

POTENTIAL SOLUTIONS FOR RURAL POVERTY IN ROMANIA THROUGH EDUCATIONAL AND ENTREPRENEURIAL IMPROVEMENTS

Simona-Roxana ULMAN

Faculty of Economics and Business Administration
“Alexandru Ioan Cuza” University
Iasi, Romania
simonaulman@yahoo.com

Krisztina Melinda DOBAY

“Gheorghe Zane” Institute of Economic and Social Research
Romanian Academy,
Iasi Branch, Romania
dobaykrisztinamelinda@yahoo.com

Abstract: *The levels of poverty indicators in Romania, but especially the ones regarding the rural space, analysed including the chronological perspective, denote substantive vulnerabilities and indicate a low national and local capacity of managing and overcoming this problem. We highlighted that poverty is more than a theoretical concept being in reality associated with a large variety of problems, like lack of: development, security, determination, trust, health, social inclusion etc., that tend to become its facets when this phenomenon has a persistent character. In this regard, we analysed the possible solutions for the problem of poverty considering (1) education and investment in its quality, and (2) entrepreneurial initiative, as principle vectors of breaking the vicious circle of rural poverty.*

Keywords: *Poverty, rural space, education, entrepreneurship.*

ACKNOWLEDGEMENT

This work was cofinanced from the European Social Fund through Operational Programme Human Capital 2014-2020, project number POCU/380/6/13/125015 “Development of entrepreneurial skills for doctoral students and postdoctoral researchers in the field of economic sciences”.

INTRODUCTION

Both poverty and its theoretical debates represent key issues in the “equation of development” (Sen, 1999: XI). The classical definition of poverty is the one of Townsend (1979: 31), with Ricardian classical roots, emphasizing the individuals’ impossibility to imply in diverse activities, to benefit of the same life conditions and of usual facilities commonly detained or at least encouraged by the most part of the members of a society. This definition addresses the social exclusion’s role in the poverty’s daily reality, explained by the lack of resources that determines it (Beduk, 2018). The poor people feel it even more profoundly, also including in its meaning the components related to education, health, employment, personal security (Samuel *et al.*, 2018). In this context, we can emphasize the

fact that poverty is not only a theoretical concept, but it is also a practical one, showing, from the day by day reality, that it is the main problem of a large part of the society, who has to confront with the lack of material and financial resources and with the burden of not being capable of obtaining them.

For better emphasizing the severity of this phenomenon regarding the way it is felt, we point out a series of concepts associated to poverty, such as: lack of security, pressure, lack of determination, limitation, lack of development, frustration, incapability, lack of trust, quarrel, social exclusion, insanity, lack of health, of recreation, of peace, stress, lack of sense, dehumanization, sadness, concern, worry etc. It can therefore be observed the variety of negative issues that go hand in hand with poverty and, when it is persistent, they become its facets. A part of them represents states of spirit or inabilities in terms of emotional component; other parts refer to positioning in front of the society as a whole in the context of these inabilities or emphasize physical outside conditions that are able to define the low quality of life generated by poverty. Thus, it can be observed the fact that the deprivations may take different forms and may affect diverse parts of individuals' life. They mark negative elements, or deficiencies, diverse types of inabilities, including the annihilation of some personal aptitudes that cannot be developed anymore because of poverty. This is a situation in which the Pyramid of Maslow (1954) is reconfirmed as its principles clearly show the way in which the individual's needs are satisfied in a logical order. Taking into consideration the fact that the basic needs are not fulfilled in the context of poverty, there is a low possibility that those poor people to develop themselves through increasing knowledge, tending to attain diverse superior needs while the basic ones have not been yet satisfied.

Is it acceptable to have people living in poverty? This is a question debated along several centuries. The answer to this question was quite contradictory, especially in the mercantilist period, with theoreticians like Petty (1899) or Townsend (1817), but now it is evident, inclusively from the point of view of the scientific results, that the negative consequences of poverty do not impact only the life of the ones that confront with it, but also affect the general wellbeing of the society as a whole, obstructing in some ways its progress (Costanza *et al.*, 2015; Ravallion, 2016). These results demonstrate that Adam Smith (2011), in an inspired manner, anticipated the negative influence of poverty on the society as a whole, synthetizing this idea as follows: no society could really prosper in the conditions in which the majority of its members are poor and unhappy.

