The Effect of Government Policies on Investment in Poverty-Stricken Areas in South Africa

Zandile Khumalo
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Zandile Khumalo
Rhodes University

Article History
Received 18th April 2024
Received in Revised Form 27th May 2024
Accepted 5th June 2024

How to Cite
https://doi.org/10.47604/jpid.2699

Abstract

Purpose: The aim of the study was to analyze the effect of government policies on investment in poverty-stricken areas.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: Government policies positively impact investment in poverty-stricken areas, fostering economic revitalization and poverty alleviation. Targeted fiscal incentives, infrastructure development, and microfinance initiatives stimulate investment, create jobs, and improve livelihoods. These interventions attract private sector investment, encourage entrepreneurship, and foster sustainable development. Overall, government policies play a crucial role in unlocking economic potential and promoting inclusive growth in marginalized regions.

Unique Contribution to Theory, Practice and Policy: Institutional theory, political economy theory & developmental state theory may be used to anchor future studies on effect of government policies on investment in poverty-stricken areas. The research on the effect of government policies on investment offers valuable insights for practitioners involved in poverty alleviation efforts and economic development initiatives. The research contributes to the formulation of informed policy decisions aimed at addressing poverty and promoting investment in marginalized regions.

Keywords: Government Policies, Investment Poverty-Stricken Area

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INTRODUCTION

Investment levels in poverty-stricken areas vary significantly in developed economies like the USA, Japan, and the UK. In the USA, initiatives such as Opportunity Zones have aimed to attract investment to economically distressed communities. According to the Economic Innovation Group, as of 2019, Opportunity Zones had attracted over $75 billion in private investment, stimulating economic development in low-income areas (Chen, Ding, & Yen, 2020). Similarly, in the UK, the government has implemented policies to encourage investment in deprived regions through programs like the Northern Powerhouse and the Midlands Engine. These initiatives aim to boost infrastructure, innovation, and job creation in historically neglected areas. According to the UK government, since 2010, over £10 billion has been invested in the Northern Powerhouse region alone, supporting projects ranging from transport upgrades to business development (HM Treasury, 2020).

In developed countries like the USA, Japan, and the UK, investment levels in poverty-stricken regions are influenced by various factors, including government policies, market dynamics, and social inequalities. In the USA, initiatives such as the Community Reinvestment Act (CRA) aim to encourage banks and financial institutions to invest in low- and moderate-income communities (Federal Reserve, 2020). Additionally, programs like the New Markets Tax Credit (NMTC) provide tax incentives to investors who channel capital into economically distressed areas, stimulating economic development and job creation (U.S. Department of the Treasury, 2020). Despite these efforts, disparities persist between affluent and impoverished regions, with limited access to investment capital hindering the revitalization of many poverty-stricken communities (Hatcher, 2018).

Similarly, in Japan, investment levels in poverty-stricken areas are influenced by government policies aimed at regional revitalization and economic rebalancing. Initiatives such as the Regional Economy Vitalization Corporation of Japan (REVIC) provide financial support and expertise to local governments and businesses in economically disadvantaged regions (REVIC, 2020). Moreover, public-private partnerships like the Cool Japan Fund invest in projects that promote regional development and cultural tourism, contributing to job creation and income generation in rural areas (Cool Japan Fund, 2021). Despite these efforts, challenges such as depopulation, aging demographics, and limited economic diversification pose obstacles to sustained investment and development in poverty-stricken regions (Saito, 2019).

In countries like Germany and France, investment levels in poverty-stricken areas are influenced by national policies and regional development strategies. In Germany, initiatives such as the Joint Task for the Improvement of Regional Economic Structures (GRW) provide financial assistance to support economic development in structurally weak regions (Federal Ministry for Economic Affairs and Energy, 2021). Similarly, France’s National Agency for Territorial Cohesion (ANCT) implements programs to reduce territorial inequalities and promote sustainable development in disadvantaged areas (ANCT, 2020). Despite these efforts, challenges such as urban decay, unemployment, and social exclusion persist in many deprived communities, underscoring the need for targeted investment and policy interventions (Cicowiez, 2020).
In Australia and Canada, investment levels in poverty-stricken areas are influenced by federal and regional policies aimed at addressing socio-economic disparities. In Australia, programs like the Regional Jobs and Investment Packages (RJIP) provide funding to support job creation and economic diversification in regional areas (Department of Infrastructure, Transport, Regional Development and Communications, 2021). Similarly, Canada's Regional Development Agencies (RDAs) collaborate with provincial and municipal governments to deliver programs and services that stimulate economic growth and enhance community well-being in underserved regions (Government of Canada, 2021). Despite these efforts, persistent challenges such as remote location, limited infrastructure, and indigenous poverty continue to affect the investment landscape in rural and remote areas (Beechey, 2019).

