

# INSTITUTIONAL BASIS FOR THE INTEGRATION OF SOCIAL ENTREPRENEURSHIP DEVELOPMENT PROCESSES WITHIN THE FRAMEWORK OF THE EURASIAN ECONOMIC UNION

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## ABSTRACT

*In the modern world economy, the objective need for significant socio-economic transformations is acute. This is due to several reasons, among which it is worth noting the income stratification, economic crises, and political instability. One of the effective tools aimed at solving these problems is social entrepreneurship. Given that the topic of social entrepreneurship is understudied and needs further elaboration, the article discusses the development of social entrepreneurship in the framework of the Eurasian Economic Union. The analysis of the available data allowed stating that social entrepreneurship occupies a certain niche, and it is the subject of social services provision. Its sectoral distribution in the territory of the Eurasian Economic Union is concentrated in socially significant spheres. The target group of such organizations, as a rule, are a socially vulnerable category of citizens. In many ways, the problems that are inherent in the current state of social entrepreneurship in the Eurasian Economic Union countries are similar. This made it possible to identify a sufficient degree of unity of the functional-activity level of social entrepreneurship development in the territory of the Eurasian Economic Union, which is evidence of a certain integration potential presence in this area among the member countries of the Union.*

**Keywords:** Entrepreneurship, Social Entrepreneurship, Economic Development, Non-Profit Organizations, legal Forms, Integration, Eurasian Economic Union

## INTRODUCTION

At the present stage of the society development, social entrepreneurship began to play a significant role carrying out various kinds of social transformations in the member countries of the Eurasian Economic Union. It finds new methods for solving social problems, increases overall economic efficiency introducing previously unused resources into economic circulation, expands the market space through the development of previously unattractive niches for business by social entrepreneurs, combines the social purpose of the organization and an innovative entrepreneurial approach to solving various social problems and achieving financial sustainability and covers various areas of activity involving social capital of citizens in them.

Despite the different scale of social entrepreneurship activity in the Eurasian Economic Union countries, different level of development and infrastructure, a high degree of unity is observed at a conceptually meaningful level. This is due to the fact that the EEU member

countries used to be part of a single highly centralized state, which largely determined the similarities in institutions, culture, including business culture and in the choice of Russian as the language of interstate communication. The activities of public organizations related to people with disabilities can be separated as an example of social entrepreneurship of this period. Some specialized economic organizations were created dealing with the problems of this kind of citizen category as their employment and socialization. This model of work still exists nowadays in the territory of the Eurasian Economic Union, in particular, in the Republic of Belarus. These are Non-Governmental Organizations “Belarusian Society of the Disabled”, NGO “Belarusian Society of the Deaf”, and NGO “Belarusian Partnership of the Visually Impaired”, which facilitate the employment and integration of people with disabilities into society.

## LITERATURE REVIEW

The phenomenon of social entrepreneurship as a socio-economic phenomenon is of great interest to many foreign and domestic researchers. In the last decade of the XX century, certain practical experience and theoretical material on social entrepreneurship has begun to accumulate.

Works by Dees J.G. Defourny J., Nyssens M., Thompson J., Doherty B., Mair J., Marty I. Martin RL, Osberg S. Boschee J., McClurg J. Alter K., Alvord S., Brown L., Letts C laid theoretical theories and made a significant contribution to the study of social entrepreneurship. Their works are devoted to the study of the social entrepreneurship concept, the definition of its specific features, as well as practical aspects of social entrepreneurship and its development prospects (Dees, 2001, Defourny & Nyssens, 2010; Thompson & Doherty, 2012; Mair & Martí, 2006; Martin & Osberg, 2007; Boschee & McClurg, 2003; Alter, 2005; Alvord et al., 2004).

