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## SOCIAL ENTREPRENEURSHIP IN SECURING ECONOMIC DEVELOPMENT OF COUNTRIES AND OVERCOMING TERRITORIAL DISPROPORTIONS

The paper demonstrates the necessity of introducing innovative approaches in addressing social problems of development. It proves the significance of recruiting investment in the social sphere. The author looks into the usage of social business for handling economic development problems of countries. There are factors promoting social entrepreneurship identified. Spatial social inequality in Ukraine is analyzed, the role of social entrepreneurship in its overcoming demonstrated.

**Key words:** *Gross Regional Product; economic development; social inequality; social entrepreneurship; social projects; territorial disproportions in the development of Ukraine.*

**Problem definition.** Coping with social problems of securing economic development on both the global and national levels necessitates adequate financial resources. Various models for recruitment of investment, including foreign investment, which are focused on addressing not only economical but also social tasks, are made an efficient use by numerous countries. This aspect is primarily topical for countries with substantial disparities in the socio-economic development of their territories, which cannot be eliminated only on the initiative of the state and with its exclusive support. Today the entire world realizes that it is impossible to live following the scenario of mankind development over the last 100 years. In the present context such problems as poverty, hunger, infectious diseases, terrorism, wars and ecological catastrophes are collective responsibility for their origin and solution. New approaches to development of a model for securing the economic development of countries on the principles of social partnership and creation of a social entrepreneurship sector are therefore needed.

**Research analysis.** Social security of the national economic development and engagement of companies in these processes are the subject of modern studies of researchers. They were explored by B. Bjerke and M. Karlsson [1], R. Seymour [2], M. Yunus [3], A. Moki and O. Datcko [4], O. Sotula [5] et al. Researchers pay great attention to the state mechanism for support of the national socio-economic development and overcoming of territorial disproportions. Despite substantial investigations made, some aspects of social entrepreneurship in handling the above issues have not been adequately covered.

**The goal of the paper** is to generalize world practice of using social entrepreneurship to address global problems of the national economic development and identify priorities in its introduction in Ukraine for overcoming spatial social inequality.

**Presentation of the basic material.** Entrepreneurial activity in the social field is an innovative form of handling socio-economic development issues of countries and financial support of critical projects. Investment in the social sphere is great responsibility of both business entities and state as it can be effective, provided that these parties

of the investment process pool their efforts. After all, in financing the national infrastructure, for example, state will have to defray some expenses, the same applies to the scientific and research sphere.

However, national governments have to maximally encourage such investment and reduce employment of children in production (this especially applies to agricultural work in the least developed countries) as well as secure gender equality in the labor market. Agricultural investment has to be considered as an alternative scenario of coping with poverty, which would contribute, indirectly rather than directly, to solution of the problem of famine by 2030 through raising the Gross Domestic Product and consequently the level of income per capita, thus increasing purchasing power of population [6].

Solution of one of the most topical problems of the 21<sup>st</sup> century - famine - is impossible without additional attraction of funds as social assistance is insufficient in this case because there have not been conditions evened up, which will bring people back beyond the poverty line. Such actions require investment averaging USD 250 billion per year, USD 140 billion of the amount needed for rural areas. As opposed to social assistance, investment will create a new environment for development. It is anticipated that USD 67 billion would need to be assigned for implementation of social protection programs (Table 1).

The combination of these two investment directions: social protection and development of agriculture and rural areas will allow reducing the number of needy and starving persons; will contribute to the growth of the production potential and labor income of poor people owing to investment made as well as lesser dependence of their earnings on payments under social assistance programs [6].

One of the vectors of attracting investment in the social sphere is social business models. A social business model is no assistance to charity because, as confirmed by the research, financial support of international organizations is often perceived by countries with low levels of income as due, as resources which can be received without effort, and such support is therefore not appreciated.

