

# The Role of Social Entrepreneurship in Advancing Economic Growth and Sustainability Amid Instability

By Maryna Volosiuk<sup>1</sup>, Artem Kryvtsov<sup>2</sup>, Iryna Vakhovych<sup>3</sup>, Daria Smolych<sup>4</sup>,  
Anna Zalievska-Shyshak<sup>5</sup>

## ABSTRACT:

**Relevance.** Social entrepreneurship is currently one of the most effective ways to solve social problems, especially for countries with economies in transition, where instability increases the importance of new approaches to managing economic and social processes. The study's relevance is driven by the need to find sustainable mechanisms of economic growth in the context of global instability and social challenges.

**Aim.** This research article aims to analyse the impact of social entrepreneurship on the economic growth of the EU countries and Ukraine, which is in a state of prolonged war, and to substantiate its importance for the socio-economic development of countries in conditions of instability.

**Methods.** To carry out a comprehensive qualitative analysis, several general scientific methods of knowledge were used, including synthesis, systematisation, generalisation, and comparative analysis of different EU countries. As part of the quantitative analysis, an adapted method of calculating the National Social Impact Index (NSII) was applied, allowing for a balance between economic efficiency and social outcomes in comparing EU member states.

**Results.** According to the results of the calculations, the highest values of the social impact index are demonstrated by Bulgaria (142.97), Hungary (137.30), Latvia (131.77) and Poland (122.85), which indicates a significant contribution of social enterprises to socio-economic development, in contrast to the indicators of Denmark (31.59), Germany (28.69) and Estonia (26.75). Thus, a high index value is typical for countries with developed SME support policies. In contrast, a high capacity for social sector growth characterises countries with a high average turnover and fewer enterprises.

**Conclusion.** The main direction for developing social entrepreneurship to ensure economic growth in Ukraine in the context of war is developing and implementing a social entrepreneurship development strategy in the overall state system. This involves introducing clear criteria for defining social enterprises, creating a specialised regulatory framework, harmonising national legislation with European standards, and creating incentive financial and tax mechanisms to support them.

*Keywords: social entrepreneurship, social value, economic growth, socio-economic development, state support, financing, investment attractiveness, sustainable development, instability.*

<sup>1</sup>Doctor of Economics, Associate Professor, Faculty of Economics and Marine Ecology, Department of Management, Admiral Makarov National University of Shipbuilding, Mykolaiv, Ukraine.  
<https://orcid.org/0000-0002-0612-6988>

<sup>2</sup> Doctor of Philosophy in the field of knowledge "Management and administration", Faculty of Economics and Marine Ecology, Department of Management, Admiral Makarov National University of Shipbuilding, Mykolaiv, Ukraine. <https://orcid.org/0009-0007-4792-471X>

<sup>3</sup>Doctor of Economic Sciences, Professor, Rector, Lutsk National Technical University, Lutsk, Ukraine.  
<https://orcid.org/0000-0003-4912-5798>

<sup>4</sup>Candidate of Economic Sciences, Associate Professor, Faculty of Business and Law, Department of Management, Lutsk National Technical University, Lutsk, Ukraine. <https://orcid.org/0000-0002-6444-9486>

<sup>5</sup>PhD in Economics, Associate Professor, Department of Economic Theory, Macro- and Microeconomics (Faculty of Economics), Taras Shevchenko National University of Kyiv, Kyiv, Ukraine.  
<https://orcid.org/0000-0001-6490-1826>

## 1. Introduction

Social entrepreneurs worldwide are disrupting traditional markets and introducing innovative solutions to meet the growing needs of communities. According to a global survey conducted by the Thomson Reuters Foundation in 2019 in partnership with the Deutsche Bank Made for Good programme, Canada, Australia and France are the best countries for social entrepreneurship. The dynamics of changes in key indicators of socially oriented enterprises in these countries during 2016-2019 are quite positive, with Canada showing the most significant development, with a high level of government support (2016 - 70.8%; 2019 - 72.92%), gaining momentum (2016 - 95.8%; 2019 - 95.83%) and making a living (2016 - 70.8%; 2019 - 77.08%). Given the steady growth of the social entrepreneurship sector in developed countries and the ability of social services to improve the economic situation of less developed countries, the study of its impact on economic growth in unstable environments is particularly relevant. The present article **aims to study** the role of social entrepreneurship as a factor of economic growth in the context of instability. In particular, this study examines the potential impact of social entrepreneurship on the development of innovative approaches to solving social problems, strengthening economic resilience, and creating a favorable environment for socio-economic transformation in the context of Russia's ongoing armed aggression, accompanied by political and economic instability. Recent studies prove that social enterprises have contributed to maintaining employment and providing basic services during the conflict, thereby increasing community resilience. For example, a study by Dedilova et al. (2024) highlights the role of social entrepreneurship in addressing socio-economic challenges during full-scale war. However, the long-term effects and scalability of these initiatives require further longitudinal studies to fully substantiate their impact at different stages of the conflict.

