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THE SOCIAL ENTREPRENEURSHIP - A NEW FORM OF BUSINESS IN UZBEKISTAN

***Abstract:** The article analyzes the essence and the global experience of the development of social entrepreneurship and also provides conclusions on the promotion of social entrepreneurship in Uzbekistan.*

***Key words:** social entrepreneurship, social enterprise, social entrepreneur, social sphere.*

***Language:** English*

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Introduction

Periodically arising global financial and economic crises lead to the conclusion that the purely market or administrative approaches to managing the socio-economic development of the state are ineffective. This dictates the importance of focusing on the socio-market model of economic development, the need for social partnership as a way of engagement between the state, business and societies in the form of non-profit organizations.

Today, such a new form of business as social entrepreneurship is gaining popularity in the global economy. The main goal of this type of entrepreneurship is to obtain social benefits, rather than maximizing profits.

The activities of these enterprises are aimed at providing social services, creating jobs for vulnerable groups.

A social enterprise - is a private organization; it is not a governmental organization and is not controlled by the state. This form of entrepreneurship is particularly relevant in the context of the global economic crisis caused by the pandemic, as the forced closure of enterprises and organizations had a negative impact on employment and reduced the standard of living of the population.

Approaches to the typology of social entrepreneurship and social enterprises have been ongoing all the time since the first studies of this phenomenon appeared. Kim Alter (founder and director of a small company for the promotion of research and practice of social entrepreneurship from Washington) proposed the most detailed and systematic typology of social enterprises, which is presented in the table below.

Table 1. The models of social entrepreneurship

	Pure Philanthropic	Hybrid	Pure Commercial
Motives	Goodwill	Mixed motives	Self-interest
Methods	Mission driven	Determined by a combination of mission and market	Market-driven

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Goals	Social value creation	Social and economic value creation	Economic value creation
Destination of revenue	Aimed directly to the implementation of the mission (determined by law or organizational policy)	Reinvested for the implementation of the mission, or for operating expenses, and / or held to expand the business (may be partially distributed among participants)	Distributed to shareholders and owners

Source: (Alter K., 2007, p. 13), as adapted from (Dees et al. 2001, Davis & Etchart, 1999).

The organization led by K. Alter offers the following working definition of a social enterprise: “A social enterprise is any business enterprise created for social purposes and to create social value, designed to mitigate or reduce a social problem or market failures, functioning on the basis of financial discipline, innovation and business practices established in the private sector”¹[1, p.13]

For the first time the term "social entrepreneur" began to be used in the 60s of the XX century in the UK. This term was used more widely in the 70-80s thanks to the founder of the non-profit organization “Ashoka: Innovators for the Society”, William Drayton. [2, p. 3]

Professor and successful manager Drayton came to the big business of the United States with a revolutionary ideology and ethics for its time. In particular, Drayton actively promoted the ideas of environmental protection. For 1981, the Ashoka budget was \$ 50,000, and according to data for 2010-2011, the Ashoka Fund had its own assets of more than \$ 85 million.

“Ashoka” supports social entrepreneurs at three levels:

- provides financial and professional assistance;
- brings together communities of social entrepreneurs to interact, help each other and bring their ideas to a higher level. Captures and promotes best practices.

- contributes to the creation of the infrastructure and financial systems necessary to support and grow the civil sector and to spread social innovation on a global scale.

Nowadays, the legal concept of “social entrepreneurship” is not clearly fixed in the current legislation of the Republic of Uzbekistan. However, certain acts of the President of the Republic of Uzbekistan provided appropriate privileges and preferences, including tax and customs, for the development and support of such areas as non-governmental preschool education, production of goods and equipment for people with disabilities, as well as medical and industrial activities for people suffering from mental disorders.

What are the features of world experience in supporting social entrepreneurship?

The US government provides assistance in the development of social entrepreneurship primarily in the following five areas:

- stimulation of social innovation;
- creating favorable conditions for the development of social initiatives;
- recognition and encouragement of successful social initiatives;
- assistance in the dissemination and development of successful social initiatives;
- dissemination of information on the effectiveness of social entrepreneurship.

In Europe, due to the established reliable social protection of the population, social entrepreneurship developed a bit later. One of the leading countries that supported social entrepreneurship at the state level was Italy. Here, the status of a social cooperative was assigned to enterprises that meet the following conditions:

- limited distribution of profits, consistent with the social statutory goals of the organization,
- development of own assets,
- at least 30% of the cooperative members should be included in the category of disadvantaged people (long-term unemployed, low-income people).

