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**Annotation:** This article examines the main directions for the development of social entrepreneurship in the region and its role in solving socio-economic problems. Social entrepreneurship is considered an important mechanism that combines business activity with social responsibility and aims to address issues such as unemployment, poverty reduction, social inclusion, and improvement of living standards. The study analyzes the institutional, financial, and organizational conditions necessary for the effective development of social entrepreneurship at the regional level. Special attention is given to the role of government support, innovative business models, and cooperation between public, private, and non-profit sectors. The article also highlights international experiences and outlines practical recommendations for strengthening the ecosystem of social entrepreneurship in the regions.

**Keywords:** social entrepreneurship, regional development, social innovation, sustainable development, social enterprises, government support, regional economy, social impact, inclusive growth, public-private partnership.

## INTRODUCTION

Throughout the history of humanity's social and economic development, we observe that progress has often emerged from conflicts of interest, with economic processes largely based on norms of material self-interest. Nevertheless, there exist fields in which economic value cannot surpass social value. Taking into account that income inequality is an established economic law, the entrepreneurial activities of economic entities must be directed toward an economic sphere that leads to social goals, thereby enabling the attainment of social stability in terms of quality of life.

In modern economies, such a transformation — directed at finding innovative solutions to social problems and based on the provision of social services — is known as innovative social business or social entrepreneurship. When examining the economic development strategies of developed nations, one recognizes that the principal driving force of these strategies is the human factor. Social entrepreneurship — in which commercial profit is reinvested to create social value, with the aim of supporting the most vulnerable segments of the population and enhancing human capital productivity — has received special emphasis in socio-economic development programs.

The adoption of Presidential Decree No. PF-60, dated January 28, 2022, on the Development Strategy of New Uzbekistan for 2022–2026 marked a qualitatively new stage in ensuring human rights, strengthening social protection, and reducing poverty as priority areas of state policy. In particular, the fourth direction of the Strategy — "Pursuing a fair social policy and elevating human capital" — defined a number of priority tasks: expanding access to quality education and healthcare, providing social support, promoting entrepreneurship, ensuring gender equality, and improving youth policy [1].

These measures create the conditions for the formation and improvement of the social entrepreneurship mechanism — one of the primary instruments of the country's social protection programs. The concept of social entrepreneurship has been interpreted in various ways in the

literature. Since it shares many characteristics with ordinary business and entrepreneurial activity, no unified definition exists; different aspects have been emphasized in different scholarly works [2].

According to Nobel Laureate Muhammad Yunus, who was among the first to introduce microfinancing practices in the field of social entrepreneurship, social entrepreneurship is an innovative sphere that identifies humanity's true-life goals and shows clear directions for resolving social problems — it is the process of transforming entrepreneurship into the social sphere [3]. Bill Drayton, founder of the Ashoka Association, described it as follows: social entrepreneurship is not about giving people fish, but teaching them to fish — and social entrepreneurs are not satisfied until they have revolutionized the fishing industry [4].

All major definitions emphasize that social entrepreneurship directly serves to improve human life, build a prosperous society, and develop human capital. Synthesizing these interpretations, social entrepreneurship may be defined as follows:

*Social entrepreneurship is a modern form of entrepreneurship transformed into the social sphere, which serves economic activity aimed at producing social goods, creating social value, and ultimately resolving socio-economic problems through innovative means, thereby contributing to economic growth and improving the well-being of various social strata of the population.<sup>1</sup>*

Today, as most countries of the world suffer from the consequences of the COVID-19 pandemic and economic-political instability, the significance of social entrepreneurship — the form of entrepreneurship grounded in sociological norms — has become even more apparent. Gregory Dees characterized social entrepreneurs as a unique type of leader [5], while David Bornstein emphasized that if entrepreneurship serves the economy, social entrepreneurship serves positive change in society [6]. From these definitions, it is clear that the socio-economic significance of social entrepreneurship is manifested through its scale, the goals of economic entities, and clearly defined directions.

## LITERATURE REVIEW

The concept of social entrepreneurship has evolved considerably since it gained academic currency in the 1990s. Early contributions drew heavily from the broader entrepreneurship literature, adapting Schumpeter's (1934) notion of creative destruction to a social context—where the entrepreneur is conceived not merely as a profit-seeker but as an agent of systemic change. Schumpeter's argument that entrepreneurial innovation disrupts existing equilibria and generates new value has been foundational in distinguishing social entrepreneurship from conventional charitable activity, positioning it instead as a dynamic, market-engaged practice oriented toward social value creation (Schumpeter, 1934; Dees, 1998).