In this way, we have partially answered to the question related to the importance of approaching such a theme. In addition, other motivations (including our personal ones) that determines a contemporary inclination towards poverty in the scientific field, although it was carefully analysed even from the oldest times, is the fact that it puts in the centre of interests the individual, with his quality of life and wellbeing, ultimately representing the basic goal of all the actions made by the human factor over time. Wellbeing is a relative notion, defined considering uneven reference points in space, although contested from the ethical point of view, but especially in time. Depending by the entire evolution of the society in general (Ravallion, 2016), a maximum level of wellbeing is not achievable by all the individuals or at least by the majority of them. In other words, besides any important progress, no matter how significant it would be, way of improvement and openness to find out solutions for it will exist anywhere and anytime. This means that, in the words of Teffo (2008), "relative poverty can only be alleviated because what is minimally accepted today

may vary over time, from rural to urban areas and from country to country”. Even today, we are assisting to substantial changes regarding the improvement of life conditions, and searches for amelioration are still present. On the other hand, although these improvements are certainties, there are still some segments of population that daily fight with major shortages that affect their quality of life and determine a kind of social disability enabling them to liberate from it.

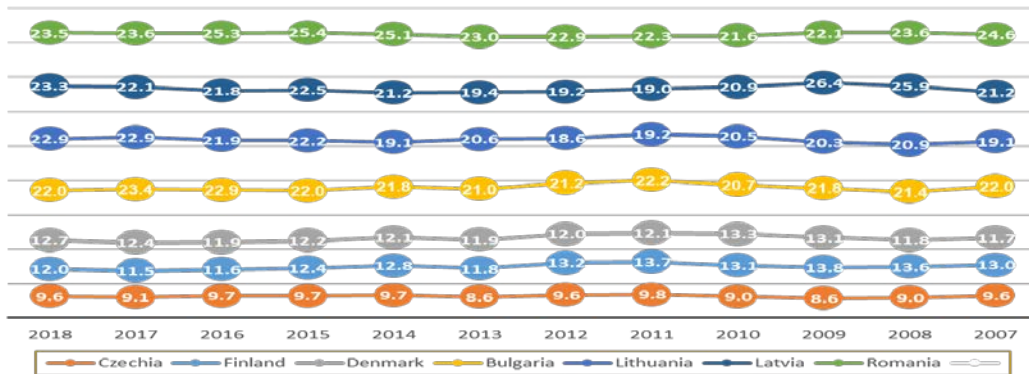
Consequently, the inducement of this paper was the orientation toward the human component, with its needs and, for this reason; we attempted to better understand the poverty issue in the context of the actual society and to highlight some possible solutions. Concretely, the main aims of this paper are:

- (1) to observe the state and evolution of poverty in Romania within the European Union context after its accession;
- (2) to compare the state of rural poverty with the ones of the other EU member states;
- (3) to analyse possible responses to poverty in the rural space.

POVERTY IN ROMANIA WITHIN THE EUROPEAN CONTEXT

In order to emphasize the severity of Romanian poverty, we have selected the three countries with the highest levels of poverty from the European Union (Bulgaria, Latvia, Lithuania) in 2018, excepting Romania, and, also, the three ones with the lowest levels among the member states (Czechia, Denmark, Finland). In this context, we can observe the fact that Romania is on the top of the list, with a higher level than the ones of the three poorest member states, this critical position being maintained in all the years taken into analysis, in the period between 2007 and 2018. Comparing to the least poor countries from European Union, Romania registers alarming higher values of *At-risk-of-poverty rate*, with differences up to 15.7% that, practically analysed, mean an important number of citizens belonging to this category (see Fig. 1). Trying to understand what these percentages represent, we can imagine the social problems derived from the lack of an acceptable income level, referring here to all the associated negative issues, summarized in the first part of the paper, like: lack of security, pressure, lack of development, incapability, lack of health, worry etc.