## 2. Literature review

The current scientific literature emphasises that social enterprises play a key role in ensuring sustainable economic development by combining economic activity with achieving socially significant goals. In particular, Hervieux and Voltan (2018) consider it a legitimate and innovative solution to social problems, and Mair and Ignasi (2015) identify it as a process that catalyses social change and contributes to meeting important social needs without direct financial gain for entrepreneurs. Given that social entrepreneurship is closely linked to the development of the social economy and innovation (Novyk, 2022), using for-profit enterprises to address social, environmental and other challenges by government and non-profit organisations is important for creating social value (Betts et al., 2018). In addition, social entrepreneurship plays an important role in sustainable development for value creation and outreach (Al-Qudah et al., 2022). The main benefits of social entrepreneurship for the economic growth of countries in times of uncertainty and in general are job creation opportunities (Kritikos, 2024), support for vulnerable groups (Redko, 2024), efficient use of resources (Baquero et al., 2024), stimulation of innovation (Fernández-Guadano & Diez, 2024), development of local communities (Ratten, 2021), boosting entrepreneurship at the national level (Lyu et al., 2024; Zainol et

al, 2023), reducing social inequality (Rosca et al., 2020), increasing social cohesion (Harsono, 2024; Hidalgo et al., 2024) and social integration (Hietschold et al., 2023), development of micro, small and medium-sized enterprises (SMEs) (Abbasi et al., 2017; Maksum et al, 2020; Sunley & Pinch, 2012), ensuring sustainable development (Mukul et al., 2024), adaptability to crisis conditions (Ahmad & Bajwa, 2023), intensification of economic activity (Shvets, 2020; Tyukhtenko et al., 2023) and attraction of additional investments (Kizi & Ugli, 2024; Tomashuk et al., 2024).

### 3. Applied methods

The following methods were used in the research:

- The synthesis of literature sources was used to form the theoretical basis for the modern development of social entrepreneurship;
- Comparative analysis was applied to identify key characteristics of social enterprise development in socially developed countries;
- The systematisation method was used to assess the role of social entrepreneurship in ensuring economic growth in Ukraine during the war;
- The generalisation method was utilised to identify priority areas for further development of the social entrepreneurship sector in Ukraine to ensure long-term economic growth.

While the Social Impact Index (SII) is a commonly used tool to measure the many factors of a social development programme that contribute to its ultimate social impact, in this case, the SII was modified to create an adapted National Social Impact Index (NSII) that allows for a balance between economic efficiency and social outcomes in a cross-country comparison. The source of the baseline data for the study (Table 1) is statistical information and analytical reports of The World Economic Forum, in particular, the global dataset "The State of Social Enterprise 2024" to assess the size and scale of social enterprises around the world. The purpose of calculating the NSII is to identify the specifics of social enterprises in the European Union (EU) by increasing the analytical value of the original indicator by integrating social and economic variables. The formula for further calculation is as follows:

$$NSII = \frac{\text{Number of SEs} * \text{Avg. Turnover per SE}}{\text{Number of SEs} * \text{Avg. Jobs per SE}} \quad (1)$$

To ensure easier interpretation of the NSII calculation results, it has been scaled, i.e. presented as the number of jobs created per million dollars of revenue of social enterprises in the respective country. The formula for scaling the indicator is as follows:

$$NSII(\text{scaled}) = \frac{\text{Avg. Turnover per SE}}{\text{Avg. Jobs per SE}} * 1000000 \quad (2)$$

The results of the NSII and NSII (scaled) are used to assess the effectiveness of social enterprises and compare successful social enterprise development strategies in EU countries.

