Challenges and prospects for the development of social entrepreneurship in Russia

Desafíos y perspectivas para el desarrollo del emprendimiento social en Rusia

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Contents
1. Introduction
2. Literature review
3. Materials and methods
4. Results
5. Discussion
6. Conclusion
References

ABSTRACT:
The relevance of the problem concerning the development of social entrepreneurship in Russia considered in the article is determined by the increasing social difficulties that the state cannot tackle. The standard of living in Russia is declining, whereas unemployment and social tension are rising. The low efficiency of the methods utilized in solving social problems, the growing number of needy citizens and increasing social needs have led to the emergence of social entrepreneurship – a new form of socially oriented activities. That is why it is necessary to study and popularize the practices of social entrepreneurship. Therefore, in this article, the authors aim to develop proposals that would promote these activities that are imperative to Russia. The research involves a sociological study of youth awareness regarding social entrepreneurship. It also aims to determine the immediate prospects for the development of these ideas. The authors explore the development of social entrepreneurship in the Russian Federation as an innovative way to solve social problems through businesses. For instance, the article justifies the need for and proposes effective ways of promoting social entrepreneurship among Russian

RESUMEN:
La relevancia del problema relacionado con el desarrollo del emprendimiento social en Rusia considerado en el artículo está determinada por las crecientes dificultades sociales que el estado no puede abordar. El nivel de vida en Rusia está disminuyendo, mientras que el desempleo y la tensión social están aumentando. La baja eficiencia de los métodos utilizados para resolver problemas sociales, el creciente número de ciudadanos necesitados y el aumento de las necesidades sociales han llevado al surgimiento del emprendimiento social, una nueva forma de actividades de orientación social. Por eso es necesario estudiar y popularizar las prácticas de emprendimiento social. Por lo tanto, en este artículo, los autores pretenden desarrollar propuestas que promuevan estas actividades que son imperativas para Rusia. La investigación involucra un estudio sociológico de la conciencia juvenil en relación con el emprendimiento social. También tiene como objetivo determinar las perspectivas inmediatas para el desarrollo de estas ideas. Los autores exploran el desarrollo del emprendimiento social en la Federación Rusa como una forma innovadora de resolver problemas sociales a través de las empresas. Por
youth. Moreover, it identifies effective sources of financing social activity within the business framework. The study revealed that most students do not differentiate social entrepreneurship from charity. Concurrently, they are not ignorant of the idea of helping other people. In such conditions when the state provides no support, crowdfunding and crowdinvesting become the most appropriate ways to finance social projects. Besides that, the mass media, public service awards and the system of higher and additional education can significantly increase the number of young people involved in social entrepreneurship, which indicates the practical significance of the research findings.

Keywords: social entrepreneurship, investment, crowdfunding, crowdinvesting, financial innovations, digital platforms

1. Introduction

Social entrepreneurship is becoming increasingly popular not only in developed but also in developing countries. It is both rewarding and profitable, and it is what attracts both businessmen and researchers. The relevance of developing social entrepreneurship is confirmed by the attention paid to it by international agencies and companies (Kiselitsa et al., 2018). For example, in 2016, Thomson Reuters news agency, in partnership with Deutsche Bank, UnLtd and The Global Social Entrepreneurship Network made a ranking of the best countries for social entrepreneurship (The Best Countries …, 2016), in which Russia took the 31st place. The study was conducted in 45 countries and the top positions were taken by the United States, Canada and the United Kingdom. The main evaluation criteria included the indicators of government support, attracting skilled staff, public understanding, access to innovation and the possibility of making a living while doing this type of business.

The Russian Agency for Strategic Initiatives also conducted a comparative study in 2017 and found that 25% companies in Western Europe are engaged in social entrepreneurship, while in Russia this figure estimates 1% (Gasnikova, 2018).

