026. Second, the corpus is strongly dominated by developing and emerging economy settings, especially Indonesia, which appears repeatedly at national, provincial, and district levels. Other contexts represented in the reviewed literature include Nigeria, South Africa, Türkiye, Cameroon, SAARC countries, selected ASEAN countries, and panels of Muslim majority countries. Third, the studies are overwhelmingly quantitative and rely almost entirely on secondary data. Panel data regression, ARDL, fixed effects estimation, GMM, SEM based models, and causality analysis dominate the methodological landscape, while only one selected study uses a dynamic computable general equilibrium model combined with microsimulation. This pattern indicates that the literature has mainly developed through macro and meso level econometric examination rather than through mixed design explanations of institutional or behavioral mechanisms.

A first major pattern is that economic growth generally contributes to poverty reduction, but the relationship is rarely automatic or uniform. Yusuf and Pratysto (2026), Agussalim et al. (2024), and Hlongwane (2025) show that growth can directly support poverty reduction, while Yusuf et al. (2025), Njoya and Tchoffo (2025), and Sulaeman and Sukmana (2023) similarly demonstrate that development expansion can generate welfare improving effects

when supported by broader institutional and policy mechanisms. However, the same body of literature also indicates that the effect of growth may become weak, conditional, or even contradictory when distributional and institutional conditions are unfavorable. Ladjin et al. (2024) report that in Central Sulawesi growth is not significant in the short run but becomes poverty reducing in the long run. Likewise, Yakubu and Aladejare (2024) find no significant long run poverty reducing effect of growth in Nigeria, while Istiqomah and Floresti (2024) show that the growth poverty relationship becomes more meaningful once inequality is explicitly incorporated into the model. These findings suggest that the literature does not support a simple trickle down interpretation, but rather a conditional growth argument in which poverty reduction depends on the social and institutional quality of the development process.

A second and even more consistent pattern is the centrality of income inequality. Across the selected studies, inequality repeatedly appears as a moderating factor, mediating pathway, or independent obstacle that weakens the poverty reducing capacity of development. Irmawanti and Winario (2026) explicitly show that uneven growth in Indonesia tends to widen inequality and hinder poverty reduction, while Yusuf and Pratysto (2026) and Naufal and Fikriah (2023) demonstrate that inequality significantly shapes poverty dynamics and regional causal relationships. This conclusion is reinforced by Istiqomah and Floresti (2024), who argue that the relationship between growth and poverty changes once Gini based inequality is taken into account. A similar argument is presented by Agussalim et al. (2024), who show that growth and fiscal policy need to be interpreted through the inequality channel. Cross country evidence points in the same direction. Doğan and Aslan (2023) find that rising national income may coexist with increasing inequality, while Yakubu and Aladejare (2024) indicate that growth may even intensify inequality in the short run. Taken together, these studies suggest that inequality is not a secondary issue, but a core transmission mechanism linking growth to poverty outcomes.

A third pattern concerns inclusive growth, human capability, and human development as the broader framework through which economic development becomes socially meaningful. Efe (2026), Satriawan et al. (2025), Siatan et al. (2025), Agustin and Bintoro (2025), and Ladjin et al. (2024) consistently move beyond aggregate output and examine whether development also improves employment, education, social protection, health, and access to opportunity structures. This is theoretically important because it positions poverty reduction as part of a broader capability based development process rather than as a narrow income effect alone. The empirical pattern is also notable. Human development, labor participation, financial inclusion, employment opportunity, and selected forms of social spending are repeatedly associated with more inclusive outcomes, whereas unemployment, inequality, and weak regional services tend to undermine them. Even the seemingly anomalous finding reported by Ladjin et al. (2024), in which the Human Development Index is positively associated with poverty in the source record, further suggests that the human development pathway is context sensitive and cannot be interpreted as mechanically linear.

A fourth pattern is the growing importance of fiscal and redistributive policy. The selected literature does not treat policy merely as a background condition, but rather as a direct determinant of whether development becomes inclusive. Agussalim et al. (2024) show that education and health spending can reduce poverty directly in Indonesia, although the inequality channel remains uneven across regions. Yusuf and Pratysto (2026) similarly indicate that poverty reduction strategies should not rely only on growth, but also need

better targeting and sustainability of social assistance. In East Java, Agustin and Bintoro (2025) find that spending on education and social protection influences poverty depth, partly through inequality, while Sulaeman and Sukmana (2023) show that public expenditure and government integrity significantly support poverty eradication across Muslim majority countries. Taken together, these studies suggest that growth becomes more poverty reducing when it is accompanied by credible public spending, better governance, and institutional integrity. Fiscal policy therefore appears in the reviewed literature not as a residual instrument, but as a central mechanism for translating macroeconomic expansion into social welfare gains.

A fifth pattern concerns financial architecture and resource transmission mechanisms. Khan (2024) shows that financial inclusion in SAARC countries reduces both poverty and inequality, suggesting that access to financial services is itself a development channel rather than a peripheral policy issue. This argument is broadened by Yusuf et al. (2025), who find that increased Sukuk issuance stimulates growth and that stronger growth significantly lowers poverty in selected ASEAN countries. Okpara et al. (2025) identify another important mechanism by showing that remittances reduce poverty, improve income distribution, and strengthen household savings, whereas foreign direct investment has more ambiguous distributive effects. These findings collectively indicate that the financial sphere matters not only because it funds growth, but because different financial arrangements distribute development gains in different ways. Inclusive finance, socially embedded financing instruments, and household level transfer flows appear to support poverty reduction more consistently than growth financing that remains detached from distributional access.

