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SPECIFICITIES OF THE ETHICAL COMPONENT OF SOCIAL ENTREPRENEURSHIP IN UKRAINE

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Abstract. *The article analyses the modern trends in the development of entrepreneurship in Ukraine, namely, social business in the context of wartime. The ethical component of social business functioning is defined as an integral part of it. The purpose of the study is to identify the relationship between the development of social entrepreneurship and adherence to ethical principles in business, and to assess the prospects for the development of the ethical component in business. In the course of the study, the methods of systematisation, observation, comparative analysis and generalisation were used. The main difficulties that prevent the development of social entrepreneurship in the context of war are identified, and effective ways to overcome them are proposed. A package of measures to stimulate the development of social business, including the introduction of online platforms, the use of crowdfunding tools and the automation of internal business processes, is presented.*

Keywords: *social entrepreneurship, business ethics, investment, employment, crowdfunding.*

ОСОБЛИВОСТІ ЕТИЧНОЇ СКЛАДОВОЇ СОЦІАЛЬНОГО ПІДПРИЄМНИЦТВА В УКРАЇНІ

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Анотація. *У статті проаналізовано сучасні тенденції розвитку підприємництва в Україні, а саме соціального бізнесу в умовах воєнного стану. Визначена етична складова функціонування соціального бізнесу як невід'ємна його частина. Метою дослідження є виявлення взаємозв'язку між розвитком соціального підприємництва та дотриманням етичних принципів у бізнесі, оцінка перспективи розвитку етичної складової в бізнесі. Розглянутий досвід створення і розвитку соціального бізнесу в Україні, проаналізовані основні законодавчі акти щодо підтримки соціального підприємництва. Наведені приклади соціального бізнесу, який активно розвивається в нашій державі. Проаналізовані внутрішні процеси в економіці України, спричинені Covid пандемією і війною. Наведена динаміка кількості найманих працівників в еквіваленті повної зайнятості суб'єктів підприємництва. Динаміка була зумовлена загостренням соціально-економічних викликів, насамперед потребою у створенні робочих місць для представників вразливих соціальних груп — учасників АТО, внутрішньо переміщених осіб, осіб з інвалідністю, жителів сільських територій тощо.*

У процесі дослідження використано методи систематизації, спостереження, порівняльного аналізу та узагальнення. Проведено аналіз статистичних показників безробіття та зайнятості суб'єктів підприємницької діяльності, показники розвитку соціального бізнесу, що дозволяє об'єктивно оцінити поточний стан розвитку підприємництва в Україні. Виявлено основні складнощі, які стримують розвиток соціального підприємництва в умовах війни, та запропоновано ефективні шляхи їх подолання.

Обґрунтовано низку заходів для стимулювання розвитку соціального бізнесу, зокрема впровадження онлайн-платформ, використання краудфандингових інструментів та автоматизації внутрішніх бізнес-процесів.

Ключові слова: *соціальне підприємництво, етика бізнесу, інвестиції, зайнятість, працевлаштування, краудфандинг.*

JEL Classification: L260; L310

Statement of the problem. In today's economic context, the development of social entrepreneurship, a business model that is not only focused on making a profit but also aims to improve social life, is becoming particularly relevant. This approach combines entrepreneurial initiative and social responsibility based on ethical principles. In Ukraine, the potential of this

sector is growing along with the need for new tools to overcome unemployment and support vulnerable groups. Ethics in Social Entrepreneurship in Ukraine - is a fundamental principle that defines the moral guidelines for the activities of such enterprises. It is especially important in times of war and socio-economic instability, when business not only generates profit but also fulfils a social mission. This article is devoted to the study of the ethical component of social business in Ukraine, the identification of development trends, difficulties and key aspects of social entrepreneurship.

Analysis of recent research and publications. Social entrepreneurship in Ukraine has many years of development experience, accompanied by both practical initiatives and theoretical developments. Scientists, representatives of civil society, government and the business community are actively involved in its study and implementation. Among the Ukrainian specialists who have made a significant contribution to the study of social entrepreneurship are: A. Svinchuk [1], A. Revko [2], L. Boyko [3], Y. Dybchynska, I. Shavkun [4], O. Koval [5], which highlight the key characteristics of social entrepreneurship and its connection with changes in our society.

