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## SOCIAL ENTREPRENEURSHIP AS A TOOL FOR SUSTAINABLE DEVELOPMENT IN THE REPUBLIC OF CROATIA

**Abstract:** *In the modern world, social entrepreneurship is recognized as a key instrument for solving challenges such as social exclusion, environmental protection, and economic development. In Croatia, a country with numerous social and economic challenges, social entrepreneurs have the potential to contribute to sustainable development by promoting innovative solutions and social innovations. This paper analyses the concept of social entrepreneurship, its role in Croatian society, and provides recommendations for its further development. Using the example of the activities and work of the social cooperative Humana Nova as a social enterprise, the business model contributing to positive environmental and social impact will be described. In conclusion, the importance of creating supportive policies, education, and collaboration among all stakeholders involved is emphasized to strengthen the social economy sector.*

**Keywords:** *cooperatives; socially responsible business; social entrepreneurship; social impact; sustainable development*

**JEL Classification:** *M13, L31, O17, O35, I38*

### 1. Introduction

In the contemporary world, with the rise of social, economic, and environmental challenges, social entrepreneurship is recognized as an innovative and sustainable response to complex problems. With the emergence of increasing dissatisfaction with conventional economic models, social entrepreneurs stand out as actors who combine business principles with social values to improve the quality of life and protect the environment. In Croatia, a country facing challenges such as high unemployment rates, social exclusion, and significant dependence on tourism, social entrepreneurship has the potential to be a key instrument for achieving sustainable development. This paper aims to explore the role of social entrepreneurship as a tool for sustainable development in Croatia, present a good practice example, identify challenges, and propose recommendations for its future trajectory. The analysis will be based on existing national strategies. EU guidelines and practical examples offered by the Croatian sector.

### 2. The concept and importance of social entrepreneurship

Social (community) entrepreneurship is a relatively new concept in modern economic theory,

distinguishing it from the traditional nonprofit sector, but there are points of contact. The social entrepreneurial sector produces goods and services on a sustainable basis in activities where economic market activities cannot develop. The concept consists of giving everyone the opportunity to become an entrepreneur and to create something for themselves and for the benefit of the community. The primary goal is not to achieve profit at any cost and distribute profits to capital owners, but to reinvest the realized profit with the intention of achieving an even more significant social benefit (Ribić & Pleša Puljić, 2020:22). On the other hand, the word socially more closely signifies the interrelationships of people, community connections, and communion. With the development of the social economy, the aim was to protect the most vulnerable and unprotected social groups through self-help organizations (Palić et al., 2022).

For a clearer definition of the concept of social entrepreneurship, it is essential to understand the broader concept of the social economy, within which it appears. Generally, the social economy is an important part of economic growth, the redistribution of resources, the correction of market imbalances, and a means of empowering economic democracy. The social economy can also be defined as the activity of entities that are directly managed by their members, with the aim of fulfilling social objectives (Šajfar & Strmota, 2020).

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According to Palić et al. (2022), social entrepreneurs create value. Global problems such as poverty have been heightened by the economic crisis lately and continue to affect the lives of many people all over the world, and bring a great deal of interest to the social economy. Social entrepreneurship is an important determinant of the social economy.

Social entrepreneurs are often innovative in terms of their products and services, as well as the relevant solutions they offer or the organizational and production methods they use (Keser et al., 2022).

Škrtić & Mikić (2011) define social entrepreneurship as entrepreneurship with ethical integrity aimed at maximizing social value rather than private value or profit. Social entrepreneurship is, above all, the creation of socioeconomic structures, connections, institutions, organizations, and measures that result in sustainable social benefits and further development.

Social entrepreneurship fully includes the application of entrepreneurial principles such as innovation, reasonable risk-taking, self-confidence, persistent work, clear goal-setting, and responsibility in the social sector aimed at improving quality of life, while simultaneously striving to achieve both financial and social value, as well as simultaneous financial and social returns on investments.

According to Škrtić & Mikić (2011), a social entrepreneur plays a crucial role in changing the public sector and the perception of specific social issues. With a new, strong idea, they solve problems and possess a strong sense of ethics, and use profitable strategies to achieve social goals. Social entrepreneurs identify practical solutions to social problems by combining innovation, available resources, and opportunities.

A social entrepreneur must have a strong, new idea that can change the system, creativity, “revolutionary” potential, entrepreneurial quality, and morality.

Social entrepreneurship is experiencing rapid development in developing countries, as these countries face significant challenges such as poverty, hunger, inadequate health conditions, questionable sustainability of existing pension funds, unemployment, global warming caused by excessive environmental pollution, and the inability of public institutions and the government to address the accumulated problems.

The trend of social entrepreneurship is also present in the Republic of Croatia, and after the Homeland War, there has been significant development of civil organizations. Šimleša et al. (2015)

state in their paper that the first strategic document explicitly mentioning social entrepreneurship is the “National Strategy for Stimulating Environment for the Development of Civil Society from 2006 to 2011”, where the term social entrepreneurship is defined as a belonging to the domain of social economy, and the primary function of social enterprises is income-generating activities that achieve their own sustainability and social employment (employment of the socially disadvantaged and/or hard-to-employ populations).

