

## Social entrepreneurship: concept, signs, perspective

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**ANNOTATION:** *The article poses the problem of social entrepreneurship as a new phenomenon of economic and legal life for Russia. The author reveals the universal features of social entrepreneurship, gives a technical and legal characteristic of its legal definition, and also offers a working definition of social entrepreneurship in the perspective of interdisciplinary study based on the theory of entrepreneurship, institutional economics, constitutional economics, theory and practice of private law.*

**Key words:** *social entrepreneurship, social responsibility in the field of entrepreneurial activity, ideal model*

At first glance, the concept of social entrepreneurship contains some logical contradiction. On the one hand, the term "social", derived from the Latin *socialis* [*> socius*]<sup>1</sup>, what does "common", "joint", as well as "friendly", "friendly", traditionally orients us to the idea of serving the common good, to everything that provides the image and standard of living of most people. On the other hand, an entrepreneur is someone who is enterprising, that is, inclined and capable of economic enterprises, large turnovers, and besides, is brave enough, resolute and courageous in matters that bring profit, any benefit primarily to him personally, but not to society as a whole.<sup>2</sup> Perhaps this is where the negative opinion spreads, as if social entrepreneurship is just a plausible label, in fact hiding disapproved self-serving motives, up to the intentions to legalize income of dubious origin.

At the same time, another concept of social responsibility of business, which is close in meaning but not identical, is widely known, implying not a contradiction, but a harmonious compatibility of the attribute of sociality with the nature of entrepreneurship.

For example, justifying the theoretical aspect of the social responsibility of business, D.V. Kolesnikov and M.A. Stokov write that "an entrepreneur, existing in society and being inevitably dependent on it, must not only develop his business and receive appropriate entrepreneurial income, but also, in this regard, must satisfy certain social needs of the population."<sup>3</sup> According to these authors, entrepreneurship is generated by the needs of society, and at some point in socio-economic development, this institution, initially aimed at making a profit, along with the state becomes the most important subject of social policy and in this capacity participates in ensuring the growth of human capital and a decent standard of living in society.

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<sup>1</sup>A large Latin-Russian dictionary.  
<http://linguaeterna.com/vocabula/list.php?letter=socia&submit=%CF%EE%EA%E0%E7%E0%F2%FC>

<sup>2</sup> Reference resource Dictionaries.ru <https://slovari.ru/search.aspx?s=0&p=3068>

<sup>3</sup> Kolesnikov D.V., Stokov M.A. The concept of social responsibility of business: theoretical aspect // Bulletin of State and Municipal Administration. 2017. No. 1. URL: <https://cyberleninka.ru/article/n/kontsepsiya-sotsialnoy-otvetstvennosti-biznesa-teoreticheskiy-aspekt> (accessed: 30.09.2020).

In the course of entrepreneurial activity, continuous interaction with various social structures and strata is carried out. Consumers, owners, employees, competitors, suppliers, state and municipal employees, and other persons who are somehow interested in the work or services of this entrepreneur gradually form certain expectations regarding the development of his business, which stimulates a rational response in the form of corporate responsibility to these social expectations.

Such responsibility is realized at three levels. Firstly, it is the internal level of social responsibility implementation, essentially coinciding with the obligations imposed by virtue of the norms of law (conscientious payment of wages, compliance with labor legislation, including labor protection standards, payment of taxes, ensuring the quality of work/services). The second level also refers to the internal aspects of entrepreneurial activity, but covers a wider range of relationships (for example, providing employees with a package of services and a set of social benefits - vocational training and retraining, medical examination programs, etc.). Finally, at the third level, social responsibility goes outside, beyond the enterprise, when an entrepreneur invests in transport infrastructure, landscaping, etc. As we can see, the proper implementation of socially responsible behavior not only entails direct economic benefits, but also forms a positive, good reputation as an undoubted competitive advantage of this entrepreneur.

Over time, as a result of a kind of evolution of projects fulfilling a social mission, a business approach to solving social problems is steadily developing, which, in turn, determines the emergence of the phenomenon of social entrepreneurship.

