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INSTITUTIONAL QUALITY, GOVERNANCE AND POVERTY REDUCTION IN THE BRICS

Damiyano David*

Post-Doctoral Researcher, Department of Development Studies, Faculty of Business and Economic Sciences, Nelson Mandela University, Gqeberha & Honorary Research Associate, Faculty of Management Sciences, Durban University of Technology, Durban, South Africa

Mago Stephen, Professor

Department of Development Studies, Faculty of Business and Economic Sciences, Nelson Mandela University, Gqeberha, South Africa

Dorasamy Nirmala, Professor

Faculty of Management Sciences, Durban University of Technology, Durban, South Africa

*E-mail: davydamex@yahoo.co.uk

ABSTRACT

This study examined the relationship between institutional quality, governance and poverty reduction in 5 BRICS countries from 2000 to 2021. The System Generalised Methods of Moments (SYS-GMM) model was applied for both models. The study revealed that all the variables under investigation were free from Arellano – Bond Serial Correlation, Multicollinearity and Heteroskedasticity. The System-Generalised Method of Moments model J-value statistics used to assess the validity of the instrumental variables reported 0.58 for model 1 and 0.54 for model 2, which therefore signifies that the use of SYS-GMM model is valid. The SYS-GMM revealed that control of corruption, political stability, the rule of law, government effectiveness, voice and accountability, GDP per capita and trade openness have a significant and positive relationship with poverty reduction. The study recommended that BRICS governments should prioritise implementing poverty reduction programmes that encompass vulnerable communities. BRICS governments should also invest much in fighting corruption, ensuring the rule of law practices and maintaining government effectiveness to reduce poverty in their economies.

KEY WORDS

BRICS economies, Institutional quality, Governance and Poverty reduction,

The proximate determinants of poverty have been a bone of contention in economic literature. The classical theory suggested that government institutions are viewed as an adverse source of economic inefficiency beyond a minimum level to prevent destitution. The theory further argued that the state, through its institutions, generates misaligned incentives between individuals and society. Grindle (2004) argues that poor performance of governments such as wasting resources, poor service delivery, and denial of citizens' legal, social and economic rights, are the main drivers of poverty. This has diverted the attention of researchers to analyse the role of non-economic determinants like institutional quality and governance practices in eradicating poverty (Bologun, 2012). In realising its value, economists have advocated that institutional framework is not a substitute to poverty eradication but rather an adopted complement (Acemoglo et al., 2010). Sigh et al. (2014) noted that; good governance and institutional quality have been argued to provide a necessary and sufficient condition for poverty alleviation; therefore, they became widely recognised in modern government systems. This study is focussing on analysing the relationship between institutional quality, governance and poverty reduction in BRICS economies.

Table 1 represents the ranks for BRICS countries in terms of control of corruption, rules of law, government effectiveness, regulatory quality, political stability and voice and

accountability from 2000 to 2021. The World Governance Indicators (2021) stated that Russia has suffered a governance deficit over the period under investigation. For instance, the data below reported that Russia devoted little effort in fighting corruption, maintaining the rule of law, political stability and voice and accountability. There is also little attention on political stability in South Africa and poor government effectiveness partnered with high corruption in Brazil. Table 1 below illustrates each country's institutional quality and governance rankings during the period under investigation.

