# PERCEPTIONS AND ATTITUDES OF YOUNG PEOPLE TOWARDS SOCIAL ENTREPRENEURSHIP

## Jozef BL'ANDA

Technical University of Košice, Faculty of Economics, Department of Regional Sciences and Management, Košice, The Slovak Republic jozef.blanda@tuke.sk

# Nataša URBANČÍKOVÁ

Technical University of Košice, Faculty of Economics, Department of Regional Sciences and Management, Košice, The Slovak Republic natasa.urbancikova@tuke.sk

#### **Abstract**

Social entrepreneurship has become fairly popular as an innovative approach to addressing complex social needs although it is often a misunderstood concept. Social entrepreneurship is frequently assumed simply as to be starting and managing a social enterprise, at best considering at least the risks involved in these activities. Indeed, social entrepreneurs can be viewed as a subgroup of genus entrepreneurs. However, the combination of managerial competencies needed for successful social business implementation can significantly differ from the standard model of a prosperous private business. Social entrepreneurship may also require specific personality characteristics in order to thrive. The current article aims to examine the impact of factors on young people aged 15 to 29 in relation to their motivation to develop social entrepreneurship. 477 young people in Slovakia filled in a questionnaire and multinomial logistic regression was used to evaluate the data. The results of the analysis show that the positive relationship of young people to social entrepreneurship is mainly influenced by the level of awareness, the use of social enterprise products and services, their scope, presence of entrepreneurs and people with special needs in the family as well as their status and the region in which they live.

Keywords: Social entrepreneurship, social enterprise, social entrepreneur competencies, social activist

## 1. INTRODUCTION

Countries worldwide share the common feature of focusing on social and economic development to improve the quality of life among the population. Despite these efforts, countries still face serious economic, social and environmental challenges. While certain progress has been made, there remain high levels of social exclusion, crime and poverty particularly among disadvantaged groups. Moreover, the inequalities in society and between regions continue to increase in addition to the global threats of environmental degradation and negative effects of climate change.

National governments and local authorities use a variety of instruments to address these issues such as financial support for less developed regions or subsidies for businesses aimed at increasing employment and generating economic growth. However, the effectiveness of the proposed instruments is often insufficient and instable and a systemic approach to planning is lacking (Hudec and Urbančíková, 2009). In addition to the state and local governments, non-governmental and non-profit organizations have also begun to address these issues. As such, social entrepreneurship has become one of the essential tools in tackling regional deficiencies and promoting development (Sassmannshausen and Volkmann, 2018; Mair and Noboa, 2006). In some cases, social entrepreneurship can deal better with problems the state or other organizations are not able to resolve. Well-run social entrepreneurship has the potential to bring significant benefits to society and create long-term sustainable solutions to social, economic and environmental problems (Bl'anda and Urbančíková, 2020). This is evidenced in the European Commission's (2020) report which highlights that the social economy employs more than 11 million people and accounts for around 6% of total employment in the EU.

Social entrepreneurship gained momentum at the end of the 20th century when schools of thought and the practice of social innovation and social enterprise emerged. The school of thinking in social innovation is committed to reducing income inequality through social entrepreneurship, making a clear distinction between social entrepreneurship and standard business. It is social values and not income generation which is the goal of catalytic capital investment supporting local social entrepreneurs. These changemakers can be the driving force for social change.

However, the development of social entrepreneurship requires building suitable conditions in a country itself and not all countries provide an appropriate environment in which social entrepreneurship can be developed. Slovakia is one of these countries where social entrepreneurship is insufficiently developed and does not have adequate support (Škobla et al., 2018). A significant change in the promotion of social entrepreneurship can be achieved more by young people. This group of people also represents prospective customers of social enterprises (Drayton, 2006). Today's social leaders in Slovakia often fail in social entrepreneurship and there are still very few of them. There is more hope for change and expansion of social entrepreneurship in the new generation of young people who are currently shaping their values, ideas and attitudes towards their future involvement in the social economy. This justifies research into the attitudes and thinking of the younger generation regarding societal challenges and the promotion of social change, particularly social entrepreneurship.

# 2. THEORETICAL BACKGROUND

In order to understand the complex subject of social entrepreneurship better, the factors, ways in which it develops, theoretical concepts and approaches need to be explained.