The legal definition of this concept of interest to us has been fixed for the first time in Russian legislation relatively recently. According to the amendments and additions initiated by the Ministry of Economic Development of the Russian Federation and introduced

Federal Law No. 245-FZ of 26.07.2019 "On Amendments to the Federal Law "On the Development of Small and Medium-sized Enterprises in the Russian Federation" regarding the consolidation of the concepts of "social entrepreneurship", "social enterprise", paragraph 7:

social entrepreneurship is an entrepreneurial activity aimed at achieving socially useful goals, contributing to the solution of social problems of citizens and society and carried out in accordance with the conditions provided for in part 1 of Article 24.1 of this Federal Law.

Following the rule of reference definition, we refer to the text of part 1 of Article 24.1, according to which activities in the field of social entrepreneurship must meet one or more of the following conditions:

1) a small or medium-sized business entity provides employment for the following categories of citizens, provided that according to the results of the previous calendar year, the average number of persons belonging to any of these categories (one or more such categories) among the employees of a small or medium-sized business entity is at least fifty percent (but not less than two persons belonging to such categories), and the share of labor costs of persons belonging to any of these categories (one or more such categories), in labor costs is not less than twenty-five percent:

- a) persons with disabilities and persons with disabilities;
- b) single and (or) large parents raising minor children, including children with disabilities;
- c) pensioners and citizens of pre-retirement age (within five years before the age that entitles them to an old-age insurance pension, including one appointed ahead of schedule);
- d) graduates of orphanages under the age of twenty-three;
- e) persons released from places of deprivation of liberty and having an outstanding or outstanding criminal record;
- (e) Refugees and internally displaced persons;

- g) poor citizens;
- h) persons without a fixed place of residence and occupation;
- i) citizens not specified in subparagraphs "a" - "h" of this paragraph, recognized as in need of social services;

2) a small or medium-sized business entity (with the exception of a small or medium-sized business entity specified in paragraph 1 of this part) ensures the sale of goods (works, services) produced by citizens from among the categories specified in paragraph 1 of this part. At the same time, the share of income from such activities based on the results of the previous calendar year should be at least fifty percent of the total income of a small or medium-sized business entity, and the share of net profit received by a small or medium-sized business entity for the previous calendar year aimed at carrying out such activities in the current calendar year should be at least fifty percent of the amount of said profit (if there is a net profit for the previous calendar year);

3) a small or medium-sized business entity carries out activities for the production of goods (works, services) intended for citizens from among the categories specified in paragraph 1 of this part in order to create conditions for them to overcome or compensate for the limitations of their life, as well as opportunities to participate on an equal basis with other citizens in the life of society, provided, that the share of income from the implementation of such activities (types of such activities) according to the results of the previous calendar year is not less than fifty percent of the total income of a small or medium-sized business entity, and the share of net profit received by a small or medium-sized business entity for the previous calendar year aimed at the implementation of such activities (types of such activities) in the current calendar year is not less than fifty percent of the amount of said profit (if there is a net profit for the previous calendar year), in accordance with the following activities of social enterprises:

a) activities for the provision of social and household services aimed at maintaining life in everyday life;

b) activities for the provision of social and medical services aimed at maintaining and preserving health through the organization of care, assistance in carrying out recreational activities, systematic monitoring to identify deviations in the state of health;

c) activities for the provision of socio-psychological services that provide assistance in correcting the psychological state for adaptation in a social environment;

d) activities for the provision of social and pedagogical services aimed at the prevention of behavioral abnormalities;

e) activities for the provision of social and labor services aimed at assisting in employment and in solving other problems related to labor adaptation;

e) activities for the provision of services providing for the improvement of communicative potential, rehabilitation and social adaptation, social support services;

g) production and (or) sale of medical equipment, prosthetic and orthopedic products, software, as well as technical means that can be used exclusively for the prevention of disability or rehabilitation (habilitation) of disabled people;

h) activities for the organization of recreation and rehabilitation of disabled people and pensioners;

i) activities for the provision of services in the field of additional education;

j) activities aimed at creating conditions for unhindered access of disabled persons to social, engineering, transport infrastructure facilities and the use of means of transport, communications and information;