Figure 1. At-risk-of-poverty rate in Romania compared to the highest and the lowest levels of this rate in the EU member states (2007-2018)

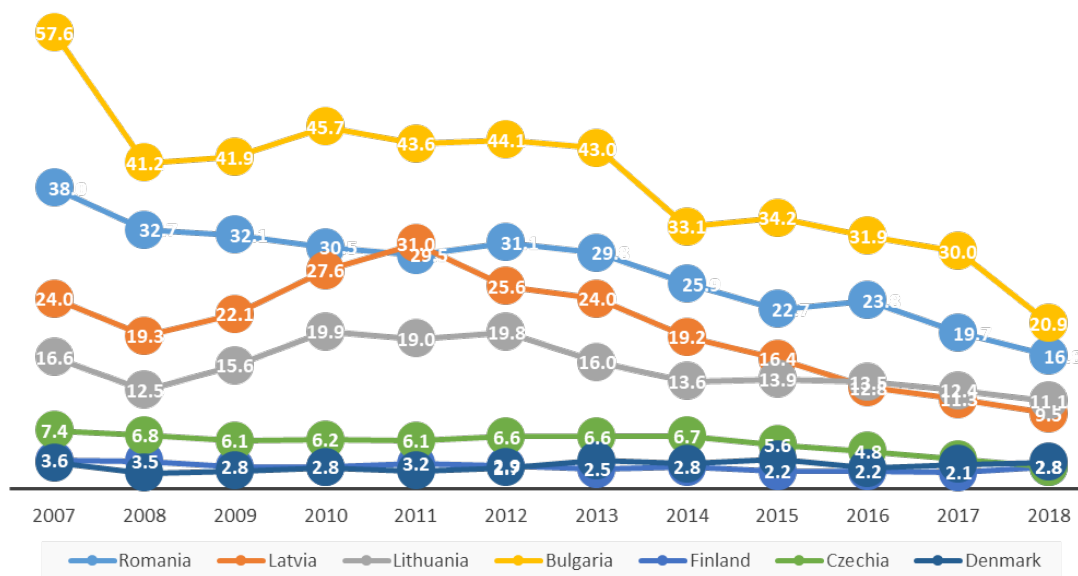


Source: Authors' work, using the data provided by Eurostat, <https://ec.europa.eu/eurostat/en/web/products-datasets/-/TESSI010>.

Contrary to the above indicator, that is approximately constant in this period, the evolution of *Severe material deprivation rate* is descendant, especially in the more disadvantaged group of chosen countries (Bulgaria, Latvia, Lithuania, Romania), while in the case of the other nations, the levels are very low and approximately constant. There can be seen huge differences in terms of severe material deprivation rates between the two groups of countries. The major difference is registered in 2007, between Denmark and Bulgaria, equal to 54.6%, while in 2018, the major difference is between, on one hand, Czechia and Finland, with the same levels of deprivation rates, and Bulgaria, equal to 18.1%, on the other hand. These results confirm the decreasing of the poverty gap in the European countries, at least in the case of this indicator.

Romania is also in a critical position in terms of severe material deprivation rate, being the second most disadvantaged country, after Bulgaria, regarding this important official poverty indicator among the European Union member states, in the analysed period, between 2007 and 2018. It can be observed the constant decreasing of severe material deprivation rate along the twelve analysed years in the Romanian context, revealing an important national progress of this indicator, with the highest difference of this rate, equal to 21.2%. In terms of comparison between the seven countries taken into analysis, Romania is the second most affected country and the major difference of severe material deprivation rates is in comparison to Denmark, in 2007 (34.4%). In 2018, the last year with available data, this gap significantly improves, becoming equal to 14% and confirming the improvement of this indicator across the last twelve years.

Figure 2. Severe material deprivation rate in Romania compared to the highest and the lowest levels of this rate in the EU member states (2007-2018)



Source: Authors' work, using the data provided by Eurostat, <https://ec.europa.eu/eurostat/web/products-datasets/product?code=tespm030>.

