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## **FINANCIAL MANAGEMENT IN THE FIELD OF SOCIAL ENTREPRENEURSHIP AND SOCIAL SERVICES**

**Abstract.** *This article details the socio-economic significance of social entrepreneurship, the funding mechanism of this activity, the financial sources involved in social enterprises and their economic analysis. Also, the sources of financing for NGOs, such as involved, state and own funds and their briefly contents are explained. This article is also considerable with the elucidation of economic term of venture business which is one of the most widely used forms of economic interaction between large and small businesses.*

**Keywords.** *Social entrepreneurship, social activity, social services, social business, charity, social investment, grand, social enterprise, venture business.*

The history and modern trends in the development of social entrepreneurship as an economic phenomenon have almost 50 years. Originating in India and later in the United States, social entrepreneurship began to spread widely around the world. In Russia and other CIS countries, social entrepreneurs and state-owned joint ventures have been developing since the early 2000s and are in the early stages of development. The purpose of the joint venture is to improve the living standards of the population by alleviating social problems. The potential of the joint venture allows it to overcome problems that neither the commercial nor the public sectors of the economy can solve due to a variety of factors. This mainly applies to areas such as health, culture, education, and other social needs of the population. In the context of the transition to market relations, the most important factor in an organization's success in the marketplace is the study and satisfaction of the needs of the end customer in this service.

Exclusion and insufficient consideration of consumer interests in the services



sector requires the provision of social services, thereby preventing a significant increase in costs in the implementation of measures aimed at improving the quality of life of the population. In order to include these interests in the service mechanism as the self-driving forces of the population, it is necessary to create conditions for the self-organization of citizens who choose the services they need and the methods provided to them. However, due to a number of factors, government and commercial organizations are not ready to address this task. The advantage of social entrepreneurship over other types of social services (public services, commercial sector) is the implementation of entrepreneurial activities on the border with charity. The purpose of the organization's activities is not to increase revenue, but to carry out a social mission based on identifying and meeting the needs of the end-user of the service. It allows businesses to use the power of self-organization (price competition) to reduce the final cost of services to consumers.

The task of social entrepreneurs is to participate in the management of certain areas of municipal formation by alleviating the specific social problems of the population living in the area. As a socio-economic entity, sustainable development of the region will be effective in close cooperation with all stakeholders. As for the municipality, the main stakeholders in the development of the municipality are not only government agencies and business structures (large taxpayers), but also structures that reflect the interests of the local population. Such means in the territory of the municipality are LSGs.<sup>1</sup> LSG is one of the forms of active participation of the population in the implementation of local self-government. The initiative is an independent territorial community through self-government, in which citizens have the opportunity to address the vital problems that arise in the process of living in a particular area under their responsibility. LSG is the basic, simplest, closest, and most understandable form of solving local problems that affect the personal and collective interests of citizens. As an active participant in the strategic planning process, LSG has the right to participate in the process of managing the development of the city, along

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<sup>1</sup> LSG – is an organizational unit of the Institute of Local Self-Government

with other stakeholders.

Thus, LSG not only has a potential permanent source of income but can also use it to solve the problems of the development of its territory. In this case, the model of public-private (local) partnership, which provides for the combination of public (municipal) and private capital, can be used in the implementation of the project. In this regard, it is necessary to further improve the scientific and methodological base in the training of management staff for the field of regional public self-government. Sources of financing of social entrepreneurship organization (SEO) are divided into three groups (Table 1):

- involved;
- state;
- own funds.

*Table 1*

**Sources of financing for social activities of enterprises**

<b>Attracted</b>	<b>State</b>	<b>Own</b>
Charitable Funds	Direct financing	Income from core activities
Sponsorship	Indirect Financing	Income from entrepreneurial activities
Grants	–	Membership fees
Contingent contributions	–	–
Borrowed funds (loans)	–	–

Funding raised includes donations, sponsorships, grants, membership fees, and more. The state combines its direct and indirect subsidies to finance social entrepreneurship and social services. Own funds include income from operating and commercial activities. The following is a brief analysis of some of the sources of funding that are part of the financial management of social enterprises.

**Charity and sponsorship** - Charitable foundations have a great impact on the development of the nonprofit sector. In most cases, they prefer to engage in long-term programs for the development of the non-profit sector, such as educational projects, the development of new artistic trends, the creation of an information network, and so on. However, this does not mean that the selected programs will be fully funded. In some cases, their subsidies are partial, one-time, or short-term, with the goal of helping



them develop in the early stages of the project.

**Social order for state and territorial requirements.** The social order for the state needs that a nonprofit organization receives from the state for the provision of social services (e.g. care for the elderly, establishment of rehabilitation centers, for children with disabilities, etc.) is an example of social partnership between government and nonprofit organizations possible.

Social order is a system of measures aimed at the implementation of social programs of federal, regional, or local significance and financed from the relevant budget. The current social policies of state bodies and local self-government bodies are reflected in the targeted programs they adopt. In the process of implementing such programs, the competent authorities of the state or local self-government bodies may announce a tender for the placement of a social contract for state or local needs.

**The venture business** is one of the most widely used forms of economic interaction between large and small businesses. Venture financing has the following features:

- Funding is provided for a promising idea and there is no guarantee of its mandatory return at the expense of cash and other assets of the firm;
- financing projects in the most promising areas of the economy (including the non-profit sector).

Social entrepreneurship relies on the creation of a social product through commercial profits and actively promotes economic and social innovations in its activities. It helps to meet social needs. Social entrepreneurship is a social enterprise that operates in a variety of socio-economic and cultural environments. A comprehensive and systematic study of the economic and social aspects of social entrepreneurship as a means of producing socially important goods will allow identifying internal laws, development trends, and prospects, determine the conditions and factors for effective development of social entrepreneurship in the country.

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