4) a small or medium-sized business entity carries out activities aimed at achieving socially useful goals and contributing to solving social problems of society, provided that the

share of income from such activities (types of such activities) according to the results of the previous calendar year is at least fifty percent of the total income of a small or medium-sized business entity, and the share of net profit received by a small or medium-sized business entity for the previous calendar year, aimed at the implementation of such activities (types of such activities) in the current calendar year, is not less than fifty percent of the specified net profit (in the case of net profits for the preceding calendar year), from among the following activities:

a) activity on psychological and pedagogical support and other services aimed at strengthening families, providing family education of children and support of motherhood and childhood;

b) activities for the organization of recreation and health improvement of children;

c) activities for the provision of services in the field of preschool education and general education, additional education of children;

d) activities to provide psychological, pedagogical, medical and social assistance to students experiencing difficulties in mastering basic general education programs, development and social adaptation;

e) training activities for employees and volunteers (volunteers) of socially oriented non-profit organizations aimed at improving the quality of services provided by such organizations;

f) cultural and educational activities (including the activities of private museums, theaters, libraries, archives, studio schools, creative workshops, botanical and zoological gardens, cultural centers, folk art houses);

g) activities for the provision of services aimed at the development of interethnic cooperation, preservation and protection of the identity, culture, languages and traditions of the peoples of the Russian Federation;

h) the issue of periodicals and book products related to education, science and culture included in the list of types of periodicals and book products related to education, science and culture approved by the Government of the Russian Federation, subject to value added tax at the rate of ten percent when they are sold.

As can be seen from the above legislative list, the state encourages social entrepreneurship and is ready to support it, provided that the effect of the relevant entrepreneurial activity will be directed to the least protected social strata. It can be assumed that in this way the state enters into a kind of pact with entrepreneurs, delegating to them the responsibility for ensuring a decent life for risk groups that make up the most economically vulnerable part of society.

Such a voluminous legislative text is given in full to note the error of a technical and legal nature: from the above paragraphs and paragraphs regulating social entrepreneurship, in their normative relationship it does not follow with sufficient legal certainty whether social entrepreneurship can be considered, whose activities are not covered by the requirements of paragraph 3 of part 1 of Article 24.1 of the said Federal Law, but satisfies all other requirements. We explain this fact by insufficient experience of legal regulation of social entrepreneurship in Russia - only since July 2019, whereas the relevant international practice covers at least the period since the 1970s.

Based on the above regulations, we come to the conclusion that it is possible to classify social entrepreneurship depending on the way of organizing a particular socially oriented activity:

1) commercial organizations providing employment for persons with disabilities;

2) non-profit partnerships, public and charitable organizations with a social mission;

3) commercial organizations aiming to support socially unprotected segments of the population, to contribute to solving their problems.

The content, place and prospects of social entrepreneurship in each country, in the conditions of a particular economy are specific, however, a number of universal signs can be noted.

Firstly, social entrepreneurship is a phenomenon that arises as a result of awareness of the public need to solve social problems with the active participation of cost-effective business organizations.

Secondly, high public expectations are associated with social entrepreneurship, which often affect the adoption of not only important economic, but also political decisions.

Thirdly, social entrepreneurship can be considered as a kind of renaissance of the moral values of traditional society in the conditions of postindustrialization.

Fourth, the study of social entrepreneurship presupposes interdisciplinarity. Affecting the relations of the state, society and the most economically active and effective part of it, social entrepreneurship is somehow the subject of research in the fields of entrepreneurship theory, institutional economics, constitutional economics, theory and practice of private law.

As a conclusion, we formulate the following definition of social entrepreneurship: it is a socio-economic activity carried out in various organizational and legal forms, united by a direct targeted focus on solving one or more social problems relevant to a given society. Let us add that the hypothetically ideal model of social entrepreneurship assumes the stability of the mechanisms for the implementation of goals in combination with the innovation of ideas and a combination of resources to achieve the goals, as well as the ethical integrity of the corporate culture.