Table 1 – Institutional quality and governance rankings for BRICS economies

Control of corruption						Rule of law					
	2000	2006	2011	2016	2021		2000	2006	2011	2016	2021
Brazil	57.98	53.17	63.03	40.38	34.62	Brazil	42.29	43.06	56.81	47.12	42.31
Russia	20.21	19.02	15.64	21.63	19.71	Russia	16.92	17.70	26.76	19.23	20.19
India	43.62	47.32	35.55	45.19	46.63	India	62.19	57.42	52.58	52.88	51.92
China	95.21	95.61	95.26	96.15	92.31	China	94.03	96.65	94.37	96.63	92.31
SA	70.21	69.76	57.35	59.13	55.77	SA	55.72	57.89	59.15	56.73	56.25
Government effectiveness						Regulatory quality					
	2000	2006	2011	2016	2021		2000	2006	2011	2016	2021
Brazil	59.02	40.98	49.29	46.15	35.10	Brazil	62.50	53.92	59.72	47.60	48.08
Russia	27.87	39.02	31.75	41.35	45.19	Russia	28.80	40.20	41.23	36.06	32.69
India	48.63	53.17	56.87	56.73	62.50	India	45.65	45.59	38.86	42.31	49.52
China	95.08	97.56	96.21	95.19	95.19	China	92.39	93.63	95.73	94.23	94.23
SA	74.32	63.90	61.61	58.17	51.92	SA	67.93	72.55	65.88	59.13	50.00
Political stability						Voice & accountability					
	2000	2006	2011	2016	2021		2000	2006	2011	2016	2021
Brazil	53.44	35.27	41.23	31.90	28.77	Brazil	58.21	61.06	63.38	62.07	56.04
Russia	10.58	19.32	17.06	15.24	23.11	Russia	37.81	22.12	24.41	17.73	19.81
India	17.46	16.91	10.90	14.76	24.53	India	59.20	59.13	61.03	61.58	51.69
China	87.30	82.61	86.26	93.81	80.19	China	96.02	95.67	94.37	96.06	96.14
SA	0.00	0.97	2.37	4.29	8.49	SA	70.65	68.75	66.67	69.46	72.46

Source: World Governance Indicators.

Sheikh (2021) argued that these countries' governance and institutional framework had undergone considerable change due to the impact of globalisation. Therefore, it becomes equivocal for researchers whether governance and institutions are cointegrated with economic growth and development. The World Bank (2021) reported that the Gross Domestic Product per capita growth for BRICS economies stood at an average of 4.6% in 2000 to 4.9 in 2021. However, despite this 0.32% increase, Russia's Gross Domestic Product per capita decreased from 10.5% in 2000 to 5.2% in 2021 (figure 1). More so, Koffi et al. (2018) pointed out that; to solely look on GDP per capita in measuring the standard of living would be a gross miscarriage of justice since there is also a need to consider other factors such as poverty headcount index, poverty gini index and severity poverty index among others.

Against this background, the study seeks to complement the existing literature by substantially examining the relationship between institutional quality, governance through its components and poverty reduction in BRICS economies. Sheikh (2021) argued that BRICS countries in recent years have embarked on various economic reforms to transform their economic outlook about other economies in the world; therefore, that alone would provide a compelling case to study institutional quality and governance practices in detail. Sigh et al., (2018) posited that, despite their progression at a fast pace, these countries are grappling with poor institutional quality and poor governance practices. For instance, Russia and South Africa in Table 1 indicated lower levels of political stability in 2021 of about 23% and 8%, respectively. Political instability has been juxtaposed with high levels of corruption, disenfranchisement of human rights in and poor regulatory framework in Russia. Therefore, the primary objective of this study is to examine the effect of institutional quality on poverty reduction, to investigate the effect of governance through its components (control of corruption, rule of law, regulatory quality, voice and accountability, political instability and government effectiveness) on poverty reduction.

The second chapter of this study comprises of empirical literature that relates institutional quality, governance and poverty reduction. The third chapter discuss the methodological framework used to estimate the results. Chapter consist of data presentation and interpretation, lastly the fourth chapter consist of conclusion and recommendations.

