Abstract

A considerable and growing literature exists on social transfers in developing countries, that is, direct transfers in cash or kind to individuals or households in poverty. Many studies have examined the contribution social transfers can make to reducing poverty and vulnerability in the developing world, but less attention has been paid to how social transfers might affect growth. This Review examines the available evidence on the effects social transfers may be expected to have on growth at the micro-level. It identifies and assesses a number of pathways through which social transfers can potentially contribute either to enhancing or impeding growth.

This paper argues that in assessing the growth impacts of social transfers it is important to focus on the poor and their circumstances. The discussion of the linkages between social transfers and growth in developed countries focuses on cross-country empirical studies, testing the hypothesis that if social expenditures are harmful to growth performance then they will show a negative correlation with growth across a sample of countries.

Keywords: Bangladesh, Brazil, Ethiopia, Mozambique, social transfers, micro-credit, education, resource allocation

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