Vojvodić & Šimić Banović (2019) note that until 2015, the term “social” entrepreneurship was frequently used, and with the adoption of the Government of the Republic of Croatia’s Strategy for the Development of Social Entrepreneurship for 2015-2020, the term “social” entrepreneurship was adopted. The Strategy defines social entrepreneurship as a business activity based on the principles of social, environmental, and economic sustainability, where the generated profit/surplus income is wholly or largely invested in the welfare of the community.

According to the *theory of entrepreneurial event*, people develop entrepreneurial intention if they perceive entrepreneurship as desirable and feasible. Similarly, in order to engage in SE, a person must perceive SE as both desirable and feasible (Golub et al., 2025).

Empathy towards humanity is a crucial driving factor for future social entrepreneurs. According to the Strategy, Šimleša et al. (2016) identify criteria for classifying a business entity as part of the social economy or a social entrepreneurship actor according to the strategy:

- the social entrepreneur achieves a balance of social, environmental, and economic business goals,
- engages in activities that generate income in the market and have a favourable impact on the environment, contributing to the improvement of the development of the local community and society as a whole.
- creates new value and ensures financial sustainability by planning to achieve or actually achieving at least 25% of annual revenue from their entrepreneurial activities over a three-year period,
- the social entrepreneur invests at least 75% of annual profits in achieving and developing business goals,
- characterized by voluntary and open membership, autonomy of business or operations, and



democratic decision-making. Decision-making is not exclusively related to ownership shares or membership rolls, but includes key stakeholders (workers, members, users, or consumers) and collaborative organizations.

- The social entrepreneur monitors and evaluates their social, economic, and environmental impacts.
- In the case of ceasing operations, the social entrepreneur has a defined obligation in their general acts to transfer their remaining assets, after covering obligations to creditors and losses, to another social entrepreneur with the same or similar business goals or to the ownership of a local and regional self-governments.

The overall goal of the strategy is to establish a stimulating environment for the promotion and development of social entrepreneurship in Croatia, which means a healthier ecosystem in the form of specific measures of fiscal policy, incentive measures of public authorities, and the existence of investment capital ready to invest in social entrepreneurial ventures. Šimleša et al. (2015) state that social entrepreneurship is based on the development of a “triple balance model”. This approach means taking into account a broad spectrum of values and criteria for measuring organizational success. These criteria can be summarized into economic, ecological, and social aspects. In this regard, not only profit is considered, but also people and nature as a place of life and survival for those who create profit. Šimleša et al. (2015) note that the development of social entrepreneurship has been exclusively tied to the civil sector. The orientation of civil society towards the concept of social entrepreneurship has facilitated the efforts of Croatian associations to find sustainable self-financing solutions, where social entrepreneurship has become one of the more stable and long-term options.

Vojvodić & Šimić Banović (2019) state that social enterprises in domestic contexts have emerged from the work of certain associations. Associations encompass the entire sector as they promote positive changes in the community where they operate, while also becoming self-sustainable, earning through their activities and reinvesting surpluses into achieving their mission. EU membership promotes the development of domestic social entrepreneurship due to the obligation to regulate the legal framework by harmonizing existing norms.

Bežovan et al. (2016) emphasize that the European Union’s research program HORIZON 2020 focuses on developing new forms of innovation and is directed towards projects researching and devel-

oping social innovations in its calls. The European Union is on the premise that social innovations can partially bridge the financial problems of local social programs and strengthen social cohesion. The aim of social innovation is to find solutions to social problems, recognize and provide new services that improve the quality of life of individuals and communities, identifying and implementing an integration process in the labour market, new skills, new jobs, and new forms of participation, as various elements contributing to improving the position of individuals. Social innovations are used to describe social entrepreneurship and contain values of solidarity and equality, supporting research and actions aimed at building a more inclusive society.

According to Golub et al. (2025), civil society refers to a wide range of communities and groups such as non-governmental organisations, labour unions, indigenous groups, charities, faith-based organisations, professional associations, and foundations that operate outside of government to provide support and advocacy for specific people or issues in society. The term “Third sector” can sometimes be found, and the reason for this is to distinguish it from the public sector and the private sector.

Šimleša et al. (2016) present the basic concept that the third sector is oriented towards social justice. Its strengthening largely coincides with the process of weakening the welfare state and the provision of social services by state institutions, and this social sector strives to reduce social inequalities by strengthening solidarity and social cohesion. Šimleša et al. (2015) define the third sector and provide a definition that emerged within the TSI project (Third Sector Impact Project) funded by the European Union and the Seventh Framework Research Programme (FP7): “The third sector thus consists of private associations, foundations and institutions, non-commercial cooperatives, credit unions, social enterprises and individual activities undertaken without pay or coercion primarily for the benefit of society or individuals outside their own household or kin.” The concept of the social economy views the third sector as a set of private organizations whose fundamental goal is not to compensate capitalist investors, but to meet social needs. These organizations operate with capital just like other non-monetary resources, and the emphasis is precisely on the fact that they do not operate for capital.

According to Šimleša et al. (2015), in a general sense, the term social economy denotes a whole range of practices and forms of mobilizing eco-



conomic resources to satisfy specific human needs. In these cases, attention is paid to the return of profits to the community. The independence of the organization providing the contracted service and the level of its democratic nature, as well as adequate measurement of social impact, are also important. The social economy signifies a range of possibilities for addressing numerous social inequalities. Common to all definitions of social entrepreneurship and the core of the concept itself are three fundamental elements: the creation of social value, activities directed towards innovation or the creation of something new, and reliance on business mechanisms and at least partial reliance on the market.