Dees (1998) offered one of the first rigorous academic definitions, characterising social entrepreneurs as 'change agents for the social sector' who adopt a mission to create and sustain social value, recognise and relentlessly pursue new opportunities to serve that mission, engage in a process of continuous innovation, act boldly without being limited by resources currently in hand, and exhibit a heightened sense of accountability to their constituencies [5]. This definition is significant because it transplanted established entrepreneurship theory—particularly the opportunity-recognition paradigm associated with Kirzner (1973)—into the social domain, legitimising social entrepreneurship as a distinct field of scholarly inquiry.

Bornstein (2004) extended this perspective by situating social entrepreneurs within a broader ecosystem of social change, arguing that 'if entrepreneurship serves the economy, social

<sup>1</sup> Author's own framework based on research

entrepreneurship serves positive change in society' [6]. His comparative study of social entrepreneurs across six continents demonstrated that the field is not geographically confined; rather, it represents a global phenomenon shaped by local institutional conditions. Bornstein's work drew attention to the enabling environment—cultural norms, legal frameworks, and access to capital—as critical determinants of social enterprise success.

A significant definitional tension persists in the literature between what Austin, Stevenson, and Wei-Skillern (2006) term the 'narrow' and 'broad' views of social entrepreneurship. The narrow view restricts the concept to non-profit organisations that employ market mechanisms to achieve social missions. The broad view encompasses any entrepreneurial activity—whether in the non-profit, for-profit, or public sector—that prioritises social value creation. This tension has practical implications: the narrow view offers analytical parsimony but excludes hybrid models and corporate social initiatives that may generate substantial social impact (Mair & Martí, 2006).

Yunus (2007) proposed a distinctive framework through the concept of 'social business', which he defined as a non-dividend, non-loss company designed to address social objectives. Unlike conventional non-profits, social businesses are financially self-sustaining; unlike conventional businesses, they do not distribute profits to shareholders. Yunus's model, exemplified by the Grameen Bank and its subsequent joint ventures—including the Grameen-Veolia Water Project [10]—has been particularly influential in discussions of microfinance and base-of-the-pyramid entrepreneurship [3]. Critics, however, have noted that the social business framework may be too restrictive, excluding hybrid models that combine partial profit distribution with strong social missions.

#### RESEARCH METHODOLOGY

The research employed a combination of analytical and comparative methods to investigate the theoretical foundations of social entrepreneurship and its development directions within the region. The study draws on normative-legal documents of the Republic of Uzbekistan, international academic literature, and empirical case studies of social enterprises operating in different countries.

A systematic literature review was conducted across scholarly works in Uzbek, Russian, and English, covering both conceptual definitions and applied models of social entrepreneurship. The analysis of existing business models — including public-private partnerships, hybrid and inclusive business models, social franchising, corporate social responsibility, and digital social services — was carried out through desk research and comparative case analysis.

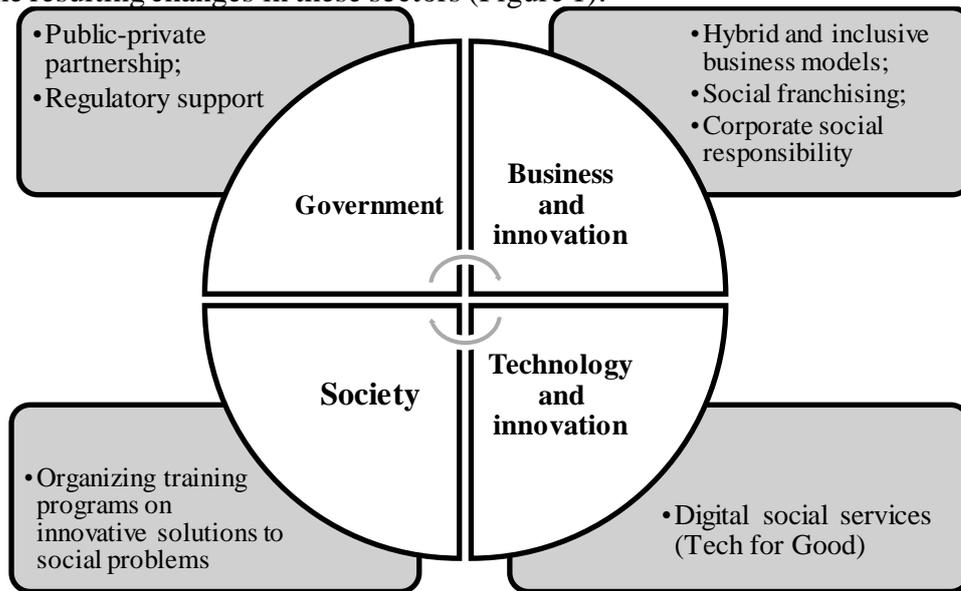
The methodological framework for identifying key development directions of social entrepreneurship in the region is based on a four-level interaction model, examining the influences of: (1) the state, (2) civil society, (3) business, and (4) technology and innovation, along with the reciprocal changes that arise within these sectors as a result of social entrepreneurship development.