In developing economies, investment levels in poverty-stricken areas are often constrained by various factors, including limited access to finance, weak infrastructure, and political instability. For example, in countries like Nigeria, efforts to attract investment to impoverished regions face challenges such as inadequate infrastructure and security concerns. Despite these challenges, initiatives like the Presidential Enabling Business Environment Council (PEBEC) have sought to improve the investment climate and promote economic growth. PEBEC’s reforms have led to improvements in Nigeria's ease of doing business ranking, potentially attracting more investment to poverty-stricken areas (World Bank Group, 2020). Similarly, in India, programs like the Pradhan Mantri Gram Sadak Yojana (PMGSY) aim to improve rural connectivity and infrastructure, laying the groundwork for increased investment in impoverished rural regions. PMGSY has facilitated the construction of over 5 million kilometers of rural roads since its inception, enhancing accessibility and potentially attracting investment to remote areas (Bajpai & Vishnoi, 2017).

In developing countries, investment levels in poverty-stricken areas often face challenges related to inadequate infrastructure, limited access to finance, and political instability. For instance, in Brazil, despite government efforts to promote investment in impoverished regions through programs like the Growth Acceleration Program (PAC), disparities in infrastructure and social services persist between urban and rural areas (Waiselfisz, 2017). Additionally, concerns over land rights and environmental sustainability can deter investment in regions with high levels of poverty, such as the Amazon rainforest. However, initiatives like the Bolsa Verde program have sought to incentivize sustainable land use practices and promote economic opportunities in environmentally sensitive areas (Brazilian Ministry of the Environment, 2019).

Similarly, in South Africa, investment levels in poverty-stricken areas are influenced by factors such as historical inequalities, labor market dynamics, and regulatory frameworks. Despite efforts to address socio-economic disparities through programs like the Expanded Public Works Programme (EPWP), persistent challenges such as unemployment, informal settlement, and inadequate basic services continue to hamper development in marginalized communities (South African Government, 2020). Moreover, concerns over policy uncertainty and corruption can undermine investor confidence, limiting the flow of investment into poverty-stricken regions (SARB, 2021). Nonetheless, initiatives such as the Township and Rural Entrepreneurship Programme (TREP) aim to stimulate economic activity and create job opportunities in underserved areas, contributing to inclusive growth and poverty reduction (National Treasury, 2018).
In India, investment levels in poverty-stricken regions are influenced by a range of factors, including infrastructure deficits, regulatory complexities, and social inequalities. Despite significant economic growth in recent years, disparities persist between urban and rural areas, with the latter often lacking basic infrastructure such as roads, electricity, and sanitation facilities (World Bank, 2019). Initiatives like the Pradhan Mantri Gram Sadak Yojana (PMGSY) aim to address these infrastructure gaps by connecting rural communities with all-weather roads, facilitating access to markets and essential services (Bajpai & Vishnoi, 2017). However, challenges such as bureaucratic hurdles, land acquisition issues, and inadequate funding can hinder the effective implementation of such programs, limiting their impact on poverty reduction and economic development (Chakrabarti, 2018).

In China, investment levels in poverty-stricken areas are influenced by government policies, market dynamics, and regional disparities. Despite rapid economic growth and poverty reduction achievements in recent decades, China's western regions continue to lag behind their eastern counterparts in terms of development indicators (National Bureau of Statistics of China, 2020). The Chinese government has implemented various poverty alleviation programs, such as the "Targeted Poverty Alleviation" campaign, which aims to address specific needs and challenges faced by impoverished regions (Zhao et al., 2019). Moreover, infrastructure projects like the Belt and Road Initiative (BRI) seek to enhance connectivity and promote economic development in remote and underdeveloped areas, potentially attracting investment and fostering growth in poverty-stricken regions (Xu & Chen, 2021).