### 2.1. Cooperatives and non-profit organizations

Despite the fact that social entrepreneurship has been present in the Republic of Croatia for the past two decades, it is still not highly developed. Most of what is considered good examples of social entrepreneurship in the Republic of Croatia have been initiated by civil society organizations, most often cooperatives, which return their profits to the founder (Centre for Rural Development, 2021).

As part of European processes, social learning of the Catholic Church in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries stimulated the development of cooperatives, and priests guaranteed the necessary trust and were involved in the establishment and operation of producer and credit cooperatives. The savings and credit cooperatives established during this time were a barrier to usurious loans and contributed to community development. In the 20<sup>th</sup> century, especially after World War II, the concept lost significance due to a strong emphasis on the necessity of rebuilding a devastated Europe and accelerated economic growth, particularly in socialist countries where the state left no room for private initiatives (Šajfar & Strmota, 2020). Political pressures in the development of cooperatives after World War II caused significant damage to the original idea of cooperative entrepreneurship. A turning point occurred in the world in the 1980s when it began to be recognized that the traditionally profit-oriented system could not respond to the problems of long-term unemployment, social exclusion, and education, while the 2008 crisis reactivated the concept of social entrepreneurship as a solution to pressing social issues (Šajfar & Strmota, 2020).

Social entrepreneurial activities in Croatia developed after 1990 through associations and the

continuation of the previously fragmented tradition of cooperatives (Bežovan et al., 2015). Croatia, despite the challenges of the socialist period, has a long tradition of cooperatives, providing a good foundation for the further development of social entrepreneurship. However, today's most successful examples of social entrepreneurship have emerged as initiatives of civil society organizations, which is understandable considering that civil society organizations, after the post-war period, have lost a significant portion of foreign support and must find new sources of financing themselves (Šajfar & Strmota, 2020).

Car et al. (2020) emphasize the significance of cooperatives as caretakers of the community, as they work on the sustainable development of the communities in which they operate through rules approved by their members.

According to Vojvodić & Šimić Banović (2019), cooperatives in the context of social entrepreneurship are founded through labour integration via social cooperatives, and their development is crucial in areas that complement the sustainability of the local economy. According to Car et al. (2020), to utilize the potential effectively (natural resources, human potential, and citizens' capital), the local community is expected to:

- further encourage education for the creation of technological and social innovation, as well as initiate and promote social entrepreneurship by utilizing the natural resources of the local community through the organization and establishment of specialized cooperatives, civil associations, and public companies.

Thus, the operation of cooperatives represents a good example of socially responsible business that meets economic and social interests, which are most often recorded in their mission and vision (Car et al. 2020). Cooperatives entail voluntary and open membership, democratic and independent management, economic participation, education and informing members, as well as a commitment to the community in which they operate.

According to the announcement from the State Bureau of Statistics in the Republic of Croatia, in 2024, 2,116 cooperatives were registered in the Republic of Croatia, of which only 652 entities were active (State Bureau of Statistics, 2024).

By further recognizing cooperatives as a modern way of organizing entrepreneurship and valuing the advantages in the area of social economy, domestic social and economic strengths can be strengthened. Social enterprises can also be non-



profit organizations that use business models to fulfil their primary mission. The goal of these enterprises is to achieve a significant social impact that transcends their established business goals related to profit accumulation. The aim of these enterprises is to achieve a dual result, which actually signifies the alignment of business and social goals and maintaining a balance between them (Šimleša et al., 2016).

According to official data from FINA published in February this year, in the Republic of Croatia, a country with a (hybrid) model closer to private enterprises with a broader social purpose (non-profit organizations), in 2023, 17,555 active non-profit organizations were employing 28,099 individuals (FINA, 2025).

According to the Monitor of Social Enterprises in Croatia for 2024, the profile description of social enterprises in Croatia indicates a diversity of legal forms. The most common are registered as limited liability companies (42.9%) or as associations (37.7%). This indicates flexibility and hybridity in operation within a non-standardized regulatory framework.

According to Article 4 of the Law on Associations, an association is any form of free and voluntary association of several natural or legal persons with the same or similar ambitions and goals (Law on Associations, NN 74/14, 98/19). It is also important to emphasise that the work of associations is carried out without the intention of making a profit or gaining other economic benefits, and they are subject to the rules governing the structure and operation of this form of association (Golub et al., 2025).

Croatian social enterprises operate in various economic sectors. The most represented sectors are related to service activities (21.4%), arts and recreation, as well as production and manufacturing, and information/communication activities, showing their broad presence across various industries. Social enterprises, by nature, prioritize social impact, and their activities correspond to the SDG framework (Sustainable Development Goals - 17 goals of the Agenda for Sustainable Development). To a large extent, the activities of Croatian social enterprises are linked to the goals of SDG 8 (Decent Work and Economic Growth) and SDG 3 (Good Health and Well-Being), as well as others that promote sustainability and reduce inequalities. Given their local embeddedness, focusing on local and national impact, most enterprises direct their social and environmental impact towards local communities (35.7%) or national levels (52.4%), addressing specific social needs identi-

fied in the communities in which they operate (Baturina et al., 2025).