#### ANALYSIS AND RESULTS.

Analysis of the scientific-theoretical foundations of social entrepreneurship reveals that this sector contributes to societal development at various levels, offering social services that address problems negatively affecting well-being. Social services are a form of service created for the benefit of all members of society, and differ from services provided by other enterprises and organizations in the economy. From an economic perspective, the social sphere — encompassing the market of services that ensure a quality standard of living for citizens — must be actively regulated by state authorities.

One of the most important aspects of social entrepreneurship is increasing the social added value of innovations, which improves the quality of life through the following outcomes: achieving the minimum level of quality of life; developing new solutions to social problems; and achieving synergistic effects among resources and social service users [7]. In identifying the main directions for

developing social entrepreneurship, four levels of interaction were considered: the state, society, business, and the influence of innovation and technology on social entrepreneurship development, as well as the resulting changes in these sectors (Figure 1).



**Figure 1. Main Directions for Developing Social Entrepreneurship<sup>2</sup>**

**Public-Private Partnership (PPP)**

Article 3 of the Law of the Republic of Uzbekistan "On Public-Private Partnership," adopted on April 26, 2019, defines public-private partnership (PPP) as a legally formalized collaboration for a specified period, in which a public partner and a private partner combine their resources to implement a PPP project [8].

Article 4 of the same Law sets out the following core principles of PPP:

- Equality of the public partner and the private partner before the law;
- Transparency of the rules and procedures in implementing public-private partnerships;
- Competition and impartiality in the selection of a private partner;
- Non-discrimination;
- Anti-corruption.

The early examples of PPP can be linked to the research of American economist Leibenstein (1966), who introduced the concept of 'X-efficiency' in economic science. He identified 'X-factors' — including labor management relations, organizational structures, and motivation — and used them to analyze differences in productivity between public and private firms, as well as to study the effectiveness of such practices.

International experience demonstrates that PPP is the most effective form of cooperation between business and government. This practice is successfully applied in Austria, Australia, Belgium, the United Kingdom, Germany, Greece, Denmark, Italy, Israel, Ireland, Spain, Canada, Portugal, the USA, Finland, France, South Korea, Japan, and other countries. In the social sphere, it is most widespread in countries guaranteeing a high standard of living and strong social protection, namely the UK, USA, Spain, France, and Japan [9].

Also noteworthy are the experience of Chile — which effectively utilizes PPP in pension system reform — and the experiences of South Africa and Colombia, which employ PPP in education. When social entrepreneurship is seeking innovative and sustainable business models to address social

<sup>2</sup> Author's own framework based on researches

problems, PPP offers a corporate model that combines state assets with the activities of private entrepreneurs. Its key advantages for the social entrepreneurship sector include:

1. Resource mobilization: PPP provides both sectors with financial, human capital, and technological resources;
2. Risk distribution: Through cooperation between public and private sectors, financial, organizational, and market risks are distributed within social projects;
3. Increased innovation activity: The application of joint scientific research and design work stimulates the development of innovative forms for implementing social projects;
4. Expanded scope of impact: PPP can strengthen the implementation of social entrepreneurship initiatives across diverse regions.

As examples of successful PPPs, the Grameen-Veolia Water Project (2008), which provided clean drinking water to rural areas of Bangladesh [10], and the Better Buildings Partnership [11] — which united local governments and private property owners to significantly reduce energy consumption and greenhouse gas emissions in commercial buildings, thereby ensuring ecological sustainability — may be cited.