Social projects imply financing that pays back in future: these are infrastructure development projects (including

**Table 1. - Annual average size of the aid, required to cover the gap between the actual income of population and the poverty line as well as investment volume for a period of 2016-2030 [6]**

	Size of the aid, required to cover the gap between the actual income of population and the poverty line		Additional investment		Size of the aid	Additional investment
	Total	Rural areas	Total	Rural areas	Total	Rural areas
	USD billion, in fixed prices of 2013				(% GDP)	
World	67	41	198	140	0.08	0.23
Countries with a high level of income	2	1	2	1	0.00	0.00
Countries with a low level of income	65	40	195	138	0.21	0.63
Middle East and North Africa	2	1	0	0	0.05	0.01
Eastern Asia	10	2	1	1	0.05	0.01
Latin America and Caribbean region	6	1	2	0	0.11	0.03
African countries to the south of Sahara	27	19	168	118	2.14	13.42
Southern Asia	20	16	24	19	0.59	0.71
50 countries which will achieve the goal by 2030	16	8	41	30	0.02	0.06
60 countries which will fail to achieve the goal by 2030	51	33	157	110	0.28	0.86
25 countries with the most difficult situation (which require an increase in consumption of energy received with food by more than 10% to overcome famine)	17	12	109	73	2.82	17.82

children's leisure and recreational facilities which enable their parents obtaining jobs rather than only nursing children); employment projects for disadvantaged groups and those in need of support (students, pensioners, the disabled); historical projects; medical and educational projects; ecological projects; development projects (for example, setting up an *Emergence* Youth Association to counteract the growing criminalization of society, specifically in the following directions: offering an opportunity to engage in sports activities to people of any age and social status, vocational adjustment and social integration of people owing to sports activities, social mediation for families and people who have problems with law [7]).

Social entrepreneurship may be developed by companies for both assisting those layers of society, which are in need, and engagement of disadvantaged groups in business setup. The ideas of involvement companies in handling social problems and the main principles of social entrepreneurship were set forth by an economist, a recipient of the Nobel Peace Prize of 2006, Mr. Muhammad Yunus. He formulated a concept of microcrediting, which implementation changed the life of poor people of Bangladesh. India, Bangladesh, Australia and European countries became examples of successful social entrepreneurship, where implementation of the main projects yields positive results: owing to Yunus's social entrepreneurship concept, charity acquires new features - an investment focus, whereas the major consumers of goods and services produced in the process are poor people. This is the only option to counteract negative consequences of globalization as the unrestricted market under such conditions does not aim at addressing social problems [3]. This is precisely why it is necessary to specify the following characteristics for the ideal model of social business: the goal is solution of problems threatening society rather than making super-profits; investors in social business draw no dividends while the profit is added to investment and channeled to company development; financial and economic sustainability; environmental lia-

bility; fair wages; implementation of business projects with satisfaction.

Thus, employment of poor people, change of their life style, education and skills remain to be an important component of the concept. In terms of sex differentiation, over 95% of social entrepreneurship participants who made use of microcrediting services in project *Gremmen Bank*, set up on the initiative of M. Yunus, were women. Bank loans are granted virtually in all villages of Bangladesh (more than 2000 branches).

Successful steps in social entrepreneurship were made by its author Mr. Bill Drayton who founded in 1981 the *Ashoka* Association [8], engaged in search of social entrepreneurs. Over 2000 representatives of social business in different countries were offered grants of and consultancy by the Association during the years of its operation. Another representative of social entrepreneurship is Mr. Scott Harrison who, pursuing no commercial goals, helps people gain access to clean potable water.

The social entrepreneurship philosophy is significantly different from a country to a country. In economic powers and emerging countries gaining access to sources of resources for development promotes the development of social projects for the following reasons: entrepreneurial culture and values in case of the former and recognition of the fact that execution of projects is the only chance for getting through hardships in case of the latter. For countries with transitional economy, including Ukraine, it is one of development opportunities but at the same time, which is also underpinned by the system of values, it is a consumer attitude of society members during project implementation because business entities continue to be much dependent on grants and donor support.

The main factors promoting social entrepreneurship are: globalization processes as those uniting for addressing global problems; informatization of society and expansion of community access to the Internet (the process of establishing business communications between project participants is simplified; access to social platforms is

expanded and the space-time barrier is overcome); humanization of society; social divergence; polarization of national economic development; stratification of society. We believe that the last three factors are of prime importance for further socialization because critical periods of crisis in the development of global civilization and society in particular give impetus to delivery of nonroutine solutions and measures for handling problems.

It would be wrong to consider that financial resources of social entrepreneurship represent solely private inte-

rests. As experience of numerous countries shows, participation of state in such projects is extremely essential. In many European countries, in particular, it is state which is the major customer of goods and services of social enterprises, mainly in the field of education and health care, and social startups are offered soft terms for their operation. Furthermore, European practice has developed a number of mechanisms for statutory investment support of social projects, though the former have been implemented not in all countries (Fig. 1).

