PECULIARITIES OF SOCIAL ENTREPRENEURSHIP DEVELOPMENT IN UKRAINE

ОСОБЛИВОСТІ РОЗВИТКУ СОЦІАЛЬНОГО ПІДПРИЄМНИЦТВА В УКРАЇНІ

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H umanity faces many global challenges, most of which are driven by the principles of a consumption society. Public consumption is characterized by such a feature as goods consumption over the limits of their natural needs. But this feature has another side, because if there is a demand there is a supply, which is sold to the maximum extent by capitalist enterprises. One of the negative features of capitalism is the profit aim. It leads to ecological, economic and social problems. The more problems humanity has, the more they have consequences, i.e. the faster the counteraction movement develops. As an optimal alternative to mercantile enterprises, the so-called "social enterprises", created to solve social, ecological and social problems, and the resulting profit allows them to move forward and achieve social goals.

Today attention is paid to social entrepreneurship in Ukraine due to the economic situation of the leading world countries. On the one hand, reducing the budget financing of the social sphere of the country and transferring these powers to the private sector, and on the other hand, the difficulty of solving social problems, allow the social entrepreneurship development as a mechanism capable to solve several tasks: find financing, solve social problems, get profit to social enterprises owners.

Analysis of recent researches and publications

Theoretical and methodological bases of social entrepreneurship are laid in studies of famous foreign researchers and representatives in the sphere of social enterprise, among which one can highlight G. Diz, B. Drayton, F. Nightingale, R. Owen, B. Bhava. From

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domestic researchers we would like to draw attention to the works of such researchers as I. Buleiev, O. Vynnykov, Z. Varnali, Z. Halushko, O. Kirieieva, V. Udodova, V. Shapoval, Yu. Orel, O. Sotul, Yu. Popov, F. Borodkin, A. Moskovska, L. Taradin, M. Batalin, M. Semykina, Ye. Silvestrov, A. Skipalsky. However, to date, methodological approaches and practical recommendations for social entrepreneurship creation, functioning and development remain insufficiently studied in Ukraine.

The main part

The experience of social entrepreneurship began to accumulate actively around 1970-1980s of the 20th century, appeared almost simultaneously in different world countries with different economic and social conditions, and in 1990s in the countries of the former socialist camp.

At the beginning of the new century, social entrepreneurship became a subject of great public expectations, which is being developed in the western developed industrial world much more actively and diverse than in the third world countries. Moreover, it is possible to assume that social entrepreneurship projects in the countries that gained world popularity became successful in many respects due to business standards, values, culture, economic education created in developed industrial countries of the West. Recently, financial infrastructure and advisory assistance from various foundations and other non-profit organizations, as a rule, western bases, have been added to this.

Social entrepreneurship is an entrepreneurial activity, which has a specific social mission aimed at solving social problems. Social entrepreneurship has characteristics such as transformation activities with socially sustainable effect, target focus on solving existing social problems, self-recoupment and financial sustainability and experience dissemination.

Two approaches can be identified in defining the concept of "a social enterprise". On the one hand, a social enterprise or organization creates for its employees such conditions, in which the basic tasks of social policy for providing people with normal living conditions and development are solved; creating conditions for family functioning as the primary centre of society; ensuring economic security through such tools as payment, labour protection, social protection; pension provision; social services; social insurance. However, any enterprise or organization may be considered to be subject to such criteria, as to varying degrees, but they perform these functions in a side-by-side manner.

On the other hand, specifying the definition of "the social enterprise" allows the different features that are not common to other enterprises and organizations and perform functions and solve social problems more appropriately. These criteria are: the social character of the product produced, the social value of the activity, which transforms the activity (often using innovative developments), the social result influences. For example, non-profit organizations carry out their activities in limited forms of ownership and ways of doing their activities. And the social enterprise based on the principles of private property has a number of advantages: fair financing, ownership transparency of assets, transparency of their valuation, and freedom of sale. The social enterprise can be defined as an enterprise, which involves a group of people excluded from local labour markets in the first place. In this definition the emphasis is not so on social products, but in providing conditions for the population included in the socially problematic group. Again, such a definition is not quite specific.

A social entrepreneur is an entity that carries out business activities in accordance with a specific social mission to achieve a steady qualitative change in the state of social problems, which takes on any obligation to conduct business in order to obtain profit. For the social entrepreneur, profit is obtained, but the goal of his/her priority is to work for the benefit of society and to solve specific social problems.