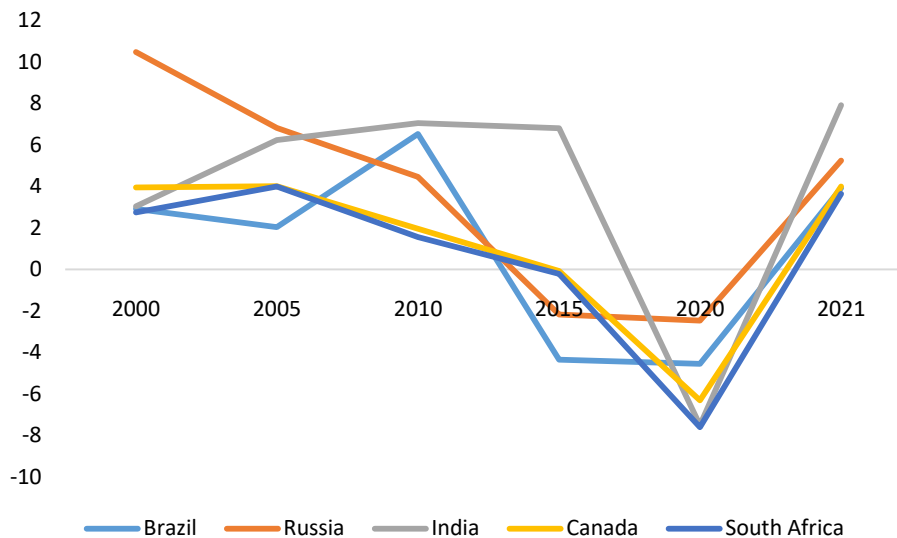


Figure 1 – Gross Domestic Product per capita growth (annual %) for BRICS (Source: World Bank)

LITERATURE REVIEW

There is a spurt of empirical studies on the relationship between institutional quality and governance through their components accorded by World Governance Indicators, including control of corruption, the rule of law, regulatory quality, voice and accountability, political instability and government effectiveness and poverty reduction for BRICS economies. Some studies have found institutional quality and governance to have a positive relationship with poverty alleviation, while others have found a negative association with poverty reduction. Therefore, some of the studies are discussed below:

Akanbi (2015) investigated the relationship between governance, physical infrastructure and poverty levels in Sub-Saharan Africa. The study employed 2 Stage Least Square estimation to analyse the relationship between governance, physical infrastructure and poverty levels. In their model, poverty headcount index was taken as a dependent variable governance and infrastructure development were taken as independent variables. The results obtained from 2SLS exhibited that governance and infrastructure were posited to impact poverty levels in Sub-Saharan Africa significantly. Muhammad et al, (2015) studied on the role played by governance on economic growth for Nigerian economy. The study employed panel time series data to investigate the relationship and the data was obtained from World Bank Indicators. After the Hausman Test conducted, fixed effects analysis was chosen over random effects model to exhibit the degree of variable effects and their significant. The study obtained reported that; in countries with lower level of governance, human capital and economic growth have insignificant effect. In the same year, Adebayo (2015) researched the causes of poverty in Nigeria. The study found that poor governance is Nigeria's main determinant of poverty.

Navarro et al., (2016), investigated the role played by human capital and economic institutions on the development process. The study found that economic institutions have significant impact on the development processes. In their study human capital was measured in terms of cognitive skills, hence it was found that it is an important determinant in the development processes. More so, Abida (2016) conducted a research on the causal relationship between remittances, economic freedom and economic growth in North America

economies. The study employed Generalised Methods of Moments (GMM) to investigate the relationship between the variables under investigation. The study revealed that there is significant and positive relationship between remittances and economic growth in four countries. This implicitly shows that the impact of remittances was more pronounced in presence of the economic freedom variable.

Bruinshoofd (2016) studied institutional quality and governance through their components (the rule of law, individual rights, and high-quality government regulations and services). The study found that institutional quality and economic development reinforce each other in the long run, but institutional quality is the cause of economic development. Using the Fraser Institute's Economic Freedom of the World Index for variables representing institutional quality, Gões (2015) showed that improvements in institutional quality have a positive and significant effect on per capita income.

Oyinlola et al, (2017) examined the role of financial development in the human capital growth relationship. The study extracted panel data from World Bank and World Governance Indicators. To estimate the results, the GMM estimation was used in the study. The results indicated a significant and positive impact between human capital and financial development on inclusive growth. Therefore, the study proffer that the government should invest in human capital to enhance knowledge and skills. More so, Akobeng (2017) investigated the effect of GFCF on poverty and explored whether the GFCF and poverty relationship can be strengthened in the presence of institutions. Results of GMM estimation showed that GFCF appeared to be negatively signed and are significant across the poverty measures. The interaction of GFCF and institutional democracy is negative and significant.