The synthesis also reveals significant spatial and contextual heterogeneity. Even when the same broad variables are examined, their effects are not uniform across regions or countries. Naufal and Fikriah (2023) show that causal relationships in Aceh differ by regional cluster, while Agussalim et al. (2024) demonstrate that the poverty reducing effect of fiscal spending varies between Java and outside Java. Efe (2026) finds that regional disparities in Türkiye are shaped less by basic infrastructure and more by social investment and labor market conditions. Hlongwane (2025) further shows that in South Africa employment and electricity access act as decisive complements to growth, whereas Njoya and Tchoffo (2025) indicate that in Cameroon rural road investment is more effective than other transport modes in promoting inclusive development. These findings suggest that the literature does not support a universal formula for poverty reduction. Instead, economic development appears to be filtered through territorial structure, sectoral composition, institutional quality, and access to enabling infrastructure. This contextual diversity is one of the main reasons why a systematic synthesis is necessary.

From a theoretical standpoint, the reviewed studies collectively strengthen a conditional and multidimensional interpretation of the poverty reduction and economic development nexus. Development is most effective when it combines growth, distribution, capability expansion, and enabling institutions. This supports the conceptual position advanced in the literature review of the present article, namely that poverty reduction should be analyzed through the interaction of growth performance, inclusive distribution, structural support, and policy institutions. Growth remains necessary, but the corpus shows that it is rarely sufficient on its own. The consistent reappearance of inequality, social spending, labor participation, human development, infrastructure, and financial inclusion indicates that the real analytical issue is not whether development matters for poverty reduction, but under what conditions it

becomes genuinely inclusive. In that sense, the selected literature is more complementary than contradictory, because even apparently divergent results converge on the same broader conclusion: development that ignores distribution and institutional access produces weaker poverty outcomes.

The practical implications are equally clear. Policymakers should not frame poverty reduction as a byproduct of aggregate growth alone. The reviewed studies suggest several recurring priorities, including better targeted social assistance, stronger education and health investment, financial inclusion, employment creation, progressive and efficient fiscal design, transport and basic service infrastructure, and institutional reforms that improve integrity and implementation quality. Regional tailoring is also essential, because lagging areas do not respond in the same way as more advanced regions. The Java, Sumatra, Aceh, Türkiye, Cameroon, and South Africa studies all imply that interventions should be sensitive to local structural conditions rather than based on one uniform national template. Thus, the practical message of the synthesis is that poverty reduction requires coordinated development policy, not isolated macroeconomic acceleration.

Finally, the source corpus reveals several research gaps that justify the contribution of the present SLR article. The literature is still fragmented across themes of growth, inequality, fiscal policy, social protection, financial inclusion, remittances, infrastructure, and human development. Most studies are country specific or subnational, with Indonesia and a small set of developing country contexts receiving disproportionate attention. Methodologically, the literature is heavily quantitative and abstracted through secondary datasets, while direct comparative syntheses remain limited. The findings are also not fully uniform, especially regarding the strength, timing, and channels through which growth affects poverty. These patterns indicate that the field still lacks a consolidated synthesis capable of integrating diverse results into a coherent framework. Therefore, the present review contributes by mapping the literature more systematically and by clarifying that the dominant scholarly direction points toward inclusive, institutionally mediated, and distribution sensitive development as the most credible pathway to poverty reduction.

5. Conclusion and Suggestion

The results of this Systematic Literature Review show that the relationship between economic development and poverty reduction is broadly positive, but neither automatic nor uniform. Across the reviewed studies, economic growth generally contributes to lower poverty, yet its effectiveness depends heavily on the degree of income inequality, the inclusiveness of growth, the quality of fiscal intervention, and the availability of enabling mechanisms such as human development investment, employment expansion, infrastructure, and financial inclusion. The synthesis indicates that inequality is the most consistent limiting factor, because it weakens the poverty reducing effect of growth and often mediates the impact of public policy and development outcomes. At the same time, the reviewed literature shows that poverty reduction becomes stronger when growth is accompanied by well targeted social assistance, education and health spending, financial access, and regionally sensitive policy design. These findings reinforce a multidimensional understanding of poverty reduction in which development must be interpreted not only through aggregate economic expansion, but also through distribution, institutional support, and social capability enhancement.

This review contributes theoretically by clarifying that the poverty reduction and economic development nexus is best understood through an integrated framework linking growth, inequality, human capability, and policy institutions, rather than through a narrow growth centered perspective. Practically, the findings suggest that policymakers should prioritize inclusive and context sensitive strategies, especially those that improve redistribution, strengthen social spending quality, expand financial inclusion, and reduce structural inequality across regions. At the same time, the synthesis reveals several limitations in the existing literature, including strong reliance on quantitative secondary data, concentration in selected developing country contexts, and fragmented treatment of growth, inequality, fiscal policy, and inclusive development mechanisms. For future research, broader database coverage, a larger comparative evidence base, and deeper synthesis of specific channels such as financial inclusion, social protection, human development, and regional disparity would help refine the understanding of how economic development can produce more equitable and sustainable poverty reduction outcomes.

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