The law also marks the industries in which social cooperatives were supposed to operate: social security, healthcare, education, ecology, science, culture, social tourism and others. An analysis of trends in the development of legislation allows us to conclude that in Western Europe social enterprises are created, as a rule, in the legal form of a non-profit association (chosen in countries where the legal definition of a non-profit association gives some preferences when selling goods and services) or a cooperative (chosen in those countries where non-profit associations are in a more difficult situation, for example, in Spain, Finland, Sweden).

Moreover, unlike the countries of America, cooperatives pursuing social goals and creating new jobs are considered social enterprises.

¹ Alter K., 2007, p. 13, as adapted from (Dees et al. 2001, Davis & Etchart, 1999)

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In Asia, the most well-known organization in the field of social entrepreneurship is Grameen Bank, founded by Muhammad Yunus. A feature of the bank is that it provides loans to the poorest segments of the population.

Currently, Grameen bank has a worldwide network (more than 50 partners in 22 countries), which has helped to provide assistance to approximately 11 million people in Asia, Africa, the Americas, and the Middle East.

Muhammad Yunus, Nobel Peace Prize Laureate, has also created a company that provides communication services to the poor.

In South Korea, where tens of thousands of people are already involved in social entrepreneurship, regulations governing their activities have been adopted, and the government is pursuing an active support policy, allocating a grant of 30 thousand US dollars annually for the development of one business.

As mentioned earlier, unfortunately, in Uzbekistan, social entrepreneurship has not yet received proper attention from a legal point of view. Nevertheless, there are certain developments. For example, the Decree of the President of the Republic of Uzbekistan dated March 16, 2018 provides for the creation on the territory of psychiatric institutions of the Republic of Karakalpakstan, regions and Tashkent on the terms of a public-private partnership of medical production enterprises for occupational therapy, training for new professions and subsequent recruitment of persons with mental disorders at these enterprises including disabled people. From July 1, 2018 to January 1, 2023, these medical and manufacturing enterprises are exempted from paying land tax, corporate income tax and property tax, as well as a uniform tax payment.

By a decree of the President of the Republic of Uzbekistan dated April 5, 2018, non-public preschool educational institutions created on the basis of public-private partnerships were exempted from the corresponding customs and tax payments.

As well as Presidential orders of the Republic of Uzbekistan dated June 11 and 20, 2018 provided benefits to certain categories of business entities that manufacture and maintain prosthetic and orthopedic products, rehabilitation equipment, publish books and other printed publications in Braille, educational and fiction books for children with disabilities. The same documents provided benefits to those with at least 30 percent of the staff working under an employment contract consists of persons with disabilities, single

persons with dependent children under 16 years of age, or children with disabilities, persons released from the penal establishments, victims of human trafficking, graduates of general secondary, secondary special and professional educational institutions, from the date of graduation of which less than three years have passed and graduates of the "Mehribonlik" houses who have not reached 30 years.

By the Decree of the President of the Republic of Uzbekistan dated August 23, 2019, privileges were granted to legal entities, the only participants of which are public associations of persons with disabilities, in the total number of which persons with disabilities make up at least 50 percent and the payroll fund for people with disabilities is at least 50 percent of the total payroll.

In the context of the coronavirus epidemic and declared quarantine, the population of Uzbekistan has shown a healthy example of cohesion. Many people took an active part in supporting lonely old people, people with disabilities, low-income families. This once again shows the potential for the development of social entrepreneurship in our country, which is a stimulating tool for combating unemployment, as well as for the production of socially useful goods and services.

Given the above, it would be useful to perform a number of tasks:

- development and improvement of the legislative and regulatory framework to create conditions for eliminating administrative interference and ensuring freedom of social entrepreneurship;
- improving the efficiency of the use of allocated financial resources by reducing interest rates on loans, expanding the list of financial products in regional microfinance and guarantee organizations, increasing the maximum microloan size, reducing requirements for potential borrowers and the loan portfolio of regional microfinance organizations;
- promote the advancing of social entrepreneurship, especially among young people, persons with disabilities and other socially vulnerable segments of the population;
- providing advice and information on the benefits of social entrepreneurship;
- encouraging public procurement from social enterprises;
- creating an enabling environment for the efficient conduct of social business by organizing training courses for socially oriented entrepreneurs.

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