

THE ROLE OF SOCIAL ENTREPRENEURSHIP FOR ECONOMIC DEVELOPMENT

*L. G. Sreseli, Doctor of Economics, Gori State University (Georgia),
lalisreseli@yahoo.com, <https://orcid.org/>*

Methods. Social entrepreneurship, which combines innovative business models with a social mission, is today one of the most dynamic sectors of the global economy. Its uniqueness lies in its ability to generate income to achieve sustainable social goals, in particular in solving such pressing problems as unemployment and poverty. In Georgia, where these issues remain relevant, the development of social entrepreneurship can become a key tool for achieving inclusive economic growth. During the research, such methods as Case Studies were used. This method allowed us to analyze social enterprises in Georgia, to analyze their business models, social missions, impact on employment and other aspects of social entrepreneurship. The method of system analysis allowed us to analyze social entrepreneurship not only as individual organizations, but as part of a broader system that includes: state policy, economic factors, social factors.

Results. The study showed that the majority of social enterprises operating in Georgia focus their activities on supporting vulnerable groups of the population, in particular people with disabilities. They create jobs, provide vocational training and promote social integration. These enterprises are an integral part of the social economy and their activities directly affect key macroeconomic indicators. Introduction of a systemic state policy, which will include: Creation of a favorable legal framework: development and adoption of legislation that clearly defines and regulates the activities of social enterprises; Financial support: implementation of special grant programs, preferential loans and tax breaks; Development of institutional capacity: creation of incubators and accelerators for social startups; will significantly accelerate the development of this area in Georgia. The implementation of these measures will lead to a decrease in unemployment, an increase in economic activity of the population and, as a result, will contribute to the sustainable economic development of the country. Thus, social entrepreneurship can become a powerful catalyst for achieving social justice and prosperity.

Novelty. This article, using case study and system analysis methods, explores the role of social enterprises in overcoming unemployment and poverty. The main novelty of the study is that it not only describes the problem, but also offers specific tools and policy measures adapted to Georgian realities.

Practical value. We analyze the experience of countries that have achieved significant success in the development of social entrepreneurship in order to identify the most effective models and legislative approaches. This allows us to develop practical recommendations for Georgia.

Keywords: social entrepreneurship, employment, unemployment, sustainable development.

Statement of problem. Today, when unemployment is a painful problem throughout the world, the development of the entrepreneurial sector allows for the solution of the unemployment problem, new jobs are created and more people are employed, which ultimately determines the stable economic situation of the country.

The small and medium-sized enterprise sector creates a competitive environment, plays

an important role in reducing social inequality and poverty, and increases employment. Small and medium-sized enterprises, with their potential for employment growth and job creation, as well as their contribution to economic development and growth, are a solid foundation of any country's economy. Social entrepreneurship can make a special contribution to employment growth and solving acute social challenges.

We have seen individual examples of social enterprises since the 70s of the 20th century, in North America and Europe, as a result of the search for innovative ways to deal with the challenges created by the private sector. Their dynamic development began in the 90s. Social entrepreneurship involves doing business in a «new way», which are created to achieve specific social goals. [7, p.3]. Social entrepreneurship is part of the social economy, its introduction into the country's economy reduces the unemployment rate, increases the rate of economic activity, contributes to increasing the productivity of the economy and promoting development in line with the implementation of the set goals.

Social enterprises have specific roles in society. They are focused on solving challenges in society, among which employment promotion is important. In the case of social entrepreneurship, a goal-oriented market strategy is used to solve the problem. Employment-oriented social enterprises employ members of vulnerable groups. The social economy employs 11 million people in the European Union, which is equivalent to 6% of the total number of employees.

Today, in many countries, social entrepreneurship is considered the main way to overcome social problems in society. Social enterprises are an important source of entrepreneurship and create jobs in a space where traditional «investor-driven» industrial structures may not always be «investment-generating».

The social entrepreneurship sector offers governments alternative responses to modern social and economic challenges and creates models of inclusive social and economic development [2, p.13].

Analyses of recepent papers. Social entrepreneurship has emerged as a significant mechanism of contemporary social innovation, aiming not only for economic benefit but also for the realization of social value – particularly in supporting employment for vulnerable groups. In Georgia, social entrepreneurship is still developing, but interest in its potential for promoting inclusive employment has grown substantially in recent years [4, p.60].