# 2.1. Social entrepreneurship

A social entrepreneur organizes and runs a company that has social goals. As in any business, social entrepreneurship involves an innovative approach that reflects the distinct mission of providing community services. It differs from commercial entrepreneurship by tackling social problems and bringing social value. In contrast to commercial entrepreneurship, profit-making is a secondary feature (Mair& Marti, 2006). Social innovation is sometimes in a difficult relationship with the entrepreneurial principle of revenue maximization.

Social enterprises have started to become more noticeable of late with growing interest and attention from investors and policymakers. Given that old solutions do not work well enough to respond to the current social, economic and environmental challenges, social entrepreneurship can be the key to changing socially challenging situations. They can often provide innovative social solutions that are more effective than government measures (Austin et al., 2006; Sassmannshausen and Volkmann, 2018).

Value creation can arise by finding new combinations of resources, stimulating social change or meeting social needs (Lepoutre et al., 2013). The scale of social entrepreneurship can be diverse and can take many forms from small local businesses to large multinationals. The social benefits can be limited to small local communities orspread over the world (Brooks, 2009). The social mission is manifested in the fact that social enterprises must have a clearly defined social goal that they want to achieve (Certo and Miller, 2008). Social enterprises develop products and services that directly meet basic human needs that other social institutions and enterprises cannot or fail to provide (Seelos and Mair, 2005).

The difference between commercial and social entrepreneurship is that social entrepreneurs consider their main priority as creating social value. In contrast, commercial entrepreneurship focuses on making a profit (Mair and Marti, 2006). Commercial businesses primarily create added high value for their customers although this approach is also changing. Many companies no longer only focus on the intentions of the company's goals but rather as an institution integrated into the fabric of society. For social enterprises however, the principal aim is to create social value for its clients (Dees, 1998). This results in increasing social wealth and benefits the whole of society as well as the entrepreneur himself (Robinson, 2006). Hence, social entrepreneurship aims to address social needs and resolve social problems by creating innovative and creative solutions to complex and

persistent social issues (Bosma and Levie, 2010; Zgodavová and Slimák, 2011) such as poverty, inequality, inadequate health care or education.

# 2.2. Development of social entrepreneurship and its influencing factors

The post-socialist countries, including Slovakia, have paid increased attention to creating a welfare mix and have slowly embarked on changes to their welfare system by introducing elements of de-institutionalization and decentralization. As critical concept in national strategies has been an effort to ensure appropriate conditions establishment of social enterprises. However, the funding schemes initiated from above encounter a still insufficient culture of social entrepreneurship.

There is no single approach to social entrepreneurship development tools (Chowdhury and Santos, 2010; Mair and Marti, 2006). The European Commission (2020) has identified three essential policy factors in their development: the level of public awareness and information about social entrepreneurship; the level and form of support for social enterprises; and the level of financing of social enterprises. The development of social entrepreneurship can also be influenced by cultural differences, regional economic growth, the social situation or the scale of government support.

There are several economic factors associated with the development of social entrepreneurship which can be identified (Chell et al., 2010). The first and primary factor is the demand and interest in the products and services of social enterprises along with the number of customers or users of these products and services. However, development is influenced by the number and quality of supply-side social enterprises operating in a country providing the products and services. The third factor is the overall environment (country, society) in which social enterprises operate. The environment is important as it affects the first two factors. The political, economic and structural changes in Slovakia since 1990 have resulted in significant regional disparities in terms of vulnerability, unemployment, brain-drain and poverty, especially in the east of the countryr (Urbančíková & Zgodavová, 2019; Zudelova & Urbancikova, 2015).

An increased demand for the products and services of social enterprises attracts more social entrepreneurs to enter the market and this is subsequently reflected in the revenues of social enterprises. The incomes of social enterprises enable them to function better, develop and create greater social value and solve social problems more competently. At the same time, social enterprises become less dependent on external financial support and can compete better with standard enterprises. On the supply side, a higher number of social enterprises means the development of products and services that create awareness-raising and a better understanding of the concept of social entrepreneurship as well as greater public interest in social entrepreneurship. An overall favourable environment supports the development of social entrepreneurship and provides social entrepreneurs with opportunities, resources and a background to implement their business plans.