## 2.2. Social responsibility

Social responsibility in changing conditions of contemporary business refers to conducting business in a socially responsible manner, relating to the connection between the organizational behaviour of entities and the physical and social environment for the welfare of both organizations and society. At the core of social responsibility lies the expectation of entrepreneurs to exhibit ethical and responsible behaviour in their business activities directed towards preserving the values fostered by a particular society (Hunjet & Kozina, 2014, p.198).

Recently, social responsibility has emerged as a very important element of sustainable development and social progress. Socially responsible business is known in the global business sector as corporate social responsibility, and the starting point of this claim arises from the fact that the enterprise assumes responsibility for activities that go beyond purely economic interests. This includes the production of the enterprise, how production impacts the environment in production, how it employs new individuals, how it trains and influences the development of its workforce, how it invests in the community, whether it respects human and labour rights, and how it buys and sells in the market. All of this together determines the overall impact of that enterprise on society. Being socially responsible does not mean only fulfilling legal obligations but also going a step further and investing more in people, the environment, and participants (individuals, communities, organizations). Responsibility includes relations with employees and all participants, and the importance of social responsibility lies in maintaining good relations with all stakeholders concerned with the business of the enterprise (Bobera, Hunjet & Kozina, 2015, p.273).

Social responsibility in business includes: business activities of the enterprise, professional training for safety and quality of products, good business practices, inclusion and giving to the community, creating a favourable environment for entrepreneurship, improving management quality, and advancing business, social, and environmental policies (Hunjet & Kozina, 2013).

Hunjet & Kozina (2013) emphasize in their work that for an organization to be successful, it must define the desires and expectations of consumers, the government, and competitors, as well as

society as a whole regarding social responsibility. In this way, new partnerships are established, and existing ones expanded, knowledge and skills are acquired, and changes are managed. At the local and national levels, social and economic cohesion is strengthened, while at the global level, contributions are made to environmental protection and the respect for human rights. Social enterprises in Croatia, according to the Social Enterprises Monitor for 2023 and 2024, prioritize inclusive employment, focusing on socially marginalized groups in the labour market, such as rural populations, people with disabilities, youth, and women. Special emphasis is placed on gender equality, evident in the management structure and employee composition. Croatian social enterprises demonstrate significant openness to business innovations that contribute to meeting community needs. The vast majority of social enterprises (83.4%) are focused on developing innovative service models. Social enterprises in Croatia face significant challenges affecting their growth and business development. Key barriers, as noted in the Croatian Social Enterprise Monitor (CSEM) 2023-2024, include:

- limited public support programs (54% of enterprises cite a lack of public financing as a major barrier)
- absence of specific legal status (42.9% of enterprises report difficulties)
- limited market access (challenges in establishing cooperation with traditional companies and corporations that rarely do business with them, despite interest)
- need for greater visibility and advocacy (poor understanding of social enterprises still prevails among the broader public, the government, political actors, and financial institutions. In Croatia, all these actors still insufficiently understand the social impact, social entrepreneurship, and the benefits these organizations bring to the economy and society as a whole. The lack of understanding adversely affects social enterprises and society as a whole. Mem-

bership in the European Union since 2013 has led to the first *Strategy for the Development of Social Entrepreneurship in the Republic of Croatia for the period 2015 to 2020*, marking significant progress towards recognizing social entrepreneurship. The strategy established the definition of social entrepreneurship as part of a broader economic system that includes entities primarily focused on fulfilling social goals, characterized by a system of direct participation and governance. According to the recent National Development Strategy of the Republic of Croatia until 2030, the greatest challenge in the next decade is identified: poverty, social exclusion, and achieving social cohesion. Social justice, democratic security, and sustainable development, with partnerships among public and private sectors, stakeholders, and civil society organizations, are a guarantee of inclusive growth whose benefits all felt by all members of society and can be sustainably the long term. According to the national strategy “Direction of Sustainable Economy and Society”, the Republic of Croatia plans to encourage and continue to strengthen and competitive and innovative economy while maintaining a strong commitment to social enterprises for social well-being, aligning them with global goals (Baturina et al, 2025).

Table 1 below provides an overview of the priority areas of public policies planned for the development of entrepreneurship.

### 3. Sustainable development: concept and goals

The UN Commission defined sustainable development in 1987 as that which meets the needs of the present without compromising the ability of future generations to meet their own needs. The foundation of sustainable development includes: democracy, free markets, and responsible management of natural resources. Sustainable devel-

Table 1. Performance indicators Competitive and innovative economy – National Strategy 2030

IMPACT INDICATORS	RADIX	TARGET VALUE
GDP per capita in purchasing power parity, as a % of the EU average	65% (2019)	75%
The Global Competitiveness Index	63 <sup>rd</sup> place (2019)	< 45 <sup>th</sup> place
Share of total R&D expenditure	0,97% (2018).	3,00%
European innovation success ranking	25 <sup>th</sup> place in the EU (2020)	< 18 <sup>th</sup> place
Value of exports of goods and services, % of GDP	52,30% (2019.)	70%

