



## Formal Institutional Environment Influence on Social Entrepreneurship in Developed Countries

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### ABSTRACT

The existence of social entrepreneurs is beneficial for the establishment of a stable and just society dedicated to serving the needs of individuals and the creation of innovative market solutions. However, social entrepreneurs need an institutional environment of a proper quality to be able to function efficiently. On the one hand, the institutional environment should promote the development of social entrepreneurship, on the other, there is a need for designing direct-action social entrepreneurship institutions that would provide support and ensure the development of socially-oriented businesses, and promote grassroots initiatives in this sphere. Despite the fact that researchers are interested in this issue, there are very few quantitative studies assessing the impact of institutional environments for social entrepreneurs on a global scale. Furthermore, no attempts have been made to look at this phenomenon from an economic development standpoint, by assessing it in developed countries. The subject of the study is social entrepreneurship development and the role of formal institution environment on this process. In this study, the formal institutional environment of social entrepreneurship for developed countries will be investigated econometrically. From this aspect, this study aimed to empirically evaluate whether regulative and normative institutions affect social entrepreneurship growth. As a result of the hypothesis testing, it is determined that a normative institutional environment such as investment freedom or economic growth have a positive influence on the development of social entrepreneurship in developed countries. These findings indicate that social entrepreneurship for its development needs fundamental economic changes and sustainable development.

## INTRODUCTION

Although social entrepreneurship is a new phenomenon worldwide, it is increasingly recognized by both private and public organizations as a source of solving various social problems of society: unemployment, social exclusion, the lack of affordable medical care. Several decades ago, the idea of social entrepreneurship was rarely described in research by scientists. Interest in social entrepreneurship development in the USA, Latin America, European and Asian countries, however.

A review of recent research on social entrepreneurship demonstrates the growth of interest in the academic setting as well. V. Friedman and H. Desivilya (2010) on the research "Integrating social entrepreneurship and conflict engagement for regional development in divided societies" noticed the importance of social entrepreneurship for regional development. F. Azmat (2013) found that the existence of social entrepreneurship has a positive impact on the economy in developing countries. Social-oriented entrepreneurship plays a vital role in society developing in emerging markets (Yiu et al., 2014; Kot et al., 2016; Bernat et al., 2016). According to the concept of the researcher E. McAnany (2012), social entrepreneurship carries a high potential for promoting social changes, the development of regional societies, economic growth, poverty reduction, environmental sustainability.

However, the theoretical studies of social entrepreneurship lag behind the practice (Lepoutre et al., 2013). One of the promising directions that are able to clarify the patterns and features of the social entrepreneurship development is the analysis of the formal institutional environment and its influence on social entrepreneurship. The reasons, incentives, and conditions for evolution of the social entrepreneurship in developed and developing countries differ significantly. While in developed countries this type of activity is often supported by state institutions, creating favorable conditions for functioning, in developing countries it is a response to the failures of the public sector in the provision of social services. The interest in the problem lies in the attempt to apply an institutional approach to the study of social entrepreneurship in developed countries. The application of institutional theory relating to social entrepreneurship contributes to the development of both socially-oriented activities and institutional theory.

The goal of the study is the modeling of the influence of the formal institutional environment in developed countries. This paper examines the importance of effective institutions (regulative and normative) for growth of social entrepreneurship, identifies factors influencing this type of activity in developed countries and builds an econometric model of the influence of the institutional environment on the social entrepreneurship.

## 1. RESEARCH FRAMEWORK: INSTITUTIONS AND SOCIAL ENTREPRENEURSHIP

In theoretical research, the definition of "*social entrepreneurship*" is at the stage of formation. The lack of standard definition forms a problem in determining the universal characteristics inherent in social entrepreneurship as a whole. A literature review on this subject has shown at least four science schools, such as The Innovation School of Thought, The Social Enterprise School of thought, the EMES approach and UK approach. The supporters of The Innovation School of Thought are J. Thompson, S. Alvord, J. Mair and J. Marti. The school is focused on establishing new and better ways to address social problems or meet social needs (Dees and Anderson, 2006). The subject of Social Enterprise school of Thought is the enterprise, described as an entrepreneurial, nonprofit venture that generates "*earned-income*" while serving a social mission.