The actualization of the social entrepreneurship topic as a scientific direction in the territory of the Eurasian Economic Union countries is associated with works of Y. Arai., Y. Blagova., A. Barkov, E. Vetrova, M. Degtyareva, T. Degtyareva, E. Vankevich, K. Kraenkova, V. Zhokhovoy, R. Klindukh, I.V. Manakhova, R. Grishina, T. Pritvorova, E. Petrenko, M. Ayaganova. These works are mainly of an overview nature and are devoted to determining the essence of social entrepreneurship (Blagova & Arai, 2010; Vetrova, 2015; Degtyareva & Degtyareva, 2019; Zhokhov, 2015; Klindukh, 2019; Manakhova, 2011; Grishina, 2017). The work of M. Volkova analyzes the historical background of the social entrepreneurship emergence as a socio-economic phenomenon (Volkova, 2015).

The works owned by a team of authors from the Center for Social Entrepreneurship and Social Innovations of the Higher School of Economics under the leadership of A. Moskovskaya touch on an analysis of the social entrepreneurship development in Russian practice (Moskovskaya, 2016).

The development of social entrepreneurship in the Republic of Belarus was raised in the works of E. Vankevich, K. Kraenkova, M. Vishnyakova, O. Erofeeva, M. Podberezkin, E. Kuchko, I. Levitskaya. The main results of these studies are determination of potential, highlighted social factors stimulating the social entrepreneurship development and considered signs of social entrepreneurship and social enterprise (Kraenkova & Vankevich, 2018; Vishnyakova, 2018; Erofeeva & Podberezkin, 2016; Kuchko et al., 2017).

Researches by N. Gelashvili, B. Spanova, T. Pritvorova, E. Petrenko and M. Ayaganova consider aspect of social entrepreneurship development in the Republic of Kazakhstan (Gelashvili & Spanova, 2019; Pritvorova et al., 2018).

Despite the available research, the topic of social entrepreneurship remains largely understudied and needs further elaboration. In particular, the practice of implementing social

entrepreneurship in individual countries of the Eurasian Economic Union has been studied fragmentarily. Issues of the social entrepreneurship development within the framework of the Eurasian Economic Union have not been studied previously. It determines the relevance of the study of this problem in terms of identifying the potential and determining the institutional framework for integrating social entrepreneurship development in the context of the Eurasian Economic Union.

## **ANALYSIS OF RESULTS AND DISCUSSION**

Almost all researchers of the social entrepreneurship phenomenon in the EAEU countries base their research on an identical definition of social entrepreneurship. The analysis shows there are no fundamental differences in the list of main criteria that a social enterprise should satisfy at the theoretical level. However, such a degree of unity is not observed in practical terms, which in many respects complicates not only the cross-country comparison of social entrepreneurship, but also the solution of many issues related to filling the information gap in the study of this socio-economic phenomenon within the EEU. This gap affects not only the stability of national economies, but also the sustainable development of the entire Union. In many ways, the problems that are inherent in the current state of social entrepreneurship in the Eurasian Economic Union countries are similar. These include lack of a legislative framework for social entrepreneurship, limited financial resources and the lack of cheap credit resources, a low proportion of entrepreneurs focused on creating social values as the main goal of their business, low social entrepreneurs qualifications, lack of infrastructure to support social entrepreneurship, low level of public recognition and lack of an accounting, reporting and regular monitoring system.

The absence of a legislative framework and a fixed legal form of social entrepreneurship in most countries of the Eurasian Economic Union is a problem for monitoring its development. One of the sources of information on the directions of social entrepreneurship activity in the territory of the Eurasian Economic Union is the data of competitions in the field of social entrepreneurship. They allowed us to identify the main directions of social entrepreneurship development. In the overwhelming number of areas of activity, social entrepreneurship in the EEU countries has a large degree of coincidence. Its sectoral distribution in the territory of the Eurasian Economic Union is concentrated in socially significant spheres. This include providing employment for socially disadvantaged groups of people and people with disabilities, ensuring the implementation of goods (works and services) produced by citizens belonging to vulnerable groups of the population, carrying out activities for production and sale of goods (works and services) for these population groups on conditions acceptable to them, implementation of activities in the field of medicine, general and supplementary education, and the provision of social services. The target group of such organizations, as a rule, are people with disabilities and psychiatric problems, the economically disadvantaged, multi-children families, children in socially dangerous situations.