At the international level, the European Commission's Social Business Initiative

emphasizes the importance of social enterprises in increasing labor market inclusion and enhancing social protection (European Commission, 2011). Reports by the United Nations also highlight the role of youth social entrepreneurship in promoting sustainable development and decent work opportunities (UN, 2020).

European experiences, such as Italy's model of social cooperatives (Gosling, 2003), demonstrate that with strong policy support, social enterprises can successfully integrate marginalized groups into the workforce [5, p.4]. Legal frameworks in countries like Finland and Bulgaria provide institutional support that strengthens the ecosystem of social entrepreneurship.

In the Georgian context, studies indicate that social enterprises play an essential role in the economic empowerment of vulnerable populations, though systemic limitations – such as weak legal structures and limited access to finance – continue to hinder progress (ICNL, 2020). These conditions underline the need for stronger institutional, financial, and policy-level support to ensure the long-term sustainability of socially oriented business initiatives.

In conclusion, both international and local literature affirm that social entrepreneurship represents a powerful tool for promoting employment among marginalized groups and requires multi-level support to fully realize its social mission.

Aim of the paper. The study found that the main goals of social enterprises include promoting employment and overcoming poverty, which makes a significant contribution to improving the situation of vulnerable groups. Taking into account international experience, innovative approaches of social enterprises contribute not only to solving social problems, but also to stimulating economic development.

Materials and methods. It was concluded that in Georgia, social entrepreneurship is particularly active in the employment of people with disabilities and other vulnerable groups. The existence of social enterprises reduces the unemployment rate and increases the rate of economic activity.

It is worth noting that social entrepreneurship is considered an important

part of the social economy, which ensures the economic sustainability and social well-being of the country.

Today's existing social enterprises show how people with disabilities, ex-convicts, and the long-term unemployed can be effectively employed. How can districts or villages be revitalized and social services effectively provided.

Social entrepreneurship has great potential to make a significant contribution to the social development of the country, because:

- Social enterprises fill the gaps where the state and business cannot provide the necessary services/products
- Promote employment of groups that are less competitive in the employment market
- Is a mechanism for social integration
- Makes a significant contribution to the fields of environmental protection, culture, and non-formal education;
- Is an effective mechanism for overcoming poverty. [8, p.7].

The impact of social enterprises on the development of the country's economy is multifaceted, and one of the important directions is:

- job creation, increasing professional skills and employment opportunities
- supporting the most vulnerable groups in the employment process and/or creating safe places for them
- creating decent jobs, with fair pay, good working conditions and promoting inclusive employment by establishing diverse hiring practices.

As a result of their activities, social enterprises effectively solve a significant part of social problems, develop the field of social service provision, improve the level of labor integration of vulnerable groups, develop the economy, and create an opportunity to relieve the state of a certain part of its social responsibility.

According to 2020 data, 871 million people across 9 countries in Europe and Asia benefited from social enterprises (creating products and services worth \$6 billion, creating a corresponding number of jobs). [11, p.16].

Many states are betting on the development of social entrepreneurship in response to social challenges and ensuring

sustainable economic development. In Australia, according to 2016 data, social enterprises generated 2–3% of the country's GDP, created up to 200,000 jobs, on the basis of which, as early as 2017, forecasts were made about a 4% increase in GDP next year and the possibility of creating at least 500,000 jobs.

The results confirm the view often expressed in the international literature that social entrepreneurship is an effective tool for promoting employment and reducing social inequalities. The role of social enterprises in the employment of vulnerable groups – people with disabilities, young people and the long-term unemployed – is particularly important, which responds to general social and economic challenges.

Georgian reality shows that the development of social entrepreneurship requires more targeted policies and institutional support in order to fully express its potential. Given the socio-economic conditions in the country, cooperation between the founders of social enterprises and state institutions is an important factor in improving employment outcomes.

The study also revealed that the success of social entrepreneurship largely depends on innovative approaches, social investments and raising public awareness. This is in agreement with other studies that highlight social entrepreneurship as a driving force for social change and sustainable development.