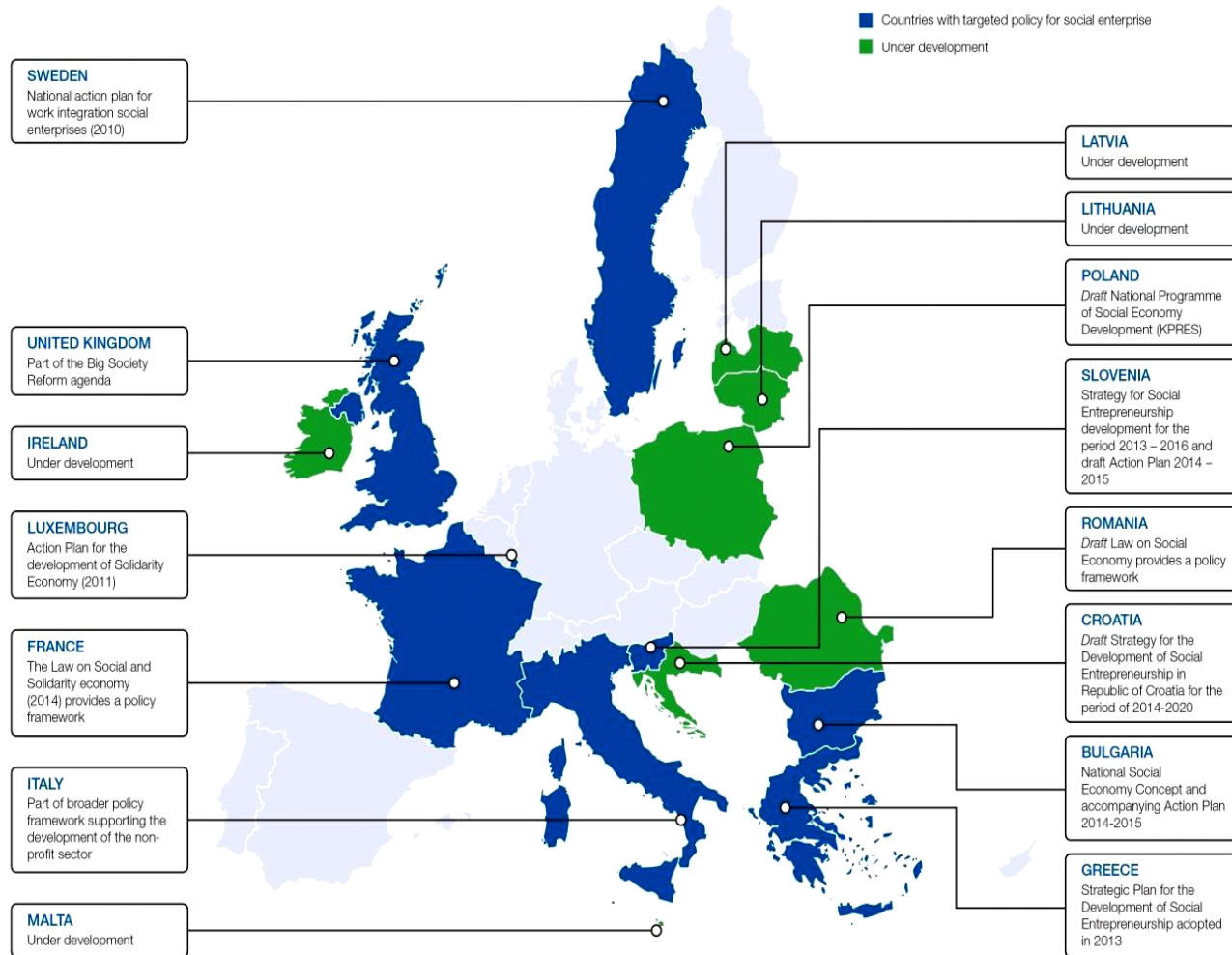


Fig. 1. European countries supporting social enterprises [9].

The implementation of state policy for marking social enterprise products is at different stages in European countries. Thus, four countries of Europe (Poland, Great Britain, Finland and Germany) have introduced the 'social enterprise' marking for goods, another four countries - the Czech Republic, Austria, the Netherlands and Luxemburg use an approximate marking which, for example, indicates that goods are made by people with disabilities.

This aspect remains unregulated in emerging economies and countries with transient economy. Draft Law 'On Social Enterprises' [10] in Ukraine has been under consideration of the Verkhovna Rada of Ukraine since 2012 despite the fact that such practice has been already in place in the country, specifically in delivery of services in catering, education and employment of disadvantaged groups of the population. Such innovative forms of support are overwhelmingly important in view of social inequality in the development of regions of Ukraine.