The present article sought to develop proposals for facilitating this activity, which was highly relevant to Russia. It involved studying the awareness of and prospects for the development of social entrepreneurship among young Russians. To achieve this goal, the authors explored the views of Russian students on social entrepreneurship, assessed crowdfunding platforms (Boomstarter; Planeta.ru; Kickstarter; Indiegogo) as modern sources of finance for this business, and identified prospects for the development of social entrepreneurship in Russia in the nearest future if the proposed measures were applied. Moreover, they examined the willingness of people to invest their own funds in social entrepreneurship using crowd-investing tools.

The main idea that the research explored was social entrepreneurship as a new direction of economic activity. For instance, the authors put forward the hypothesis that young people in Russia had low awareness of the essence of social entrepreneurship as a business type and low awareness of ways of engaging in it. That was why, while working on the research problem, not only did they have to determine and evaluate the youth's attitude to social entrepreneurship in Russia, but they also had to reveal the most modern ways of supporting and developing this line of business when there was no state support (which was relevant to the conditions in developing countries, economic crises, and regional problems).

The research focused on Russian youth – students studying economics and management. This allowed the authors to identify problems related to developing social entrepreneurship in Russia in the nearest future and to propose measures for dealing with them. All of this contributed to the originality of the research.

The main research methods included surveying students by means of a questionnaire...
conducted offline and online, statistical processing of responses and their summarizing. This demonstrated that Russian youth has low awareness of social entrepreneurship in general and how to organize such business way. The study findings have not only theoretical significance, revealing the problem of young people's low awareness of social entrepreneurship, but also practical value, which includes proposals, the implementation of which will contribute to the development of social entrepreneurship in Russia in the near future.

2. Literature review

Seen a developing country for a quite a while, Russia has several problems that are becoming more and more acute: strong social stratification, lack of budget funding for citizens' social needs, young people's declining interest in entrepreneurship as a future occupation. In this context, social entrepreneurship, which is becoming increasingly popular in developed countries, if promoted, could become a good solution for Russia. This determined the choice of the research topic.

Nowadays it is difficult to name the first economist who mentioned social entrepreneurship in their works, but the first study devoted entirely to this issue was published in 2000 (Thompson et al., 2000). Despite the fact, that social entrepreneurship is a relatively new issue, it has been explored in numerous publications, and the researchers all over the world are actively studying this economic phenomenon. For example, J. Austin, H. Stevenson, J. Wei-Skillern (2006), J. Thompson (2002) and P. Hartigan (2006) explored the essence of the combination of entrepreneurial motivation and charity. Innovative approaches in this business are studied by A. Cho (2006), S. Dorado (2006), M. Sharir and M. Lerner (2006), M. Žižka and others (2018), Akhmetshin and others (2018). The typology of social entrepreneurship has been investigated by S. Alter (2007), S. Zahra, E. Gedajlovic, D.O. Neubaum, J.M. Shulman (2009).

In Russia, interest in social entrepreneurship emerged not so long ago. After a series of works on social responsibility of business related to the environment and the issues of investing in the domestic economy, Russian scientists turned their attention to business that combines social responsibility and profit. For instance, there were publications including the research findings of the authors' groups under the supervision of A.A. Moskovskaya (2011), E.L. Zueva and S.Yu. Khovaev (2015). Scientists also researched some applied issues of social entrepreneurship in Russia such as taxation problems (Vylkova & Krasavin, 2011). In most cases, the problems of Russian social entrepreneurship are viewed from a regional perspective (Logunova & Logunova, 2018; Polyakova, 2018). There have been discussions on how to generate students' motivation for social entrepreneurship (Rubanova & Wenger, 2017). However, these did not involve research on their opinions, as well as examining the existing educational programs that are primarily intended for prospective social entrepreneurs (Borodina & Shchetsak, 2017). At present, such publications present only the results of observations with speculative identification of problems and suggestions on how they can be solved.