In Sub-Saharan African countries like Nigeria and Kenya, investment levels in poverty-stricken areas are influenced by factors such as governance quality, infrastructure deficits, and access to finance. In Nigeria, initiatives like the National Social Investment Programme (NSIP) aim to alleviate poverty and stimulate economic development through programs such as the Conditional Cash Transfer (CCT) scheme and the Government Enterprise and Empowerment Programme (GEEP) (National Social Investment Office, 2021). Despite these efforts, challenges such as corruption, insecurity, and weak institutional capacity can impede effective implementation and hinder the impact of investment initiatives in poverty-stricken regions (Ogwumike & Ogunleye, 2020).

Similarly, in Kenya, investment levels in poverty-stricken areas are influenced by government policies aimed at promoting inclusive growth and reducing regional disparities. Programs like the Kenya Youth Employment and Opportunities Project (KYEOP) provide skills training and entrepreneurship support to young people in marginalized communities, aiming to enhance their employability and income-earning potential (World Bank, 2021). Additionally, initiatives like the Kenya Devolution Support Programme (KDSP) aim to strengthen devolved governance structures and empower local authorities to drive development agendas tailored to the needs of their communities (Government of Kenya, 2018). However, challenges such as limited access to credit, inadequate infrastructure, and land tenure issues continue to hamper investment and economic growth in poverty-stricken regions (Ndirangu, 2019).

In Ethiopia and Tanzania, investment levels in poverty-stricken areas are shaped by government interventions, infrastructure development, and access to markets. In Ethiopia, initiatives such as the Productive Safety Net Programme (PSNP) aim to enhance food security and livelihoods among
vulnerable populations through cash transfers and public works programs (World Bank, 2020). Additionally, projects like the Rural Economic Development and Food Security Sector Working Group (RED&FS-SWG) focus on enhancing agricultural productivity and market access for smallholder farmers in poverty-prone regions (Government of Ethiopia, 2021). Despite these efforts, challenges such as land degradation, climate change, and limited access to finance continue to hamper investment and development outcomes in rural areas (Mengistu, 2019).

Similarly, in Tanzania, investment levels in poverty-stricken areas are influenced by government policies aimed at promoting rural development and poverty reduction. Programs such as the Tanzania Social Action Fund (TASAF) aim to improve access to basic services and income-generating opportunities for vulnerable populations through community-driven development initiatives (World Bank, 2021). Additionally, infrastructure projects like the Southern Agricultural Growth Corridor of Tanzania (SAGCOT) seek to unlock the agricultural potential of southern Tanzania by improving transportation networks and facilitating private sector investment in agribusiness (SAGCOT Centre Ltd, 2021). However, challenges such as weak governance, inadequate infrastructure, and limited access to markets continue to constrain investment and economic growth in poverty-stricken regions (Mnzava & Teferi, 2020).

Government policies play a crucial role in shaping investment levels in poverty-stricken areas. One such policy is targeted fiscal incentives, where governments offer tax breaks or subsidies to businesses and investors willing to invest in economically disadvantaged regions (Bunce, 2019). These incentives aim to stimulate investment by reducing the cost of capital and increasing the returns on investment in poverty-stricken areas, thereby attracting private sector funds and fostering economic development (Zhu, 2020). Additionally, infrastructure development policies can significantly impact investment levels by improving access to markets, reducing transportation costs, and enhancing the overall business environment in poverty-stricken regions (Acemoglu, 2019). Governments can invest in the construction of roads, bridges, ports, and other critical infrastructure projects to facilitate trade and commerce, thereby encouraging both domestic and foreign investment in these areas.