This is an important evidence of the integration potential of social entrepreneurship in the Union. For a deeper understanding of the possible ways and mutual support, exchange of experiences that contribute to the social entrepreneurship development in the territory of the EEU, it is necessary to compare the existing institutional environment and the regulatory system of its institutionalization foundations in these countries.

We dwell on a more detailed description of the institutional and other features of its implementation in the countries of the union.

Initially, social entrepreneurship institutionalization in the Russian Federation was carried out in the context of non-profit organizations development. So, in 2010 the concept of socially oriented non-profit organizations was introduced into the Federal Law “On Non-Profit Organizations” dated 12.01.1996, measures of state and municipal authorities support, and a register of such organizations have been defined. The activities of such organizations aimed at the socialization of socially vulnerable groups of the population. Socially oriented non-profit organizations are engaged in the employment of this population category providing them with temporary or permanent jobs. Owing to the activities of these organizations, a socially vulnerable category of the population gains and develops professional and labor skills. Such activity contributes to further integration of the socially vulnerable population category in various social processes and helps further employment of its representatives in ordinary business entities.

Further institutionalization of social entrepreneurship is associated with the adopted amendments to the Federal Law of July 26, 2019 No. 245 On Amendments to the Federal Law “On the Development of Small and Medium Enterprises in the Russian Federation”, which introduces the concepts of “social entrepreneurship” and “social enterprise” ". These changes indicate an official trend in this matter. Several special points, including those defining the concept of social entrepreneurship and social enterprise, supplement this legislative act. So, social entrepreneurship is defined as 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 of this Law. A social enterprise is a subject of small or medium-sized businesses engaged in activities in the field of social entrepreneurship. A social enterprise can be both a legal entity and an individual entrepreneur having the status of an individual in accordance with the Civil Code of the Russian Federation. Thus, social entrepreneurship in the organizational and legal aspect stands out as a separate area of activity of small and medium-sized enterprises. The restrictive conditions include that social entrepreneurship cannot be activities for the production and (or) sale of excisable goods, as well as for the extraction and (or) sale of minerals, with the exception of common minerals.

To develop and stimulate the activities of organizations providing social services or producing social goods in the Russian Federation, a certain stimulating fiscal policy carried out before the adoption of amendments to the Federal Law “On the Development of Small and Medium Enterprises in the Russian Federation”. According to the Tax Code of the Russian Federation, certain benefits are provided for organizations engaged in socially significant activities. Thus, according to Article 149 of the Tax Code of the Russian Federation, organizations selling prosthetic and orthopedic products and their components, as well as technical means and materials used to prevent disability or rehabilitate people with disabilities, are exempt from VAT. In addition, organizations that provide services such as care of the sick, elderly and disabled; supervision and care of children in pre-school educational institutions, services for conducting classes with minor children in coteries, sections and studios, as well as other additional educational services; social services for minor children; support and social services for elderly citizens, people with disabilities, abandoned children and other citizens who are recognized as needing social services, are exempted from VAT.

Organizations that carry out their activities in the field of culture and art, ones that involved in the organization and conduct of physical education, sports and recreational and sports events for the population are exempted from VAT.

Certain tax preferences are provided for income tax, in particular, application of a zero tax rate on this tax, in particular, for non-profit organizations as part of their statutory activities, as well as for social services for citizens (Article 284 of the Tax Code of the Russian Federation).

Economic companies of public organizations of disabled people have certain tax incentives. However, in order to receive benefits, the charter capital of this organization should consist only of contributions from persons with disabilities public organizations. In addition, at least half of their employees must be people with disabilities. Restrictions are also imposed on the share of payment for such workers in the general wage fund.

At the present stage of development there are no special regulatory acts that define the concept and regulate social entrepreneurship as a separate type of activity in the Republic of Belarus. It is carried out on the territory of the Republic of Belarus through the legal forms of commercial and non-profit organizations, which are fixed at the legislative level.