**Hybrid and Inclusive Business Models.** A hybrid business model is a type of social enterprise that operates both as a non-profit and a commercial organization. It can take various organizational-legal structures, such as a corporation, a low-profit limited liability company (L3C), or a social-purpose corporation. Although their financial sources and structural compositions may differ, they are united by a single social mission. This model is categorized into three groups according to the relationship between commercial and non-profit organizations and the source of value creation [12]:

5. The embedded model includes a single organization with a unified value proposition, customer segment, and value chain. Such an organization finances its social mission through the profit generated by its activities. An example is the American company TOMS Shoes, founded in 2006, which donates one pair of shoes to a child in need for every pair sold.
6. The integrated model connects organizations with different value propositions, customer segments, and value chains through a common social mission and strategic partnership. Kiva serves as an example, connecting creditors and low-income entrepreneurs in need of credit online.
7. The parallel model unites two organizations with different activities but the same board of directors. Commercial organizations donate a portion of their profits to non-profit organizations and allow them to use their brand. Newman's Own company — which sells food products and donates a significant share of its profits to charitable causes — serves as an example of this model.

An inclusive business model is a sustainable business model that creates value for low-income population groups by integrating the activities of customers, entrepreneurs, producers, and employees who shape supply and demand in the enterprise's value chain, while also ensuring their employment [13]. This model is based on the following principles:

**Impact on Human Development:** This model contributes to raising the incomes of low-income population groups, meeting their primary needs, and supporting persons with disabilities, women, and youth.

**Self-Sustainability:** While this model may receive financial support from various sources, it must ultimately achieve financial self-sufficiency.

**Environmental Impact:** The negative environmental impact of the inclusive business model is minimal, and it is oriented toward resolving environmental problems — reducing toxic gas emissions, solving waste issues, and preserving biodiversity. The advantages of this business model for businesses and society — particularly for low-income segments — are varied and are presented in Table 1.

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**Table 1. Beneficial Aspects of the Inclusive Business Model for Business and Society<sup>3</sup>**

Advantages for Business	Advantages for Low-Income Population
Generates and multiplies profit; Develops new market segments; Increases innovation activity; Expands the pool of labor resources; Strengthens the value chain.	Incomes rise through the creation of new jobs; Primary needs are met; Productivity increases; Builds confidence in the future among the poor.

**Social Franchising**

Social franchising is a form of franchising directed at resolving social problems rather than achieving commercial goals [14]. This activity is based on applying commercial franchising principles with the aim of multiplying social benefit rather than private profit. Social franchising operates in two main forms.

In the first form, contractual relations are established in which an independent coordinating organization offers individual independent operators the opportunity to join the franchising network. The contract presents a list of services in a specific field, developed according to a plan prepared by the franchisor. After joining the network, participants acquire the right to use a number of services, including professional trainings, brands and brand advertising, subsidized or patented materials and equipment, mentoring services, expert consultations, and more.

Social franchises of the second form are primarily engaged in providing employment to low-income segments of the population and resolving social problems. This is mainly accomplished through partnerships and the conclusion of agreements. The largest franchising network in the world is De Kringwinkel in Flanders, where 5,000 people are employed. Social franchising is being applied in developing countries in areas such as emergency medical care, pharmaceutical sales, AIDS testing and counseling, and reproductive health services. In combining social entrepreneurs into franchising networks, the event management method is also employed — social entrepreneurs are invited to the events of large companies and their projects are presented to participants. This method is widely popular in developed countries.

**Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) is a self-regulating business model that helps companies be accountable to themselves, their stakeholders, and society. In accordance with this practice, companies are informed in advance about how their activities affect the economic, social, and environmental issues facing society. Several types of CSR exist:

8. Environmental responsibility: Companies strive to reduce the negative external impact of their activities on the environment, including mitigating or eliminating environmental problems through reducing and recycling waste, increasing tree cover, and offering goods and services that have a positive environmental impact.
9. Ethical responsibility: This involves the principles of fair and equal treatment of employees, regardless of age, gender, or race, as well as providing high-quality services to customers.
10. Philanthropic responsibility: This type of accountability means that a company — regardless of the field in which it operates — donates a certain portion of its profits to charitable causes and actively participates in financing social projects.