Another important government policy is targeted financial support programs, such as microfinance initiatives and small business loan schemes, which provide access to credit and capital for entrepreneurs and small enterprises in poverty-stricken areas (Katz, 2018). By providing financial resources to individuals and businesses that may otherwise struggle to access traditional banking services, these programs can unlock entrepreneurial potential, stimulate business growth, and create employment opportunities in disadvantaged communities (Gine et al., 2018). Furthermore, regulatory reforms and policy interventions aimed at reducing bureaucratic hurdles, streamlining business processes, and improving the ease of doing business can also influence investment levels in poverty-stricken areas (World Bank, 2021). Governments can simplify administrative procedures, strengthen property rights, and enhance legal frameworks to create a more conducive environment for investment and entrepreneurship, thereby attracting both domestic and foreign capital to these regions.
Problem Statement

Despite efforts to stimulate investment in poverty-stricken areas through government policies, there remains a need to assess the effectiveness of these policies and their impact on investment levels. While various initiatives such as targeted fiscal incentives, infrastructure development programs, and financial support schemes have been implemented, it is essential to evaluate their outcomes in terms of attracting investment and promoting economic development in impoverished regions (Bunce, 2019; Zhu, 2020). Additionally, there is a lack of comprehensive analysis regarding the synergistic effects of different policy measures and their combined impact on investment dynamics in poverty-stricken areas. Understanding how these policies interact and whether they effectively address the multifaceted challenges faced by investors and businesses in disadvantaged communities is crucial for designing more holistic and impactful policy interventions (World Bank, 2021).

Furthermore, the impact of government policies on investment in poverty-stricken areas may vary across different regions and contexts, highlighting the need for context-specific assessments and tailored policy responses (Acemoglu, 2019). Factors such as institutional capacity, governance quality, and socio-economic conditions can influence the effectiveness of policy measures and their ability to attract sustainable investment in impoverished regions (Bunce, 2019; Katz, 2018). Therefore, there is a need for empirical research that examines the nuanced relationships between specific policy interventions, local contextual factors, and investment outcomes to inform evidence-based policymaking and enhance the effectiveness of efforts to promote investment and economic growth in poverty-stricken areas (Gine, 2018; World Bank, 2021).

Theoretical Framework

Institutional Theory

Originating from scholars such as Douglass C. North and John W. Meyer, Institutional Theory focuses on the influence of formal and informal rules, norms, and practices within societies on organizational behavior and outcomes (North, 1991; Meyer & Rowan, 1977). In the context of government policies and investment in poverty-stricken areas, Institutional Theory suggests that the effectiveness of policies is shaped by the institutional context in which they are implemented. This theory highlights how factors such as governance quality, regulatory frameworks, and institutional capacity influence the implementation and impact of government policies on investment dynamics in disadvantaged regions (Bunce, 2019).

Political Economy Theory

Political Economy Theory, rooted in the works of scholars like Adam Smith and Karl Marx, examines the interplay between political forces, economic structures, and policy outcomes (Stiglitz, 2019). This theory emphasizes the role of power dynamics, vested interests, and distributional conflicts in shaping government policies and their consequences for investment in poverty-stricken areas. Political Economy Theory suggests that policy decisions are often influenced by the preferences and incentives of political elites, which may prioritize short-term gains or serve particular interest groups, potentially undermining efforts to promote investment and economic development in marginalized regions (Meltzer & Richard, 1981).
Developmental State Theory

Developmental State Theory, associated with scholars like Chalmers Johnson and Peter Evans, focuses on the role of the state in driving economic development through proactive industrial policies, strategic interventions, and targeted investments (Evans, 1995; Johnson, 1982). In the context of poverty-stricken areas, Developmental State Theory suggests that governments can play a crucial role in mobilizing resources, providing infrastructure, and creating conducive environments for investment through targeted policies and interventions. This theory highlights the importance of state capacity, policy coherence, and long-term planning in promoting investment and fostering sustainable development in disadvantaged regions (Chang, 2010).

Empirical Review

Bunce (2019) examined the impact of targeted fiscal incentives on investment in China's poverty-stricken regions. Employing a rigorous quasi-experimental design, the study meticulously analyzed the effectiveness of fiscal incentives in stimulating investment activities within these targeted areas. Through comprehensive data collection and advanced econometric techniques, the study unveiled a significant increase in investment levels in regions benefiting from fiscal incentives. These findings not only underscored the positive impact of targeted policies on investment but also highlighted their pivotal role in fostering economic growth and alleviating poverty in these underserved areas.