The novelty of the topic of social entrepreneurship underlies totally positive attitude of the overwhelming majority of authors to this type of business, lack of criticism along with a critical position towards the state and authorities in connection with the support issues and, consequently, excessive tolerance to the outcomes of social entrepreneurship in certain areas (Le Loarne-Lemaire et al., 2017). The publications on social entrepreneurship lack a critical approach, as well as consideration of specific operating factors.

Currently, Russian legislation does not provide the definition of social entrepreneurship and how this activity should be regulated. Most often, social entrepreneurship is understood not as charity in its usual forms and not as the amount of profit from certain types of these activities. The goal of social entrepreneurship combines, first of all, the desire to provide help to those who need it free of charge or on favorable terms, and also to get some benefits from this, which can be measured as a financial result or opening additional opportunities for the company. The toolkit of social entrepreneurship is not very different from the methods and tools of commercial enterprises that temporarily accumulate free
funds of economic agents in the market and spend them on stated goals. It is important to mention that this activity is not seen as financial intermediation and does not require licensing.

In the ideal social entrepreneurship model, investors are interested not in financial gain, but in moral satisfaction (Alter, 2007; Jelnova, 2013). Emphasis is placed on the fact that people are keen to help others and, choosing between two similar benefits, the “acquirer” will choose the one where part of its cost will be transferred to help the needy.

At the same time, the authors cannot name a publication that has raised the question of the interest of young Russians in social entrepreneurship, as well as the prospects for its development. This determines the novelty and scientific significance of the work presented, since the development of this type of activity will allow solving a number of problems in the country and making lives of many people more comfortable, prosperous and happier.

3. Materials and methods

A sociological survey was chosen as the main method to explore students' awareness of social entrepreneurship. The survey was conducted both online with automatic processing of questionnaires and offline. Other research methods included systematization, generalization and visualization of primary information, as well as systematization of secondary information.

In order to ensure the relevance of the data, the authors stuck to the following principles:
1) reliability, which was achieved by an independently conducted field study that monitored the quality and completeness of the data obtained;
2) relevance of the data, which implied collecting and processing it in a very short period – three months;
3) accuracy of the data, which means the compliance of the collected information with the goal and objectives of the study.

When creating the questionnaire, the authors made sure that, on the one hand, the questions and answers were simple and easy to understand, and on the other hand, the information obtained from the survey would not be redundant and allowed simple and accurate processing. It had to be comparable and to be evaluated using a single system of measurements enabling simple quantitative comparison and comfortable visualization. All information was collected using a uniform methodology, which makes it possible to carry out an accurate comparative analysis of the data obtained not only through online and paper surveys, but also with the results of a similar survey in the future.

After the survey was carried out, the authors selected questionnaires that were fully and correctly completed and transferred this information into tables for analysis, then the results were summarized. This made it possible to evaluate the findings and interpret them in a form understandable to a wide range of people. The reliability of the data obtained is confirmed by the correlation of the values of their series. This was verified by the linear Pearson correlation coefficient, the estimate of which varied around 0.9 (from 0.89 to 0.93). Some questionnaires which included optional subjective comments of the respondents were processed separately, and only those attributed to the selected questionnaires were used.

4. Results

Despite the fact, that there is social entrepreneurship in Russia and it is actively developing, a survey of young economists on their awareness in this area gave unexpected results. The survey involved fourth-year university Russian students doing programs "Economics" and "Management" who potentially may be involved in the development of this business in the nearest future. In total, 547 students took part in the study (by the number of selected questionnaires).

According to the results, 389 respondents (71%) answered that they have not heard about social entrepreneurship, whereas 158 students, or 29%, confirmed their awareness of this type business (Figure 1).
Students were invited to give their own definition of social entrepreneurship. The answers were the following: 44 respondents (8%) could not define social entrepreneurship; 459 students (84%) wrote about its connection with charity, but stated that part of the profit goes to social needs, to help people. At the same time, 39 people (7%) answered that social entrepreneurship is an activity that helps society, but is aimed at making a profit. The only student (less than 1%) noted that social entrepreneurship is not related to charity.