## 4. Results and discussion

### 4. 1. Key aspects of social entrepreneurship development

The concept of social entrepreneurship was first developed in Italy to highlight the cultural and institutional innovations sparked by the first social solidarity cooperatives. Such cooperatives aimed to attract voluntary initiatives of groups of citizens engaged in economic activities to develop social projects. Therefore, the promotion of social enterprises was aimed at achieving a social goal in an entrepreneurial way, non-commercial in nature, and the formation of new democratic forms of governance (with the participation of all stakeholders) and governance based on the direct participation of stakeholders, including volunteers (Borzaga, 2020).

Social entrepreneurship is generally considered to be an innovative model of providing products and services aimed at meeting basic needs (rights) that have been neglected by political and economic institutions (Mair & Ignasi, 2006). The European Commission considers social enterprises to be operators of the social economy whose main task is a social idea without focusing on the commercial component of the business. Such enterprises operate in the market on an entrepreneurial and innovative basis, using their profits to achieve established social objectives (European Commission, 2024<sub>a</sub>). In addition, social entrepreneurship is closely linked to the development of the social economy and innovation, which implies an unconventional approach to social entrepreneurship in creating social value (Novyk, 2022).

It is worth noting that social entrepreneurship in the EU is a significant tool for stimulating inclusive economic growth and social cohesion, outlining four key areas of activity that reflect its multifunctional potential. The first area covers work integration, including vocational adaptation and economic activation of persons with disabilities and the unemployed, contributing to the inclusive structuring of the labour market and the social reintegration of marginalised groups. The second area is providing personal social services, including healthcare, social welfare, medical care and vocational training. In this way, social enterprises respond to the shortage of essential social services, reducing the burden on the public sector. The third area focuses on the local development of areas in socio-economic decline, thus eliminating territorial inequality and ensuring balanced regional growth. The fourth area is focused on research, innovation and consumer protection. It combines various activities, including agricultural processing, environmental protection, development of sports, arts, culture and preservation of historical heritage, to strengthen society's cultural and intellectual capital, forming the basis for sustainable development and an innovative economy (Koval, 2024).

As shown in Figure 1, social entrepreneurship in the EU encompasses a range of formal and informal organisational models, including cooperatives, mutual societies, associations, foundations, and hybrid entities without a strict legal status. Formal structures, by virtue of regulatory support and clearer operational frameworks, often demonstrate greater scalability, transparency, and access to financial resources, thereby enhancing their contribution to systemic socio-economic transformations. Informal models, although more adaptable and community-driven, may face limitations in expansion, sustainability, and institutional integration. Consequently, not all types of social enterprises are equally scalable or suited for different socio-economic contexts; rather,

their effectiveness largely depends on the regulatory environment, access to resources, and the specific needs of the communities they serve. A deeper understanding of these distinctions is crucial for informing policy aimed at fostering an inclusive and sustainable social economy.