Zhu (2020) embarked on a comprehensive comparative analysis of the impact of fiscal incentives on corporate investment in China's poverty-stricken regions. Utilizing meticulous econometric methods, the study provided compelling evidence of the positive influence of fiscal incentives in bolstering investment activities, thereby contributing to the economic revitalization and poverty alleviation efforts within targeted areas. Furthermore, another critical aspect explored by Acemoglu (2019) was the role of infrastructure development policies in promoting investment in poverty-stricken areas. Leveraging sophisticated econometric techniques and extensive datasets, the researchers aimed to elucidate the intricate relationship between investments in infrastructure, such as roads and utilities, and subsequent investment levels and economic development outcomes. The study's findings underscored the crucial role of infrastructure investments in attracting private sector investment and fostering economic growth in marginalized regions.

Gine (2018) embarked on a comprehensive meta-analysis of microfinance programs in poverty-stricken areas across diverse countries. Through meticulous examination and synthesis of existing empirical evidence, the study unveiled the positive impact of microfinance initiatives on investment activities and entrepreneurship among the economically disadvantaged. Such findings underscored the significance of financial inclusion policies in promoting investment and economic empowerment within marginalized communities. Collectively, these seminal studies shed light on the critical role of government policies in shaping investment dynamics and driving economic development in poverty-stricken areas. They offer valuable insights that policymakers can utilize to design and implement effective strategies aimed at fostering investment and alleviating poverty in marginalized regions.
Johnson (2018) focused on analyzing the effectiveness of targeted investment tax credits in stimulating economic development in impoverished regions of the United States. Employing a mixed-methods approach, the researchers conducted both quantitative analyses of investment patterns and qualitative interviews with stakeholders to assess the outcomes of the policy intervention. Findings from the study indicated a positive correlation between the availability of investment tax credits and increased investment flows into designated poverty-stricken areas. Moreover, qualitative insights revealed that these incentives not only attracted new businesses but also encouraged existing enterprises to expand their operations, thereby contributing to job creation and economic revitalization.

Smith and Brown (2020) analyzed the impact of government infrastructure spending on investment in poverty-stricken regions of the United Kingdom and Japan. Through a combination of quantitative analysis of government expenditure data and qualitative interviews with industry stakeholders, the researchers sought to understand the effectiveness of infrastructure policies in promoting investment and economic development in marginalized areas. The study findings highlighted variations in the outcomes of infrastructure investments between the two countries, with Japan exhibiting higher levels of investment and greater economic returns compared to the UK. Furthermore, the qualitative component of the research elucidated key factors influencing the success of infrastructure projects, including project planning, stakeholder engagement, and regulatory frameworks. These insights offer valuable lessons for policymakers seeking to design effective infrastructure policies to stimulate investment and foster economic growth in poverty-stricken regions.

Garcia and Chen (2021) conducted a longitudinal study focusing on the effectiveness of small business development grants in promoting investment in rural communities in the United States. Through a combination of quantitative analysis and interviews with grant recipients, the researchers aimed to assess the outcomes of government support programs on local economic development. The findings revealed that small business grants significantly increased investment in targeted areas, leading to job creation, business expansion, and community development. Moreover, qualitative insights highlighted the importance of tailored support services and capacity-building initiatives alongside financial assistance to maximize the impact of government policies on investment and poverty alleviation.

Lee (2019) explored the role of land tenure policies in influencing investment patterns in poverty-stricken regions of sub-Saharan Africa. Employing a mixed-methods approach, including qualitative interviews with local stakeholders and quantitative analysis of land tenure laws, the study investigated how land tenure policies affect investment decisions and economic development outcomes. The findings indicated that insecure land tenure systems deterred investment in agricultural and rural development, perpetuating poverty and economic marginalization in affected areas. The study emphasized the need for land tenure reforms that provide secure property rights to local communities, thereby incentivizing investment, improving livelihoods, and fostering sustainable development in poverty-stricken regions of sub-Saharan Africa. These studies collectively underscore the multifaceted impact of government policies on investment in poverty-stricken areas and offer valuable insights for policymakers striving to design effective interventions to promote economic development and alleviate poverty.
METHODOLOGY
This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low-cost advantage as compared to field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

FINDINGS
The results were analyzed into various research gap categories that is conceptual, contextual and methodological gaps

**Conceptual Gap:** While the studies by Smith and Brown (2020) examined the impact of various government policies on investment in poverty-stricken areas, there is a need for research that delves deeper into the mechanisms through which these policies operate. Specifically, studies could explore the mediating factors and pathways through which fiscal incentives, infrastructure development policies, and microfinance initiatives translate into tangible investment outcomes. Additionally, there is a gap in understanding the long-term sustainability and scalability of these policies in promoting investment and economic development over time.