Source: ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_02\\_13\\_230.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_02_13_230.html))



opment has economic, social, and environmental dimensions, and has become an indispensable concept of today, given the intensive use of non-renewable natural resources and irreparable impact on the environment, as well as the spread of destructive social relations. While the concept of responsibility is ethical, social responsibility is a term that refers to the overall actions of an individual or organization concerning all relationships established during their activities (Car et al., 2020). According to the official UN report on the Sustainable Development Goals for 2025, an assessment of sustainable development according to the Agenda for Sustainable Development is made, as follows: Sustainable Development by 2023 is provided: the sustainable development goals have improved millions of lives, but the current pace of change is insufficient to fully achieve all the goals by 2030. The report reveals real and significant development gains over the past decade. Since 2015, the world has made significant progress in expanding access to education, improving maternal and child health, and bridging the digital divide. Access to electricity has continued to grow, and renewable energy is now the fastest-growing source of energy in the world. Millions of people worldwide face extreme poverty and hunger, inadequate housing conditions, and lack of basic services, and according to the UN report, action is called for in six priority areas to achieve the Agenda for Sustainable Development by 2030: food system, access to energy, digital transformation, education, jobs and social protection, and climate and biodiversity. Increased international cooperation and sustainable investment are also encouraged to turn the ambitions of the Agenda into reality (United Nations, 2025).

With Croatia's accession and membership in the EU, the topic of social entrepreneurship development comes to the forefront. The EU, especially with the experience of the 2008 crisis, strongly advocates and supports the development of social entrepreneurship and the social economy (Bežovan et al., 2015).

With innovative business models and responsible business management, entrepreneurs play a key role in achieving these goals, as they can offer solutions that enable sustainable growth while reducing the negative impact on the environment and society. Sustainable entrepreneurship represents an expansion of traditional entrepreneurship in which, in addition to creating economic value, the social and environmental dimensions of business are simultaneously integrated (Mrvica Mađarac, 2025).

Croatia has adopted development strategies aligned with European guidelines, and the role of social entrepreneurship is vital in contributing to sustainable development goals, particularly in areas such as poverty reduction, environmental protection, promoting responsible economies, and involving vulnerable groups. By promoting social innovations and responsible business practices, the Croatian social economy sector can significantly contribute to sustainable development.

The Republic of Croatia, according to the National Development Strategy until 2030, will base its sustainable growth and development on better utilization of its resources, an export-oriented, greener, smarter economy, and on the innovativeness of people, clean industries, and new technologies that have significant potential for creating new and better-paid jobs. The transition to a more competitive, sustainable, and digital industry offers great opportunities, but also requires public and private investment in modernizing and diversifying production. Production sectors that create higher and higher added value and are based on knowledge, with the acceptance of the postulates of a circular and decarbonized economy, will be the foundation for sustainable and competitive development (Government of the Republic of Croatia, 2025).

### **3.1. Challenges, obstacles, and opportunities of social entrepreneurship in the sustainable development of Croatia**

Entrepreneurship is faced with a number of new challenges, which require not only economic success, but also responsible business aligned with environmental and social needs. In this context, sustainable entrepreneurship stands out as a key force driving positive social, environmental, and economic change, with sustainable development becoming a global priority for all sectors of society (Mrvica Mađarac et al., 2025).

Social entrepreneurship is significantly less developed in the new EU member states and is particularly fragmented and relatively small compared to older member states in the area of providing social services. Linked to the path taken and previous socialist experience, the governments of new member states are not inclined to partner with private initiatives in such businesses, and there is insufficient engagement from citizens for such public benefit programs (Bežovan et al., 2015).

Croatia has undergone a transition process focused on democratization and economic reforms conditioned by free market laws. These general social

conditions have created a conducive environment for the further development of social entrepreneurship. Social entrepreneurship is an economic domain that is subject to changes as it participates in the market, depending on market conditions of supply and demand. Supply signifies the increase in global wealth and improvements in social mobility, which can also lead to an increase in the productive part of life overall, an increase in the overall level of education, and the quality of global communication opportunities. Demand manifests through the following factors: ecological crises and health crises, increasing economic inequality, states' inefficiency in providing public services, reduced influence of states in accordance with the ideology of free markets, increased role of civil society, and competition for resources (Šimleša et al., 2016). Further, it should be noted that social entrepreneurs play a very relevant role when it comes to a range of services provided to persons with special needs, including their employment. These are largely socially marginalized persons, often completely excluded from the labour market, which, for example, is particularly the case in Croatia, where social inclusion does not receive the same attention as in the case in the more developed EU member states (Keser et al., 2022).

According to Konecki et al. (2023), one of the essential elements for developing social innovations in the EU is the encouragement of investment in innovative education, training, and employment programs in this area. Social entrepreneurship in Croatia has not yet achieved its full potential due to the incentive framework that is incomplete and insufficient.

Social entrepreneurs face challenges in their work, including insufficient financial resources and knowledge about starting, managing, and sustaining a business, and excessive dependence on donations and financing from the public sector. Distrust from investors and the banking sector regarding lending and loans hinders the development of the social entrepreneurial segment. To realize the full potential of social entrepreneurship in the Republic of Croatia, it is essential to create an appropriate legal, financial, and institutional framework for its development, along with a system of measures and activities to encourage the social entrepreneur's business

(Centre for Rural Development, 2021).

According to Šajfar & Strmota (2020), there is no unified law on social entrepreneurship in the Republic of Croatia, as is the case in neighbouring Slovenia, instead, the area is regulated by a series

of laws, including the Law on Cooperatives, the Law on Associations, the Law on Foundations and Foundations, the Law on Institutions, the Law on Commercial Companies, the Law on Professional Rehabilitation and Employment of Persons with Disabilities, the Law on Public Procurement and the Law on Promoting the Development of Small Business. This dispersion of legal regulations also brings about dispersion of the institutional framework, as the implementation of these laws is tied to various stakeholders, primarily relevant ministries and other public bodies.

