

Social enterprise in Ukraine

Kateryna Dubyk¹, Olena Pozniakova²

1. Department of Finance, Lviv Polytechnic National University, UKRAINE, Lviv, S. Bandery street 12, E-mail: katiuskad@yandex.ru

2. Department of Finance, Lviv Polytechnic National University, UKRAINE, Lviv, S. Bandery street 12, E-mail: pozniakovalv@gmail.com

Abstract – Social entrepreneurship is the solution of socio-economic problems of society. This is a new phenomenon in Ukraine, which could be of great benefit. European state financed a project to promote social entrepreneurship in order to further this information. Modern development of social enterprises requires intervention of the state. Legislative regulation and balance between the objectives of enterprises and society are necessary.

Key words – social entrepreneurship, non-state unprofitable organization, public interest, commercial interest, income.

I. Introduction

Each state has the duty to take care of its citizens, especially of those who for one reason or another are unable to provide themselves. Taking care of their citizens is the priority for developed countries. Ukraine is not an exception. However, this state cannot provide completely a proper level of life and workplaces for everyone as the number of unemployed and unemployable constantly increases, and national budget expenses and national insurance funds are too small. Public organizations help largely, but they also do not have enough money to encompass everyone, as they depend on external assistance too.

II. The main text

There is a form of enterprise, which can solve these difficult problems. Social enterprise's income is used on any good, useful business: creation of new workplaces or professional retraining; The main mission of social entrepreneurship is to benefit society. This type of company operates according to the laws of business and makes a profit, but it is not a charitable organization [3]. Often the notion of social entrepreneurship is identified with charity and traditional business. The following characteristics were implemented to differentiate these notions (Table I).

Social entrepreneurship is rather a new phenomenon in Ukraine practice, it should be used by government more widely as one of the ways of innovative society and economy development. Its main purpose is to improve living conditions of people in far-away regions producing essential goods and services, providing services in such areas as health, employment, education, environmental protection, poverty alleviation, human rights, housing; service and social adaptation of vulnerable groups (disabled, unemployed, ethnic minorities). The development of social entrepreneurship means connection between social and commercial interests that is necessary for social wellbeing.

TABLE 1

COMPARATIVE CHARACTERISTIC OF SOCIAL ENTREPRENEURSHIP, CHARITABLE ACTIVITIES AND TRADITIONAL BUSINESS

Comparative sign	Type of business		
	Social Enterprise	Charity Organization	Traditional business
Legislative regulation	no	yes	yes
Character of activity	socially oriented, ecological and commercial	socially oriented	commercial
The purpose of the activity	capital uses to satisfy the interests of the population	uses of attracted investments to improve living standards	uses the people to satisfy the business needs
Dependence on external sources of funding	independent	dependent	independent
Objective of activity	mitigate or solve specific social problems	solve social problems	profit maximization
Profit distribution	reinvesting	no revenue	distributes to shareholders, reinvesting
Evaluating the effectiveness	by financial and social criteria	by social criteria	by financial criteria

In most European countries, the proper legislative acts are developed and possible organizational and legal forms of social enterprises are identified. In Ukraine the official activities of enterprises (which by international standards can be classified as social) is inextricably linked with non-state unprofitable organizations, those that act protecting the rights and interests of its members, third persons, to provide certain services. Analysis of legislative framework of Ukraine regarding research problem identify to reveal that the "social enterprise" is not a distinct organizational legal form, and "social entrepreneurship" isn't a separate economic activity [1].

In order to create conditions for development of the sector of social entrepreneurship in the regions of Ukraine, to further the idea of social entrepreneurship in Ukrainian society, and to provide access to legal, financial and consulting assistance social entrepreneurs seeking to develop their own business, in 2010 large foreign companies (East Europe Foundation, British Council, Pricewaterhouse Coopers and Erste Bank) joined forces and created a project promoting social entrepreneurship. Within the framework of the partnership between the state, private and public sectors is improved; the network of support for social entrepreneurs, cooperation, exchange of experience and learning is created [2]. European

program spread all over the Autonomous Republic of Crimea, Donetsk and Lviv region.

Ukrainian companies, focused on social entrepreneurship can be divided into two groups: first - it's almost business because companies have already been working or on the verge of profitability, or under certain conditions (preferential crediting, proper marketing policy, advanced sales system) will be profitable, the second - rather charity, since these organizations focus their efforts on solving social problems funded by donations, grants, government funding, etc. [4].

Social enterprises working in Lviv region are shown on Fig. 1.