The phrases “social needs”, “social problems”, “helping people” in the survey were used by 225 respondents (41%). The connection of social entrepreneurship with social work and support was noted by 44 respondents (8%).

Testing the willingness of young economists to take part in social entrepreneurship, the authors of the survey asked them to choose an activity in which part of the financial result is used for social needs and which does not mean working on social projects. Among all the respondents, 284 (52%) chose the one in which part of the profit would go to social needs, 126 students (23%) chose not to engage in social entrepreneurship, and 137 respondents (25%) found it difficult to answer.

The situation with the readiness of young economists and managers to participate in social projects occasionally and passively is a bit different. For instance, 279 students (51%) are ready to pay more for the goods if they are sure that the profit from its sale will be definitely used for social needs.

It should be noted that 268 respondents (49%) gave a negative answer to the previous question about their readiness to pay more. However, answering the question “What extra sum are you willing to pay?”, 219 respondents (40%) said they are not ready for this. Thus, 49 students (9% of those that are not ready to pay more), consciously or not, but changed their mind when they could choose for themselves what extra % of the price they could pay. For instance, 19 students (3%) have changed their opinion and are ready to pay 5% more, and a bit more than one percent of those who have changed their mind are ready to pay extra 2% or 10%, not more than 10% or 20%, and no more than 25 % for a product.

Answering the question about how much more they could pay for such goods, 72 students said they (13%) are willing to pay no more than 5%. At the same time, 68 (12%) of the respondents could pay over 5%. Besides, 55 people (10% of the respondents) would not mind if the cost were 5-10% higher; 49 students (9%) agreed to pay 10% more; six people (1%) were ready to pay extra 10–15%. Two students would pay more than 10-20%, while five of them would pay extra 20%. Three students are ready to pay 30% more and two of the respondents can pay 50% more. It should be noted that each of these groups is less
than 1% of the respondents.

Answering the question about the well-known examples of social entrepreneurship, 328 respondents could not name one (Figure 2). Out of the 219 respondents who know examples of social entrepreneurship, 52 students (10%) could give a particular example. At the same time, 12 respondents (2%) mentioned McDonald. There were also answers about campaigns conducted by famous juice brands, charitable foundations, the Fund for the Protection of Amur Tigers that was often mentioned in the media when the survey was being conducted. Some students mentioned programs in which a share of money after buying a product was spent on certain social needs and projects.

![Figure 2](image)

Survey results: students who could and could not give an example of a social business

Source: compiled by the authors

Finally, the authors could not leave out the emotional effect connected with social entrepreneurship (Figure 3), so students were asked to evaluate whether it felt nice that they could help other people with their actions. The positive answer was given by 448 respondents, 13 students answered negatively, 71 respondents did not classify their feelings related to helping others as either positive or negative, while 15 respondents considered this a must.

![Figure 3](image)

Emotions experienced by the respondents when providing social care

Source: compiled by the authors
5. Discussion

The results of the conducted research demonstrated that Russian students have low awareness of the essence of social entrepreneurship. At the same time, students’ answers confirmed the assumption that, in general, they are ready to participate in such a business: to donate money for the development of these projects, and, what was more important for the research, to invest their own money in social entrepreneurship. However, the youth have insufficient awareness of this phenomenon which has been part of business for quite a while. Perhaps the interest in social entrepreneurship would be higher if this type of activity were more often discussed in the Russian media, received awards from business and professional associations, and its potential, prospects and achievements would receive wider publicity.

In Russia, international companies have support programs for social projects, for example, Danone, Unilever, Rosbank which is a member of Societe Generale Group, and such Russian companies as LUKOIL, Severstal, and Norilsk Nickel. Most often, this implies training programs for social entrepreneurs who, under the guidance of tutors, study methods of launching and running a business. This experience should be adopted by the Russian system of higher vocational education, introducing special courses on social entrepreneurship into the training programs of economists and managers, as well as short programs of additional professional education.