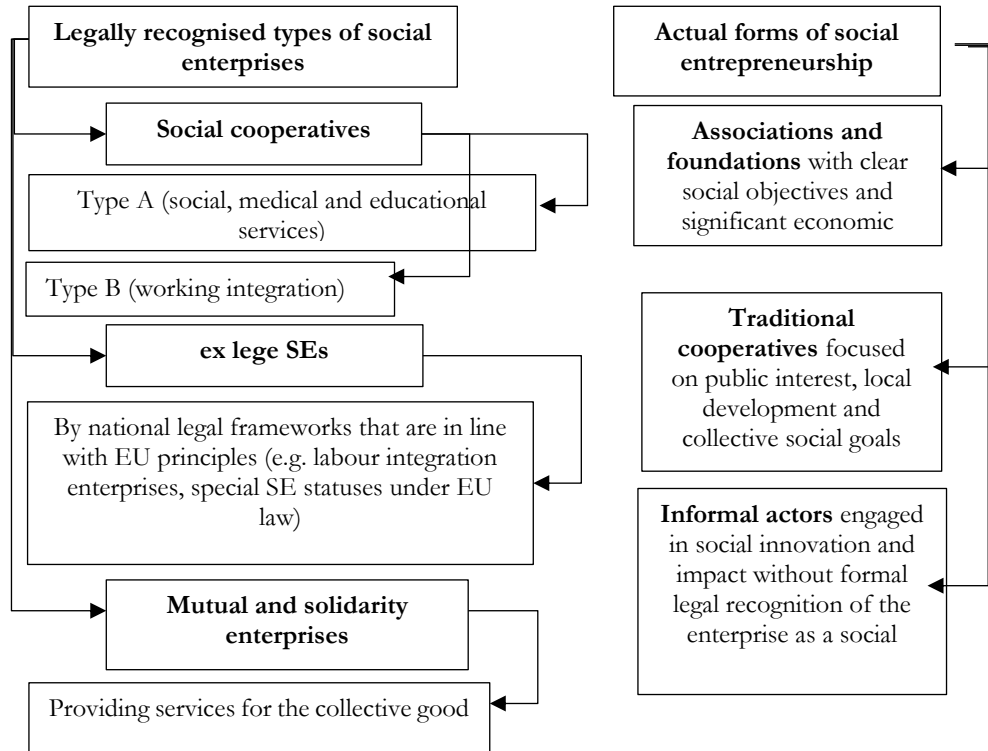


Figure 1. Areas of social entrepreneurship in the European Union

Source: compiled by the author based on Borzaga (2020)

The presented types of social enterprise outline the key components of social enterprises present in all Member States, such as social cooperatives in Italy, social solidarity cooperatives in Portugal, and social cooperatives of collective ownership in France. The main reasons for their proliferation are the lack of public funds and corruption, which in developing countries is also accompanied by the negligence of non-governmental organisations in addressing the social needs of the population, inefficiency of traditional ways of preventing and eliminating social problems (poverty, gender inequality); commercialisation of social services; lack of support and reduction of public funding in key social sectors of the economy (education, healthcare, community development). Thus, social entrepreneurship is a modern approach to ensuring the social orientation of business by applying current business practices to social sectors of the economy (Shvets, 2020).

#### **4.2. Global trends in the development of social entrepreneurship**

Currently, the number of social entrepreneurs worldwide using business to address social issues is increasing due to growing awareness of social and environmental challenges and support from governments and international organisations. Current estimates suggest that there are more than 10 million social enterprises and up to 30 million social entrepreneurs worldwide, contributing approximately USD 2 trillion to global GDP. (Schwab & Mohn, 2024). Considering local development trends, it is worth noting that, according to the European Commission, the social economy of EU member states currently has 2.8 million enterprises, which is 10% of all enterprises. The EU's focus on developing the social economy allows it to provide jobs for more than 13.6 million people (6.2% of employees) and mobilise volunteers, equivalent to 5.5 million full-time employees (European Commission, 2024<sub>b</sub>).

Despite the steady growth of the social enterprise sector, global challenges for such businesses include the complexity of two-way value chains that require working with multiple types of clients, such as Grassland Cameroon, which simultaneously provides financing to smallholder farmers and buys their standardised, graded produce for sale to industrial clients. This challenge is reinforced by the dilemma between subsidised models and the commercialisation of products (GSBI, 2023). Another obstacle for social entrepreneurs is engaging with clients living below the poverty line, as their decisions are often driven by cognitive limitations caused by chronic stress and limited choices. This problem is widespread in less developed countries, such as Malawi and Nigeria, and countries undergoing uncertainty, such as Ukraine, given the ongoing Russian military aggression. Also, in developing countries, the often imperfect or lack of institutional infrastructure typical of developing countries forces social enterprises and businesses to create their own logistics systems, which significantly increases costs and limits the ability to scale. Given the complexity of the environment in which social enterprises operate, it is important to analyse the experience of countries that are leaders in developing social enterprises globally. The results of the global survey conducted by the Thomson Reuters Foundation in partnership with the Deutsche Bank Made for Good Corporate Social Responsibility programme are shown in Figure 2.