Italy, a pioneer in the development of a legal framework for social entrepreneurship, has faced the challenge of so-called «post-material poverty» since the 1970s. The unemployment rate has risen from 5% in the 1975s to 12% in 1999. (Bertola, 2003). Since the 1980s, the legal form of the «social solidarity cooperative» has been established in Italy, aiming to provide social services to people with disabilities and special needs. The law on cooperatives adopted in 1991 had a great impact on reducing unemployment. This law gave non-profit organizations the right to engage in commercial activities, and they operated under the auspices of «solidarity-social cooperatives». [6, p.12].

The development of social entrepreneurship is one of the government's priorities in Bulgaria's 2017–2021 government

program. The government plans to increase the contribution of social entrepreneurship to the country's GDP to 2%. [5, p.4].

The significant contribution of social entrepreneurship to various dimensions of a country's development, such as economic development, job creation, poverty reduction, environmental protection, etc., is confirmed by the experience of a number of countries.

Employment and improvement of labor policies are one of the main areas where social enterprises play an important role in responding to the social challenges in the country. Many states consider social enterprises to be the main ally in the fight against unemployment and the employment of vulnerable groups.

Considering the role of social entrepreneurship in the process of creating decent working conditions and achieving social justice, the International Labor Organization significantly supports the development of this area through relevant legal documents.

According to the principles of the ILO Constitution and the ILO Declaration on Social Justice for Fair Globalization, «productive, profitable and sustainable enterprises, together with a strong social economy and a vibrant public sector, are critically important for sustainable economic development and employment opportunities». [9, p.3].

In the UK, where social entrepreneurship is relatively well developed. Out of 470,000 social enterprises, about 100,000 employ people outside their partners/shareholders. Also, according to UK data, 59% of social enterprises employ at least one person who could not have started work before (CSO, 2018). These social enterprises employ up to 2 million people.

Social enterprises can start their activities in areas that are not attractive to other commercial enterprises and in this way revitalize the local economy and create local jobs. In developed economies, where there are strong social welfare systems, social enterprises are considered to complement these systems and/or compensate for those parts where social support has been reduced.

In many countries, the main resources of state support are directed to support social enterprises that provide vocational training and

employment for socially or otherwise vulnerable groups.

In Bulgaria, social enterprises are obliged by law to employ a certain part of their employees from vulnerable groups defined by law.

The Bulgarian law on social entrepreneurship stipulates that at least 30% of the employees of a social enterprise and not less than 3 persons must belong to groups directly defined by law. [10].

Employment is the main mission of social entrepreneurship in Finland as well. According to the Finnish Social Enterprise Act, social enterprises provide employment for people with disabilities and the long-term unemployed. [1].

Employment is one of the prerequisites for the registration of social enterprises in Spain. Social enterprises are also obliged to pay their employees a decent wage, regardless of their productivity. Failure to meet any of these criteria will result in the removal of the social enterprise status. The employment component is also a prerequisite for socially responsible public procurement.

According to the Barcelona Procurement Regulation, companies participating in procurement (with 50 or more employees) must certify that at least 2% of their employees have a disability of 33%, and within the framework of a public contract, at least 5% are people who have been unemployed for a long time.

In Georgia, as in the world, the social entrepreneurship sector is characterized by a growing trend. Its development is just over a decade old. Accordingly, targeted activities in this sector have been starting since 2010.

In Georgia, social entrepreneurship is perceived mainly as a means of employing persons with disabilities, and this business model is practically used by the non-governmental sector, although the spectrum of social entrepreneurship activity is wide and implies the creation of financially independent enterprises. Of the approximately 100 operating social enterprises in Georgia, the profile of which is diverse, the majority (64%) are created for the purpose of employment and poverty alleviation. Approximately 70 social enterprises were established with the assistance of grant programs of international donor organizations

and their mission is to employ persons with disabilities. [3, p. 37–44].

The goals of social enterprises in Georgia are diverse, although several of them can still

be distinguished (see diagram). According to the data provided by the Alliance of Social Enterprises, there are 63 social enterprises operating in the country presently.

