

SOCIAL ENTREPRENEURSHIP IN LATVIA AND ITS CHALLENGES

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Abstract

Social enterprises, as an interdisciplinary form of business, often face problems that traditional enterprises and civil society organizations have already overcome: lack of legal framework, complex business models, business identity problems, lack of public awareness, lack of visibility and difficulty in accessing investment markets. The name 'social entrepreneurship' makes it clear that it is not easy to have a business oriented towards a social goal, because 'social' implies that the business is directed to the goal of reducing social problems and enhancing the quality of life, which, besides being expensive, is also a complex process. The purpose of the article is to reflect the challenges faced by representatives of social entrepreneurship in Latvia: before April 1, 2018, when this type of business was non-profit, and after, when the opportunity was given to establish a profit-making social enterprise. In order to achieve the goal, following tasks are set – to provide a theoretical explanation of social entrepreneurship, as well as, with the help of empirically obtained information, to reveal the challenges faced by representatives of social entrepreneurship in Latvia. According to interviewed informants, the main challenges for social entrepreneurs in Latvia are the lack of qualified employees, institutional cooperation and funding, which would allow organizations to effectively carry out their business; in addition, difficulties are caused by situations when financing is too complex or difficult to access, and social entrepreneurship lacks public support. Rather often, social entrepreneurs lack knowledge about business risks and how to plan their business in the long term.

Key words: social enterprise, social entrepreneurship.

Introduction

Social entrepreneurship involves producing goods or services to solve a social problem or benefit society, rather than to increase profits for business owners. Types of social entrepreneurship, business models, goods and services can vary significantly – social enterprises can be large or small, international or local, but all are united by the desire to create great social added value using business methods (Ulande & Licite, 2018). Starting from the 80s and 90s of the 20th century, social entrepreneurship experienced rapid development. It is characterized by practical aspects – the increase in the number of social enterprises around the world, by subordinate theoretical aspects – efforts to define and study social entrepreneurship, and by legal aspects – in many countries, social entrepreneurship is already thought of as a specific form of business. An important role in the development of social entrepreneurship is played by the British sociologist and politician M. Young (Michael Young), who, starting from 1997, opens several schools of social entrepreneurs in Great Britain. However, the initial stage of the rapid development of social entrepreneurship is associated with the name of the Nobel Peace Prize laureate, the Bangladeshi economist M. Yunus (Muhammad Yunus), who since 1983 has been issuing microcredit to poor people and investing the earned money in solving social problems. He has formulated the basic postulates of social entrepreneurship, which are often used today as the basis for many definitions of social entrepreneurship:

1) the goal of a social enterprise is not to make the

most money, but to prevent poverty or solve a social problem; 2) financial and economic sustainability is important for a social enterprise; 3) investors get back only their investment without interest; 4) when the investment is repaid, the company's profit is invested in the development of the company; 5) responsibility towards the environment must be observed in social entrepreneurship; 6) the workforce is provided with wages appropriate to the labour market and good working conditions; 7) those involved must do their work with joy (Seven Principles of Social Business, 2009).

From the mentioned basic postulates of social entrepreneurship, it can be concluded that the achievement of social goals requires investment and institutional support, which offers entrepreneurs the opportunity not only to see their opportunities to help and support specific social groups in the field of social problem prevention, but also to do it realistically and legally. Thus, social entrepreneurship can be seen as similar to social policy, where both have the same goal – to provide the necessary support to those members of society who need it most, thus improving the welfare of these people. However, social entrepreneurship is distinguished from social policy by an important nuance – a social entrepreneur must be able to 'produce' the necessary resources with the available means to realize their social goals. The state, by creating a social entrepreneurship support mechanism, has foreseen specific activities to promote the development of social entrepreneurship. However, as the practice of social entrepreneurship reveals, entrepreneurs face not only a lack of

financial resources, but also a lack of institutional cooperation, which in turn significantly limits the effective implementation of social entrepreneurship. Therefore, the purpose of the article is to reflect the challenges faced by representatives of social entrepreneurship in Latvia: before April 1, 2018, when this type of business was non-profit, and after, when the opportunity was given to establish a profit-making social enterprise. To achieve the goal, the following tasks are set – to provide a theoretical explanation of social entrepreneurship, as well as, with the help of empirically obtained information, to recount the challenges faced by representatives of social entrepreneurship in Latvia.