Siyakiya (2017) studied the relationship between economic growth and institutional quality for developed and developing economies. The study found that in developed countries, institutional quality significantly and positively affects economic growth. In contrast, in developing economies where institutional quality is low, it was found that institutional quality has a little impact on economic growth. Siyakiya (2017) found that government effectiveness and voice and accountability were significant and positively associated with economic growth across all panels of developed and developing economies. However, control of corruption and political stability reported a negative association with economic growth across all panels of developed and developing economies. Regulatory quality and the rule of law did not affect economic growth across all panels of developed and developing economies.

Recuero (2019) studied the link between institutional quality and economic development. The primary objective of this study was to examine the impact of institutional quality on economic development and identify the causal effect between economic growth and institutional quality. The study revealed that there is colossal and positive impact between institutional quality and economic development. More so, the results exhibited that the direction of causality may vary depending on the nature of the variables representing institutional quality. While legal, institutional quality is effective in economic development, economic development also improves institutional quality in the public sector.

Hayat (2019) indicated that institutional quality would induce Foreign Direct Investment-led economic development for middle-income countries. While, Gherghina et al. (2019), found that institutional quality has created a better environment that prohibits any form of corruption, promotes government effectiveness and regulatory quality and maintains political stability and the rule of law. The study also found that unidirectional causality runs from institutional quality to economic growth and Foreign Direct Investment in Central and Eastern Europe. Glaeser et al. (2019) investigated institutional quality and poverty reduction for seven emerging economies. The study found that political institutions partnered with good governance practices positively reduce poverty.

Ryu (2018) analysed the impact of trade on poverty reduction for Thailand from 1995 to 2005. The study used 76 provinces of Thailand. The model used to examine the relation was GMM. The study found that trade a positive and significant impact on poverty reduction. Gnanngnon (2018) also found trade openness to reduce poverty for developing countries. Onakoya et al. (2019) investigated trade liberalization's effect on African countries' poverty

from 2005 to 2014. Ali et al. (2018) investigated the association between employment, economic growth and poverty reduction in Pakistan. The study found a positive relationship between employment and poverty reduction.

Claire et al. (2021) investigated the link between trade liberalisation and poverty level in Sub-Saharan Africa. The study covered the period between 1990 and 2017. The study used the SYS-GMM model to examine the relationship. A causality test was obtained using Pairwise Dumitrescu Hurlin Panel Causality and the study found a bidirectional causality between economic growth and poverty levels in the region. The results also found trade liberalisation to be positively correlated with poverty reduction. However, there is still no consensus and conclusive remarks which have been advanced on the relationship between institutional quality, governance and poverty reduction. Other researchers pose an argument for lack of consistency in using different poverty indicators and availability of data. Therefore, this study endeavours to fill the gap and add literature to the body of existing knowledge regarding institutional quality, governance and poverty using the System Generalised Method of Moments (SYS-GMM).

METHODS OF RESEARCH

In investigating the relationship between institutional quality, governance and poverty reduction for BRICS countries (Brazil, Russia, India, China and South Africa) over the period between 2000 and 2021, the paper followed the study done by Toyo et al., (2021) who recently examined the linkage between tourism, governance quality and poverty reduction in Latin America over the period between 2003 and 2015. The model was specified as follows;

$$POVit = \beta_0 + \beta_1 TRit + \beta_2 GOVit + \beta_3 \delta TR * GOVit + \beta_4 Zit + \epsilon_i \quad (1)$$

Where: POV represents poverty reduction and is made up of poverty headcount (POVH), severity of poverty (SPOVG) and poverty gap index (POVG). TR is tourism development made up of international tourism receipts and arrivals. Z represents control variables (GDP per capita, TO, Gini coefficient, and country and time), and ϵ is the error term.

Poverty in this study is measured in terms of the headcount and poverty gap indexes. The poverty headcount index is expressed as a percentage of population living below the poverty and the poverty gap index is an indicator of poverty that measures the percentage of the poor falling short of the poverty line (World Bank, 2020). This is to cater for the residual in the extreme poverty headcount values. Considering the above statement, this study developed two models to unearth the relationship between institutional quality, governance and poverty reduction in BRICS nations. World Governance Indicator reported that governance and institutional quality is determined by six indicators: control of corruption, political instability, rule of law, government effectiveness, voice and accountability and regulatory quality. Therefore, the models are specified as follows.