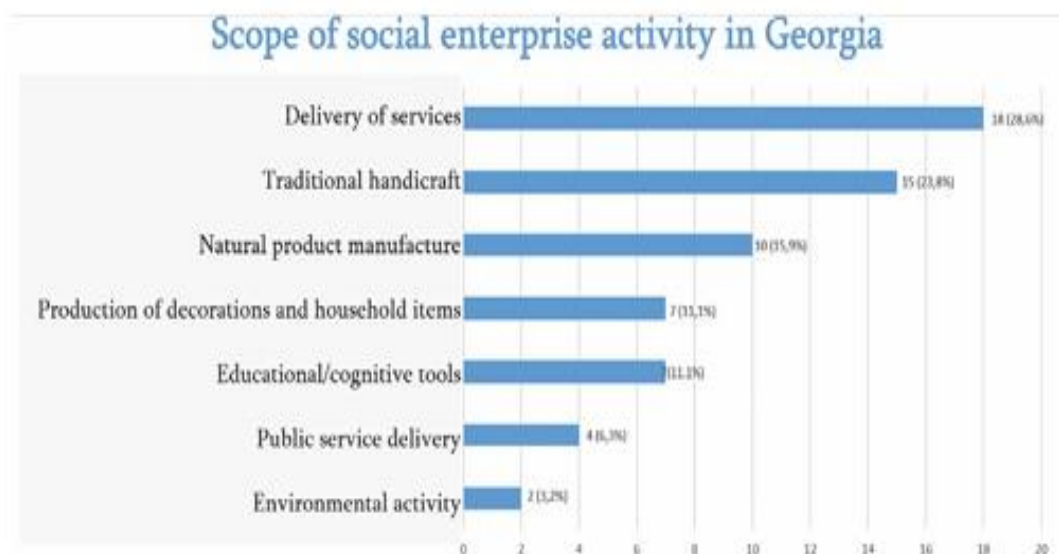


Fig. 1. Goals of social enterprises operating in Georgia, 2024. Source: <https://seageorgia.ge/social-enterprises/all-enterprises>

Conclusions. The strategic importance of social entrepreneurship for the sustainable development of Georgia Social entrepreneurship, which is a unique symbiosis of economic efficiency and social responsibility, plays a key role in solving pressing social problems. It goes beyond traditional charity, offering sustainable, market-oriented solutions to overcome unemployment, poverty and social inequality. Therefore, its development should become one of the priority areas of state policy. Social enterprises not only create jobs, but also provide decent employment for the most vulnerable segments of the population, such as people with disabilities, representatives of minorities and forcibly displaced persons. This approach is especially valuable for regions with high unemployment and poverty, where traditional economic models often prove ineffective. Systemic approach and European experience The experience of developed European countries demonstrates that a successful ecosystem of social entrepreneurship is possible only with clear and systematic state support. This includes: Specialized legislation defining the legal status of social enterprises, their objectives and mechanisms of operation.

Adapted financing mechanisms such as preferential lending, grant programs and tax preferences. Facilitating access to markets, in particular through a public procurement system that prioritizes goods and services produced by social enterprises. These measures do not simply support individual initiatives, but create an enabling environment in which social enterprises can scale up, become financially independent and enhance their social impact. Challenges and prospects for Georgia In Georgia, the social entrepreneurship sector is still in its infancy. Its development is largely the initiative of civil society organizations and individual enthusiasts, while state support remains fragmented and unsystematic. The lack of specific legislative regulation and clear policies makes the sector vulnerable and limits its potential. To achieve real change, Georgia needs to take the following steps: Develop and adopt a law on social entrepreneurship that will provide a legal foundation for its activities. Integrate social entrepreneurship into the overall economic development strategy, identifying it as a key tool for overcoming poverty and unemployment. Create effective mechanisms for interaction between the state, business and civil society to form a sustainable

ecosystem. The implementation of these measures will not only contribute to economic growth, but also ensure greater social justice, make the country's economy more inclusive and resilient to future challenges. Thus, social entrepreneurship is not just a social initiative, but a strategic direction for achieving sustainable economic and political progress in Georgia.

