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Microfinance institutions in Poland – towards preventing social and financial exclusion

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Abstract: The idea of microfinance is well known now around the world. It can develop both in poor countries and in highly developed ones. Microfinance aims to reach two basic goals: to stimulate the borrowers in order to trigger activities that would generate income and to reach social objectives which would make social integration possible and thus enable individuals to integrate financially. The microfinance market in Europe differs from those in poorer countries as regards the level and range of support, the form of microcredit and other microfinance products. It also faces certain challenges. The market of financial services comprises various entities which offer a wide range of products to customers. The objective of microfinance institutions is to provide financial services, such as microcredit/microloan to the persons who face difficulties entering the job market or are socially and financially excluded. Having access to finance is an important determinant for the development of enterprises.
The aim of this paper is to explore the issue of social and financial exclusion in the context of microfinance institutions in Poland. Social and financial exclusion regards poorer individuals and micro enterprises that do not have easy access to mainstream banking sector. Microfinance is supposed to bridge this financial gap. The paper discusses the opportunities and challenges that are faced by the microfinance sector in Poland.

Keywords: microfinance institutions, microcredit/microloan, social and financial exclusion

JEL codes: *G21, G23*

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1. Introduction

The idea of microfinance originated in Asia in the 1970s. Now, however, it is present on other continents, including Europe. It can develop in poor countries, in highly developed ones and in

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the countries that have experienced economic transformation. Microfinance combines financial and non-financial services. Its existence makes economic sense, which results, inter alia, in promotion of job opportunities.

The microfinance market in Europe, which differs from those in poorer countries regarding the level and range of support, the form of microcredit and other microfinance products, also faces certain challenges. As in other parts of the world, in Europe, microfinance aims to reach two basic goals. The first one is to economically stimulate the borrowers in order to trigger activities that would generate income. The second goal is to reach social objectives which would make social integration possible and thus enable individuals to integrate financially. The crucial aspect of microfinance in Europe is the difference between Western Europe and Central and Eastern Europe. The differentiating features are: the reasons for developing microfinance, the types of policy and the types of microfinance institutions.

The market of financial services comprises various entities which offer a wide range of products to customers. The offer addresses particular demands as it is marked by a diversified price and geographical range. The objective of microfinance institutions is to provide financial services, such as microcredit/microloan, to the individuals who face difficulties entering the job market or are socially and financially excluded, as well as to entrepreneurs, mostly micro-entrepreneurs, who face problems with access to funds for starting up or developing their enterprises, or just to those who are in need for funding.

Having access to finance is an important determinant for the development of enterprises. SMEs face different challenges accessing finance from those faced by large-scale enterprises (LSEs), as, for instance, LSEs have direct access to capital markets, whereas SMEs often do not. The specific financing needs of SMEs require specific policies. Despite a relatively small amount of funding that SMEs require, they still do not receive this support. Also the size of the projects should not be a criterion for excluding an entity from funding. What is important is access to the type of instruments that would cater for the needs and requirements of SMEs, especially for micro-enterprises or the self-employed.

The aim of this paper is to explore the issue of social and financial exclusion in the context of microfinance institutions in Poland. Social and financial exclusion regards poorer individuals and micro-enterprises that do not have easy access to the mainstream banking sector. Microfinance is supposed to bridge this financial gap. The paper consists of two parts. Part one deals with the issue of financial and social exclusion and relations between the two. It also presents microfinance environment in the European Union. Part two discusses the main types, specifics and operations of microfinance institutions in Poland. It analyzes and assesses the problems of microfinance in Poland. The conclusions outline the opportunities and challenges that are faced by microfinance in Poland.

2. Microfinance institutions versus social and financial exclusion – European context

The term financial exclusion has been used in a broader sense to refer to people who have a constrained access to mainstream financial services (Kempson and Whyley, 1999: 22). In the report of the European Commission (2008: 9) financial exclusion refers to a "process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong." Difficulties accessing appropriate financial services and products provided by mainstream providers lead to financial exclusion which reinforces the risk of social exclusion. Financial exclusion forms part of a much wider social exclusion which is faced by some groups who lack access to essential services, such as jobs, housing, education or health care.

In Western Europe, financial exclusion is regarded as primary in relation to social exclusion. There are social, psychological and demand-supply factors that affect the level of financial exclusion. In the literature of the subject, social exclusion has been defined as a situation where an excluded individual cannot participate in activities that are common among other citizens (Richardson, Le Grand, 2002: 11). Levitas et al. (2007: 9) define social exclusion as "a complex and multi-dimensional process, which involves the lack or denial of resources, rights, goods and services, and the inability to participate in the normal relationships and activities available to the majority of people in society, whether in economic, social, cultural, or political arenas." Social exclusion affects both the quality of life of individuals and the equity and cohesion of society as a whole.