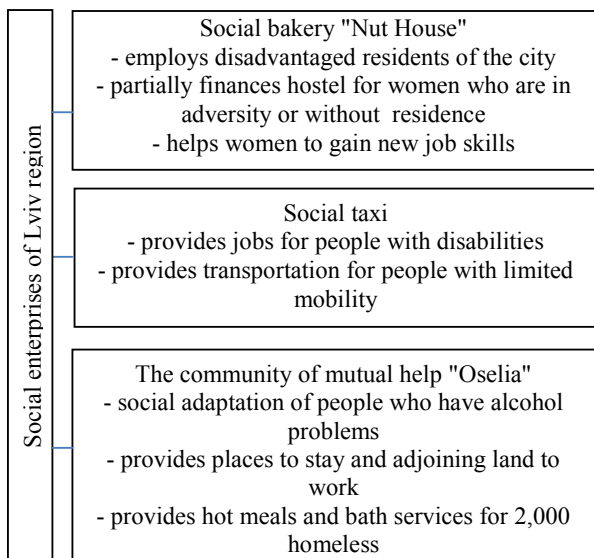


Fig.1 Social enterprises of Lviv region

Social Enterprises of Lviv have a lot of problem places. The main ones are: to run their business founders use funds or grant payments, as you need startup capital in order to start a business, Achieving of profitability for the majority of companies involved in social entrepreneurship is a long term goal: their current challenges are rather related to the performance of social programs than to developing effective business approaches.

The positive effects of social enterprises are as follows:

- helping to overcome the social isolation - in particular, the employment of people with disabilities and mental capabilities, unemployed, at-risk population;
- finding new ways to reform the state social services;
- citizen participation in social initiatives as volunteers, joining the communities to solve social issues;
- forming the new types of social services that stay unnoticed to the regular business due to low profitability, unpopularity and lack of proper professional training;
- reduce the burden of local governments to solve social problems (important in case of chronic budget deficit) [2].

Observing social principles brings the following benefits for enterprise:

- widening the popularity of organization among the population;
- growing public confidence to the company activity, its products and services;

- professionalization and development of human resources in the enterprise;
- partly reducing of tax payment;
- Opportunity to form a partnership with the authorities, the public and the media.

Taking into consideration aforesaid one can distinguish the main problems that hinder the quantitative and qualitative growth of social enterprise, such as:

- low motivation (social entrepreneurship is associated with higher risks than receiving grants and government subsidies);
- weak contact with social mission (enterprise hiding behind social work try to avoid taxation);
- low financial stability (most organizations cannot run regularly without additional investment);
- limited access to the qualified specialized services;
- government, business and the public do not understand the benefits provided by social enterprises and reason for forming social enterprises;
- lack of systematic approach to promoting social entrepreneurship, information gap within activities related to the development of social enterprise.

In order to solve the problems stated above one should first of all, make social enterprises legitimate and provide balance between the needs of employers, workers and consumers; creating a national strategy for its development, rationalization allocation of funding, establishing links between social and commercial organizations, local authorities and government.

Conclusion

This article analyzes the current level of development of social entrepreneurship in Ukraine, the problems that prevent it from the further improvement and increasing of its effectiveness and possible ways of solving of the issue above.

References

- [1] N.M. Stakhovska, "Poniattia ta osoblyvosti pravovidnosyn u sferi sotsialnoho zabezpechennia" ["The concept and characteristics of relationships in social security"], *Visnyk Kyivskoho universytetu im. Tarasa Shevchenka - Kyiv national university named after Taras Shevchenko*, no. 40, pp. 55-63, 2009;
- [2] Sotsialne pidpriemnytstvo v Ukraini [Social entrepreneurship in Ukraine]. "Pro sotsialne pidpriemnytstvo" ["About Social Entrepreneurship"], *socialbusiness.in.ua*. [Online]. Available: <http://www.socialbusiness.in.ua/index.php/baza-znan/biblioteka-sotsialnoho-pidpriemntsia/81-pro-sotsial-ne-pidpriemnytstvo> [Accessed: Oct. 3, 2013];
- [3] "Shcho take sotsialne pidpriemnytstvo" ["What is social entrepreneurship"], Mar. 25, 2013. [Online]. Available: <http://amerlad.org.ua/ua/amer/biznes-seredovyshche> [Accessed: Oct. 3, 2013];
- [4] O. Khoshobyna, "Ryba chy vudka: sotsialne pidpriemnytstvo i yoho proiavy v Ukraini ta Rumunii" ["Fish or Rod: social entrepreneurship and its manifestations in Ukraine and Romania"], Jun. 27, 2012. [Online]. Available: <http://kontrakty.ua/article/49521> [Accessed: Oct. 3, 2013].