We consider that it would be wrong to evaluate social inequality on the basis of the average value of national indicators because social divergence of the regions becomes more acute with each year. The economic space of the country is rather heterogeneous as there are regions with high business and investment activities as well as essential competitive advantages. In general, it is natural that there are territories with different development levels though not with such strongly marked asymmetry as in Ukraine. To assess the structure and scope of spatial social inequality in Ukraine, let us take as a basis a sample that covers 25 regions, including the city of Kyiv (excluding the AR Crimea, the city of Sevastopol and those parts of the Donetsk and Luhansk Regions, which are temporarily occupied), and some data of 2004-2014 by the following indicators: the total Gross Regional Product (UAH m) and the Gross Regional Product per capita (GRP, UAH), the average monthly earnest per worker (UAH), the total

available income (UAH m) and the available income per capita (UAH) as well as the population of each region. To evaluate spatial inequality, there are usually the divergence, the root-mean-square deviation, the coefficient of variation, the decile factor, the Gini index etc. used. Let us carry out an analysis, using the Theil index [11] (it was proposed by a researcher Mr. Henri Theil in 1967 and it allows to measure social inequality. The zero value indicates equality) and the Atkinson index (it was proposed by A. B. Atkinson in 1970. The value of  $e = 1$  in the formula indicates that society is not indifferent to the equality processes). Let us use the following formulae ( $N$  is the number of sampled regions,  $\bar{y}$  is the average value of the indicator in the sample and  $y_i$  is the value of the indicator of the  $i$ -region of the group):

The first Theil index

$$I_T = \frac{1}{N} \cdot \sum_{i=1}^n \left[ \frac{y_i}{\bar{y}} \cdot \log \left( \frac{y_i}{\bar{y}} \right) \right], n = \overline{1, N}.$$

The second Theil index

$$I_{MLD} = \frac{1}{N} \cdot \sum_{i=1}^N \log \left( \frac{\bar{y}}{y_i} \right).$$

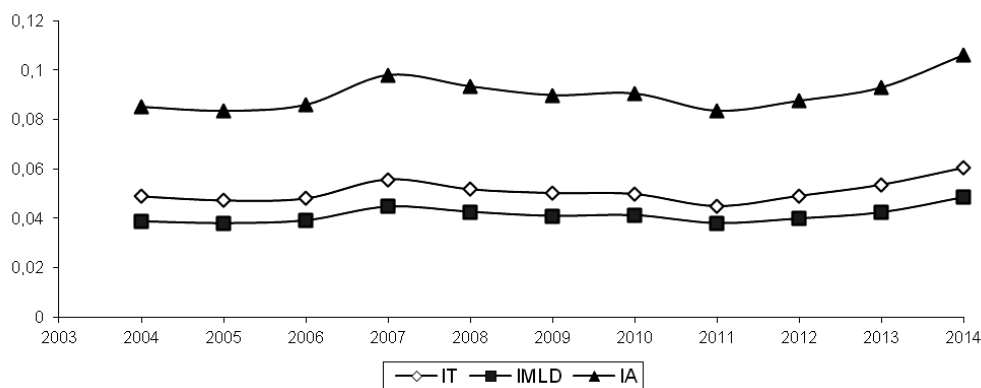
The Atkinson index

$$I_A = 1 - \frac{1}{\bar{y}} \left[ \prod_{i=1}^N (y_i) \right]^{\frac{1}{N}}, e = 1.$$

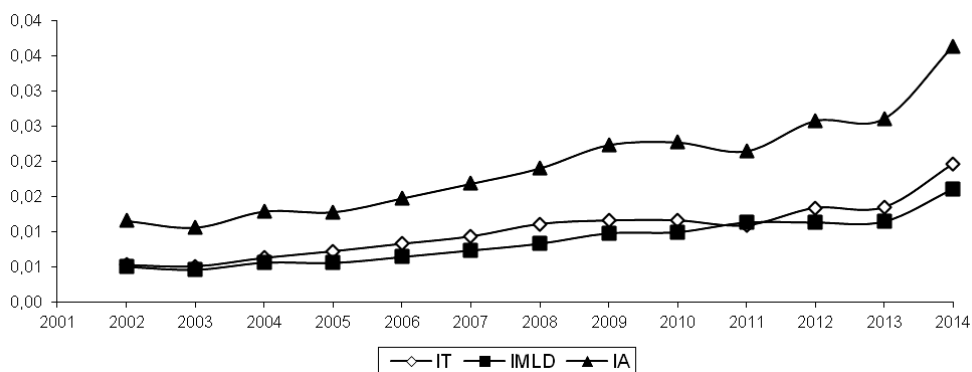
The computations obtained indicate that over the period under research the GRP per capita features spatial inequality. Notably, the divergence of regional economies had been growing up to 2007 and after a slight decrease in 2011 negative trends aggravated again. In 2006, 20 re-