Materials and Methods

Various methods were used to achieve the purpose of the article and to complete the tasks. The article was composed using a systematic review of scientific literature, as well as an analysis of empirically obtained information. The analysis of empirical information is based on an expert interview that was carried out on November 23, 2022 with Head of the Latvian Social Entrepreneurship Association Regita Zeila, as well as a semi-structured interview with the representatives of the social enterprise 'Mājas TUVU' on February 17, 2023. Social enterprise 'Mājas TUVU' was chosen for the interview, using the principle of availability. The interview took place in Jelgava, and it was 40 minutes long. Monographic and descriptive methods were used to conduct theoretical debates and evaluate research findings based on scientific theories and insights on social entrepreneurship.

Theoretical Findings

Although it seems that it is conceptually clear what social entrepreneurship is and what a social entrepreneur does, there is no generally accepted and universal definition of social entrepreneurship; almost every personality, researcher, expert, entrepreneur in the field of social entrepreneurship, and even every country has its own insights on how to define social entrepreneurship, which essentially consists of attempts to include both the purpose of social entrepreneurship in the definition, to describe the basic features of a social enterprise, and to highlight the phenomenon of a social entrepreneur. Therefore, the definitions of social entrepreneurship and social enterprise are often multifaceted and include various parameters.

Until April 1, 2018, in Latvia, the so-called non-profit social entrepreneurship was carried out by public benefit organizations – associations and foundations whose activities are regulated by the Public Benefit Organizations Law (Public Benefit Organisation Law, 2004). However, starting from April 1, 2018, social entrepreneurship has been possible to be carried out by

commercial companies that have a social purpose. The biggest difference between public benefit organizations, which are NGOs by nature, and social enterprises is that social enterprises have a commercial status (Ltd), which, on the one hand, opens up opportunities for the entrepreneur to obtain the necessary financial resources for the implementation of his social goals, but, on the other hand, – imposes additional duties related to the bureaucratic burden, for example, the preparation of reports, which includes measuring and assessing one's own social activity. Since 2018, a social enterprise in Latvia has been defined within the framework of the Social Enterprise Law, including in the definition mainly the legal status and goals of a social enterprise: 'a social enterprise is a limited liability company that has been granted the status of a social enterprise in accordance with the procedures set out in this law and which carries out economic activities that creates a beneficial and significant social impact by employing target groups or improving the quality of life for groups of society whose lives are affected by significant problems for society, or by performing other socially significant activities that create a lasting positive social impact' (Social Enterprise Law, 2018). On the other hand, the information reflected in the scientific literature shows that the basic element and driving force of social entrepreneurship is the individual – the personality – the social entrepreneur, who is usually defined as a highly motivated person with a clear social mission and enthusiasm to turn their mission into social value: 'the social entrepreneur is the heart of social business. Personal leadership in this context is related to the social entrepreneur's ability to advance the social goal, to defend this goal' (Velden *et al.*, 2014). 'Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems' (Abu-Saifan, 2012).

It is relatively difficult to fully analyze social entrepreneurship in Latvia, because there is little historical data on social enterprises, their formation and development, and in general the history of the development of social entrepreneurship in Latvia is relatively short. For example, in Lithuania, the Law on Social Entrepreneurship has been in force since 2004, but in Latvia it came into force only on April 1, 2018; it provides that the social enterprise's own goal is not to make money, but to be able to finance its social impact with profit – 'the social enterprise does not distribute the profit obtained, but invests in achieving the goals defined in the statutes' (Social Enterprise Law, 2018). In the fall of 2015, the Latvian Social Entrepreneurship Association was founded; the purpose of which is to promote the development of social entrepreneurship in Latvia. As reflected in the information contained in the Register of Social Enterprises, 212 out of 268 registered social enterprises were active as of July 20,

2023 (Register of Social Enterprises on 20.07.2023). Social enterprises operate in various sectors, including but not limited to: provision of social and health services, work integration, production of various goods, charity shops, online platforms, environmental and nature protection, promotion of cultural diversity and protection of cultural heritage, community and cultural space management, promotion of improvement and availability of education, provision of consultations and information, provision of communication services, promotion and strengthening of civil society (Ulande & Licite, 2018).

According to the information provided by Ministry of Welfare of Republic of Latvia, the most active social enterprises represent the field of work integration (23%) and education – 21% of all social enterprises. On the other hand, a small number of social enterprises represents the field of environmental protection (4%) and social services (6%) (Figure 1).