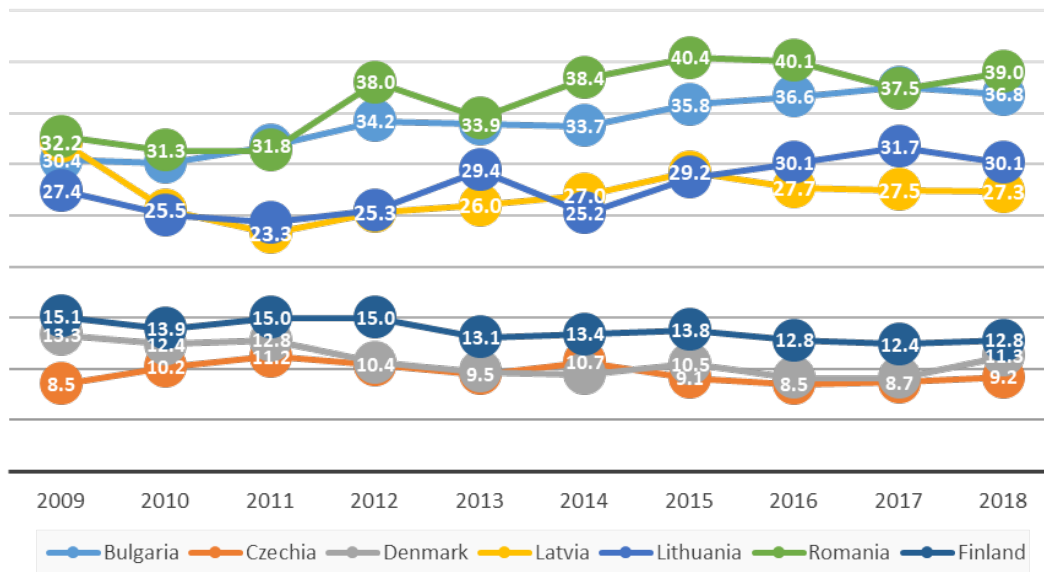
As we can observe both the national percentages per se and, also, the comparison between them and the most favoured, on first hand, and the most affected EU countries, on second hand, poverty in terms of income, but, also, in terms of material deprivation

represents a major concern in Romania. Moving on and being aware by the fact that better understanding of the most effective determinants of rural development remains one of the main policy issues even our days in the context in which it seems that the rural areas suffer of lack of development comparing to the urban ones, and, also, having the critical situation of Romanian poverty in mind, we continue our discussion, directing it on the analysis of the Romanian rural poverty in the same EU comparison manner. For this understanding, there is also pursued the aim to learn about the importance of individual factors fostering development and reducing poverty like education, employment, entrepreneurship.

POVERTY AS A MAJOR CONCERN IN THE ROMANIAN RURAL AREAS

Some specific disturbances of the rural space were registered along the latest periods of time, causing a kind of reconfiguration of it, Cikić *et al.* (2015) discussing even about a new identity of rural, with a cultural and economic restructuring. In addition, it has been observed that the average standard of living is generally lower in villages than in urban areas, phenomenon generically called rural poverty, being foreseen a potential disadvantage in the rural context comparing to the urban one (Eurofound, 2017). This observation is also evidenced by the European Commission (2019) that draws attention to the high disparities between rural and urban in Romania. Moreover, the rural space represents a major part of the Romanian society both economically, socially and demographically, and the aim of understanding the rural poverty phenomenon is not devoid of practical spirit, but relevant and achievable. So, going deeper, and also being aware by the fact that poverty has different characteristics depending on the belonging place, we consider that possible responses to the poverty problem have to be assumed in the context of distinct discussions regarding the degree of urbanization.