Within the framework of this school, scientists are engaged in the search for new ways of financing NPOs, and also introduce effective management methods in the activities of socially-oriented enterprises. However, there is no emphasis on innovation here. EMES approach representatives are U. Stephan and L. Uhlaner (2010), as well as R. Spear (2006) and I. Vidal (2005),

see the goal of socially-oriented activity in satisfying the interests of society and conclude that the existence of entrepreneurship without strong state support is impossible. According to the UK approach (D. Turner, K. Lyming, S. Dixon and A. Clifford, L. Darby and J. Jenkins ), the solution of social problems should be entirely entrusted to business, while the revenue received is sent, first of all, to meet social needs (Hoogendoorn, 2010).

In the study, the social entrepreneurship is interrelating activities in the aggregate aimed at solving social problems by developing the commercial activities of economic agents. In the definition, the focus is on the priority of public goals and the creation of social benefits over economic, thereby distinguishing social entrepreneurs from commercial.

The modern theory of entrepreneurship is closely related to institutions. D. North (1991) defines institutions as "*humanly devised constraints that structure political, economic and social interactions*". Institutions refer to deep aspects of social structure, which act as authoritative guidelines and constraints for behavior. Institutions are taken-for-granted rules that can be explicitly and consciously perceived by individuals or can act as implicit guidelines for individuals' actions. Institutions consist of informal restrictions (values, norms, prohibitions, customs, traditions, and codes of conduct), and formal rules (constitution, laws, economic rules, property rights and contracts).

According to O. Williamson (1975) formal institutions are divided into constitutional and regulatory, E. Ostrom (1994) calls it the "*constitutional choice*" and "*collective choice*". Since state mechanisms regulate the actions of individuals and determine social norms, political structures play an essential role in perceiving the entrepreneurial activity as attractive or unattractive. Later, W. Scott (2001) added "supporting" institutions to Williamson's classification, dividing all institutions of social entrepreneurship into regulatory, normative and cognitive. The regulatory environment refers to "*formal rules and incentives that limit and regulate entrepreneurial behavior.*" The regulatory environment is responsible for establishing rules, rewards or punishments. While entrepreneurs in emerging markets meet with related to changes in the economic climate institutional changes, the level of state participation, ownership structures and enforcement of legislative norms, the regulatory environment has a significant impact on the activities of social entrepreneurs. C. Seelos et al. (2011) have proved that regulatory factors control the processes and results of the socially oriented activity.

According to M. Suchman (1995), the state is able to influence the growth and development of social entrepreneurship in three main ways: by creating a regulatory framework aimed at supporting social entrepreneurship, encouraging successful social entrepreneurship through partnerships, by developing and promoting a complete ecosystem of social entrepreneurship. S. Estrin et al. (2013) believes that social and entrepreneurial activity is more successful in an institutional environment that has robust legal system operates and suggests stimulating a regulatory environment for the development of socially-oriented activities. The creation of a regulatory framework should include legal forms that can provide social entrepreneurs with access to tax benefits, grants, subsidies and financial instruments. Also, the state is able to promote the development of socially-oriented organizations indirectly and act as a catalyst for the development of various components of the ecosystem that are necessary for the prosperity of social enterprises, such as education or social marketing.

The existence of organizations depends on the consent of the society they embedded and this consent based on an understanding of how organizational form is able to solve problems. From this point of view, organizational legitimacy is a generalized perception that the actions of an economic entity are desirable, correct and appropriate in a particular system of norms, values, and beliefs. Legitimacy is a way whereby an organization receives and retains resources. Scientists consider social entrepreneurship as a complex of strategic measures to respond to exogenous problems that non-profit organizations face. Since non-profit organizations get financial support from membership fees, government grants, and grants, social entrepreneurship is a modern organiza-

tional form and therefore needs the legitimacy of existing processes. Normative institutions are represented by accrediting systems, professional communities which include professional standards. Cultural-cognitive institutions are the most informal and constitute rules and beliefs established between individuals and their groups through social interaction.

The application of this classification to the analysis of the institutional environment of social entrepreneurship is justified by the determining role of rules and norms governing the interaction between economic agents regarding the implementation of socially-oriented activity, as well as the need for a system of effective institutions that balance social and personal interests of social entrepreneurs and create favorable conditions for evolution of social entrepreneurship. In this paper, we consider regulatory and normative institutions relate more to a formal institutional environment.

Institutions can have both direct and indirect influence on social entrepreneurship. For example, the complexity of regulating the formation of new socially-oriented organizations has a negative impact on social and entrepreneurial activities. From the institutional point of view, the environment is critical for the creation and socially-oriented organizations growing.