The main environmental factors are public awareness about social entrepreneurship, public interest, legislation of social entrepreneurship and the level of support for social enterprises. In addition, a positive public perception of social entrepreneurship has the power to support its development (Mahmud et al., 2011). There are several factors which influence public attitudes, perceptions and understanding of social entrepreneurship (Hoffman, 2018). Previous studies have mainly referred to variables related to the presence of an entrepreneur in the family, the experience of a person with special needs in the family, gender, level of education, area of education, region of origin and living as well as economic, social, demographic and geographical factors (Prokop et al., 2017; Bl'anda and Urbančíková, 2020). Therefore, this article deals with the study of attitudes and perceptions of social entrepreneurship in a group of young people.

## 3. METHODOLOGY

In order to develop social entrepreneurship, it is essential to increase interest in establishing social enterprises, use their products and services and raise public awareness of social entrepreneurship. As part of this, the current study focuses on young people and starting entrepreneurs, their perceptions and opinions and how their personality characteristics are related to this. The external factors include state support and funding as well as social entrepreneurship legislation.

The target group was young people in Slovakia aged 15 to 29, following the OECD classification. The analysis consists of compiling three econometric models that explain how individual factors affect young people's perceptions of social entrepreneurship. Multinomial logistic regression aims to explain the influence of several variables on the dependent binary variable (two values of 0 or 1). The advantage of logistic regression is its precise interpretation of results (Hosmer and Lemeshow, 2000).

In designing the econometric modelling, previous research was used to select the factors which influence the dependent variable of social entrepreneurship or the propensity to engage in social entrepreneurship (Mahmud et al., 2011; Fernández et al., 2020). The proposed models of logistic regression examine the most substantial independent variables - the presence of an entrepreneur in the respondent's family; gender; the region where the respondent is from; education and perceptions of individual aspects of social entrepreneurship.

The analysis and testing of the models was performed in the RStudio environment. The quality of the models was determined on the basis of the Receiver Operating Characteristic (ROC) curve and the Area Under the Curve (AUC). The ROC curve shows the percentage of cases in which the model predicts that a positive phenomenon will occur (Kleiber et al., 2008). AUC can take values from 0 to 1 where the higher the value, the better the model is. A surface value under the curve (AUC) greater than 0.7 shows a satisfactory quality of the model.

The ROC curve is typically shown in a graph where the x-axis shows the FPR (False Positive Rate) or specificity, and the y-axis shows the TPR (True Positive Rate) and sensitivity. The TPR captures the proportion of correctly determined observations for the positive phenomenon that the model explains. The FPR captures the proportion of correctly determined observations for the negative phenomenon that the model explains (Hosmer and Lemeshow, 2000). In testing the model, the McFadden R2 test was also evaluated. This compares the maximum values of the likelihood function for a model with explanatory variables and a model without explanatory variables. Based on the McFadden R2 test, it was possible to compare the proposed models. In the case of logistic regression, the McFadden R2 test is an alternative to the coefficient of determination used in linear regression and can take values in the range of 0 to 1. Celle and Lansari (2017) have highlighted that a model with a McFadden R2 value approaching 0.2 can be considered well-designed. Multicollinearity and the presence of autocorrelation were also tested in the models. The Variance Inflation Factor (VIF) function was used to test multicollinearity. VIF values less than 5 indicate that multicollinearity does not cause significant problems in the model. The Durbin-Watson autocorrelation test was used to test the autocorrelation.

#### 4. RESULTS AND FINDINGS

The European Commission (2020) has pointed out the importance of societal perceptions in the development of social entrepreneurship. The expansion of social entrepreneurship can be supported by appropriate perceptions and understanding. An awareness of the importance of social entrepreneurship and its benefits increases people's motivation to start social enterprise, use their products and services or decide to support them. Therefore, the study focuses on analysing the factors that affect the three most important areas of social entrepreneurship development. The first is an analysis of the factors that affect the motivation of young people in Slovakia to start social enterprise. The second is an analysis of the factors which influence the use of the products and services of social enterprises. The third is an analysis of the factors that affect the awareness of young people in Slovakia about social enterpreneurship.