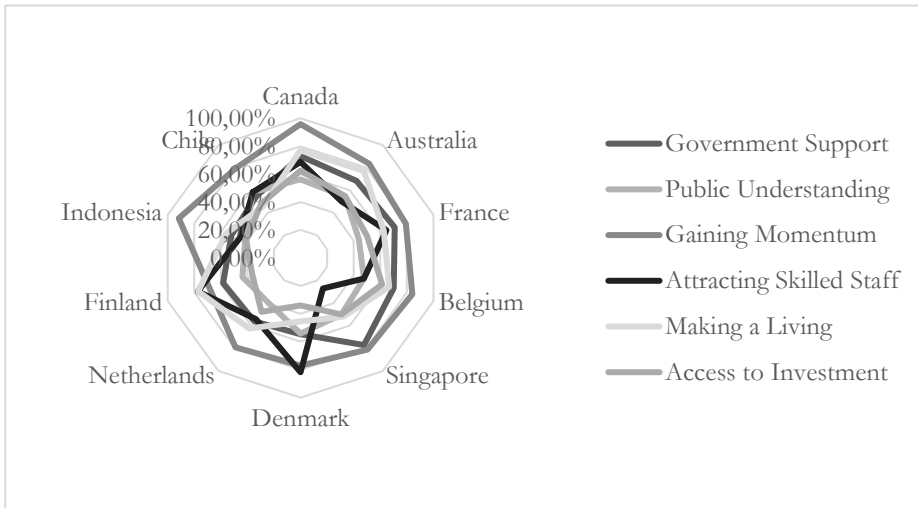


Figure 2. The most socially developed countries in the global context

Source: Thomson Reuters Foundation (2019)

Analysing the indicators of social development by key parameters, it is determined that Canada is a leader among socially developed countries with high scores in such areas as gaining momentum (95.8%), making a living (77.1%) and government support (72.9%). Canada's leadership in the social development of entrepreneurship is due to the focus of government policy on social welfare, the inclusiveness of the economic system and the intensification of support for innovative development. The priority areas for developing social purpose organisations (SPOs) in Canada, as set out in the Social Innovation and Social Finance Strategy, are implemented through public investment from the Social Innovation Advisory Council and the Investment Readiness Programme. Also, a relatively young long-term initiative, The Social Finance Fund (SFF), was launched in the spring of 2023. The fund is worth USD 755 million. The SFF aims to accelerate the growth of Canada's social finance market by investing \$400 million. The fund will invest \$400 million over the programme's first five years in social finance intermediaries (SFIs) across the country (Government of Canada, 2024). Similarly to Canada, Finland and Australia perform well in key areas, with Finland excelling in attracting skilled staff (77.3%) and making a living (77.1%) and Australia in stability of government support (68.18%) and making a living (77.1%). These countries also have favourable policies and direct financial resources to develop the social security system, focusing on citizens' quality of life and the business environment.

Among the EU countries, France, Belgium, Denmark, the Netherlands, and Finland demonstrate leadership in social development due to a combination of government support, attraction of skilled personnel, and support for the livelihoods of the population. In particular, France has high government support (70.8%) and skilled staff attraction (64.6%). In turn, countries such as Belgium and France show stability in government support (70% and 70.8%, respectively) with moderate results in public understanding and investment attraction. Instead, Denmark attracts the highest level of skilled staff (81.8%) among European countries due to progressive social programmes,

high labour standards and effective incentive mechanisms. However, the country's lower performance in terms of access to investment (34.1%) indicates limited financial resources to boost the innovation of socially oriented enterprises. The advantages of the European model of social purpose business development lie in a sustainable social policy focused on equality of opportunities and promotion of human potential, which creates the precondition for forming highly developed socio-economic systems.

It should be noted that Indonesia and Chile have the lowest scores among the identified countries. They demonstrate potential in gaining social momentum (91.67% and 79.17%, respectively) but with lower scores in other critical areas, such as livelihoods and access to investment. These values indicate the need to ensure synergy between attracting qualified personnel, state support, and sustainable living conditions for society.

To assess the size and scale of the business sector in the leading countries regarding social enterprise development, we analysed the indicators of the global dataset The State of Social Enterprise for 2024, published on the official website of the World Economic Forum. The indicators of social enterprises in the most socially developed countries are presented in the Table. 1.