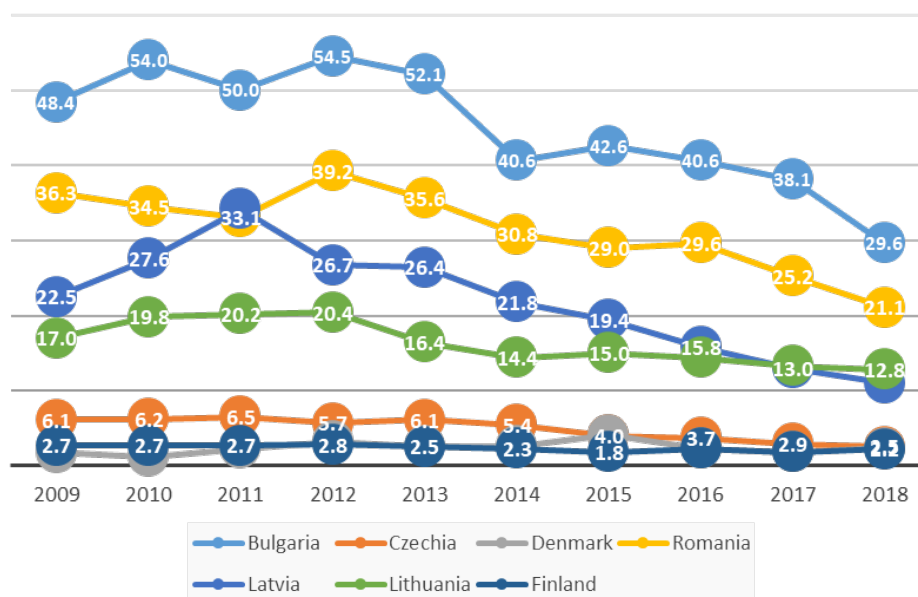
Figure 3. At-risk-of-poverty rate in the rural space in Romania compared to the highest and the lowest levels of this rate in the EU member states (2007-2018)



Source: Authors' work, using the data provided by Eurostat, https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_li43&lang=en.

We assist to an evident grouping of countries in terms of levels of rural poverty measured through *At-risk-of-poverty rate*. If, initially, at the general level, such a grouping does not occur, in the case of the rural, the homogeneity of the countries in terms of income poverty is much higher. In other words, the worst positioned countries at this indicator register almost similar rural rates, as it can be observed in Figure 3, the difference between their levels being approximately similar. This is not the case when referring to the national levels of the same countries that are lower and less homogenous, meaning that rural income poverty represents a major problem with the same intensity, needing to be improved with certain specific solutions especially targeted for it. It can be also observed that a continuous descending trend is not registered, as it would be expected from our first step of analysis, in which the poverty improvement is clear. In Romania, we observe the fact that, in 2018, comparatively to 2009, the percentage of people at risk of poverty, from the rural area is with 6.8% higher. This means that poverty in these areas tends to deepen in the context in which it also registers the lowest levels of this indicator in all the analysed years, although, as we mentioned above, the situation is quite similar in the group of countries with low levels of rural income poverty. So, although at the national level, the registered trend was a descendent one, when we deepen our analysis and direct it to the rural space, this trend is no more present and the only conclusion to get from this is the one of a major gap between rural and urban progress in terms of poverty rates improvement.

Figure 4. Severe material deprivation rate in the rural space in Romania compared to the highest and the lowest levels of this rate in the EU member states (2007-2018)



Source: Authors' work, using the data provided by Eurostat, https://ec.europa.eu/eurostat/en/web/products-datasets/-/ILC_MDDD23.

Regarding severe material deprivation rate, the grouping of the countries with low levels has to be mentioned, while in the case of the ones with high levels, the rates and trends are quite different. In Romania, it can be noticed the fluctuations of this indicator

across the analysed years, with increasing and decreasing rates, but, in average, a certain amelioration of material situation is met in the rural area, contrary to the income one, following the national trend.

These numbers reveal the critical position of Romania among the other EU countries regarding poverty, especially in the rural area, and impose finding solutions for improving these extremely high levels for a European country in 2018. Next section is dedicated to discussing potential solutions addressing the problem of poverty in the rural space.