gions sampled had the GRP value per capita lower than the average. The Ternopil, Chernivtsi and Transcarpathian Regions are traditional outsiders. Only in 2014 the Luhansk Region replaced the Ternopil one. The city of Kyiv as well as the Donetsk, Dnipropetrovsk, Kyiv and Poltava Regions continue to be in the lead. It is confirmed that there is growing inequality in distribution of the regions also by the volume of the available income per capita. Notably, there is a slight decline in spatial inequality observed in 2011 and 2013. By the end of the year under research (2014) it had reached its maximum. The highest level of income per capita exceeds the minimum more than twice, whereas in 2012-2014 it is 3 times the minimum and over. The Ternopil, Chernivtsi and Transcarpathian Regions are again outsiders as was the case with the previous indicator. In 2014 they were joined by the Luhansk Region. Such centers of business activity as the city of Kyiv as well as the Donetsk, Dnipropetrovsk, Kyiv and Zaporizhia Regions continue to be in the lead. Spatial inequality was critical in terms of the level of wages per worker in 2010. By the level of wages, the Ternopil, Volyn, Khmelnytsk, Kherson and Chernivtsi Regions are at the bottom of the rating. The city of Kyiv as well as the Donetsk, Dnipropetrovsk, Kyiv and Zaporizhia Regions rank first in the rating. In 2014 the share of 17 regions of Ukraine with 48.9% of the aggregate population of the sample accounted for 43.4% of its aggregate income whereas that of the remaining 8 regions with the population of 51.1% came to 56.6%.

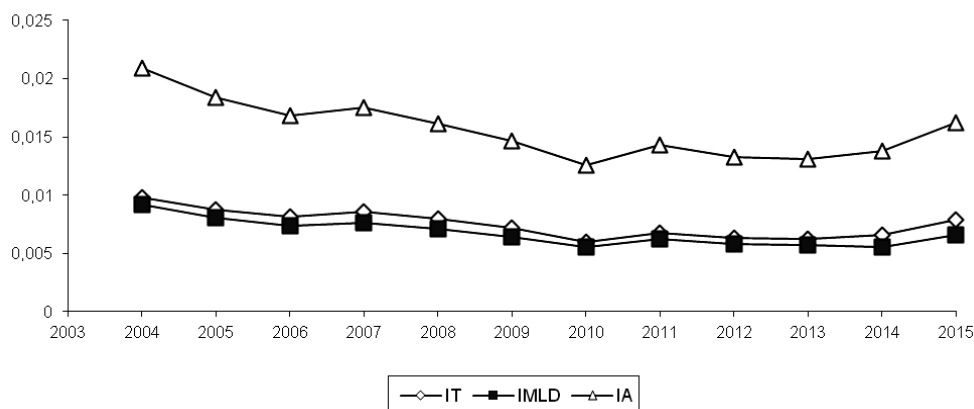
The analysis made indicates that overcoming spatial social inequality in Ukraine is impossible only by efforts of the state through stabilization programs and financial support of international organizations because, as practice suggests, financial resources are concentrated in business activity centers where they are confident in recovery



a) by the GRP per capita



b) by the volume of income per capita



c) by the average monthly earned per worker  
 Fig. 2. Dynamics of spatial social inequality in Ukraine.

of committed facilities. In this context it is expedient to introduce up-to-date forms of social entrepreneurship, which will allow for the specificity of each region, its objective needs and potential as well as social structure. Socially oriented programs are one of the directions of addressing problems of depressive territories [4]. Achievement of results of practical realization of social partnership mechanisms in the regions will promote positive changes: adoption of realistic regional development programs, development of civil society institutions, support of social dialogue, securing social stability and sustainable social results, improvement of the quality of life of the population.