**Table 1.** Performance of social enterprises in socially developed countries

Country	Number of SEs	Avg. Jobs per SE	Avg. Turnover per SE (USD at current prices)
Australia	12033	17.14	1356012
Belgium	18004	31.82	-
Canada	18200	20.92	2700091
Chile	-	8.0	-
Denmark	411	43.0	1361268
Finland	1181	44.45	-
France	96603	51.0	1034650
Indonesia	342025	13.21	68672
Netherlands	5500	44.0	1200035
Singapore	7689	23.58	407008

*Source: The World Economic Forum (2024)*

An analysis of the variability of social enterprise performance in socially developed countries shows that Canadian social enterprises are highly effective due to favourable investment policies and government support, and as a result, have the highest average turnover (USD 2.7 million) and stable employment (20.9 jobs per enterprise) in socially responsible businesses. Along with Canada, according to the Thomson Reuters Foundation, the best country for social entrepreneurship in 2019 is Australia, which, with a moderate average turnover (USD 1.35 million) and employment of 17.1 people per enterprise, demonstrates the sustainability of social business with a focus on SMEs; and France, where a significant share of enterprises is focused on providing services and addressing local social challenges. These differences suggest that while some countries, like Canada and Australia, prioritise economic robustness combined with social objectives,



others, such as France, Belgium, and Denmark, emphasise broad participation, job creation, and social inclusion, often relying on locally anchored models. However, a comprehensive causal-comparative analysis remains necessary to fully understand why certain national ecosystems foster high turnover with fewer enterprises, whereas others achieve social impact through widespread but lower-scale participation. Identifying these patterns could inform the design of context-sensitive national strategies aimed at optimising the social enterprise sector's contribution to sustainable development. Future research should investigate these causal links more systematically, particularly by examining the role of policy frameworks, investment mechanisms, and cultural factors in shaping different trajectories of sectoral growth and impact.

In the context of globalisation and growing social challenges, the issue of social responsibility and business impact is becoming one of the priority areas of strategic development. EU countries, characterised by high standards of social protection and integrated approaches to sustainable development, play a key role in shaping social entrepreneurship models. However, assessing their impact requires a comprehensive approach that considers both quantitative indicators and the social performance of enterprises at the national level. Therefore, calculating the national social impact index is an important indicator of the effectiveness of social entrepreneurship support policies, investment activity and employment in socially oriented sectors of the EU member states' economies. Social impact indices were determined for each member state to analyse the role of socially oriented enterprises in the overall EU social security system. The analysis of the results of the calculations in Table 2 allows us to identify the advantages and disadvantages of the EU member states' social economy and develop recommendations for increasing the social impact of business in Ukraine in the context of European integration.

**Table 2.** Calculating the national social impact index of EU countries

Country	Source data			National Social Impact Index (NSII)	NSII (scaled)
	Number of SEs	Avg. Jobs per SE	Avg. Turnover per SE (USD at current prices)		
Austria	1535	63	1381620	0.0000455986	45.59865
Belgium	18004	31.82	-	-	-
Bulgaria	3700	24	167868	0.0001429695	142.9695
Croatia	526	10	263482	0.0000379533	37.95326
Cyprus	190	-	-	-	-
Czech Republic	3773	-	-	-	-
Denmark	411	43	1361268	0.0000315882	31.5882
Estonia	121	16	598216	0.0000267462	26.74619
Finland	1181	44.45	-	-	-
France	96603	51	1034650	0.0000492920	49.29203

Germany	77459	24	836467	0.0000286921	28.6921 1
Greece	1386	3.23	32603	0.0000990706	99.0706 4
Hungary	15855	27	196648	0.0001373012	137.301 2
Ireland	4335	32	596524	0.0000536441	53.6441 1
Italy	102461	30	494831	0.0000606268	60.6267 6
Latvia	200	32	242853	0.0001317670	131.767
Lithuania	3476	-	-	-	-
Luxembou rg	928	25,92	-	-	-
Malta	47	-	-	-	-
Netherland s	5500	44	1200035	0.0000366656	36.6656
Poland	29535	24	195363	0.0001228482	122.848 2
Portugal	7938	24	578862	0.0000414607	41.4606 6
Romania	6317	2,71	-	-	-
Slovakia	3737	-	-	-	-
Slovenia	1393	6	54900	0.0001092896	109.289 6
Spain	9680	84	1628308	0.0000515873	51.5872 9
Sweden	3000	31	893562	0.0000346926	34.6926 1