The article is devoted to the identification of previously unresolved parts of the general problem. Scholars focus on the need for state support, legal regulation and community involvement in financing social initiatives and supporting social entrepreneurship, but do not explore the relationship between ethical business conduct and social entrepreneurship.

The purpose of research. Is to identify the relationship between the development of social entrepreneurship and ethical principles in business, to analyse Ukrainian business practice and to assess the perspectives for the development of the ethical sphere.

Presenting of the main research material. Nowadays, social entrepreneurship, a form of entrepreneurial activity that specialises in solving current social problems of society through business models, is gaining more and more popularity. In contrast to conventional entrepreneurship, the main purpose of which is to make a profit, such entrepreneurship also specialises in creating a positive social impact in society, and seeks to improve living standards, reduce social inequality and promote the country's socio-economic life [1, p. 44]. One of the key elements of social entrepreneurship is compliance with business ethics - a set of moral norms that regulate business activities. Entrepreneurs who act within the framework of ethics of negotiation, competition, study the influence of religious and cultural values and the problems of social responsibility of business contribute to the formation of responsible and honest entrepreneurship [2, p. 19].

Social entrepreneurship in Ukraine is developing as a special model of economic activity that combines an entrepreneurial approach with a clear social objective. Its characteristic feature is the systematic channelling of part of the profits to socially significant initiatives, including support for social organisations, community projects or local communities.

At the same time, social enterprises actively involve representatives of socially vulnerable groups in production processes, providing them not only with employment but also with social adaptation, decent working conditions and the opportunity for self-realisation. The nature of the product or service produced is also an important component of social entrepreneurship: it must create measurable social value, for example, by contributing to environmental protection, increasing transparency in society, or meeting the needs of communities that are not addressed by traditional business. By combining economic purpose with ethical responsibility, social entrepreneurship is gradually becoming established as an effective tool for overcoming social inequality, supporting sustainable development and shaping a new business culture in Ukraine.

The development of business ethics as a science is characterised by changes in people's understanding of the function of business, its responsibility to society and our environment. Looking back at history, we can see how business ethics evolved from labour ethics, when integrity, honesty and hard work were valued, to the present, when economic goals of business should be aligned with the interests of society and the principles of environmental responsibility. With the active development of social entrepreneurship, the ethical aspects of business are becoming increasingly important. The main principles of ethical behaviour include respect for social equality, transparency of business activities and respect for human rights. Business ethics, especially in its social form, is becoming a factor that determines the corporate culture and resilience of a company. The implementation of such norms helps to build trust on the part of consumers, employees and investors, mitigates risks that may arise from unfair behaviour, and enhances competitiveness. Sometimes ethical principles help to increase the company's innovation potential, as they create an internal environment that is open to new ideas, cooperation and dialogue. Taking all these factors into account, it can be noted that business ethics in the field of social entrepreneurship, as well as in any other, is a crucial tool for achieving a balance of social and economic development that allows

businesses to play their role in addressing the challenges of modern society.

Social entrepreneurship is a widespread form of business activity in many economically developed countries in Europe. According to experts, it accounts for about 10 % of the entire European business sector, which provides jobs for 6 % of the region's population [3, p. 2]. A wide variety of social enterprises operate thanks to government support, favourable legal frameworks and the active participation of civil society. In many European countries, special government agencies or services have been created to promote social enterprise. Let's look at the example of the United Kingdom, which is considered the leading European centre for the development of social entrepreneurship. The first such enterprise appeared here in 1844, and today there are about 70,000 social enterprises in the country, employing about 2 million people, which is 3% of the population. About 20% of them have an annual turnover of more than £1 million, and the total contribution of the social sector to the country's economy reaches almost 9% of GDP. Social enterprises are active in a wide range of industries, from construction, transport, waste management and trade to catering, renewable energy and culture, including theatre. According to 2017 data, 68% of these enterprises provided support to vulnerable groups, 44% facilitated their employment, and 28% operated in socially and economically depressed regions of the country. Israel's experience in the field of social entrepreneurship is also extremely illustrative. Here, social enterprises are actively involved in supporting vulnerable groups through training, employment, social adaptation, rehabilitation and the organisation of informative leisure activities. An example is the Hameshakem enterprise, which is 50% owned by the state: 95% of its employees are people with disabilities. It performs not only production functions, but also an important social mission, facilitating the integration of such people into society. State support for this enterprise depends on the number of people with disabilities employed, which encourages the expansion of inclusive business. According to Israeli legislation, social enterprises that employ people with disabilities are entitled to guaranteed government orders and are exempt from paying municipal tax [3, p. 3].