From another point of view, an active state policy directed at supporting social entrepreneurs contributes to the development of socially-oriented activities.

## 2. REGULATORY AND NORMATIVE INSTITUTIONAL ENVIRONMENT.

*Property rights.* According to De Soto (2000), assets themselves do not influence social behavior. Assets in nature are undivided into parts and form new combinations, that is, take any form required by market transactions. Inadequate legal and administrative system prevents most citizens of developing countries to use the real estate to create capital.

The core element of effective business operations is secured property rights. As fixed property rights guarantee the growth of incentives for entrepreneurial activity, the institution of private property is one of the fundamental formal rules regulated at the state level.

However, the functioning of this institution implies not only normative regulation but also control over its implementation. Coase in the article "The nature of the firm" (1998) notes that the internal firm control allows reducing the transaction costs significantly. Thus, the principle of the rule of law prevents the possible illegal expropriation of private property. According to D. North (1991) well-functioning legal and judicial systems are necessary for the economic growth of the country. Institutions of private property have a positive impact on the development of incentives for social companies, as they ensure entrepreneurship transparency, therefore lead to the predictability of the economic activity results. Without the functioning property rights institutions, any investment is at risk. Besides, the protection of property rights contributes to the innovative behavior of entrepreneurs and setting up new entrepreneurial opportunities.

**Hypothesis 1.** Property rights institutions have a positive impact on social entrepreneurship.

*Government activism in solving social problems.* The indicator of government activism in solving social problems of society is reflected through state spending. The indicator of government spending explains the ability of the state to provide public goods and with their help to solve the social problems of society. In the context of the study of social entrepreneurship, U. Stephan et al. (2015) use the term "*institutional void*," defining it as limited government support for social programs. In case of active involvement of the public sector in solving social problems, the need for social services and goods decreases, hence, the motivation of entrepreneurs to participate in social entrepreneurship also decreases. An analysis of the activities of social entrepreneurs conducted by J. Mair et al. (2012) confirmed this point of view. Social entrepreneurs arise in places where the state is unable to provide all social needs of the population. Cross-national research conducted by S. Estrin et al. (2013) also demonstrates a negative correlation between state activity in solving

social problems and the prevalence of social entrepreneurship. Following the phenomenon of institutional voids, the hypothesis follows:

**Hypothesis 2 (a).** Government activism in solving social problems reduces the probability for development of social entrepreneurship.

Grants, subsidies and other forms of financing are institutional support for social entrepreneurs, providing a partnership between the state on one hand and social entrepreneurs solving these problems on the other. Researchers G. Saxton and M. Benson (2005) found a positive correlation in the US between the activity of the government and the creation of non-profit organizations. Also, M. Marcuello (1998) discovered the same trend in Spain as in the USA. Thus, these studies demonstrate the importance of resource support for social entrepreneurs.

**Hypothesis 2 (b).** Active government activism in solving social problems has a positive impact on social entrepreneurship.

*Government Integrity.* According to the researcher V. Tanzi and H. Davoodi (2001), corruption is a reflection of weak institutional development. The presence of corruption reflects the level of institutional development that has become an institutional norm. Corruption itself hampers the development of formal institutional reforms of an indirect nature, and it is difficult to change this formed norm. C. Bjornskov (2003) have found a correlation between the level of corruption and bureaucratic regulation, which indicates that ineffective regulation generates corruption management practices.

The problem of studying the institution of public administration efficiency is the question of which variables are considered endogenous. On the one hand, corruption can be regarded as an endogenous process that affects the effectiveness of management, on the other, it is the effect generated by excessive state regulation. In this study, we accept corruption as the result of inefficient public administration.

There is a direct relationship between the extent of government intervention in economic activity and the prevalence of corruption. In particular, excessive and redundant government regulations provide opportunities for bribery and graft. In addition, government regulations or restrictions may create informal or black markets. For example, by imposing numerous burdensome barriers to conducting business, including regulatory red tape and high transaction costs, a government can incentivize bribery and encourage illegitimate and secret interactions that compromise the transparency that is essential for the functioning of a free market.