EDUCATIONAL AND ENTREPRENEURIAL INITIATIVES AS POSSIBLE SOLUTIONS FOR RURAL POVERTY

We direct our attention on two essential factors, possibly representing the ways of breaking the vicious circle of poverty in rural areas: education and employment through local entrepreneurial initiatives. We opted to analyse these two main solutions following Sen's approach who considered the human capital development in the form of education as an effective tool for successful entrepreneurship and poverty alleviation (Sen, 1980).

In this regard, Maile (2008) also states that the educational attainment determines the type of work an individual is engaged in and his earnings potential, meaning that the level of education an individual achieves influences his current income and the future opportunities. In addition, it is generally agreed within the modern literature (Appleton, 2001; Fields, 1999; Sen, 1999; Maile, 2008) that the most powerful instrument known to reduce poverty is good quality education. Besides this common agreement, it is also recognized the fact that this link between education and poverty alleviation is a complex one, neither linear nor a simple cause and effect relationship (Sayed, 2008).

As other important factor influencing the state of poverty, also closely linked to education, work, in the words of Adam Smith (2011), is the principle value creator and, in this context, apart from a continuous promotion of the cult of work, is it necessary to have the entire amount of sophisticated policies, directed on diverse issues, being integrated and innovative, as they are now promoted by the experts in the political domain?

Starting from the basic problems of the rural space, we initially appeal the return to simplicity and follow the idea of Adam Smith (2011), that was convinced by the fact that work done in self-interest, without prejudicing the other individuals, meaning the guidance of conscience and the respect of moral rules and principles as basis for the entire appropriate organisation of society, is the main engine of human development. Moreover, the improvement of work efficiency and ethics (Marshall, 2013), nearby employment as treatment for poverty (Keynes, 2013), both with roots in the theoretical discourse of Smith, come to respond to the necessity of development of the rural space. In which way may the labour culture be promoted and fully assumed by individuals in order to be integrated in the collective subconscious? One answer definitively has to be education. Again, as the main path to progress, closely linked to education, it is the call of John Stuart Mill (1966) for appropriate moral principles, values, beliefs, behaviours (the so-called "wisdom of the society", defined as healthy judgement, practical wisdom and individuals' prudence). In this context, the call for returning to classical roots is also (later) observed by Ernest Bernea (2011), that emphasizes the situation in which, in the context of modern world crisis, thousands of pages were written by analysts from different parts of the world, that discussed about causes, way of action and its effects without being aware by the crisis'

roots: "They speak about the trunk, branches, crown and fruits, but do not remind anything regarding the roots". According to Mill (1966), these are: education, nearby the correct habits and the cultivation of moral sentiments, strongly determining the personal, but also common good. Having these statements in mind, we also share them and call for returning to these basic roots, expressing, in this way, the need for orientation toward a more appropriate individual development within the society, especially, in the rural area. But we also have to bear in mind that education is not an end in itself, "it is a vehicle for bringing about changes in knowledge, values and behavioural patterns" (Teffo, 2008: 77).

Besides the improvement in the quality of education and the promotion of the idea that it plays a fruitful role in the personal wellbeing on the long run, that have to determine personal motivation, financial and time investment, and, also, constant involvement and trust in personal chances, nearby the responsibility of fully aware labour activities, employment opportunities positively contribute to concreting the educational efforts, that fulfil one of their main aims in this way and allow them to become agents in their own lives and communities (Alkire and Deneulin, 2009: 27).

In the rural space poverty is regarded as "the lack of economic, socio-cultural and educational capabilities of individuals to be able to convert opportunities into profitable business ventures to improve their living conditions" (Naminse and Jincai, 2018: 3). Still, Bruton, Ahlstrom and Si (2015) emphasize the fact that research in economics did not especially focus on entrepreneurship as a solution to poverty. However, recent literature increasingly argues that it represents a critical means of alleviating poverty (Bruton, Ketchen and Ireland, 2013).