Table 2. Barriers to the Development of Social Entrepreneurship

EXTERNAL FACTORS	INTERNAL FACTORS
Insufficient understanding and recognition of the importance of the concept of social entrepreneurship	Absence of sustainable business models
Lack of regulatory and support policies	High dependence on the public sector
Barriers to access to financial instruments	
Development and support services	Absence of entrepreneurial spirit
Market access difficulties	
Absence of mechanisms to measure social impact	
Economic environment in times of crisis	Lack of professional communication and management skills

Source: Centre for Rural Development (www.socialbiz.cerura.hr), 2021.

Despite the weaknesses in Table 2, there are significant opportunities for developing social entrepreneurship in Croatia. The desirability of social entrepreneurship in the European Union and efforts to establish and further develop this area create a positive context, and the rapid flow of information allows for the exchange of knowledge and ideas and the creation of partnerships and collaborations (Šajfar & Strmota, 2020).

According to Konecki et al. (2023), in the last ten years, professors of higher education in Croatia have recognized the importance of social entrepreneurship education (SEE), which has impelled them to enrich educational programs with topics and courses that enable students to acquire competencies in this area.

In the context of the new development perspective, Croatian social entrepreneurship and the



social economy face new challenges regarding the development of a supportive *policy* framework and learning from domestic and foreign examples. The monopolistic position of the state in providing public services remains one of the key barriers to initiatives in this area of development (Bežovan et al., 2015). According to Golub et al. (2025) opportunities are recognized in the new products and services of high added value in the energy sector, cultural tourism, education, eco-agriculture, agrotourism, and social tourism. Opportunities are also recognized in the potential for networking. Treats are mostly observed through the neglect of the skills, abilities, and work of SE stakeholders who, through their initiatives, contribute to a better society.

In Croatia, there are also many entities that redistribute profits, accept the principles of democratic governance and decision-making, responsibly relate to the environment, their workers, and the needs of the local community, yet they have not recognized or perceived themselves as part of the social economy. It is necessary to establish a separate communication and research tool that would reach out to these actors, as it would be a significant loss to exclude them from the process of further strengthening the social economy and developing social entrepreneurship (Šimleša et al., 2016).

According to the analysis of social entrepreneurship in Croatia, Vojvodić & Šimić Banović (2019) identify opportunities for the development of social entrepreneurship as:

- an exceptional, favourable geographical position and preservation of natural resources that are conducive to new sectors of social entrepreneurship (energy, eco-agriculture, agritourism),
- orientation towards new sectors of high added-value production and services and utilizing the advantages of the energy sector, eco-tourism, cultural tourism, education, and social tourism,
- involvement of large domestic companies in certain positive processes of social entrepreneurship development, continuation of opening educational institutions at all levels to new programs of social entrepreneurial values and skills,
- development of PR activities for social entrepreneurship,
- monitoring their own development processes instead of copying existing models,
- stronger development of eco-agriculture and turning towards the potentials of the land and biodynamic production,

- networking and connecting social entrepreneurs into a national network,
- initial networking of products with added value,
- raising awareness of citizens, choosing products and services with higher added value, ecological products of family farms, products from social cooperatives, and generally raising awareness of local strengths and the need for networking and community.

According to Vojvodić & Šimić Banović (2019), Croatia already has recognized and sustainable social-entrepreneurial initiatives, and further recognizing and valuing the advantages in the area of social economy can strengthen domestic social and economic. In this context, the role of education is very important, especially higher education institutions and their opening to contemporary courses on social innovation and entrepreneurship. By raising the competencies of individuals from the sector and directing them towards areas of innate interests rather than following trends, and encouraging innovations, creativity, and practical work, a critical mass of dedicated individuals, initiatives, and projects can be created and regenerated that contribute to a more progressive social and economic habitus of Croatia.

#### 4. Example of Humana Nova's operations as a social enterprise

Socially responsible business can be embedded in the very foundations of cooperative operations as a newer form of entrepreneurial organization where members pool their labour with equal shares of capital. Cooperativism is a modern way of organizing entrepreneurship that implies voluntary and open membership, democratic and independent management, economic participation, education and informing members, as well as care for the community in which it operates (Car et al., 2020). A cooperative that promotes ecological sustainability presents a good opportunity for the development of local communities that can encourage and involve the local population in recycling and environmental protection, not only through active membership in cooperatives, but also through group financing in so-called green projects to achieve not only their own but also social benefits.

Humana Nova is an example of good practice. It is one of the social cooperatives operating as a social enterprise with a positive impact on the environment, society, and the economy. Their activities include textile recycling, designing and manufac-



turing clothing, and employing socially excluded groups. The cooperative operates in three key areas: environmental, social, and economic.

Humana Nova was established as a social cooperative on April 7, 2011, in Čakovec with a clear goal - to create positive environmental and social changes. In the years leading up to its establishment, Međimurje County faced challenges such as a high number of unemployed individuals with disabilities, members of national minorities, and middle-aged and older seamstresses, who lost their jobs due to the collapse of the textile industry. Additionally, municipal companies did not systematically separate and collect old textiles. In its early days, the cooperative had only 8 employees, but today it employs 56 individuals, of whom 32 are person with disabilities and 20 are members of other vulnerable groups. The manager of the cooperative is Ivan Božić. According to available data from the financial report for 2024, they achieved revenues of EUR 2,404,497.05, representing an increase of 36.75% compared to the previous year. As a cooperative registered in the register of nonprofit organizations, they have committed to reinvesting profits at the rate of 100%.