Although social entrepreneurship in Ukraine does not have a clear legal status, its popularity is growing significantly, and entrepreneurs are increasingly acting not only as innovators offering solutions to social problems, but also as carriers of a new economic culture of doing business [4, p. 81]. In our post-industrial society, where sustainable development and social justice are a priority, social entrepreneurship is becoming an example of combining economic efficiency with moral values. It applies the principles of business ethics at all levels of activity – from the initial formation of the enterprise's mission to the beginning of management decision-making. Social enterprises in Ukraine operate within the general legal framework, but the lack of a specialised regulatory framework significantly complicates their development and legal status.

Only a few legislative initiatives, such as the draft law «On Veteran Enterprises» (№ 10258) registered in the Verkhovna Rada, partially address the topic of social entrepreneurship, considering veteran business as one of its forms. The first attempt to legislate social entrepreneurship in Ukraine was made in 2012, when Oleksandr Feldman, a member of parliament, initiated the draft law «On Social Enterprises». However, the document was rejected by the Verkhovna Rada Committee on Tax Policy at the stage of consideration. Later, the deputy submitted another initiative - amendments to article 154 of the Tax Code of Ukraine to provide tax benefits to social enterprises. However, after the failure of the first legislative attempt, this draft law was withdrawn by the author himself. During the next term of the Verkhovna Rada, the topic of social entrepreneurship was not promoted at the legislative level. It was only in 2015 that Oleksandr Feldman re-registered the updated draft law «On Social Enterprises», which is still formally under consideration, but in fact has no dynamics and remains without further progress [5]. Given the current socio-economic challenges, the development of social entrepreneurship fully meets the strategic interests of the state, as it allows solving a significant part of social problems with a minimum budgetary burden, based on the principles of self-organisation, responsibility and social solidarity. The main motivation for establishing social enterprises in Ukraine is the personal beliefs, values and civic position of the entrepreneurs involved.

In Ukraine, social protection has traditionally taken a key place in the system of state social policy, second only to national security and defence in terms of funding [6]. However, despite significant budgetary expenditures, existing social programmes are not always able to respond quickly to new challenges, including providing basic support for the working population who have lost their jobs and sources of income. The Covid-19 pandemic and the war have triggered a deep economic crisis, which has led to a significant decline in the living standards of millions of Ukrainians. The number of registered internally displaced persons as a result of the full-scale invasion in early 2025 reached 4,6 million [7]. In 2023 alone, more than 2,5 million IDPs received

state housing assistance totalling UAH 73,3 billion. At the same time, the excessive concentration of the population in relatively safe regions has exacerbated the difficulties in finding employment for vulnerable categories of citizens, including people with disabilities, veterans, and single parents who have found themselves facing rising unemployment. At the end of 2022, the unemployment rate stood at 21,1%, more than doubling the previous figures. Despite a certain decrease in 2023 to 18,2%, and in 2024 to 14,2% [8], This does not fully demonstrate the real situation on the labour market. According to sociological surveys, more than a third of citizens who worked before the war lost their jobs, and 38% of entrepreneurs were forced to lay off staff [9]. The number of full-time equivalent employees decreased by more than 25% compared to 2021.