In this context, because of the complexity of the rural space, entrepreneurship is influenced by the nature of markets, existence of innovation systems, the local culture and communities, revealing different types of opportunities and constraints (Huggins, Morgan and Williams, 2015). In this way, the entrepreneurial initiatives should be adapted to the local context, such as, for example, helping the promotion of local food production through short supply chains or some forms of small producers' association in order to form a homogenous group with similar interests and activities. These entrepreneurial endeavours based on cooperation also (1) encourage the increase of competitiveness of the agriculture in the context in which the village has (or is indicated to have) the mission of being one of the main food suppliers of the urban centres nearby it; (2) represents the interests of the rural residents; (3) have the main role of facilitating and sustaining the innovation process development as basic determinant of wellbeing. For this, it is important to emphasize the role of appropriate rural policies, that may positively contribute to the amelioration of the problems of rural space, including poverty. Thus, in order to avoid limitations and failings, it is necessary, also according to Huggins, Morgan and Williams (2015: 3), to establish proper policies and support mechanisms.

CONCLUSIONS

The state of fact regarding the level of national poverty, but especially the one of the rural space, also analysed from the chronological perspective, denotes substantive vulnerabilities in Romania and indicates a low national and local capacity of managing and

overcoming this problem. Even more, when we compare it with the European context, the figures reveal the most critical situation for Romania as it was shown in this paper.

In this regard, having in mind two important arguments appropriate for the Romanian context, such as: (1) the high level of rurality and (2) the much higher level of rural poverty compared to the national one, we have to emphasize the importance of including the degree of urbanization distinction in the discussions and explanations regarding poverty, especially the one of income. This fact-finding translates into the fact that the poverty analyses, but also policies, should concentrate on the distinction between rural and urban particularities and try to differently answer to each of them.

Consequently, in this paper, we particularly analysed the problem of poverty and expressed our point of view regarding the fact that we consider that the principle vectors of rural development and, also, of diminishing the level of rural poverty are (1) education and investment in its quality, offering, in this way, equal opportunities for those that attain the first levels of education in the rural schools and (2) employment, through developing the entrepreneurial initiative and attraction of external investments, depending on the strengths of the local context, these solutions being also potential ways of breaking the vicious circle of rural poverty.

References

1. Alkire, S., Deneulin, S., (2009). *An introduction to the human development and capability approach*. London: Earthscan.
2. Appleton, S., (2001). Education, incomes and poverty in Uganda in 1990s. *Centre for Research in Education Development and International Trade Research*, Paper No. 01/22, London.
3. Beduk, S., (2018). Missing the Unhealthy? Examining Empirical Validity of Material Deprivation Indices (MDIs) Using a Partial Criterion Variable. *Social indicators research*, 135(1), 91-115.
4. Bernea, E., (2011). *Criza lumii moderne*. București: Ed. Predania.
5. Bruton, G.D., Ahlstrom, D., Si, S., (2015). Entrepreneurship, poverty, and Asia: Moving beyond subsistence entrepreneurship. *Asia Pacific Journal of Management*, 32(1), 1-22.
6. Bruton, G.D., Ketchen Jr, D.J., Duane Ireland, R., (2013). Entrepreneurship as a solution to poverty. *Journal of Business Venturing*, 28(6), 683-689.
7. Ćikić, J., Petrović, M., (2015). Rural Families and Households in Post-Socialist Transition: Serbian Experience. *Eastern European Countryside*, 21(1), 35-62.
8. Costanza, R., Cumberland, J., Daly, H., Goodland, R., Norgaard, R., Kubiszewski, I., Franco, C., (2015). *An Introduction to Ecological Economics*. London: Taylor&Francis Group, CRC Press.
9. Dan, M.C., Popescu, C., (2017). Entrepreneurship in the rural areas of Romania. The impact of the 2007-2013 EU funding programmes. *Proceedings of the International Conference on Business Excellence*, 11(1), De Gruyter Open.
10. Eurofound, (2017). *European Quality of Life Survey 2016: Quality of life, quality of public services, and quality of society*. Luxembourg: Publications Office of the European Union.
11. Fields, G.S., (1999). *Distribution and Development: A Summary of the Evidence for the Developing World*. A background paper prepared for the World Development Report 2000.
12. Huggins, R., Morgan, B., Williams, N., (2015). Regional entrepreneurship and the evolution of public policy and governance: Evidence from three regions. *Journal of Small Business and Enterprise Development*, 22(3), 473-511.
13. Keynes, J.M., (2013). *The General Theory of Employment, Interest and Money, The third edition, from The collected Writings of John Maynard Keynes*, Volume VII. Cambridge: Cambridge University Press.
14. Lin, B., Xu, M., (2019). Good subsidies or bad subsidies? Evidence from low-carbon transition in China's metallurgical industry. *Energy Economics*, 83, 52-60.