Social entrepreneurship is a business entity for which the first place is not profit, but a certain social problem solution. Actually it is the main difference from ordinary business. It is about business which uses the most effective methods of business activity to solve social problems. It can be a variety of problems such as protecting and creating new opportunities for vulnerable groups or addressing a local environmental situation. Another important feature is using the innovative approach. That is, an organization provides a new service or sells a new product that has not been on the market yet. For example, a product can be an ecological alternative to a popular product or an enterprise on which people with special needs work. In both cases the enterprise simultaneously makes profit and provides benefits for society [4].

Social entrepreneurship is a new industry both in the world and in Ukraine. There are more and more of them every year, but such activities have many different obstacles. Thus, in 2020, the Ashoka Foundation conducted a survey on the state of public entrepreneurship in Ukraine. As a result, such statistics were formed (Figure 1).

Today, many researchers in the field of economics believe that by the end of the century all entrepreneurial activity will become socially oriented. Social entrepreneurship enables communities and individuals to contribute to solving social problems themselves and to reduce the burden on the national budget. In Ukraine, as in the world, there are a lot of social problems, which appeared long ago and have existed for years, decades, and they are not solved by state bodies, especially in the conditions of pandemic, limited financial resources.

As an example of social entrepreneurship, it is worth mentioning the wide spread of them in Belgium, where it plays a significant role in its economy. However, the concept of social entrepreneurship still has no clear legal limits and the exact number of social enterprises in the country is unknown [5].
Specialists take into account such companies when compiling specialized catalogues, but at the official level they do not belong to social enterprises.

In 1970s unemployment increased sharply in Belgium. The government failed to solve many important social tasks. State duties were taken gradually by non-commercial and charitable organizations. At present, many of them work according to the principles of social entrepreneurship. In 1995 the first form of social entrepreneurship was approved in the country. It became the most widespread during the financial crisis in 2007-2008. Before the crisis, up to eight hundred new customers applied to the bank every quarter, and during the crisis—from one and a half to two thousand. Research has shown that all of them have recently become increasingly market-oriented rather than government and other grants. About 15% of all social enterprises are completely self-sufficient. Financing, including from the state, accounts for about 40% of the total revenues of Belgian social enterprises. Special attention should be paid to specific enterprises, and not only the general picture. Throughout the country, a network of enterprises dealing with the processing of household waste has been established. In the French part of Belgium, the non-profit organization Ressourcerie, which unites about 70 enterprises, manages the process. And in the Flemish region the same tasks are carried out by the KOMOSIE association. This network includes 35 enterprises. In Wallonia Sivila Mertens de Villmars from the University of Liège, as a vivid example of social entrepreneurship in Wallonia, is brought SD4Earth. In fact, it is the union of four social enterprises, the first of which appeared in 1949. The company employs about 300 people who find themselves in difficult life circumstances. They recycle waste paper and plastic.

Social entrepreneurship came to Ukraine with the collapse of the USSR. Its development can be divided into several stages (Table 1).

### Table 1. Stages of Social Entrepreneurship Development in Ukraine

<table>
<thead>
<tr>
<th>Stage, years</th>
<th>Description</th>
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<tbody>
<tr>
<td>The first stage, 1991-2010s</td>
<td>Since 1991, the Law of Ukraine No. 875-12 &quot;On the Basis of Social Protection of People with Disabilities in Ukraine&quot; has been in force, which provides additional advantages for carrying out business activities by disabled people. This law provides for the activity of a special fund which is engaged in financing business initiatives of such Ukrainian citizens. Thus, this law provided impetus for social entrepreneurship development. At that time, various international organizations and foundations began to finance the development of this sector.</td>
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<tr>
<td>The second stage, 2010-2016</td>
<td>The beginning of the second stage was marked by the consortises creation and various programmes development of such orientation. As a result, many training sessions on social entrepreneurship were held, resource centres appeared in Kyiv, Lviv and Donetsk. A special programme of social enterprises crediting was also launched.</td>
</tr>
<tr>
<td>The third stage, since 2016 to this day</td>
<td>There has been a strong development of this sector, as well as the involvement of more and more participants in the form of various donors. The most important donor in this area is the USA, but other countries, in particular Germany, are gaining importance. The programme &quot;Promotion of Inter-sector Partnership for Children's Interests Protection: Involvement of NGOs in Active Process participants&quot;, which aims to develop social entrepreneurship in eastern and southern regions of Ukraine, with the participation of Children Fund Deutschland, has started. The course of study &quot;Social entrepreneurship&quot; began to be taught at universities of the country. The manuals in the Ukrainian language on social entrepreneurship have been published: &quot;Social Entrepreneurship: from the Idea to Social Changes&quot;; &quot;What Should Be Known about Social Entrepreneurship&quot;; &quot;Social Entrepreneurship: Business Model&quot;. Today the social entrepreneurship sector in Ukraine depends on foreign support.</td>
</tr>
</tbody>
</table>