#### 4.1. Factors which influence starting a social enterprise

Model 1: Multinomial logistic regression formula is defined as follows

$$P(mot_i = 1 \mid \cdot) = \frac{\exp\left(\beta_0 + \beta_1 info_i + \beta_2 use_i + \beta_3 koncept_i + \beta_4 sector_i + \beta_5 soc_i + \beta_6 ent_i + \beta_7 fam_i + \beta_8 status_i\right)}{1 + \exp\left(\beta_0 + \beta_1 info_i + \beta_2 use_i + \beta_3 koncept_i + \beta_4 sector_i + \beta_5 soc_i + \beta_6 ent_i + \beta_7 fam_i + \beta_8 status_i\right)}$$
 Where.

- mot is an explained binary variable that states the motivation of respondents to start a social business,
- $\beta 0 \beta 8$  are regression coefficients,

- info is a binary variable stating respondents' awareness of social entrepreneurship,
- use is a binary variable that indicates whether the respondent uses the products or services of social enterprises,
- concept is a binary variable that examines how the respondent perceives the concept of social entrepreneurship,
- sector is a multinominal variable that indicates the sector in which the respondent operates.
- soc is a binary variable that shows how the respondent perceives the appreciation of social entrepreneurs by the public,
- ent is a binary variable that indicates whether the respondent has an entrepreneur in the family,
- fam is a binary variable that states the respondent 's family background,
- status is a multinominal variable that records the status of the respondent.

TABLE, 1 ODDS RATIO AND P-VALUES OF INDIVIDUAL VARIABLES IN MODEL 1

Coefficients:	IVATIO AND F-VALUES (			<u> </u>			
	Odds ratio	Estimate	Std. Error	Pr(> z )			
(Intercept)	1,9797597	0.6830	0.6583	0.299520			
use	2.3412819	0.8507	0.2822	0.002573	**		
concept	1,7730496	0.5721	0.2674	0.032413	*		
sector	2,9655990	1.0868	0.5234	0.037858	*		
SOC	1.7473724	0.5581	0.2440	0.022181	*		
ent	2,8180873	1.0361	0.3127	0.000921	***		
fam	4.2468752	1.4462	0.3372	1.8e-05	***		
status1	2,0593123	0.7224	0.2903	0.012827	*		
status2	1.5017123	0.4066	0.4449	0.360782			
status3	2,4412179	0.8925	1.1931	0.454420	•		
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1							

It has been shown that autocorrelation and multicollinearity do not cause significant problems. As such, it can be confirmed that the model is suitable and meets the quality requirements. The calculated odds ratios show that young people's awareness plays a role in motivating them to start a social business (Table 1). Young people who are well-acquainted with the concept of social entrepreneurship are 2.34 times more likely to want to start a social business than those with little knowledge. Another important factor is the use of social enterprise services and products. If young people use them, they are 2.02 times more likely to want to start a social business of their own. Young people's motivation for social entrepreneurship is increasing in the context of learning about social problems in society and the functioning of social enterprises. The employment sector of the respondents also plays a vital role in motivating them to get involved in social entrepreneurship. Young people who work in the non-profit sector are 3 times more likely to start a social business than those working in the public or private sector. However, this is not particularly surprising given that it follows the very nature of work in the non-profit sector.

The next factor looks at the opinions of young people on how the whole society of social entrepreneurs perceives. If they perceive recognition of societal impacts provided by social entrepreneurs, it is 1.75 times more likely that respondents will also want to become social entrepreneurs themselves. As the main goal of social entrepreneurship is not profit, appreciation and recognition of socially beneficial work is favourable if starting social entrepreneurship.

The presence of an entrepreneur in the family or in close proximity significantly motivates young people. The chance of becoming a social entrepreneur is 2.82 times higher if there is an entrepreneurial role model in close proximity. Mahmud et al., (2011) has already confirmed having a close source of inspiration as a strong factor in starting a social business.

The most crucial factor is the presence of a person with special needs in the family. In this case, the chances of young people starting social entrepreneurship are up to 4.25 times higher. As many as 37.8% of young people who have a person with special needs in their family are interested in starting a social business. The model is aimed at revealing real interest. The survey carried out among social entrepreneurs in Slovakia (Bl'anda and Urbančíková, 2020) confirms that up to 36% of social entrepreneurs have a person with special needs in close proximity.

The last factor included in the model is the current status of the respondents. The greatest chance of starting a social business is among regular employees. It is 2.06 times higher than for students and 3.10 times higher than for entrepreneurs. Interest in starting a social business is completely absent among the unemployed. There were no respondents in the youngest category (aged 15 to 18) with an interest in social entrepreneurship nor among those with the lowest education (had only completed primary education). Other personal or external variables that could potentially influence young people in their motivation to start a social enterprise were also included in testing the model. The remaining variables did not appear to be statistically significant: age, gender, previous business experience, educational attainment, region, location, rurality, unemployment rate.