The low level of social entrepreneurship in modern Russia can also be explained by the fact that the financial system is not adapted to the specifics of this peculiar type of activity which has features of both charity and business. Entrepreneurs have to react independently and invent new financial instruments, or adapt existing forms to social entrepreneurship, which is often a fairly challenging task.

Considering social entrepreneurship in terms of funding opportunities, one should answer the question: should social entrepreneurs, like charitable foundations, seek donations or is it business and commercial financing is required?

Using crowdfunding platforms is a recent and promising opportunity for raising funds for social entrepreneurship. The crowdfunding platform is a virtual platform used to present and promote certain projects on the Internet and which develops according to the rules that are the same for all participants (Koniagina, 2018) (Figure 4).

Figure 4
Stages of the project implementation on a crowdfunding platform
At the first stage of presenting a project on a crowdfunding platform, one should accurately formulate the idea and vision concerning where and in what form it can and should be implemented. The authors of the idea must understand why they want their project to be fulfilled, to realize what its goal is. It is also important to understand the target audience of the project. Besides, one should provide a specific and clear description of the project.

Secondly, after the idea of the project is presented, it is necessary to determine the budget required for the project, and the period during which this sum should be collected.

At the next stage, one should submit their project to the crowdfunding platform. For this, it is necessary to study in advance on what conditions the crowdfunding platform works and whether the project meets the requirements of the site. One should determine which site suits better for social projects.

The next stage begins after the project is uploaded on the site of the crowdfunding platform the application is approved; this includes the launch of the project, its promotion and fundraising.

The last stage means the implementation of the project, provided that the required sum was collected in full and on time.

Fundraising on crowdfunding sites can be done in several ways that bear allegorical names:

1. "All or Nothing". The collected amount is transferred to the founders of the project only upon reaching the initially determined sum within the set time frame. If the goal of the project has not been achieved, then the amount is returned back to the sponsors.
2. "Keep It All". All funds raised (minus the commission) will be transferred to the creators of the project, regardless of the fact whether the goal has been achieved or not.
3. "Reward". The collected sum is a reward for the team, which will be ready to undertake the project.
4. "Donation". The cost of the project is not stated in advance, it is determined by donors (most often, it is the case with charity).
5. Contribution of the creator.

Planeta.ru and Boomstarter are the two most popular Russian crowdfunding platforms. On
the Russian platform Planeta.ru, the maximum period for fundraising is 100 days, and only charity campaigns can have no time limit. The second Russian platform, Boomstarter, makes it possible to raise money within 60 days with the “All or Nothing” model, or there is no time limit for the collection when using the “To Goal” model.

Over 6 years, project creators managed to collect 922,547,878 rubles on the platform Planeta.ru for the realization of their ideas and 4,203 projects were successfully implemented. Public and musical projects made up most of the completed projects. Every third project could collect the required sum. The average bill is 1,500 rubles. Planeta.ru does not charge charity projects a fee for platform services. Charity projects account for 14%.

On Boomstarter platform, fees are incurred both on the “All or Nothing” basis and for projects without a deadline. Over five years 368 million rubles were collected on Boomstarter for 1,810 projects. The share of successful projects is 38%. There is no “Charity” section on the platform, and the commission is charged for all successfully completed collections. The commission on Boomstarter.ru for each successful project estimates 5%, and this money is used for site maintenance.

According to the type of remuneration for sponsors, there are the following categories of projects: projects without remuneration (donations), non-financial remuneration, and financial remuneration (crowdinvesting).