Model 1:

$$PHIit = \beta_0 + \beta_1 TOit + \beta_2 COCit + \beta_3 VACit + \beta_4 POSit + \beta_5 REQit + \beta_6 ROLit + \beta_7 GEFit + \beta_8 GDPPit + \epsilon_i$$

Model 2:

$$PHIit = \beta_0 + \beta_1 TOit + \beta_2 COCit + \beta_3 VACit + \beta_4 POSit + \beta_5 REQit + \beta_6 ROLit + \beta_7 GEFit + \beta_8 GDPPit + \beta_9 PGLit + \epsilon_i$$

Where: PHI represents the poverty headcount index and is defined as the poverty line as \$1.9 per person per day (in 2011 international purchasing power parity (PPP)), TO is trade openness, COC is control of corruption, VAC represents voice and accountability, POS denotes political instability, ROL represents the rule of law, GEF is government effectiveness, REQ represents and GDPP represents GDP per capita.

The study employed robust System-Generalised Method of Moments (GMM) developed by Arellano and Bond (1991). This technique was found to be appropriate in this study, because of its capability to deal with issues of endogeneity that is inbuilt in the regression of variables (institutional quality, governance and poverty reduction) and other variables. The advantage of GMM technique is that it encourages the usage of panel data analysis which is adequate for providing strong and unique analysis (Baltagi 2008). The system GMM also allows more degrees of freedom, which is an outstanding advantage compared to cross-sectional and time-series data. However, the GMM is accused of failing to consider the stationarity of variables. In GMM, the lags of the dependent variable (poverty headcount index) and the differences of explanatory variables (control of corruption, trade openness, GDP per capita, rule of law, government effectiveness, voice and accountability) are all used as instruments to cater for simultaneity bias and endogeneity bias as well as inhibiting inconsistency of the standard estimator's results. The study used two equations, one for the original equation and the second is a GMM transformed equation. To be accurate, the study used Hansen J statistics to strengthen the GMM variables' instruments.

The study performed the autocorrelation test in order to determine if the errors are correlated with one another or not. The test were conducted under the null hypothesis that This assumption states that there is no correlation between the error terms such that covariance between the error terms over time should be zero against the alternative hypothesis that there is correlation between the error terms. In order to detect the presence of autocorrelation, the study used the Durbin-Watson statistics. In addition, the study also performed a multicollinearity test. This was done to determine the correlation between the independent and the dependent variables. The test was conducted under the null hypothesis that there is no multicollinearity against the alternative hypothesis that there is multicollinearity. The study used a correlation matrix to detect the presence of multicollinearity.

Summary statistics is essential in the initial data analysis as they systematically compare variables included in the study with inferential statistical tests. Table 2 depicts a comparison summary of statistics for BRICS economies. The variables included in the study are Poverty Headcount Index (HPI), GDP per capita (GDPC), trade openness (TO), control of corruption (COC), the rule of law (ROL), government effectiveness (GEF), voice and accountability (VAC), regulatory quality (REQ) and political stability (PLIN).

Table 2 – Summary Statistics

Variables	PHI	GDPC	COC	GEF	PLIN	REQ	ROL	TO	VAC
Mean	4.61	2.33	10.79	7.68	6.78	8.10	12.03	48.36	12.63
Median	2.25	2.27	12.00	8.000	8.000	9.00	13.00	49.47	13.0
Maximum	20.60	10.46	16.00	11.00	10.0	11.00	18.00	82.76	20.00
Minimum	0.20	-7.82	-0.82	-0.47	-2.38	-0.37	-0.95	22.10	-0.51
Std. Dev.	5.18	3.50	4.10	2.85	2.72	2.82	4.38	14.58	4.78
Skewness	1.34	-0.59	-1.48	-1.48	-1.63	-1.84	-1.67	-0.19	-1.25
Kurtosis	3.91	3.72	4.53	4.709	5.14	5.73	5.46	2.25	4.52
Observations	110	110	110	110	110	110	110	110	110

Source: own computation. Eviews 13.