## 4.2. Factors which influence the consumption of products and services of social enterprises

Promoting the use of products and services can help develop social enterprises and thus address social problems more effectively. Model 2 explains which factors influence the motivation of young people to use social enterprise products or services.

Model 2: Multinomial logistic regression formula is defined as follows

$$P(use_i = 1 \mid \cdot) = \frac{\exp(\beta_0 + \beta_1 city_i + \beta_2 sur_i + \beta_3 NUTS2_i + \beta_4 profit_i + \beta_5 fam_i)}{1 + \exp(\beta_0 + \beta_1 city_i + \beta_2 sur_i + \beta_3 NUTS2_i + \beta_4 profit_i + \beta_5 fam_i)}$$

#### where

- use is a binary variable indicating whether the respondent uses the products or services of social enterprises,
- $\beta 0 \beta 5$  are regression coefficients,
- city is a binary variable that states whether the respondent lives in the countryside or in the city,
- sur is a binary variable which states whether the respondent is awareof social enterprises and their activities in their surroundings.
- NUTS2 is a multinominal variable that indicates the region where the respondent lives.
- profit is a binary variable which states how the respondent perceives the management of a social enterprise,
- fam is a binary variable that describes the family background of the respondents.

#### TABLE 2 ODDS RATIO AND P-VALUES OF INDIVIDUAL VARIABLES IN MODEL 2

Coefficients:					
	Odds ratio	Estimate	Std. Error	Pr(> z )	
(Intercept)	0.03904091	-3.2431	0.3821	2e-16	***
city	5.36360964	1.6796	0.2887	5.95e-09	***
sur	8.12234818	2.0946	0.3157	3.25e-11	***
NUTS22	2.60760038	0.9584	0.3777	0.01117	*
NUTS23	1.49503445	0.4021	0.5683	0.47917	
NUTS24	1.70418734	0.5331	0.4410	0.22672	
profit	2.78323562	1.0236	0.3016	0.00069	***
fam	2.16709570	0.7734	0.2880	0.00724	**

Signif. codes: 0 '\*\*\*' 0.001 '\*\*' 0.01 '\*' 0.05 '.' 0.1 ' ' 1

There was no problem found with multicollinearity or autocorrelation. Hence, Model 2 is suitable and meets the quality requirements. The results of the modelling reveal which factors influence the respondents' consumption of products or services of social enterprises (Table 2). These factors are whether they live in an urban or rural area, whether they are aware of social enterprise activities in their surroundings, their region of residence, perception of profit management and having a person with special needs in close proximity.

Consumption is significantly higher among respondents who live in urban rather than in rural areas. Young urban dwellers are 5.36 times more likely to consume the products or services of social enterprises. This affects up to 41.1% of the young urban population and only 10.7% of the rural population. It should be emphasised that social enterprises have a wider selection of products in the cities. The small municipal social enterprises in rural areas are either focused on the management of municipal property or supplying larger enterprises in cities. Therefore, young people in rural areas often have limited opportunities to buy and use the products of social enterprises.

The geographical accessibility of social enterprises also has a strong impact. If young people have social enterprises in their immediate vicinity, they use and prioritise their products to a large extent. However, social entrepreneurship is not widespread enough in Slovakia that the impact of the social economy is strong and recognisable. The highest rate of use of products and services of social enterprises is in Central Slovakia where there is a 2.61 times higher chance of young people using products and services. This is related to the wider selection as well as the better management of the regional centre of the social economy. Self-governing regions have different priorities, engagement and experience, and not all of them are aware of the extent of their impact on the social economy.

Young people have a strong interest in the ethical management of social enterprises and the reinvestment of profits to achieve social goals. A large group purposefully adjusts their consumption based on this social priority. A strong driver of targeted consumption (2.17 times more likely) is the commitment caused by proximity to a person with special needs. Personal experience, intimate knowledge of the handicap and its consequences for life represent a strong incentive for the respondents.

The youngest respondents (aged 15 to 18) as well as people with primary education do not acknowledge the products of social enterprises. The other variables which were not statistically significant are gender, age, education, previous business experience, the presence of the entrepreneur in the family and the sector of employment.