Source: calculated by the author based on The World Economic Forum (2024)

According to the calculations, the highest values of the social impact index are demonstrated by Bulgaria (142.97), Hungary (137.30), Latvia (131.77), and Poland (122.85), which indicates a significant contribution of social enterprises to job creation and socio-economic development at the national level, despite relatively lower turnover per enterprise (Kritikos, 2024; Redko, 2024; Shvets, 2020). These countries are characterised by a focus on SMEs operating in local social services (Abbasi et al., 2017; Maksum et al., 2020). In turn, Italy (60.63) and France (49.29) have moderate NSII values due to the large number of social enterprises and high average employment (30 and 51 jobs per enterprise, respectively). These countries have favourable business environments and demonstrate the sustainability of the social sector through extensive support policies and a focus on social value-added services, which is not a new approach, but it needs to be more widely adopted (GSBI, 2023).

In contrast, Spain (51.58) has the highest average employment (84 jobs), which highlights the effectiveness of large-scale social enterprises focused on delivering high levels of social impact (Tomashuk et al., 2024). This notable employment intensity may stem from sector-specific strategies, regional policy frameworks, and cultural norms that

prioritise collective social welfare and community-oriented business models. Although this pattern demonstrates significant success at the macro level, a deeper examination of industry-specific differences in employment generation would enrich the understanding of underlying mechanisms and inform the development of more targeted, sector-sensitive policy interventions aimed at replicating such outcomes beyond the Spanish context. In countries with lower NSII scores, such as Denmark (31.59), Germany (28.69), and Estonia (26.75), social enterprises have higher average turnover. However, the total number of such enterprises is limited, which results in a lower social impact at the national level (Zainol *et al.*, 2023).

Thus, a high index value is typical for countries with developed SME support policies that are actively integrated into addressing challenges at the national level (Lyu *et al.*, 2024). At the same time, countries with a high average turnover and smaller enterprises are characterised by a high capacity for social sector growth (Ahmad & Bajwa, 2023). The identified trends indicate the need for differentiated support strategies to ensure sustainable social impact at the European level. Thus, the experience of social entrepreneurship in EU member states should be applied to European integration countries, including Ukraine, which is experiencing uncertainty caused by the war and the political and economic crisis.

#### **4.3. Directions for the development of social entrepreneurship in ensuring economic growth in Ukraine in the context of war**

While social entrepreneurship is a globally recognised phenomenon, its development in Ukraine is relatively recent. Nevertheless, the pace of development of socially oriented entrepreneurship is quite high: in particular, in 2013, there were only 41 social enterprises in Ukraine, and in 2017 their number reached 150, and as of 2020, at least a thousand social enterprises are operating in the country (Antoniuk, 2020). Ukrainian social enterprises are most active in employing socially vulnerable groups (61%), generating income to support the organisation's activities (53%), providing services to certain groups of people (40%), and financing certain types of services (27%). 3% of social enterprises address environmental issues and environmental protection, while 7% are engaged in other activities (Pact, 2018). However, it must be acknowledged that the available data predominantly refer to the pre-war period and thus do not fully capture the transformations that have occurred since 2022 under the impact of Russia's full-scale invasion. The lack of current, detailed information on the resilience, sectoral composition, and dynamics of Ukrainian social enterprises under conditions of war presents a significant limitation. Consequently, conclusions regarding the resilience and future needs of the sector must be treated with caution, pending more recent empirical evidence.

One of the main shortcomings in developing the Ukrainian social entrepreneurship sector is the lack of consistency, mainly due to the absence of a national strategy for developing social entrepreneurship. To ensure the comprehensiveness of such a strategy in Ukraine, it is important to consider the need to develop and implement an appropriate legislative framework, financial support mechanisms, and tools to improve the attractiveness of social enterprises' investments. Given the importance of legal regulation and legislative support, it should be noted that Ukraine still does not have a law that would