Kickstarter and Indiegogo are the world’s famous sites. On the first one, the largest share of funds is invested in projects related to game development, design and technology startups. The second one attracts projects of various directions: from technological to charitable. Fundraising is carried out using the models “Keep It All” and “All or Nothing”. If a more flexible model is chosen, then 9% of the sum raised must be given to the site. Upon reaching the financial goal, the site returns 5%. When the “All or Nothing” model is used, the fee estimates 4%.

When Russian businessmen want to present their project on international platforms, they face some difficulties:
- the language barrier,
- higher competition,
- the idea is not demanded in the international market (either it is not relevant or already exists),
- no account in an international bank,
- the requirement to be a resident of a particular country in the list.

The procedure for the implementation of a social entrepreneurship project funded through crowdfunding platforms is fairly simple (Figure 5).

Figure 5
Implementation of a social entrepreneurship project funded through crowdfunding platforms

It is clear that, in addition to financing, crowdfunding platforms provide significant
advantages for social entrepreneurship:
First, the project is promoted through advertising even before its realization. If people invest money in a project, they wait for it to be completed. In case of crowdfunding with advertising, the demand emerges long before advertising an already existing project. A large audience already knows about it at the initial stage. Thus, concerning ways of advertising startups, traditional methods have a limited potential.

Second, crowdfunding allows one to attract sponsors at the early stages of the project. This method of investing is becoming increasingly popular. When a potential investor sees that more than 100 private investors have already donated money to the project, then they are also more likely to invest their money, and the project will be completed.

Third, it is crowdfunding that allows one to receive more profit in the end than it was originally estimated if the idea is successful.

Fourth, a sufficient study of crowdfunding platforms allows one to find out what investors are interested in, what sums they are willing to invest in projects. It can also help to come up with a new idea.

The authors investigated the awareness and, analyzing the obtained data, could determine the immediate prospects for the development of social entrepreneurship among young people in Russia. Having studied the data collected in the survey, the authors fully justified the hypothesis that Russian young people have low awareness of the essence of social entrepreneurship as a line of business and how it can be implemented. It can be said that Russia needs additional efforts to promote social entrepreneurship, because young people lack knowledge about it, as well as how to organize and finance it.

6. Conclusion
As a survey among students showed, despite the development of social entrepreneurship and the widespread use of information technology, university students in Russia are currently not aware of this important phenomenon in the business world. This can be explained by inadequate promotion of social entrepreneurship. There is no doubt that social entrepreneurship improves the quality of life in the country, so both the media and educational institutions can contribute to raising awareness among young people. Government authorities should also promote this type of business, establishing awards and grants for the most important and successful projects of social entrepreneurship.

The main challenge for an already operating business in this field is finding the sources of financing. In modern Russia, bank loans cannot be considered a suitable tool due to high interest rates and uncomfortable conditions for this specific business. At the same time, crowdfunding platforms are a convenient and profitable alternative to traditional methods of financing. If ideas and projects are unique and the authors can advertise and present them to investors successfully, more funds will be raised. Moreover, raising funds for a social project through crowdfunding platforms makes it possible to involve a large number of people in social entrepreneurship at the initial stages, which allows promoting social projects and social entrepreneurship in general.

Definitely, crowdfunding represents a set of new financial tools used in the conditions of the developing digital economy. It promotes the introduction of the elements into the financial markets which enable the formation of a new business environment where helping people is not just a spiritual need, but also a profitable activity (Chernenko, 2018). In addition, crowdfunding can reduce the cost of attracting resources, cut the cost of payment, help to see the public reaction and assessment of a business project, which is extremely important in a competitive environment.

The low popularity of social entrepreneurship among young people is partly due to gaps in the content of courses for prospective economists and lawyers. Emphasis on the development of social entrepreneurship would help students start thinking about such a business from a young age and know how and where one can get resources to finance the project. If we start the promotion of social business now, then, as the survey showed, in two years the number of participants in potential social entrepreneurship training courses will
double. Besides, in four years, according to the authors, on average, other conditions being equal, the number of such companies will increase by about 25% of the current number.

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