The mean for the poverty headcount index is 4.61, with a maximum value of 20.6 and a minimum value of 0.2. The skewness of the Poverty headcount index is positive and the kurtosis value is above 3; therefore, the distribution is mesokurtic. GDP per capita has the lowest mean value of 2.33 with a negative skewness of -0.59 and a kurtosis value of 3.79; therefore, the distribution for GDP per capita is mesokurtic. Trade openness has a mean value of 48.36 with a negative skewness of -0.19 and a kurtosis of less than 3. The mean value for governance and institutional quality ranges from 2.3 to 12.63 and all the variables are negatively skewed.

Table 3 denotes the bivariate correlation matrix of the determinants of institutional quality, governance and poverty. The results indicated a strong significant negative

relationship between the poverty headcount index and political stability with a correlation coefficient of -0.59. However, a significant positive association exists between corruption control and government effectiveness with a correlation coefficient of 0.67. A positive association also exist between control of corruption and political stability, regulatory quality and the rule of law with a correlation coefficient of 0.51, 0.65 and 0.76, respectively.

Table 3 – Bivariate correlation matrix

	PHI	GDPC	COC	GEF	POS	REQ	ROL	TO	VAC
PHI	1								
GDPC	-0.012722	1							
COC	-0.252659	-0.078887	1						
GEF	-0.186842	-0.112023	0.676902	1					
POS	-0.593107	-0.071041	0.510608	0.766374	1				
REQ	-0.303128	-0.058391	0.652593	0.654983	0.354343	1			
ROL	-0.203956	-0.069702	0.765307	0.554732	0.791548	0.434084	1		
TO	0.142008	0.073692	-0.141748	-0.167553	-0.084665	-0.102193	-0.117302	1	
VAC	-0.110746	-0.101594	0.259738	0.354586	0.714628	0.59487	0.278781	-0.132463	1

Source: own estimation: Eviews 13.

The first and second-order autocorrelation were tested using the Arellano-Bond Serial Correlation test. The tests were done under the null hypothesis that there is zero autocorrelation in the first differenced errors at order 1 (AR1). The output for the first differenced variables reported a probability value 0.000, which is less than 0.05. Thus there is significant evidence of autocorrelation among the variables in question; hence we reject the null hypothesis. However, the output from AR (2) exhibited the probability value of 0.063 > 0.05; therefore, we failed to reject the null hypothesis of no serial correlation and we conclude that the variables are free from serial correlation at AR (2).

Table 4 – Arellano-Bond Serial Correlation test

Test order	m-Statistic	rho	SE(rho)	Prob.
AR(1)	5.165784	24.160	4.6800	0.0000
AR(2)	1.583796	6.8227	4.3100	0.0630

Source: Author's estimation: Eviews 13.

In order to cement the output of the Arellano-Bond serial correlation test. Sargan Test of over identifying restriction conducted the validity of instrumental. The results obtained from Sargan Test indicated that the probability value is 0.32 > 0.05, therefore the null hypothesis should not be rejected.

Table 5 exhibited the estimation results of the GMM test for 2 different models. In the GMM model R-squared is not used as a statistical standard for determining whether the model is of good fit. However, GMM model applies the J-value statistics, which intends to assess the validity of the instrumental variables employed in the model. By using the instrumental rank of 8 the J-prob for model 1 is 0.58 and for model 2 is 0.54, therefore, since they are (> 0.05) it justifies that the GMM model is valid.

The estimated results of GMM in model 1 in which the poverty headcount index was modelled as a function of governance and institutional quality variables indicated that the coefficient for control of corruption is positive and statistically significant at all levels. If BRICS governments manage to control corruption in their systems, poverty will be eradicated. This means that there will be equal distribution of income and wealth, transparency in public procurement system and public finance. The coefficient for political stability is 3.7389 and the probability value is 0.000 < 0.05, meaning there is a positive association between political stability and poverty reduction. If there is stability business will operate in a stable environment which in turn capacitates the growth of industries and more labour will be hired thereby resulting to increase in aggregate demand, thus curbing poverty. The results also indicated that rule of law, voice and accountability and regulatory quality has a beneficial effect on poverty reduction in BRICS economies in both models.