*Source: authors’ own development*
In Ukraine, it is possible to obtain investments for social entrepreneurship through Western NIS Enterprise Fund together with Oschadbank and Kredobank, private fund of the Nechytailo family, "Eastern Europe" fund. Social investment initiatives that introduce business are very valuable, for example, METRO Cash & Carry Ukraine has implemented a social programme "You can do it – METRO will help", which supported four social initiatives that meet at least one of the goals of sustainable development of the United Nations and have a significant social impact. Metinvest has invested about 4 million UAH in holding a school of social entrepreneurship for representatives of small and medium-sized businesses and in support of launching social start-ups, i.e. a network of children’s development centres. In 2016, a study on this topic was conducted (Figure 2).

Support means:
— agreements with government agencies for products purchase;
— premises provision for rent on preferential terms;
— joint organization of events;
— tax privileges;
— attraction to local social programmes realization;
— dissemination of information about on social entrepreneurship activity.

In order to outline a more specific example, we would like to mention the project from the city of Ivano-Frankivsk. This is a public restaurant Urban Space 100. Since the winter of last year all the venue profit has been directed exclusively to city projects implementation. The restaurant name also has some sense it was founded by 100 people, each of whom made a contribution in the amount of 1000 dollars. Now these founders act as patrons and management, as an example of joint stock companies. As the venue performs many social functions, it is also used as a basis for discussion, training and creation of new projects. And this function, i.e. a place for discussion is more important than the economic component [11].

"New is the remade old one!" is the principle of Zelenew enterprise. This organization is engaged in plastic processing and investigates new directions for applying processed raw materials. In the future Zelenew is planning to recycle: plastic bags, milk packaging. The company was founded in 2014 and has been successfully transforming into useful and good interior objects for 7 years.

The Lviv candle factory was founded in 2013 in Lviv to help women who have got into a difficult life situation. Together with the public organization "People's Aid", the Lviv candle-making factory provides support to women from the crisis centre employs them in the workshop, and also provides financial support for the current expenses of the women's centre.

"Laska" store has been operating on a charitable basis in Kyiv for the ninth year in a row. This company does not take profit, but spends it on charity and social activity. Their activity works as follows: people give unnecessary things, the organization workers sort them. Then some of them are sold, while others are handed over to the needy. According to the latest data, actual as of January 2018, the enterprise was donated to the things for 850 thousand UAH.

In the same year, 2012, "Gorichovy Dim" bakery was opened in Lviv. The purpose of its activity is to support women who have suffered from violence in the family; the bakery, which was able to expand quickly to the dining room, spends 40% of its income on this activity. Affected women receive shelter and psychological assistance here, as well as employment.

But now social enterprises in Ukraine are not very widespread. This creates both difficulties and opportunities for development (Table 2).

It is necessary to mention alternative differentiation of opportunities for development. For example, first of all, it is the lack of regulation on the part of the legislation. There is no special organizational and legal form for social enterprises in Ukraine. This means that when such a company is established, it is possible to choose the most optimal form, which will be the most suitable for its activity.
One of the negative features of capitalism is the focus on profit. This leads to environmental, economic, and social problems, state support becomes increasingly popular, and the profits allow them to move forward and achieve social goals. Today in Ukraine a lot of attention is paid to social entrepreneurship, which is due to the economic development of the country and the crisis in other areas (demography, ecology) and the constant changes in others (economic and political situation), social entrepreneurship can be a tool that will allow success in some areas, overcome the problems in others.

**Conclusions**

Society, both in the world and in Ukraine, faces many social problems that the government cannot solve. As a reaction to this, social enterprises have appeared. They have combined the methods of getting profit from traditional business and social importance from charitable organizations. Despite the blurred legal status, the number of such enterprises of different forms, but one fact is growing. Thanks to the state support, which is still insufficient and public commitment, the social entrepreneurship start-ups often become successful and contribute to the development of society and economy. Given the rapid development in some areas (IT, technology), the crisis in others (demography, ecology) and the constant changes in others (economic and political situation), social entrepreneurship can be a tool that will allow success in some areas, overcome the problems in others.