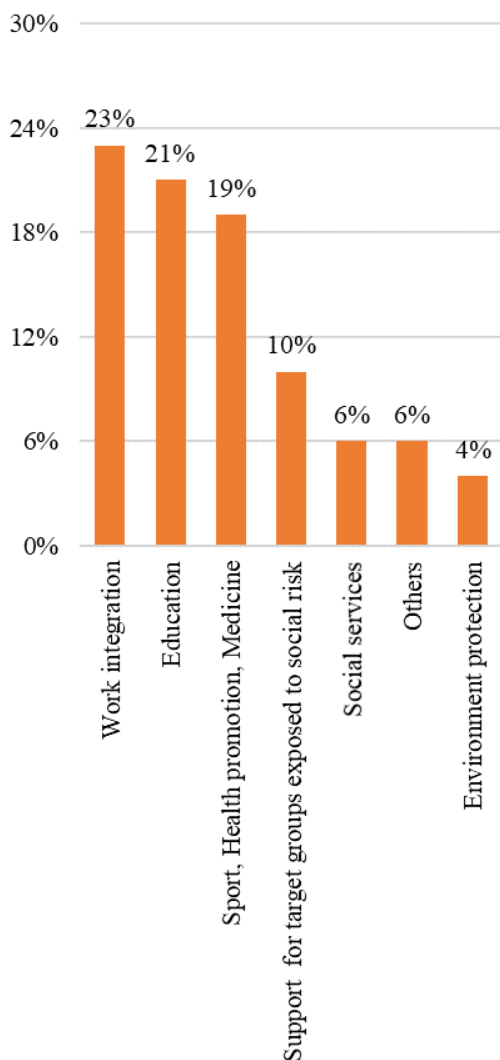


Figure 1. Fields of Active Social Enterprises in Latvia, n=212.

Source: Authors’ construction based on the Statistical data on Social Enterprises (Statistical data on Social Enterprises, 2023).

According to the situation in Latvia, it is very important to provide support to population groups exposed to social risk. Social enterprises provide invaluable support to target groups exposed to social risk in a wide variety of life situations in terms of meeting basic needs, for example, housing repairs or food and clothing. Unfortunately, only 10% (21 enterprises) of all social enterprises are oriented towards providing support to population at social risk.

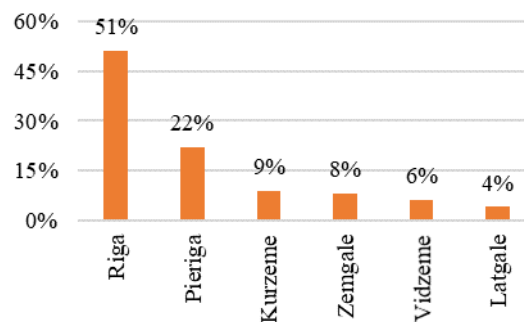


Figure 2. Statistics about active social enterprises by regions, n=212.

Source: Authors’ construction based on the Statistical data on Social Enterprises (Statistical data on Social Enterprises, 2023).

As statistical data shows, most of social enterprises (51%) are located in Riga that is the capital city of Latvia and in Pieriga (22%) that is the area close to Riga. As reflected in the statistical data on the population at risk of poverty in Latvia (Figure 3), it can be concluded that the most of the population at risk of poverty is located in the regions of Latgale (34.6%), Vidzeme (36.3%), Kurzeme (27.8%) and Zemgale (21%), where there are the fewest social enterprises. Riga and Pieriga have the most social enterprises, but there are the least number of people at risk of poverty (15.6% in Riga and 16.6% in Pieriga), which can be explained by the proximity of the capital and greater opportunities for employment. From the above, it can be concluded that the activity of social enterprises, oriented towards reducing social risks for Latvian citizens, is very unevenly distributed among the regions of Latvia. However, this type of activity, which would be oriented towards providing support to various types of at risk population, is a great need in the regions.