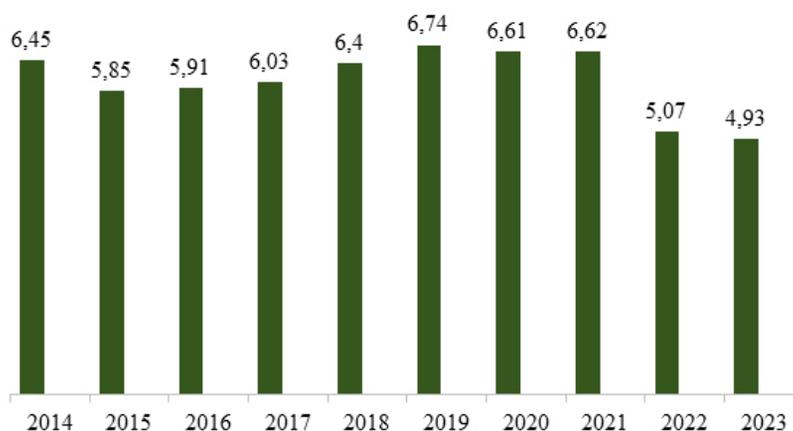


Figure 1. Dynamics of the number of employees in the equivalent of full-time employment of business entities in 2014-2023, million people

Source: [6]

Such indicators not only reflect the difficult state of the economy, but also indicate the limited ability of the state to solve major social problems on its own. In this context, social entrepreneurship can become an important additional tool to overcome unemployment, social exclusion and economic exclusion, while introducing ethical principles of responsibility and solidarity into the business environment.

Social entrepreneurship in Ukraine has been gradually developing, but the real fast growth of this sector began to be observed in 2020-2022 [3]. This dynamics was dictated by the growing social problems, in particular the need to employ representatives of vulnerable categories of the population - ATO veterans, internally displaced persons (IDPs), people with disabilities, rural residents, and so on (Fig. 2).

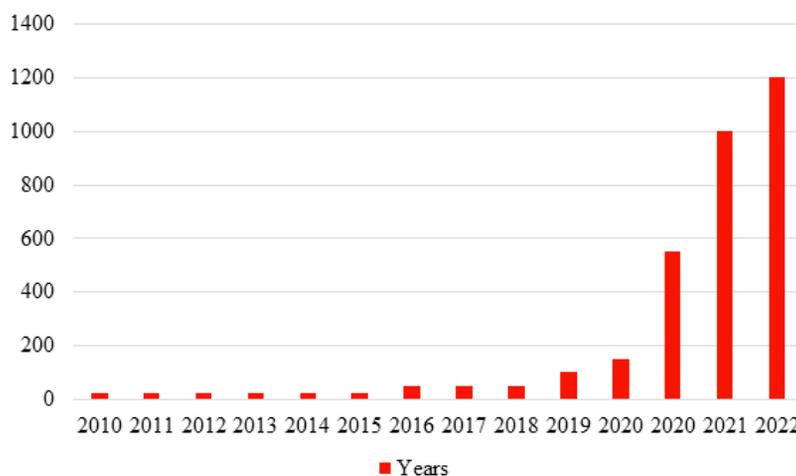


Figure 2. Growth dynamics of social entrepreneurship in Ukraine in 2010-2022.
Source: compiled on the basis of information from [3].

In times of war, social business is especially important, as it involves not only economic activity but also high responsibility to society and the ability to respond quickly to current social challenges. According to a Gradus Research study, 44% of Ukrainians pay attention to whether a business supports the needs of the Armed Forces of Ukraine when choosing goods or services. For another 21% of citizens, it is important that the company's employees participate in volunteer activities.

Today, the realisation of a social mission has come to the forefront of national business. According to recent surveys, 84% of Ukrainian enterprises are actively involved in solving socially important tasks.

As shown in Figure 3 [3], the main activities of social enterprises in Ukraine in 2023 are focused on supporting the army and the frontline. These enterprises produce specialised food, clothing, footwear, as well as the necessary technical devices and components.