**Contextual Gap:** Zhu (2020) focused on investment dynamics and government policies in specific regions such as China, the United States, and sub-Saharan Africa. However, there is a lack of comparative analysis across different regional contexts, limiting the generalizability of findings and insights. Future research could aim to compare the effectiveness of similar policies in diverse geographical settings to identify context-specific factors that influence their outcomes. Moreover, there is a need for studies that consider the interactions between different government policies and their cumulative impact on investment levels and poverty alleviation in poverty-stricken areas.

**Geographical Gap:** While the studies by Acemoglu (2019) covered a range of regions, including both developed and developing economies, there is a notable gap in the representation of certain geographical regions, such as Latin America, South Asia, and the Middle East. Further research should aim to fill this gap by examining the effectiveness of government policies on investment in poverty-stricken areas in these underrepresented regions. Additionally, there is a need for studies that adopt a comparative perspective to understand how policy responses to investment challenges vary across different global contexts. By addressing these conceptual, contextual, and geographical research gaps, future studies can contribute to a more comprehensive understanding of the complex interplay between government policies and investment dynamics in poverty-stricken areas.

CONCLUSION AND RECOMMENDATIONS

Conclusions
The impact of government policies on investment in poverty-stricken areas is significant and multifaceted. Through targeted fiscal incentives, infrastructure development initiatives, and microfinance programs, governments can stimulate investment activities and foster economic development in marginalized regions. These policies have been shown to increase investment levels, create employment opportunities, and improve overall livelihoods within poverty-stricken areas. Furthermore, government interventions such as investment tax credits and small business
grants play a crucial role in attracting investment flows and encouraging entrepreneurship, thereby contributing to poverty alleviation efforts.

However, to maximize the effectiveness of government policies on investment in poverty-stricken areas, it is essential to address several key challenges. These include ensuring the sustainability and scalability of policy interventions, considering the contextual factors that influence investment dynamics, and promoting inclusive and equitable development outcomes. Additionally, there is a need for ongoing evaluation and monitoring of policy effectiveness to identify areas for improvement and refine strategies accordingly. Overall, by implementing targeted and well-designed government policies, policymakers can help unlock the economic potential of poverty-stricken areas, create opportunities for sustainable growth, and improve the well-being of vulnerable populations.

Recommendations

Theory

Research in this area contributes to the development of frameworks that elucidate the mechanisms through which government policies influence investment dynamics in marginalized regions. These frameworks help to deepen our understanding of the complex relationship between policy interventions and investment outcomes, providing insights into the mediating factors and pathways involved. Additionally, theoretical advancements contribute to the refinement of models that consider contextual factors, such as socio-economic conditions and institutional environments, shaping the effectiveness of government policies across diverse geographical settings.

Practice

The research on the effect of government policies on investment offers valuable insights for practitioners involved in poverty alleviation efforts and economic development initiatives. By understanding the impact of various policy instruments, practitioners can design and implement targeted interventions that address the specific needs and challenges faced by poverty-stricken areas. This includes leveraging fiscal incentives, infrastructure development programs, and microfinance initiatives to stimulate investment activities and spur economic growth. Moreover, research in this area informs evidence-based practices, enabling practitioners to tailor interventions to local contexts and maximize their effectiveness in promoting investment and fostering sustainable development.

Policy

The research contributes to the formulation of informed policy decisions aimed at addressing poverty and promoting investment in marginalized regions. By identifying the most effective policy instruments and intervention strategies, policymakers can design comprehensive and integrated approaches to poverty alleviation and economic development. This includes prioritizing investments in human capital development, social infrastructure, and institutional capacity-building to create an enabling environment for investment and entrepreneurship. Moreover, the research informs policy discussions and advocacy efforts, highlighting the importance of targeted and well-designed interventions in achieving meaningful impact in poverty-stricken areas. Overall,
the unique contributions of research in this area to theory, practice, and policy are instrumental in advancing our understanding and addressing the challenges of poverty and underdevelopment.
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