## 4.3. Factors which influence awareness of young people about social entrepreneurship

One of the obstacles in the development of social entrepreneurship is the lack of public information (European Commission, 2020). In this part, Model 3 deals with the factors which influence the awareness of young people about social entrepreneurship.

Model 3. Multinomial logistic regression formula is defined as follows

$$P(info_i = 1 \mid \cdot) = \frac{\exp\left(\beta_0 + \beta_1 status_i + \beta_2 NUTS2_i + \beta_3 ent_i + \beta_4 exp_i + \beta_5 use_i\right)}{1 + \exp\left(\beta_0 + \beta_1 status_i + \beta_2 NUTS2_i + \beta_3 ent_i + \beta_4 exp_i + \beta_5 use_i\right)}$$

where

- info is a binary variable denoting the respondent's awareness of social entrepreneurship,
- $\beta 0 \beta 5$  are regression coefficients,
- status is a multinominal variable that indicates the status of the respondent.
- NUTS2 is a multinominal variable that indicates the region where the respondent lives,
- ent is a binary variable that indicates whether the respondent has an entrepreneur in the family,

- exp is a binary variable that indicates whether the respondent has experience with entrepreneurship.
- use is a binary variable that indicates whether the respondent uses the products or services of social enterprises.

TABLE 3. ODDS RATIO AND P-VALUES OF INDIVIDUAL VARIABLES IN MODEL 3.

Coefficients:						
	Odds ratio	Estimate	Std. Error	Pr(> z )		
(Intercept)	1.8426386	0.61117	0.22430	0.006434	**	
status1	2.7612075	1.01567	0.24258	2.83e-05	***	
status2	5.9330712	1.78054	0.58918	0.002510	**	
NUTS22	2.7242930	1.00221	0.30332	0.000953	***	
NUTS23	3.9104552	1.36365	0.40503	0.000761	***	
NUTS24	1,0974976	0.09303	0.36041	0.796305		
ent	2.7617319	1.01586	0.21668	2.76e-06	***	
ехр	2.0755946	0.73025	0.22158	0.000982	***	
use	2.1125023	0.74787	0.29638	0.011624	*	
Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1						

The results of testing the proposed model confirm that it is suitable and meets the quality requirements. The status of the respondent significantly influences awareness (Table 3). Employees are 2.76 times more likely to be aware than students while entrepreneurs are 5.93 times more aware than students. There are also differences in the awareness of social entrepreneurship between different regions of Slovakia. Levels were found to be highest in Central Slovakia where the issue is the most well-known and developed. If there is an entrepreneur in the family, it is 2.76 more likely that young people are also informed about social entrepreneurship. This concerns up to 70.80% of young people.

The results of the model suggest that awareness of social entrepreneurship is very low among students and that awareness of social entrepreneurship needs to be targeted at students (Zgodavová et al., 2008). Other contributing factors are the region where young people live, family background and business experience. Model 3 also tested some other variables that could potentially affect young people's awareness of social entrepreneurship. However, gender, age, education, perception of the concept of social entrepreneurship and sector of employment did not prove to be statistically significant.

# 5. CONCLUSIONS

The motivation to start a social business, consume the products and services of social enterprises and the level of awareness of the social economy have been examined in relation to particular explanatory factors. Young people are a key group in future social entrepreneurship and subsequently addressing social difficulties and dilemmas. Research makes it possible to guide education, search for social innovators and raise awareness of the role of social entrepreneurship among this group of the population.

It is evident that the greatest statistical significance to get involved in social entrepreneurship' is related to the personal experience of one's own family and close surroundings. Awareness promotes understanding and increases the likelihood of engaging in social issues and proposing changes in the social economy. Education, awareness, experience and interest in social development can also lead to action. This can be the decision to become a social entrepreneur or at least contribute to the consumption of products and services of social enterprises. There is greater demand for this among the urban population. There is minimal interest in the youngest group aged 15 to 18 as well as those with only primary education. Education and awareness-raising regarding social entrepreneurship should therefore be extended to primary and secondary schools in addition to rural areas.

The challenge is how to identify young people comprising both profit maximising skills and being socially-objectively driven. The ideal candidate for starting social business are young people who have been working in the non-profit sector in cities and have had close contact with people with special needs.

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