<sup>3</sup> [https://en.wikipedia.org/wiki/Inclusive\\_business\\_model](https://en.wikipedia.org/wiki/Inclusive_business_model)

11. Financial responsibility: In order to maintain its financial stability, preserve jobs, and demonstrate various environmental initiatives, a company must first apply the achievements of science and technology in its activities and increase its revenues [15].

Starbucks and General Motors may be cited as examples of companies with corporate social responsibility. Starbucks supports its employees through stock grants and additional medical, family, and educational benefits, and has set a target to reduce greenhouse gas emissions and waste by 50% by 2030 [16]. General Motors, in turn, provided \$60 million in grants to more than 400 US non-profit organizations dealing with social issues, and has agreements to use 100% renewable electricity at US sites by 2025 [17].

#### Digital Social Services (Tech for Good)

'Tech for Good' refers to the practice of delivering services aimed at resolving social problems through digital technologies. Such services encompass a wide range, from healthcare and educational services to financial and consulting services. President Sh. Mirziyoyev signed Resolution No. PQ-162, dated May 24, 2023, on measures to improve the coverage and quality of digital services and to digitally transform industries, sectors, and regions. Accordingly, priority directions were defined for improving the quality of digital services and increasing the opportunities for entrepreneurs and other individuals to access them.

In Uzbekistan, digital technologies providing social services to the population include websites such as [www.gov.uz](http://www.gov.uz), [www.president.uz](http://www.president.uz), the official website of the 'Inson' Social Services Agency ([www.ihma.uz](http://www.ihma.uz)), online course platforms such as Khan Academy ([uz.khanacademy.org](http://uz.khanacademy.org)) in the education sector, and the 'Click Up' mobile application that incorporates a technology for digitizing charitable services.

The advantages of such digital social services are that they can offer effective services to a large segment of the population in a short period of time by saving on many costs (including time). However, a number of challenges also exist in this area:

- The presence of infrastructure-related problems in certain regions (low internet speed) and low levels of digital literacy;
- Data privacy and security issues due to the threat of cyberattacks;
- Problems related to implementation and technical servicing, including high costs of technical maintenance;
- Challenges of inclusivity — involving a greater share of low-income groups among service users — as well as problems associated with providing services in multiple languages.

The analysis of the scientific-theoretical foundations of social entrepreneurship confirms that this sector occupies a unique position at the intersection of commercial activity, civil society, and state policy. The directions reviewed — public-private partnerships, hybrid and inclusive business models, social franchising, CSR, and digital social services — are interconnected and complementary in the current phase of development of a socialized market economy.

Public-private partnerships have proven to be the most effective mechanism for mobilizing resources and distributing risks in addressing complex social challenges. The examples of Grameen-Veolia in Bangladesh and the Better Buildings Partnership highlight how PPP can simultaneously generate economic value and deliver transformative social impact. In the context of Uzbekistan, the Law on Public-Private Partnership (2019) provides a solid normative foundation; however, broader institutional capacity and awareness among potential private partners remain areas for further development.

The hybrid and inclusive business models discussed in this study demonstrate that social entrepreneurship need not choose between financial viability and social mission. The embedded, integrated, and parallel models provide a spectrum of approaches that organizations can adopt