officially enshrine the definition of "social entrepreneurship", but this term appears occasionally in state and regional development programmes. Thus, social enterprises in Ukraine operate within the general legal framework, while there is no special legislation on this type of activity, which hinders its development (Schierhorn et al., 2018). The preliminary analysis shows that many EU countries have special legislation regulating social entrepreneurship. Therefore, it is proposed to improve this aspect for Ukraine by harmonising national legislation with European norms, introducing clear criteria for defining social enterprises, and creating incentive financial and tax mechanisms to support them (Hryshyna et al., 2023). The development and legal consolidation of the Law of Ukraine "On Social Entrepreneurship" and related regulatory documents, a mechanism for systemic social interaction between the state, business and citizens, will allow the state to promote social consolidation, stability and sustainable development of democratic processes in Ukraine. Thus, the development of social entrepreneurship aligns with Ukraine's strategic priorities. Moreover, social entrepreneurship provides an opportunity to solve some social problems with minimal government involvement and without spending significant budget funds. The greatest motivation for social entrepreneurs to carry out such activities is their beliefs and values, life experience and social responsibility.

As part of creating a national strategy for the development of social entrepreneurship, it is also important to ensure sustainable development and social inclusion by developing a system of financial support for such enterprises to address pressing social problems. In this context, financial support instruments include, first and foremost, grant funding that covers start-up costs and allows for developing new services or improving technologies (Abbasi et al., 2017). For example, the European programme Horizon Europe offers grants to support innovative social enterprises aimed at implementing social initiatives. Secondly, concessional lending through specialised government programmes (Maksum et al., 2020), such as those supported by the National Bank of Ukraine, the European Investment Bank (EIB), or international donors, can reduce financial risks for social SMEs. In addition, government grants (e.g., EU4Business), which cover operational costs, and micro-granting through state-owned banks or specialised funds (e.g., the Ukrainian Enterprise Support Fund - UESF). They help ease the financial burden on small businesses, especially at the start-up stage, are practical tools for SME development (Sunley & Pinch, 2012). Despite a relatively wide range of Ukrainian government initiatives to support businesses, including SMEs, developing and implementing a financial support system for social enterprises is proposed.

In addition to government support measures in Ukraine, especially in the post-war period, it is important to ensure the implementation of systemic changes that encourage the attraction of domestic and foreign capital. In EU member states, it is common practice to apply tax incentives, such as income tax credits or tax exemptions on reinvested capital (Fernández-Guadagno & Diez, 2024). Another recommendation is simplifying regulatory procedures and creating guarantees for investors, mainly through instruments to strengthen cooperation between government agencies, business associations and international partners. Public-Private Partnership (PPP) mechanisms include direct investments in energy-saving technologies for enterprises or innovative programmes with high social value and are capable of attracting significant investments in the development of socially significant initiatives (Biygautane et al., 2019; Hryshyna et al.,

2023), in particular direct investments in energy-saving technologies for enterprises or innovative programmes with high social value.

## 5. Conclusion

Social entrepreneurship is an important tool for economic growth, especially in times of instability caused by war, economic crisis or other social challenges. An analysis of the practical experience of EU countries shows that the highest social impact indices are inherent in countries with developed SME support policies focused on solving local social problems (e.g., NSII of Bulgaria = 142.97; Hungary = 137.30; Latvia = 131.77); while countries with a smaller number of social enterprises but high average turnover rates (e.g., NSII of Germany = 28.69 and Estonia = 26.75) show significant growth potential for the social sector.

For Ukraine, where social entrepreneurship is still in its infancy, the key tasks are to create a legal framework that clearly defines social enterprises' status and develop incentive financial mechanisms. By defining the legal framework for social entrepreneurship, the government can facilitate the integration of social initiatives into the country's overall economic system and increase their effectiveness in addressing pressing social issues, including the employment of vulnerable groups and overcoming the consequences of the war. In addition, considering the European experience, including the development and implementation of a comprehensive strategy for the development of social entrepreneurship, will allow Ukraine to adapt successful models of social entrepreneurship support and harmonise the national strategy with European approaches. However, when considering the European experience, it is important to balance the adaptation of successful models of social entrepreneurship support with the specific institutional, administrative, and socio-economic realities of Ukraine. Direct replication of EU frameworks without careful localisation may result in implementation inefficiencies or institutional mismatches. Therefore, the national strategy should not only aim at harmonisation with European approaches but must also incorporate mechanisms sensitive to Ukraine's governance capacity, local needs, and challenges such as corruption risks. In the long run, such measures will ensure social stability, economic growth, and sustainable development during war and general uncertainty.

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