According to the Social Enterprise Law, social enterprise status can be obtained by both existing companies and newly established ones. In order to be evaluated for the possibility of receiving the status of a social enterprise, the company needs to define: a social, important problem for the society, which the company solves or plans to solve; the social goals defined in the statutes; social, society-relevant

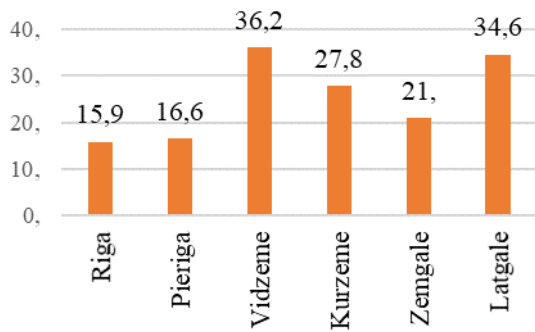


Figure 3. Proportion of population (%) who are at risk of poverty in the regions of Latvia.

Source: Authors' construction based on the Statistical data on at risk of poverty rate in regions, (At risk of poverty ..., 2023).

problems that affect the above-mentioned groups of society; other socially significant activities that create a long-term positive social impact, and at least one measurable indicator must be specified, with which the results of the activity will be measured in the following years (Social Enterprise Law, 2018). From the above, it can be concluded that the process and procedure for granting the status of a social enterprise includes not only specific requirements for companies that want to obtain the status of a social enterprise, but also provides a specific set of knowledge and skills for identifying and evaluating social impact. This could partly be explained by the fact that the granting of the status of a social enterprise must be justified, as the social enterprise is offered the opportunity to use state and local government support for the development of social business, which is also defined in the Social Enterprise Law:

- 1) special reliefs, such as a reduction of the corporate income tax base for certain groups of expenses not related to economic activity;
- 2) the municipality is entitled to grant real estate tax benefits to the social enterprise;
- 3) a public person may transfer movable property to the ownership of a social enterprise free of charge;
- 4) a public person, a capital company of a public person, a capital company has the right to transfer its property to a social enterprise for use free of charge;
- 5) a social enterprise has the right to engage volunteers for activities that are not related to the administration and accounting of the enterprise, as well as the basic functions of the enterprise (Social Enterprise Law, 2018).

Several other instruments are also available in Latvia for starting and supporting social entrepreneurship: the most important of them is JSC 'Development Financial Institution Altum', which, within the framework of the European Social Fund project 'Support for social entrepreneurship',

has been providing information and consulting to social entrepreneurs, as well as financial support for social enterprises since 2017. Support for social entrepreneurs is also provided by the business incubators of the Latvian Investment and Development Agency (Social entrepreneurship, 2020). Social enterprises also have the opportunity to receive support from the municipality, which is provided for by the Social Enterprise Law, but although the Social Enterprise Law stipulates that municipalities have the right to transfer their property to social enterprises for use without compensation, this is not the duty of the municipalities: the social entrepreneur must contact municipalities and ask for their support, showing what the potential benefits of mutual cooperation would be for the municipality and its residents (Zeila & Ulande, 2020).

The Social Enterprise Law provides not only the procedure for obtaining the social status of a company and the range of support measures, but also the obligations of social entrepreneurs related to the identification of the social sphere of their business and the evaluation of the achieved results (social impact).

Latvian social entrepreneurs must submit an annual social enterprise activity report, which includes information on measuring and proving social impact. It is important to add that measuring social impact requires knowledge and skills both in conducting social research and in identifying target groups at risk of social exclusion. Social entrepreneurs need to add evidence that proves the achieved social impact, such as stories of direct beneficiaries, expert evaluations and opinions, individual interviews, etc. Therefore, in the context of measuring social impact, it is essential to understand the difference between the measurable indicators of activities and the results and benefits of a social enterprise. If the measurable indicators of the activities numerically show what and how much was done, then the results and benefits reflect the lasting value of these activities and the positive social changes created (Zeila & Ulande, 2020).

On the one hand, impact measurement is necessary to understand to what extent the company's social goals have been achieved; find out how effective the chosen solutions and tasks are in achieving the goals - whether the activities reach the desired result; understand how to improve activities and offer to increase its social impact, as well as to convince investors and other stakeholders that it is worth investing money and other resources in the company (Mthembu & Barnard, 2019). But on the other hand, impact measurement imposes additional responsibilities on the social entrepreneur, which require not only financial investment, but also time, specific knowledge and energy. Social impact is reflected not by measurable indicators, which are