The advantage of Humana Nova's operations is the market diversification strategy. This enables successful resistance to potential risks. Socially responsible business is high on the priority list of private enterprises collaborating with Humana Nova, further solidifying the sustainability of their operations.

The cooperative develops through investments and continuous growth. It achieves key goals; such are stable revenue growth and improvement of business processes. Special focus is placed on sustainability, innovations, and strengthening collaboration with partners, of which there are now more than 300.

Through its operations, Humana Nova aims to achieve a positive ecological and social impact as a business model of social entrepreneurship. The mission of the social cooperative is to promote the employment of persons with disabilities and other socially excluded individuals through the model of managing textile waste, production, and selling quality and innovative textile products made from eco-friendly and recycled materials for domestic and foreign markets. The cooperative's mission also includes contributing to the sustainable development of the local community, reducing poverty, and preserving nature.

According to the Cooperatives Act, cooperatives operate according to seven principles:

- voluntary and open membership,
- democratic governance and oversight of membership,
- economic participation of members,
- autonomy and independence,
- education and information,
- cooperation between cooperatives,
- care for the community (Zakon.hr, 2025).

The fundamental values promoted by Humana Nova are: tolerance, responsibility, respect, and trust. The established vision that determines the development direction of social entrepreneurship is: "We are leaders in social entrepreneurship, recognized in the broader region. The cooperative actively contributes to building a society of tolerance and cooperation and helps socially excluded individuals and their families to enhance their self-esteem and quality of life." (Humana Nova, 2025).

Humana Nova is a social enterprise that responds to three pressing problems of today's society:

- Early integration of socially marginalized groups of people.

Humana Nova employs person with disabilities and other marginalized groups who find it difficult or nearly impossible to find jobs. In this way, they actively contribute to the sustainable development of the local community, increasing the satisfaction and quality of life of marginalized individuals and their families, as well as reducing poverty.

- Disposal of textile surpluses and care for the planet.

In a circular system of textile waste management, the lifespan of textile surpluses is extended, and new value is added to them. The textiles they collect from over 20 recycling points, i.e., yards, go for reuse through second-hand sales or redesign, while the remaining textiles are recycled. In 2024, over 600 tons of textiles were collected, and in the sewing shop in Čakovec, locally sourced materials and eco-materials with certification are used.

- Investing profits into further growth and development of the business.

Humana Nova invests profits in preserving jobs, creating new ones, further growth and development, invests in employees, and in expanding and optimizing business, creating additional



value with a focus on the welfare of the community. As a social cooperative, they are guided equally by social and commercial objectives, managing them jointly, according to cooperative principles.

Among the certifications, Humana Nova holds ISO 9001, ISO 14001, ISO 26000, and the Premium Green certificate.

For its work, Humana Nova has received numerous awards, and during 2024, notable awards include:

- Green Butterfly 2023 - best project in the category of Decent Work, Economic Growth, Industry Innovation and Infrastructure, Responsible Consumption and Production
- Zrinski Award – for contribution to the economy and for exceptional dedication to the labour integration of person with disabilities and other socially excluded groups.
- Award of the German-Croatian Economy 2024 - awarded by AHK Croatia for contribution to Croatian-German economic relations (Humana Nova, 2025).

Humana Nova has been a member of the PREUSE network (an international network that brings together social enterprises active in reuse, repair and recycling and focuses on promoting the circular economy through socially responsible practices) for nearly a decade and is part of the ENISE network (a European network that represents and supports social enterprises focused on integrating vulnerable groups into the labour market).

Humana Nova is involved in the working group for drafting the Law on Social Entrepreneurship and is a member of the Croatian Network for Social Entrepreneurship.

#### 4.1. Social impact of Humana Nova

Employees at Humana Nova cooperative are person with disabilities and socially excluded individuals who create new values daily. Disability, membership in national minorities, lower levels of education, age - “too young” or “too old”, and gender, are often characteristics that are the basis for greater or lesser discrimination. Humana Nova employees continuously demonstrate that, when given an opportunity, their work can contribute meaningfully to both their collective and the wider community. Humana Nova adapts the workplace to the individual, rather than forcing the individual to adapt to the workplace.

Employees who wish to do so may become cooperative members.

Worker members contribute to the development of the Cooperative and the local community through their engagement. The initial contribution required at entry is fully refunded when a member decides to leave the Cooperative. Members jointly make decisions on specific business issues, and this form of collaboration provides workers with additional self-confidence, motivation, and a sense of significance within their immediate and broader environment.

Of the 64.3% of employees with disabilities at Humana Nova, many are individuals with cerebral palsy, multiple sclerosis, with hearing or visual impairments, intellectual disabilities, or mental health challenges.

Women constitute 85.7% of Humana Nova’s workforce. This gender structure reflects the cooperative’s roots in Međimurje County, where the collapse of the textile industry left many women unemployed after years of work. Women are generally in a less favourable position in the labour market, particularly single mothers and women with disabilities, who are often entirely excluded from employment opportunities. At Humana Nova, 58.3% of employees are women with disabilities, and 52% are over the age of 50. Of the eight managerial positions within the Cooperative, seven are held by women, illustrating remarkable strength, skill, knowledge, and perseverance.