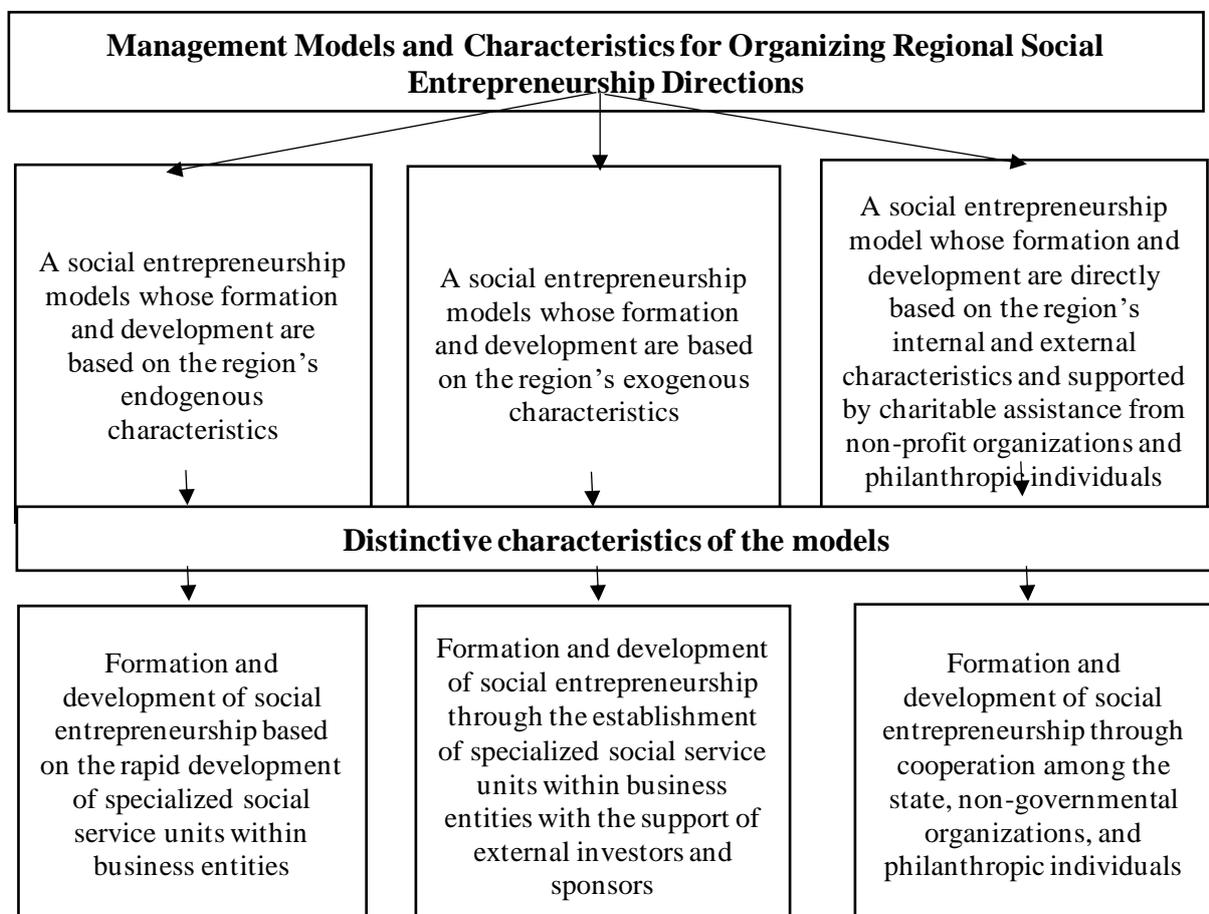
depending on their resources, stakeholder structure, and target populations. The inclusive business model, in particular, offers a sustainable framework for reducing poverty and inequality while generating economic activity at the base of the pyramid.

Social franchising represents a promising but underutilized strategy in the region. While its applications in healthcare and community employment in Western countries are well-documented, its potential in Uzbekistan — particularly for expanding access to reproductive health, vocational training, and micro-enterprise support — has yet to be fully realized. Adapting social franchising models to local institutional and cultural contexts will be a key challenge for future implementation.

Corporate Social Responsibility, while primarily associated with large corporations, is increasingly relevant for medium-sized enterprises in Uzbekistan as the country integrates further into global supply chains and attracts foreign direct investment. The CSR frameworks of companies like Starbucks and General Motors illustrate how voluntary commitments can be structured around measurable environmental and social targets, offering a replicable model for domestic companies.

Taken together, the management models for organizing social entrepreneurship directions in the region — as illustrated in Figure 2 — show that the development of this sector requires coordinated efforts across four key domains: state regulation and support, civil society engagement, private sector participation, and technological innovation. The interaction among these domains produces synergies that neither can achieve independently.

**Figure 2. Management Models and Characteristics for Organizing Regional Social Entrepreneurship Directions<sup>4</sup>**



<sup>4</sup> Author's own framework based on researches.

Social entrepreneurship directions that are mutually close and complementary in many of their social service characteristics rise to a new qualitative stage at the current phase of development of the socialized market economy. The analytical and evaluative indicators of social services, social entrepreneurship, and service systems are shaped on the basis of modern social and economic norms, leveraging the opportunities of public-private partnership to engage investors and economic entities in production, financial, technical-technological provision, and management practices.

Future research should focus on measuring the social impact of these models in specific regional contexts, developing financing mechanisms that reduce dependency on state support, and creating an enabling ecosystem for social entrepreneurs in Uzbekistan.

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