### Conclusions

In summary, world social partnership practice demonstrates that projects, valuable to the community, are the future which will relieve national governments, international organizations and charity foundations of the costs of one-off actions aimed at overcoming social disproportions in the country, while being of preventive nature. Considering that global problems of national economic development require innovative approaches to their solution, the social entrepreneurship model creates prerequisites for securing sustainable development, refocuses society from purely commercial consumer ideas to promotion of projects aimed at realistic support to those in need.

Implementation of social projects in Ukraine becomes ever more topical because of growing social inequality in the development of its regions, which the state is unable to handle on its own. Strategic initiatives related to social entrepreneurship may therefore become one of the mechanisms addressing the social constituent of the economic development alongside with the declared socially focused programs and support of international organizations. Evolution of social business is a development prospect and an opportunity for successful communication between countries and layers of the population, which found themselves near the marginalization line, between the developed and depressive regions of the country.

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## СОЦИАЛЬНОЕ ПРЕДПРИНИМАТЕЛЬСТВО В ОБЕСПЕЧЕНИИ ЭКОНОМИЧЕСКОГО РАЗВИТИЯ СТРАН И ПРЕОДОЛЕНИИ ТЕРРИТОРИАЛЬНЫХ ДИСПРОПОРЦИЙ

В статье обоснована необходимость внедрения инновационных подходов к решению социальных проблем развития. Доказана значимость привлечения инвестиций в социальную сферу. Раскрыта практика

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использования социального предпринимательства для решения проблем экономического развития стран. На основании анализа литературных источников, посвященных теме социального предпринимательства, сделан вывод, что общественно-полезные проекты - это то будущее, которое освободит правительства стран, международные организации и благотворительные фонды от расходов на разовые меры по преодолению социальных диспропорций в стране. Модель социального предпринимательства, как показывает автор статьи, создает предпосылки для обеспечения устойчивого развития, переориентирует общество с исключительно коммерческих потребительских целей на продвижение проектов, направленных на реальную помощь нуждающимся.

Для Украины внедрение социальных проектов актуализируется углублением социального неравенства развития регионов, которое государство не в состоянии самостоятельно выровнять. Поэтому стратегические инициативы, связанные с социальным предпринимательством, могут стать одним из механизмов обеспечения социальной составляющей экономического развития наряду с декларируемыми программами социального характера и поддержкой международных организаций. Эволюция социального бизнеса - это перспектива развития и возможность успешной коммуникации между странами, или оказавшимися на грани маргинализации слоями общества, или между развитыми и депрессивными регионами страны.

*Ключевые слова:* валовый региональный продукт; экономическое развитие; социальное неравенство; социальное предпринимательство; социальные проекты; территориальные диспропорции развития Украины.

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### **СОЦІАЛЬНЕ ПІДПРИЄМНИЦТВО В ЗАБЕЗПЕЧЕННІ ЕКОНОМІЧНОГО РОЗВИТКУ КРАЇН ТА ПОДОЛАННІ ТЕРИТОРІАЛЬНИХ ДИСПРОПОРЦІЙ**

У статті обґрунтовано необхідність запровадження інноваційних підходів до вирішення соціальних проблем розвитку. Доведено значимість залучення інвестицій у соціальну сферу. Розкрито практику використання соціального підприємництва для вирішення проблем економічного розвитку країн. На підставі аналізу літературних джерел, присвячених темі соціального підприємництва, зроблено висновок, що суспільно-корисні проекти - це те майбутнє, яке розвантажить уряди країн, міжнародні організації та благодійні фонди від витрат на разові заходи подолання соціальних диспропорцій в країні. Модель соціального підприємництва, як показує автор статті, створює передумови для забезпечення сталого розвитку, переорієнтовує суспільство з виключно комерційних споживачьких цілей на просування проектів, котрі спрямовуються на реальну допомогу тим, хто має в них потребу.

Для України впровадження соціальних проектів актуалізується поглибленням соціальної нерівності розвитку регіонів, яке держава не спроможна самостійно вирівняти. Тому стратегічні ініціативи, пов'язані з соціальним підприємництвом, можуть стати одним із механізмів забезпечення соціальної складової економічного розвитку поряд із задекларованими програмами соціального характеру та підтримкою міжнародних організацій. Еволюція соціального бізнесу - це перспектива розвитку та можливість успішної комунікації між країнами або прошарками суспільства, що опинилися на межі маргіналізації, або між розвиненими та депресивними регіонами країни.

*Ключові слова:* валовий регіональний продукт; економічний розвиток; соціальна нерівність; соціальне підприємництво; соціальні проекти; територіальні диспропорції розвитку України.

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