**Hypothesis 3.** The quality of public administration affects on social entrepreneurship.

*Investment freedom.* Restriction of investment freedom extends to a) business ownership by foreign citizens, b) increased requirements for foreign companies, and c) enterprises and companies opened for foreign investment. Moreover, investment freedom refers to the productive resources ownership by foreign agents. In countries where investment institutions are developed, rules and laws apply equally to local and foreign organizations, while foreign companies also receive equal access to finance. The restrictions imposed by the state on direct foreign investment reduces the inflow of capital and impedes the development of economic freedom.

Foreign direct investment provides capital inflows and facilitates the transfer of intangible assets from other countries, such as experience, education, technology. Since social entrepreneurship has appeared relatively recently, the spread of successful experience is a prerequisite for its development and scaling.

**Hypothesis 4.** Investment freedom has a positive impact on the development of social entrepreneurship.

*The level of economic development.* S. Wennekers et al (2005), M. Carree et al. (2002), have noted the relationship between business and economic development. Researchers have found a

link between economic indicators in the country and incentives to entrepreneurship, as a growing economy leads to an increase in the expected benefits of entrepreneurship. Z. Acs et al (1993) has proved the positive impact of economic growth on entrepreneurship.

**Hypothesis 5.** The level of economic development positively affects social entrepreneurship.

### 3. DATA AND METHOD

At present, there are 226 countries, significantly differentiated regarding living standards, political system, GDP and many other features. Different world organizations (UN, IMF, OECD) group states according to their criteria. Following the theory of Noutstain, there are: countries with appropriating economies; developing countries; industrial countries; developed countries.

For economic theory and its derived disciplines, the most important classification is the qualitative-quantitative criterion for developed and developing countries, and there is no common opinion about which countries are developed, which are developing.

A complete picture countries groups is provided by the data of international organizations, of which the majority of the countries of the world are members - the UN, the IMF and the World Bank. The assessment by these organizations countries groups in the international economy is unusual since the number of member countries of these organizations is different, international organizations observe only the economies of their clients. The classification of the international monetary fund has two criteria: industrial countries, that is, developed or industrialized countries, and all other emerging and developing countries. Each of the groups is divided into subgroups. Thus, in the group of industrialized countries, consisting of 29 members, there are subgroups of the G-8 countries, the euro area countries, the newly industrialized countries of Asia.

The "Other countries" group with the emerging market and developing are more numerous - 143 countries, in which 85% of the world population lives. According to the classification of the countries of the International Monetary Fund, these countries differ markedly in economic terms; therefore subgroups are formed according to geographical, analytical and financial criteria. Geographically, countries are divided into Africa, the Middle East, the CIS, the Western Hemisphere, and Developing Asia. For the study, we used the classification of IMF. The list of observations included the following countries: Australia, Belgium, Estonia, Finland, Germany, Greece, Hungary, Ireland, Israel, Italy, Korea, South, Latvia, Luxembourg, Netherlands, Norway, Poland, Portugal, Czech Republic, Slovakia, Slovenia, South Africa, Spain, Sweden, Switzerland, Taiwan, the United Kingdom, The United States of America.

Since the phenomenon of social entrepreneurship is new, there is a problem of quantitative measurement of this phenomenon. However, the researchers found three methods for measuring socially-oriented activities. PSED II (Panel Study on Entrepreneurial Dynamics), Global Entrepreneurship Monitoring (GEM), as well as tax declarations of non-profit organizations around the world. PSED began in 1993 with adult research in the state of Visconti, and later, the University of Michigan, borrowing the approach, continued to study households in the US through a telephone survey of 64,000 Americans. The primary objective of this study is a representative sample of the adult population participating in the creation of the business. The PSED research project is a powerful resource for studying the establishment of a company and the development of new enterprises at an early stage of its growth. However, this technique was not aimed at studying exclusively social entrepreneurship and is conducted only in the US.

The second method is the use of the GEM database aimed at studying social entrepreneurship in 2009 and 2015 more than in 50 countries of the world. This survey is conducted to determine the number of people not just hearing about this type of activity but directly engaged in social entrepreneurship. However, this approach has some shortcomings related to the complexity of verifying the data received, as well as the possibility of a different understanding of the word "social" in

different countries of the world. In our study we used data from a survey of the population participating in social entrepreneurship at the operational stage of the organization's development in the broad sense of this meaning, that is, in any economic activity that has a social and environmental goal.