15. Maile, S., (2008). Education and poverty: Development policy options in a democratic era, in S. Maile (ed.), *Education and poverty reduction strategies. Issues of policy coherence*, Cape Town: HSRC Press, 157-181.
16. Marshall, A., (2013). *The Principles of Economics*, Eighth edition. London: Palgrave Macmillan.
17. Maslow, A., (1954). *Motivation and Personality*. New York: Harper and Row.
18. Maslow, A., (1968). *Towards a Psychology of Being*. New York: Van Nostrand Reinold.
19. Maslow, A., (1970). *Motivation and Personality*, Second edition. New York: Harper and Row.
20. Merayo, E., Porras, I., Harper, S., Steele, P., Mohammed, E., (2019). *Subsidy reform and distributive justice in fisheries*, Fisheries Working Paper.
21. Michalek, J., Zarnekov, N., (2012). *Construction and application of the Rural Development Index to analysis of rural regions*. Seville, Spain: European Commission, Joint Research Centre, Institute for Prospective Technological Studies.
22. Mill, J.S., (1966). Autobiography, in J.M. Robson, *John Stuart Mill. A Selection of His Works*. Toronto: Macmillan Publishers Limited, 229-320.
23. Ministry of Labor, Family, Social Protection and the Elderly, (2014). *Strategia națională privind incluziunea socială și reducerea sărăciei pentru perioada 2015-2020/ National Strategy on Social Inclusion and Poverty Reduction for the period 2015-2020*, Appendix 1.
24. Naminse, E.Y., Zhuang, J., (2018). Does farmer entrepreneurship alleviate rural poverty in China? Evidence from Guangxi Province. *PLoS one*, 13(3).
25. Petty, W., (1899). A Treatise of Taxes and Contributions, in *The Economic Writings of Sir William Petty*, Vol. 1. (1662). Cambridge: Cambridge University Press.
26. Ravallion, M., (2016). *The Economics of Poverty. History, measurement, and Policy*. Oxford: Oxford University Press.
27. Samuel, K., Alkire, S., Zavaleta, D., Mills, C., Hammock, J., (2018). Social isolation and its relationship to multidimensional poverty. *Oxford Development Studies*, 46(1), 83-97.
28. Sayed, Y., (2008). Education and poverty reduction/eradication: Omissions, fashions and promises, in S. Maile (ed.), *Education and poverty reduction strategies. Issues of policy coherence*. Cape Town: HSRC Press, 53-67.
29. Sen, A., (1980). Equality of what?. *The Tanner lecture on human values*, 1, 197-220.
30. Sen, A., (1999). *Development as freedom*. Oxford: Oxford University Press.
31. Smith, A., (2011). *The Wealth of Nations/Avuția națiunilor*. Bucharest: Publica.
32. Teffo, J., (2008). Education for poverty alleviation: Myth or reality?, in S. Maile (ed.), *Education and poverty reduction strategies. Issues of policy coherence*. Cape Town: HSRC Press, 68-82.
33. Townsend, P., (1979). *Poverty in the United Kingdom*. Harmondsworth: Penguin.
34. Townsend, J., (1817). *A dissertation on the poor laws*. Republished, London: Printed for Ridgways.
35. Van Beers, C., van den Bergh, J., (2001). Perseverance of perverse subsidies and their impact on trade and environment. *Ecological Economics*, 36(3), 475-486.



This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution - Non Commercial - No Derivatives 4.0 International License.