the easiest to count, but by the fact that a company creates a specific social impact. It is the results, benefits and long-term impact that reveal the changes and social impact of the company’s activities. Also, the Ministry of Welfare, explaining the social impact and the specifics of its measurement, emphasizes that the impact of a social enterprise is the performance indicators and long-term changes that have arisen as a result of the entire activity of the social enterprise in a certain period of time (Social impact, 2020). So, a social enterprise must not only have a clear social goal, but also be financially sustainable, combining social and profit-oriented activities, achieving a specific social impact on the target group. The main challenges of social entrepreneurship are directly related to the interaction of the above-mentioned factors and the ability to balance them. The development of social entrepreneurship in Latvia is essential, because it is not only able to unite community members and show

how much can be done together, but also to indicate social problems faced by community members and the ways they can be solved. It is also a significant support for local governments, as social entrepreneurs operate in the sphere of improving the quality of community life, which is the main task of local governments. Therefore, it is important to identify the problems faced by social entrepreneurs, so that it would be possible to provide them with the greatest possible support for solving these problems.

Results and Discussion

Analyzing the information available in the sources, the opinions of experts in the social business sector and also the available studies, it can be concluded that the challenges are quite different – depending on the point of view of the evaluator or the analyzed part (Table 1).

Table 1

Challenges in social entrepreneurship in Latvia

Challenges	1. Lack of support instruments including tax incentives and available financing.
	2. Administrative burden, imposed by social enterprise status.
	3. Small Latvian market, low willingness of customers to pay for goods and services appropriately.
	4. Lack of skills and knowledge in business, business management and financial management.
	5. Reliance on grants and other available support for social enterprises.
	6. Focusing on achieving social goals and helping the target groups (as opposed to making a profit and ensuring financial stability).

Source: Authors’ construction based on the documents and literature (Kalve, 2012; Ulande & Licite, 2018; Informative report on the operation ..., 2020).

Summarizing the opinion of experts in the field of social entrepreneurship and social entrepreneurs from the available research data, it can be concluded that social entrepreneurs see obstacles to development mostly in the lack of available support, including financial support, and the administrative burden imposed by obtaining and maintaining the status of a social enterprise, while experts in the field of social entrepreneurship mention too much concentration of social entrepreneurs on achieving their social goal and helping specific groups of society, not being able to purposefully build the company as a financially stable and competitive entity, possibly due to a lack of management knowledge, skills and abilities as the main challenges for social entrepreneurship in Latvia. Researcher L.Licite-Kurbe also stresses financial challenges for social enterprises in her research in 2022 (Licite-Kurbe, 2022).

Back in 2012, the challenges of social enterprises

in Latvia were aptly highlighted by the study ‘Latvia on the road to social entrepreneurship’ conducted by the association Public Policy Center PROVIDUS and the association ‘Civic Alliance Latvia’, within the framework of which it was concluded that the biggest development challenges of Latvian social entrepreneurs are related with the observation that social entrepreneurs have an idea, a social problem they want to solve, but have no appropriate business skills and no business mindset (Lesinska *et al.*, 2012).

In this period of time, for the successful development of social entrepreneurship, it was very necessary to solve problems in the field of profit opportunities, in order to reduce the dependence on sponsors and financial support, placing greater emphasis on independent economic activity, as pointed out by the

Global Entrepreneurship Research Association in the 2012 Business Monitoring Report (Kalve, 2012).

From the previously conducted studies, which cover the period of time when the Social Enterprise Law did not exist in Latvia yet (therefore, social impact assessment was not required yet), it can be concluded that during this period the main challenges of social entrepreneurs were related to profit making and balancing of social goals. The research reveals that some social enterprises have been able to develop successfully only because of available support, and some of the social enterprises in Latvia were formed because of the availability of financial instruments. On the other hand, the opinion of social entrepreneurs themselves about the factors hindering development is summarized in the Informative report of the Ministry of Welfare in 2020 'On the operation and development of social enterprises' and the main obstacles are mentioned as: lack of support tools, including tax incentives and available funding, administrative burden in the process of the allocation of financial support and monitoring of social enterprises, confusion with the allocation of state support, the application of the requirements of regulatory laws and regulations and the related administrative burden, as well as the relatively small Latvian market, low customer solvency and activity. Therefore, it can be concluded that the social entrepreneurs themselves do not mention the lack of management skills or the lack of knowledge on how to build a social enterprise as a competitive and financially self-sufficient structure being the main challenges for social entrepreneurship.