Table 5 – System-Generalised Method of Moments (GMM) estimation results

Dependent Variable: PHI		Model 1	Model 2
COC	t-statistics	4.9232	-2.025212
	coef	[0.6651]	[0.0241]
	P-value	(0.000)***	(0.0456)*
GDPC	t-statistics	1.9030	0.989354
	coef	[0.2464]	[0.0241]
	P-value	(0.056)*	(0.3250)
GEF	t-statistics	0.6991	-1.781637
	coef	[1.0717]	[0.218]
	P-value	(0.4876)	(0.077)*
POS	t-statistics	3.95266	3.298008
	coef	[3.7389]	[0.127]
	P-value	(0.000)***	(0.001)***
REQ	t-statistics	-2.3557	0.952580
	coef	[-3.5730]	[0.230]
	P-value	(0.022)**	(0.3432)
ROL	t-statistics	5.2581	2.586104
	coef	[0.8593]	[0.176]
	P-value	(0.000)***	(0.0112)**
TO	t-statistics	1.4232	1.830284
	coef	[0.027]	[0.022]
	P-value	(0.1578)	(0.058)*
VAC	t-statistics	3.5284	2.082115
	coef	[0.0401]	[0.135]
	P-value	(0.000)***	(0.0368)**
PGI	t-statistics	-	4.2380
	coef		[0.2174]
	P-value		(0.000)***
Observations		109	109
Countries		5	5
No. of inst Rank in GMM		8	8
AR(1)		0.00<0.05	0.00< 0.05
AR (2)		0.6>0.05	0.34>0.05
Prob J-stat		0.58	0.54

Source: Authors Computation; Eviews 13.

For example, an increase in the rule of law practices by 1% there will be a 0.85 % increase in poverty reduction, also a 1% increase in voice and accountability will cause a reduction in poverty by 4% in BRICS economies. These results clearly show that institutional quality and governance matter most in BRICS countries, since all the variables in both models exhibited a positive association with poverty reduction. Trade openness reported a positive relationship and statistically significant with poverty headcount index. This means that a 1% increase in trade openness will cause level of poverty reduction to increase by 2% in model 1 and 2.2 % in model 2. This study's results align with those of Koffi et al, Sokang and Ali et al (2018), who found institutional quality to have a significant impact on governance.

CONCLUSION

This paper investigated the relationship between institutional quality, governance and poverty reduction across BRICS countries, namely (Brazil, Russia, India, China and South Africa). The study used panel GMM approach to meet the study's objective. The central opinion of this paper after GMM estimation is that institutional quality and good governance practices are key instruments to reduce poverty. Governance measures such as voice and accountability, Political stability, regulatory quality, rule of law, government effectiveness and control of corruption interact with the GDP per capita and trade openness to reduce poverty.

The estimated results indicated that control of corruption is positive and statistically significant at all levels. The coefficient for political stability is 3.7389 and the probability value is $0.000 < 0.05$, meaning there is a positive association between political stability and poverty reduction. The results also indicated that rule of law, voice and accountability and regulatory quality has a beneficial effect on poverty reduction in BRICS countries in both models. Trade openness reported a positive relationship and statistically significant with poverty headcount index. The study concluded that institutional quality and good governance practices in BRICS found to be positive and significant impact on poverty reduction. Therefore, effective poverty reduction strategy should be enacted while considering the institutional quality practices. There is need to develop education for all campaigns that will promote vulnerable groups to access equal education. Furthermore, BRICS governments should ensure that industries are more productive and poor people are involved in poverty alleviation programmes for inclusive growth thereby attaining poverty reduction. Governments should also invest much in fighting corruption, ensuring rule of law practices as well as maintaining government effectiveness. Future research may look at the issue of institutional quality, governance and poverty reduction in line with Sustainable development goals (SDGS).

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