In 2024, Humana Nova continues its policy of operating without productivity quotas. Instead of pressure, the focus is on support, cooperation, and meaningful work. Its mission beyond production – it seeks to build a sustainable future grounded in respect for people and their abilities (Humana Nova, 2025).

#### 4.2. Environmental impact of Humana Nova

Global textile production continues to rise year after year. In 2024, Humana Nova collected 723 tons of textile materials. Textile collection campaigns are organized in collaboration with educational institutions, associations, and private companies, serving both ecological and educational purposes. In 2024, they cooperated with 14 municipal companies across Croatia, and also accepts textiles directly at its company site, which additionally serves as a donation point where citizens can deliver unlimited amounts of textile materials.

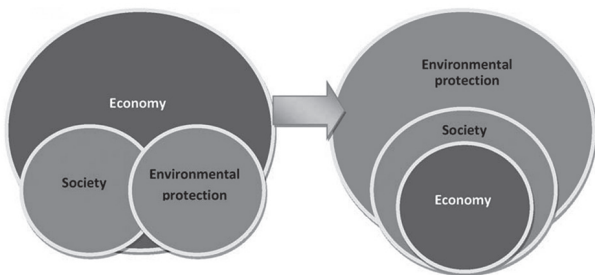
The environmental impact of the textile management system is reflected in several key areas:

- Reduction of waste and harmful effects
- Reducing of CO<sub>2</sub> emissions
- Conservation of resources
- Promotion of the circular economy

The “new life” of textiles through Humana Nova is manifested in the reuse of sorted materials in second-hand stores and in the production of new functional products. Separated, non-wearable cotton is repurposed into industrial cleaning cloths, while cutting remnants are used in creative workshops, clothing redesigns, or recycling processes.

Through its ecological initiatives, Humana Nova reduces the need for new raw materials such as cotton and synthetic fibres, conserving water, soil, and energy otherwise required for their production. Instead of the linear “take-make-dispose” model, Humana Nova’s system closes the loop by promoting reuse and recycling, encouraging sustainable production and consumption. By empowering society’s most vulnerable groups, Humana Nova strengthens the entire community, fosters local cooperation, and engages local authorities in environmental and social action.

Figure 1 shows the classical model and *modus operandi* of the companies that saw society and environment as the factors subdued to their economic interests (Nidžara Osmanagić & Labaš, 2012).



Source: Role of corporate social responsibility in business planning and practice of Croatian Companies. Available at: <https://hrcak.srce.hr/clanak/117259>

Figure 1. *The Necessary Revolution - How Individuals and Organizations Are Working Together to Create a Sustainable World*

According to Mrvica Mađarac et al. (2025) sustainable entrepreneurs often act as drivers of innovation that contribute to reducing resource consumption, improving energy efficiency, and developing environmentally friendly products and

services. Such business models, which encourage innovation and responsible resource management, become a necessity for companies that want to be successful in the long run and responsible to the environment in which they operate.

## 5. Conclusion

An overview and analysis of the concept and definitions of social entrepreneurship clearly demonstrate that social entrepreneurship in Croatia has significant potential to become an important instrument in achieving sustainable development goals. However, in order to intensify its growth and achieve broader acceptance, several challenges must be addressed, from legal and financial barriers to the need for increased awareness and education. With appropriate incentives, innovative approaches, and cooperation among all stakeholders, Croatia can harness the full potential of social entrepreneurship to enhance social inclusion, environmental protection, and economic development in a sustainable manner. The contribution of social entrepreneurship lies not only in generating social and economic benefits, but also in fostering a culture of responsibility and innovation - key drivers of societal progress.

By emphasizing policy development, education, and financial support, Croatia can become a model of good practice in the field of social economy.

Example of Humana Nova shows that total social entrepreneurship through social cooperatives is taking concrete shape, particularly in the area of textile waste management, where significant changes are anticipated.

Through its work, growth, and development, Humana Nova has been recognized for the value and quality of its employees, collaborators, and partners, and thus contributes to changing social perceptions of waste management and labour integration.

By involving all stakeholders and creating an environment that supports social innovation, social entrepreneurship will undoubtedly play a key role in achieving a sustainable, fair, and prosperous society.

### 5.1. Recommendations for future development

To enable stronger growth and more functioning of the social entrepreneurship sector, several concrete steps are necessary:



- Develop and adopt a clear legal framework that recognizes and promotes social entrepreneurship, including specific tax breaks and financial incentives.
- Improve access to funding through EU programs, social investments, social bonds, and alternative financing models such as social impact bonds.
- Increase education and awareness through workshops, seminars, and academic programs at schools and universities to raise awareness and train future social entrepreneurs.
- Develop networks and platforms for knowledge exchange among of experiences between social enterprises, non-governmental organizations,

public institutions, and the private sector to foster innovation and collaborative solutions.

- Promote good practices and international cooperation through participation in European and global initiatives, enabling knowledge transfer and adaptation of best global practices.

This paper aims to encourage all stakeholders to continuously innovate within the field of the social entrepreneurship sector and to emphasize its importance for Croatia's sustainable development. Only through joint efforts, investment in education and innovation, and consistent political support can the social economy sector significantly contribute to broader social progress.

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