On the other hand, referring to the analysis of the business project of social enterprises financed by the European Union Structural Funds and the Cohesion Fund carried out in 2022 by 'Altum' as a cooperation partner of the Ministry of Welfare, it can be concluded that only every fourth social enterprise that has received financial support from 'Altum' would be considered a creditworthy company: one that could receive a bank loan as a standard company on market terms. The financial indicators of many grant recipients are not high enough to qualify for a loan, and a large number have not stabilized their economic activity in order to be able to take on credit obligations independently and without additional support; in many cases, the profitability of a social enterprise is completely dependent on grants/subsidies and any credit obligations could lead such enterprises to insolvency (Informative report on the operation..., 2022). The importance of the available grants in the case of the creation and the existence of social enterprises was also confirmed by the latest statistical data, which reflect the fact that as of July 30, 2023, 206 out of 212 active social enterprises have used the Altum financing tool (Statistical data on Social Enterprises, 2023).

From the challenges discussed above, which

have affected the sphere of social entrepreneurship, it can be concluded that the opinions of social entrepreneurs themselves and industry experts regarding the challenges are ambiguous: social entrepreneurs believe that the difficulties they face in their business are caused by administrative requirements, in connection with the status of a social enterprise preservation, as well as limited availability of necessary support and lack of finance. On the other hand, industry experts believe that the entrepreneurs themselves lack the necessary knowledge and skills in social entrepreneurship, as well as their insufficient focus on profit, which would allow ensuring the necessary financial sustainability, regardless of the available grants and subsidies.

The discussion on the challenges faced by social enterprises after April 1, 2018, based on empirically obtained information, reflects the trends of the difficulties experienced by social enterprises oriented towards providing support to groups of persons exposed to social risk. In order to find out what challenges social entrepreneurs from this field of business face now, at a time when most companies have already recovered from the effects of the Covid-19 pandemic, and to achieve the goal of the report, interviews were conducted with an expert – the head of the Latvian Association of Social Entrepreneurship – and several representatives of social enterprise 'Mājas TUVU'. The social enterprise 'Mājas TUVU' is located in the Zemgale region and its scope of activity is to provide support to Latvian families and lonely people in difficulties, as well as work with young people, organizing camps and educational events, giving young people the opportunity to spend their free time in a healthy and fulfilling environment. The social enterprise has renovated several homes for families at risk of poverty, and also provides food for residents who have financial difficulties to meet their basic needs.

According to the expert, the main challenges for social enterprises in Latvia are the lack of qualified employees and funding that would allow organizations to start any activity. Also, the more common difficulties can be observed in situations where financing is too complex or difficult to access, and social entrepreneurship lacks public support. As the expert points out: 'Challenges include the inability of social enterprises to realize business risks or to plan their business in the long term – mostly in connection with business participants from the social field, for example, associations or fellowships'. The expert also mentions the difficulties faced by companies from the business environment: 'the challenge is to fully implement the social mission, to achieve and measure the social impact, as well as to be aware of the changes created and to communicate with the

wider society, thus reflecting its divergence from any other company'. On the other hand, representatives of the social enterprise 'Mājas TUVU' believe that social entrepreneurship faces such challenges as bureaucratic burden, as well as measuring social impact: 'how can we measure how a person's life has changed after the support we have provided in less than a year? It is just not possible'!

As reflected in the review of the results of the previous researches, other representatives of social entrepreneurship have similar thoughts, for example, the representative of the Foundation 'Iespēju tilts' believes that sometimes qualitative rather than quantitative indicators are more important indicators of impact, because it is very important for people from social risk groups, that they are given the opportunity to design handicrafts and bring them to sell in the shop: 'They are happy to participate. They have a goal for doing something. Not so much material interest, but moral interest – you feel needed by someone, you can leave the house and bring the product.' The social enterprise 'Iespēju tilts', located in Vidzeme, provides various types of support to people with disabilities. The social enterprise has created a day-center for the residents of this target group and a store where it is possible for people with special needs to sell their hand made products. Other social enterprise 'Visi Var' is located in Vidzeme and the purpose of its activity is to promote the employment of persons with disabilities, their relatives and socially disadvantaged groups. The social enterprise has set up four workshops where people with disabilities are engaged in sewing, knitting, printing and card making. E. Vilkina, head of the social enterprise 'Visi Var', emphasizes the same: 'A person gains self-confidence that someone needs him, that he can do something, that someone appreciates and likes his product. This is a great value that people also recognize themselves. They rejoice. Sometimes the money is not as important as the fact that he is appreciated.' (Final report. Evaluation of intermediate..., 2021). According to the representatives of the social enterprise 'Mājas TUVU', a big challenge is both bureaucracy and receiving support from the state and local governments or their attitude: 'the bureaucratic burden is great, we would also like more support from the local government and the state, especially from the local government; it would be necessary to change and clarify the Social Enterprise Law, clarifying the provision of support to social enterprises, because now the situation is like this – we go, knock, beg, but the municipality simply does not hear us. I don't know, guess we don't know how to talk? I don't know, but we are not heard.' The representatives also mention a specific case when they asked the municipality for premises, but the municipality refused, as a result of