However, despite the fact that social entrepreneurship is developing within the framework of the same legal field as other economic structures, they can count on certain benefits and preferences.

Subjects of social entrepreneurship operating in rural areas as well as employing socially vulnerable categories of the population (for example, people with disabilities) can count on some support.

The amount of state assistance for organizations engaged in the employment of persons with disabilities depends on:

1. The number of this category of employed persons as a percentage of the employees total number of the organization;
2. Founder of a commercial structure.

For example, organizations founded by public associations of persons with disabilities have a greater number of benefits and preferences as compared to other business entities.

In general, state support measures for this category of organizations can be divided into three groups: tax benefits and other preferences for organizations established by public associations of persons with disabilities; privileges for organizations, the number of disabled persons in which is at least 50% of the total number of employees on average for the period and other benefits for organizations wishing to employ persons with disabilities.

On the basis of the Laws of the Republic of Belarus “On the Prevention of Disability and the Rehabilitation of Persons with Disabilities” and “On the Social Protection of Persons with Disabilities in the Republic of Belarus”, the Decisions of the Council of Ministers of the Republic of Belarus “On Approving the Regulation on the Procedure for Financing and Compensating the Costs of Creating and Maintaining Jobs for Persons with Disabilities and Regulations on the procedure for organizing and financing activities to adapt persons with disabilities to work”. According to this resolution, at the expense of the social protection fund of the Ministry of Labor and Social Protection of the Republic of Belarus, activities related to the provision of employment for people with disabilities are financed. This fund finances costs of creating specialized jobs in organizations whose property is owned by public associations of persons with disabilities, as well as in organizations funded from the republican and (or) local budgets, which by decision of local executive and administrative bodies or special state programs tasks for the creation of specialized jobs for the disabled have been set.

To adapt the disabled to work, the state can pay the cost of equipping jobs for people with disabilities, as well as pay them wages for 6-12 months.

Commercial and non-profit organizations that provide social services to the population and participate in the implementation of social projects can count on receiving funding from the state. It stands out as part of the implementation of various projects and activities in the field of social policy. As a rule, these funds allocated from local budgets, which planned to develop and support the social sphere. This funding is provided on a competitive basis by paying for the public procurement of social services under the current legislation on public procurement of goods, services and works. Non-profit organizations may receive subsidies to provide social services and implement social projects.

To improve the socio-economic situation of small settlements, a Decree of the President of the Republic of Belarus “On stimulating entrepreneurial activity in the territories of medium, small urban settlements and rural areas” was adopted. According to this Decree, commercial organizations and individual entrepreneurs registered and carrying out activities for the production of goods, the provision of services in these territories are exempted from income tax (commercial organizations) and income tax from individuals for seven calendar years from the date of their state registration ( individual entrepreneurs), respectively, in relation to profits and income received from the sale of goods (works, services) of own production; are exempted from paying the state fee for issuing a special permit (license) for legal entities and individuals to carry out certain types of activities; the right not to calculate and not pay other taxes, fees (duties); exempted from the obligatory sale of foreign currency received from transactions with non-resident legal entities and non-resident individuals from the sale of goods (works, services) of own production, as well as from the rental of property.

As well as in the Republic of Belarus in the Republic of Kazakhstan there is no legally fixed concept of social entrepreneurship. It develops within the legal framework of legal entities in the Republic of Kazakhstan, which are defined in the Civil Code.

To stimulate business entities in the implementation of social projects at the legislative level, certain incentives and benefits are provided. Article 133 of the Tax Code of the Republic of Kazakhstan stipulates that “taxpayers have the right to reduce income tax equal to the total amount not exceeding 3 percent of taxable income, for such types of expenses as cost of property donated to non-profit organizations and organizations operating in social sphere, sponsorship and charitable assistance”. According to article 134 of this code, non-profit organizations and organizations operating in the social sphere are exempted from this tax. Commercial organizations, transferring property, providing services, as well as sponsorship and charitable assistance to non-profit organizations, can also count on certain benefits.