The latter method uses tax returns of non-profit organizations, despite a significant amount of data, the notion of a non-profit organization is able to vary in the tax code of different countries. Besides, the use of this method presents a challenge for studies regarding unifying all the data obtained. This method was used in the study of the development of social entrepreneurship in the United States from 1982 to 2002 (Kerlin and Pollak, 2011) and the impact of state support on its development. The second research (Caroll and Stater, 2009), also examines the impact of income diversification on socially-oriented activities in the United States. Statistical studies of GEM are the only statistical basis for the study of social entrepreneurship at the cross-country level. We used Indexes of the "Heritage Foundation" report for describing the institutional environment of social entrepreneurship as independent variables.

For measurement government activism we used the size of government spending on social sphere. The score for the government integrity is derived by averaging scores for the following six sub-factors, all of which are weighted equally: Public trust in politicians, Irregular payments and bribes, Transparency of government policymaking, Absence of corruption, Perceptions of corruption, and Governmental and civil service transparency. The Index relies on the following sources for assessing government integrity: World Economic Forum, World Competitiveness Report; World Justice Project, Rule of Law Index; Transparency International, Corruption Perceptions Index; and TRACE International, The Trace Matrix. The Investment freedom Index evaluates a variety of regulatory restrictions that typically are imposed on investment. The Index relies on the following sources for data on capital flows and foreign investment, in order of priority: official government publications of each country; U.S. Department of State, Investment Climate Statements; Economist Intelligence Unit, Country Commerce; Office of the U.S. Trade Representative, National Trade Estimate Report on Foreign Trade Barriers; World Bank, Investing Across Borders; Organisation for Economic Co-operation and Development, Services Trade Restrictiveness Index; and U.S. Department of Commerce, Country Commercial Guide.

GDP five-year average annual growth is the average growth rate measured over a specified period. The five-year annual growth rate is measured using data from 2012 to 2016, based on real GDP growth rates. The primary source is the International Monetary Fund, World Economic Outlook Database. Secondary sources are the World Bank, World Development Indicators Online, and Economist Intelligence Unit, Data Tool.

To identify the dependence of social entrepreneurship on formal institutions we used multifactor nonlinear regression analysis method. At the first stage, we carried out a preliminary analysis of the initial statistical data and identified the most appropriate type of functional dependence between the economic processes under consideration. At the second stage, a correlation analysis of the investigated factors was carried out, which made it possible to identify the factors eliminating from the model that formed such an unfavorable phenomenon as multicollinearity. At the third stage, a multifactor model was constructed directly; at the fourth stage - the quality of the constructed model was investigated. The fifth stage involved checking and eliminating the autocorrelation of the residuals in the model. At the data processing stages, software products such as MS Excel and E-views were used.

## 4. RESULTS

To check the formulated hypotheses and further modeling the influence of the formal institutional environment on social entrepreneurship, we considered independent variables:

- X1 - property rights.
- X2 - Government Integrity.
- X3 – Government Spending
- X4 - Investment Freedom ;
- X5 - 5 Year GDP Growth Rate (%)

At the initial stage of data analysis, it was revealed that the distribution of random variables by the factors under test and the dependent variable Y is nonlinear. The distribution has the form of a power law. Therefore, the original data was transformed to a nonlinear form, and then a regression nonlinear model was constructed.

The correlation matrix analysis has established multicollinearity in the model (Table 1).

**Table 1.** Correlation matrix

	Y	X1	X2	X3	X4	X5
Y	1,00					
X1	0,15	1,00				
X2	0,27	0,89	1,00			
X3	-0,01	0,02	-0,08	1,00		
X4	0,46	0,51	0,49	-0,19	1,00	
X5	0,50	0,26	0,18	0,60	0,30	1,00

After elimination of multicollinearity, as well as factors that do not exert significant influence on the results of testing the hypothesis of the insignificance of regression coefficients, the dependence of the level of social entrepreneurship on factors X4 and X5 was established. The results of the regression analysis are presented in the Table 2.