References

1. Act on Social Enterprises, (2022). Finland. <https://www.ilo.org/dyn/natlex/natlex4.detail=73937>
2. Bertola, G., & Garibaldi, P. The Structure and History of Italian Unemployment, 2013, 1-36, p.13.
3. Datuashvili, E. (2022). Social Entrepreneurship in Georgia, Civil Society Institute, Social Entrepreneurship in Georgia. Tbilisi: Civil Society Institute, p. 37-44.
4. Danelia E, Latsabidze M, Samsonidze N. (2022). Social Entrepreneurship, Social Enterprises and Their Ecosystem. Civil Society Institute. Tbilisi. p. 60.
5. Defourny, J., & Nyssens, M. (2021). Social Enterprise in Central and Eastern Europe: Theory, Models and Practice (1st ed.); European Commission, Social Business Initiative, 2021: 1-14, p.4 - p.16.
6. Gosling, P. (2003). Social Enterprise London for Co-operative Solutions, Social co-operatives in Italy, 1-26, p. 12.
7. Murgulia, S., & Modebadze, Z. (2013). Social Entrepreneurship Handbook. Georgian Center for Strategic Research and Development. Authors. p.3.
8. Social Entrepreneurship Initiative in Georgia Social Entrepreneurship in Georgia. (2020). Review of Georgian Practice. Tbilisi. Institute for Civil Society(ICNL), p.7.
9. ITC ILO. (2015). Public policy in the social and solidarity economy: Towards a favorable environment. The case of Europe. p.3.
10. Social and Solidarity-based Enterprises Act, 7(4), Bulgaria, 2023.
11. World Youth Report: Youth Social Entrepreneurship and the 2030 Agenda, United Nations, New York, 2020.

РОЛЬ СОЦІАЛЬНОГО ПІДПРИЄМНИЦТВА В ЕКОНОМІЧНОМУ РОЗВИТКУ

Л. Г. Среселі, доктор економіки, Горійський державний університет (Грузія)

Методологія дослідження. Соціальне підприємництво, що поєднує інноваційні бізнес-моделі з соціальною місією, сьогодні є одним з найдинамічніших секторів світової економіки. Його унікальність полягає у здатності генерувати дохід для досягнення сталих соціальних цілей, зокрема у вирішенні таких нагальних проблем, як безробіття та бідність. У Грузії, де ці питання залишаються актуальними, розвиток соціального підприємництва може стати ключовим інструментом для досягнення інклюзивного економічного зростання.

Під час проведеного дослідження були використані такі методи, як Кейс-стаді. Цей метод дозволив проаналізувати соціальні підприємства у Грузії. Розібрати їхні бізнес-моделі, соціальні місії, вплив на зайнятість та інші аспекти соціального підприємництва. Метод системного аналізу дозволив проаналізувати соціальне підприємництво не лише як окремі організації, а як частину ширшої системи, що включає: державну політику, економічні чинники, соціальні чинники.

Результати. Дослідження показало, що більшість соціальних підприємств, що функціонують у Грузії, зосереджують свою діяльність на підтримці вразливих груп населення, зокрема людей з інвалідністю. Вони створюють робочі місця, надають професійну підготовку та сприяють соціальній інтеграції. Ці підприємства є невід'ємною частиною соціальної економіки та їхня діяльність безпосередньо впливає на ключові макроекономічні показники. Запровадження системної державної політики, що включатиме: Створення сприятливого правового поля: розробка та прийняття законодавства, що чітко визначає та регулює діяльність соціальних підприємств; Фінансову підтримку: впровадження спеціальних грантових програм, пільгових кредитів та податкових пільг; Розвиток інституційного потенціалу: створення інкубаторів та акселераторів для соціальних стартапів; суттєво прискорить розвиток цієї сфери в Грузії. Реалізація цих заходів призведе до зниження рівня безробіття, підвищення економічної активності населення та, як наслідок, сприятиме сталому економічному розвитку країни. Таким чином, соціальне підприємництво може стати потужним каталізатором для досягнення соціальної справедливості та процвітання.

Новизна. Дана стаття, застосовуючи методи кейс-стаді та системного аналізу, досліджує роль соціальних підприємств у подоланні безробіття та бідності. Основна новизна дослідження полягає в тому, що воно не лише описує проблему, а й пропонує конкретні, адаптовані до грузинських реалій, інструменти та політичні заходи.

Практична значущість. Ми аналізуємо досвід країн, які досягли значних успіхів у розвитку соціального підприємництва, щоб виявити найбільш ефективні моделі та законодавчі підходи. Це дозволяє нам розробити практичні рекомендації для Грузії.

Ключові слова: соціальне підприємництво, зайнятість, безробіття, сталий розвиток.

Надійшла до редакції 19.08.25 р.