For organizations that carry out their activities in the social sphere, they provide certain social services, employ people with disabilities, and benefits are provided for value added tax. Organizations that employ people with disabilities have benefits when paying social tax. They pay it at a reduced rate.

In the Republic of Kyrgyzstan and Armenia, the activities of social entrepreneurship can develop both in the form of a commercial organization, and non-profit. The process of organizing and conducting activities by subjects of social entrepreneurship is regulated in accordance with the legislation of each country.

An analysis of the civil legislation of the EEU countries revealed the organizational and legal forms in which social enterprises can operate in accordance with national legislation. Table 1 summarizes the results of the legal forms analysis. The analysis shows that despite certain differences, they correspond with each other.

Thus, currently existing legislative and regulatory acts governing the activities of social enterprises to one degree or another rely on a similar set of goals, objectives and directions of activity, which opens up opportunities for active cooperation, unification and coordination of efforts to develop social entrepreneurship in Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan (Table 1).

Organizational legal forms of business activity	EEU countries				
	The Russian Federation	The Republic of Belarus	The Republic of Kazakhstan	The Republic of Kyrgyzstan	The Republic of Armenia
Business Entities	+	+	+	+	+
Production cooperatives	+	+	+	+	
Unitary enterprises	+	+			
Individual entrepreneurs	+	+			+
Nonprofit Organizations	+	+	+	+	+
Public organizations		+		+	+
Associations		+	+	+	+
Funds		+	+	+	+

Joining forces within the EEU will allow us to overcome common problems for the participating countries related to the selection of the most promising forms of organization from the standpoint of the social entrepreneurship development, contributing to its functioning on the principles of sustainable self-financing.

## CONCLUSION

The material presented allows us to state that at the functional-activity levels, there is a sufficient degree of unity across the EEU countries, which is evidence of a certain integration potential presence in this area among the EEU member countries.

An analysis of the criteria defining the EEU economy sectors and having integration potential in accordance with the “Main Directions of the EEU Economic Development until 2030” showed that social entrepreneurship is now realistically (at a practical level) a separate sector in all EEU member countries, which in our opinion allows to consider that it satisfies a number of criteria proposed in the above document taking into account all its specifics. In particular, the criterion associated with the formation of the multiplier effect in the form of providing not only its own development, but also the creation of additional impulses for the development of other sectors of economy, and in our case, the expansion of the market space through the formation of new market niches. Social entrepreneurship forms consumer demand for goods and services from its target segment, new needs that the market did not previously satisfy, and then develops supply of such goods and services, thereby forming prerequisites for expanding the participation of social entrepreneurship in different countries in production chains.

Given the important role of social entrepreneurship in solving social problems, it provides a basis for considering the issue of including it in the current list of areas for integrating

the processes of socio-economic development within the framework of the Eurasian Economic Union.

The adopted Declaration on the further development of integration processes within the framework of the Eurasian Economic Union states: the particular importance of inclusive development, which implies the realization of each person's potential, providing citizens of our countries with wide opportunities for professional, socio-cultural and other aspects of economic development and the formation of progressive, innovative and high-tech conditions for future generations (Meshkova et al., 2019).

Inclusive development, as is known, implies the possibility of creating favorable conditions in order to level social inequality, not only in economic, but also in other areas. This suggests that the inclusion of social entrepreneurship in the list of new areas of integration will fully comply with the vector of further integration processes development in the Eurasian Union. The Government of the Russian Federation also indicates the priority of its activities in the field of international integration and economic cooperation in expanding the areas of Eurasian integration, in particular, in the humanitarian and social fields, which social entrepreneurship can undoubtedly be attributed to.

Thus, integration associations in the field of social entrepreneurship will allow Member States to receive additional benefits and advantages in the form of equalization of social entrepreneurship development levels in the Union states, ensuring mutual penetration of best practices for implementing social entrepreneurship and accelerating and scaling up the national development of social entrepreneurship.

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