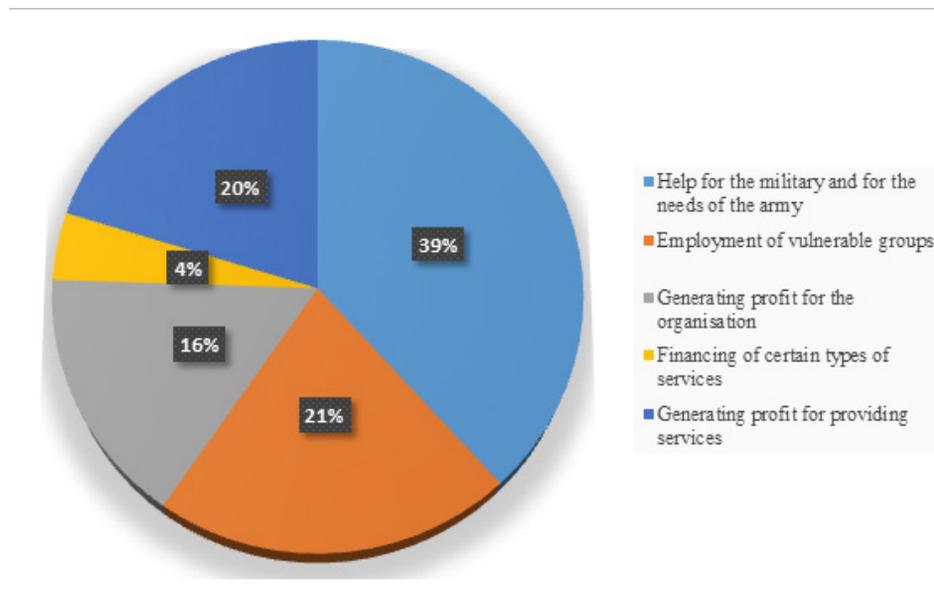


Figure 3. Main types of social enterprises in Ukraine in 2023

Source: compiled based on data from [3]

Social enterprises can generate income from both their own resources and external funding. In particular, social enterprises can receive funds from special funds that bring together investors interested not only in profit but also in positive changes in society. Equally important is the development of alternative means of raising funds, such as crowdfunding platforms. Modern technologies open up new opportunities for financing social initiatives by attracting small contributions from a wide range of people. In Ukraine, platforms such as Spilnokosht are already demonstrating success in raising funds for socially significant projects, although their potential is far from fully realised but has good prospects.

In social entrepreneurship, ethics is not just a nice word, but the foundation of everything that such a business does. Social entrepreneurs don't just make money — they solve important problems. But to ensure that this is not just a pretty facade, it is important that clear ethical rules are in place within the enterprise itself. Social enterprises often create codes of ethics — a set of rules that define how to behave within the team and how to treat customers, partners and society. Employees are trained to make honest decisions even in difficult situations. If problems arise, there are special committees or responsible persons who deal with ethical conflicts. Social enterprises also regularly check whether they are adhering to their principles: they conduct employee surveys, publish reports on their activities, and tell the public how they are implementing their social mission. They are transparent, open to criticism and not afraid to show the results of their work. They often collaborate with independent experts to develop their own standards and adapt to changes in society. In other words, ethics in social entrepreneurship is not something formal, it is a way of thinking and working. Without it, social business loses its essence, because it is ethics that distinguishes it from ordinary business: here, money is not an end in itself, but a tool for change in society [10, p. 14].

There are already many social enterprises operating in Ukraine today that are changing people's lives for the better every day. These are not just businesses that make money — they are about real human stories, support, care and a desire to help those in need. At the same time, they are examples of how to do business honestly, with respect for people and clear ethical principles. For example, «Good Bread from Good People» is a bakery in Kyiv where people with mental disabilities can work, develop and feel part of the community. «WoodLuck» in Lviv is a workshop where furniture is made and veterans and people who have undergone rehabilitation find new meaning in life. «Vbrani» helps elderly people earn money by knitting — warm items made by skilled craftswomen are not only useful, but also carry a piece of their soul. «Veterano Pizza» provides work and support to war veterans, helping them return to peaceful life and feel needed. And «Gorikhovyi Dim» doesn't just bake treats — they invest part of their profits in helping women in crisis situations. These businesses, and many others, are a true example of how business can be not only about profit, but also about goodness, humanity and care. They work honestly, openly and with respect for everyone — true business ethics in action.

Results. Today, social entrepreneurship is not just an alternative to traditional business. It is a separate economic model that combines economic productivity with a clear ethical and moral foundation. In our modern reality, when society is faced with inequality, unemployment and crises of adaptation among vulnerable groups, this form of entrepreneurial activity is becoming an effective tool for economic stabilisation and social balance. Ethics is no longer an abstract concept, but part of everyday decisions. In this context, business serves society, not the other way around, and it is humanity and responsibility that become the source of long-term success. That is why it is important not only to recognise the role of social entrepreneurship at the state level, but also to provide adequate regulatory and financial support for its development.

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