**Abstract**

Public consumption is characterized by such a feature as the consumption of goods in excess of their natural needs. But this feature has another side, because if there is demand – there is supply, which is realized as much as possible by capitalist enterprises. One of the negative features of capitalism is the focus on profit. This leads to environmental, economic, and social problems. The more problems humanity has, the more they have consequences – the faster the resistance movement develops. As an optimal alternative to mercantile enterprises, so-called “social enterprises”, which are created to solve social, environmental, and social problems, are becoming increasingly popular, and the profits allow them to move forward and achieve social goals.

The fourth possibility is that consumers and society are more loyal to social enterprises. This can even be attributed to competitive advantages, such enterprises from the very beginning have a better reputation than the traditional ones.

The fifth advantage is that social enterprises have more opportunities to get support from international funds and organizations. This helps to create and support an entrepreneur at the initial stage.

Thus, for the domestic social entrepreneurship development, which can become a significant mechanism of solving social problems, state support is needed through mechanisms of stimulation, strategy definition of business development and its interaction with the social community.

### Table 2. Opportunities for Social Entrepreneurship Development in Ukraine

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Participants</th>
<th>Value proposition</th>
<th>Form of social value produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activism</td>
<td>Activists</td>
<td>Moral and informational support of social enterprises</td>
<td>Social needs protected by activists</td>
</tr>
<tr>
<td>Self-help</td>
<td>Recipient-users</td>
<td>Cheap marketing and labour; patient and loyal customers;</td>
<td>Social needs and problems identified by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>cheap capital, almost guaranteed for use by the organization (low level of outflow)</td>
<td>future recipients of benefits</td>
</tr>
<tr>
<td>Charity</td>
<td>Donors</td>
<td>Grants and other charitable contributions, consulting</td>
<td>Social needs identified by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>services, support networks creation</td>
<td>the donor</td>
</tr>
<tr>
<td>Assistance to other people</td>
<td>Private entrepreneurs</td>
<td>No need for external capital, autonomous social infrastructure</td>
<td>Determined by the entrepreneur</td>
</tr>
</tbody>
</table>

**Source:** authors’ own development
development to social entrepreneurship as a mechanism capable of solving several tasks: finding funding, solving social problems owners of social enterprises.

The main methodological method of research is the system-structural approach, which allows the most effective organization of the search for the solution of the tasks. Also, methods of comparative, functional analysis, classification are used. Theoretical and methodological basis of work were theoretical positions and scientific principles, developed by domestic and foreign specialists in the field of features of social entrepreneurship development in Ukraine.

A social entrepreneur is an entity that carries out entrepreneurial activities in accordance with a specific social mission to achieve sustainable quality change in the state of social problems, which undertakes any obligations to conduct business for profit. It is typical for a social entrepreneur to make a profit, but his priority is to want to work for the good of society, to solve specific social problems. Social entrepreneurship is a business for which the first priority is not to make a profit, but to solve a certain social problem. In fact, this is the main difference from ordinary business. We are talking about a business that uses the most effective methods of doing business to solve social problems. These can be a variety of problems, such as protecting and creating new opportunities for vulnerable groups or addressing a local environmental situation. Another important feature is the use of an innovative approach. That is, the organization provides a new service or sells a new product that has not yet been on the market. For example, the quality of the product may be an environmental alternative to a popular product or a company that employs people with special needs. In both cases, the company simultaneously makes a profit and benefits society.

It is necessary to note the alternative differentiation of opportunities for development. Yes, first, it is the lack of regulation by law. There is no special organizational and legal form for social enterprises in Ukraine. This means that when creating such a company, you can choose the most optimal form that will best suit its activities. Keep in mind that the shape of the business is not important. The important purpose for which it was created and operated, not what tax benefits it has. Second, it is an opportunity to use human resources, which are not popular among traditional businesses. These are the following categories of the population: people with disabilities; refugees (internally displaced persons); National minorities; elderly people; young; persons released from prisons; HIV-positive people; mothers with many children. These categories of the population are often not in demand as a labor force not because of lack of skills, but because of stereotypes and prejudices. Another possibility, which also refers to untapped resources, is community-owned buildings. Because there are many buildings that are not actually used, so you can rent them. Abroad, this is a common practice that would be appropriate to adopt.

Thus, for the development of domestic social entrepreneurship, which can become an important mechanism for solving social problems, state support is needed through incentive mechanisms, determining the strategy of entrepreneurship development and its interaction with society.

Список літератури:


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