which financial resources had to be spent: 'don't they understand that the funds that we were forced to pay for the premises would have been used for people, the residents of this municipality!' The interviewed representatives of social enterprises in previous studies have had a similar experience: 'I would like the state administration to simply love you for what you do. But it doesn't happen. All the messages that come from them are in a formal aggressive tone about the fact that you must have violated something before you prove that you have not. It is the existing emotional background. A lot of my friends feel that way. They just don't complain because that's the nature of entrepreneurs - just go and do it. But the mood that can be felt from the state administration is very negative.' This is also pointed out by another social entrepreneur: 'In Latvia, by nature, entrepreneurs are viewed with terrible suspicion, they are some kind of fraudsters. Elsewhere in the world, it is not considered so. Elsewhere, entrepreneurs are looked at as those who contribute to the state budget, who make up the state budget.' The research also conducted interviews with municipal employees, during these interviews a bureaucratic burden was found in the phase of starting a social business: 'In a conversation with two existing managers of social enterprises, I received the answer that if they knew how bureaucratic/complicated starting a social business is, they would not do it again; it causes worry' (Final report. Evaluation of intermediate ..., 2021).

The representatives of the social enterprise also mention the challenges associated with attracting volunteer work: 'it would be good to develop some kind of strategy that motivates people to participate voluntarily to help others. It can be concluded from the above that, although the law provides for the possibility for local governments to supply social enterprises with the necessary support, this does not mean that this support will be received, even if requested. We also see that the opinion of experts on the challenges faced by social entrepreneurs differs from the point of view of the entrepreneurs themselves: social entrepreneurs experience difficulties in their everyday life, which the law is powerless to prevent, for example, the law provides for receiving support from the municipality, but in reality it is not obtainable. On the other hand, the expert sees financial attraction as the main challenges in the field of social entrepreneurship, as well as the skills of social entrepreneurs to do business, emphasizing the fact that entrepreneurs often lack the necessary skills to assess business risks and plan their business in the long term. Both the expert and the representatives of the social enterprise mention the difficulties of social entrepreneurs in evaluating the

social impact; in this matter, the Ministry of Welfare and the Latvian Social Entrepreneurship Association is providing the great support to social entrepreneurs.

Conclusions

1. Social entrepreneurship is not focused on making a profit, but on mitigating the social problems of society, as well as improving the quality of life of citizens exposed to social risk, which reflects the social specificity of entrepreneurship. However, in order for a social enterprise to be able to realize its social goals, financial resources are needed, which can only be obtained if the company focuses not only on achieving its social goals, but also on making a profit.
2. According to the analysis carried out by social entrepreneurs, the main challenges in the field of social entrepreneurship are related to the administrative requirements for maintaining the status of a social enterprise (bureaucratic burden), the limited availability of the necessary support, difficulties in evaluating the social impact, as well

as the dysfunctionality of the support mechanism and the lack of finance. It is possible to reduce the bureaucratic burden by developing the electronic reporting system, as well as improving the base of regulatory acts. It would also be necessary to improve and specify the institutional cooperation, as well as the responsibility of the parties involved in the support apparatus.

3. From the experts' point of view, the main challenges in the field of social entrepreneurship are the entrepreneurs' own lack of necessary knowledge and skills in business, insufficient focus on profit, as well as difficulties in evaluating social impact. Since social entrepreneurship is an interdisciplinary field of business, it is necessary to obtain an appropriate education in the context of community development. By using the opportunities for improving knowledge in the field of social entrepreneurship offered by the Latvian Social Entrepreneurship Association, it is possible to promote entrepreneurship by accepting challenges in overcoming difficulties.

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