**Table 2.** Regression analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
LN_X4_	2.070291	0.740635	2.795291	0.0100
LN_X5_	0.470508	0.197861	2.377974	0.0257
C	-7.672395	3.213490	-2.387558	0.0252
R-squared	0.394308	Mean dependent var		1.615720
Adjusted R-squared	0.343833	S.D. dependent var		0.708987
S.E. of regression	0.574309	Akaike info criterion		1.833141
Sum squared resid	7.915940	Schwarz criterion		1.977123
Log likelihood	-21.74740	Hannan-Quinn criter.		1.875954
F-statistic	7.812039	Durbin-Watson stat		1.903253
Prob(F-statistic)	0.002438			

After the conversion, this model has the following form:  $Y = -7,67X_4^{2,07} \cdot X_5^{0,47}$



The importance of the coefficient of determination (F-statistic = 0.0024) allows us to conclude that the model as a whole is reliable, and also confirms the representativeness of the sample. The coefficient of determination  $R^2 = 0,39$  indicates that the variation of social entrepreneurship development indicators by about 39% depends on the indicators selected at the stage of modeling the matrix of paired correlation coefficients. Verification of the null hypothesis of the insignificance of regression coefficients showed that the selected factors do influence, their regression coefficients are statistically reliable and significant. The value of the F criterion and the significance level  $p$  demonstrate that the constructed model is significant at a significance level of  $\alpha = 0.05$ . At the final stage, the fulfillment of the assumptions of the Gaus-Markov least squares method was carried out. In particular, the mathematical expectation of a random deviation of the remainders for all observations tends to 0. The Durbin-Watson test used to test the model for the presence of autocorrelation of the residues ( $d = 1.977$ ) showed that there is no relationship between the residues, they are randomly distributed.

The model was tested for heteroscedasticity using a visual analysis of the residue schedule. There is no evidence of variability in the variance, and also of the dependence of the residues, the model is homoscedastic.

## 5. DISCUSSION

The first hypothesis was rejected in the process of hypothesis testing and building the described model. It should be noted that the negative impact of the property right institutions on social entrepreneurship development was not detected. In our opinion, these results could be explained by the pro-social goals of social enterprises above the purpose of making a profit.

Hypotheses 2 (a) and 2 (b) that's about the economic activity impact on solving social problems also had not been confirmed. It is attributable to the availability of alternative ways to solve social problems in developed countries, in particular by supporting the non-profit sector.

As for Hypothesis 3, we didn't find support for a public administration quality with social entrepreneurship. This may be related to the problem of measuring the quality of the institution of public administration in general, and with the peculiarities of government policy in different countries. In assessing the quality of this institution, we used the corruption component, which is an institutional trap for the economies of different countries. (Polterovich, 2007). However, the inefficiency of public administration can also be observed due to the presence of institutions dysfunctions caused by special aspects of development or their inflexibility to the conditions of the external environment.

The refutation of these hypotheses allows us to conclude that regulatory institutions play a less critical role in social entrepreneurship development. It may reflect that the process of social entrepreneurship formation is sufficiently lengthy and needs stability and favorable economic conditions more than regulatory initiatives.

As predicted by Hypothesis 4 and, we found support for a positive interaction of investment freedom, level of economic development and social entrepreneurship. Since the investment climate and sustainable economic development belong to a normative institutional environment, it can be concluded that a favorable, rather than a regulatory environment has a significant impact on social and entrepreneurial activities. However, a favorable enabling environment is most likely a consequence of the effective operation of regulatory institutions, the development of social entrepreneurship is more dependent on the opportunities created in a particular country.

Since social entrepreneurship is a new phenomenon, for its development it is necessary to adopt the successful experience of foreign colleagues and active economic, as well as social ties with other countries. Also, according to the Social Enterprise School of Thought, this type of activity

must be scaled, and a favorable investment climate contributes to attracting new investors and the scalability of enterprises.

Although the primary goal of social entrepreneurship is not an economic goal, but social, for successful functioning, this type of activity requires financial resources. Therefore, stable economic growth provides, on the one hand, with the resource support of social entrepreneurs, and on the other increases the solvency of consumers of social services.

## CONCLUSION

In order to model the influence of the formal institutional environment on social entrepreneurship in developed countries, the following conclusions were formulated in this article.

First, the factors characterizing the institutional environment were identified and scientifically substantiated. This list of factors includes the rights of private property, the degree of government activity in solving social problems, investment freedom, and the level of economic development of countries.

Secondly, a multifactorial regression model has been constructed, from the analysis of which it follows that the level of development of social entrepreneurship in developed countries is affected by the level of economic development in general, and also by the level of investment freedom. By the results obtained, we concluded the importance of the leading role of supporting institutional environment for the social entrepreneurship development.

The practical significance of the research results is the possibility of their use in the formation of social policy at the regional and federal levels, as well as in confirming the leading role of support institutions for the development of social entrepreneurship in developed countries. In future researches, it is necessary to explore the influence of the formal institutional environment on developing countries and compare them with developed countries.

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