Financial exclusion is a major problem not only in poor countries, but also in member states of the EU. Financially excluded persons constitute a section of the population that do not have a bank account, savings, loans or insurance. The interest that is generated by microfinance in the EU stems from the fact that even here some groups are socially and financially excluded. In 2016, 23.5% of the EU-27 population (116,876 thousand people) lived at the risk of poverty or social exclusion (Eurostat). Poverty is a threat, first of all, to the unemployed, women, young people and immigrants. One of the factors of social and financial exclusion is long-term unemployment. Microcredit/microloan may promote self-employment and thus affect the state of economy.

Financial exclusion is strongly interrelated with social exclusion and results not only from poor knowledge of finance, but – to a large extent – from poor society. The individuals that are financially excluded, the underclass, rely on social security benefits. Counteracting poverty is a priority for the EU. That was why 2010 was made the European Year for Combating Poverty and Social Exclusion. The problems of material deprivation and unemployment have become a priority in all the member states of the EU, including Poland. The Europe 2020 strategy for smart, sustainable and inclusive growth put forward by the European Commission provides a developmental strategy for the coming decade. The European policy against poverty is one of the seven flagship initiatives of this strategy. Its goals are (Narodowy Bank Polski, 2015: 81):

- to ensure economic, social and territorial cohesion;
- to guarantee respect for the fundamental rights of people experiencing poverty and social exclusion, and to enable them to live in dignity and take an active part in society;
- to mobilize support to help people integrate into the communities where they live, to get training and help them find a job and have access to social benefits.

Microcredit is at the heart of many microfinance business models and has a number of distinctive features (Jansson et al, 2004:4). The definition of microcredit varies among the member states of the European Union. Generally, within the European Union, microcredit is defined as an instrument for micro-enterprises, the unemployed and professionally inactive people who are planning to start up a business but who have limited access to traditional banking services. The amount of the loan does not usually exceed 25,000 EUR (European Commission, 2012: 4). Although the European Commission quotes this amount in the EU microcredit program, many European stakeholders define microcredit as loans of either much lower or much higher amounts. Microcredit is directed towards funding business start-ups and the development of business.

Some microfinance institutions belong to the banking system, some others operate outside the system. Both of these types have their advantages and disadvantages. Banking institutions guarantee security as they are regulated by law. However, they are not interested in the poor or in micro-enterprises as they aim at the highest possible efficiency. Due to their low income, customers of low social status are not an attractive target group for banks. A higher risk of financing such customers is also something that should be taken into consideration. Moreover, low-income customers may not be willing to open an account with a commercial bank; they choose the institutions that are situated in their neighbourhood, or that have been recommended to them by their acquaintances. The financial institutions from outside the banking system try to explore this "twilight zone" by pursuing their strategy of taking over the customers that have been rejected by banks. They aim to win customers that have been financially marginalized by offering financial services similar to those provided by banks. Lower requirements for financing very often result in a much higher cost of the loan. These institutions operate outside the banking system, therefore they do not respect its regulations or supervision, which poses a real threat to the financial system.

In the European countries, it is primarily the banks that are involved in microcredit, but there are also microfinance institutions which are subject to the Banking Directive. Like banks, these institutions aim at profit. Also other specialized institutions that share certain features, such as providing small loans for the poor, women and the unemployed, are involved in microcredit. Table 1 presents the types of microfinance institutions. A survey of the microcredit sector in Europe conducted by the European Microfinance Network and Microfinance Centre (Botti, et. al, 2016: 18) indicated non-banking financial institutions (NBFIs) and non-governmental organizations (NGOs) as most popular in Europe.

Table 1. Types of microfinance institutions

Microfinance institutions	
Banking model	**Non-banking model**
— commercial banks — cooperative banks — guarantee banks — savings banks	- NGO (loan funds, guarantee institutions) - foundations - credit unions - charity organizations

— microcredit banks	- other non-bank financial institutions

Source: Alińska, 2008: 241.

The authors of the report "Microfinance Market Outlook 2015" forecast that the microfinance market will grow globally by 15% in 2015 (CGAP, 2015). Also, in Europe there is a noticeable trend upward. Nearly half a million microloans of the total value of over 1.5 million EUR are issued annually (Bendig M., Unterberg M., Sarpong B., 2014: 7). The number of microfinance institutions that address the financial needs of individuals with low income and micro-entrepreneurs is also on the increase. These institutions operate both locally and globally in various organizational forms, such as commercial banks, cooperative banks and loan funds. The number and value of issued microloans is rising as well (the average value of a loan stands at 8,500 EUR). Over 121,000 micro enterprises, mostly start-ups, use microfinance in Europe. They employ nearly 250,000 people. 79% of microloans are issued for businesses; the remaining 21% are addressed to individual borrowers.

3. Microfinance institutions in Poland

The rise of microfinance in Poland was associated with the political and economic transformation that took place in the early 1990s. The idea was to promote the development of entrepreneurship in Poland by making capital, in the form of loans, available to small and micro enterprises. At the beginning, it was mainly associated with microcredit as the entrepreneurial boom of the 1990s encountered its first problems with the capital. The rush in microfinance in Poland was a consequence of the lack of the following: capital in banks, sufficient assets amongst entrepreneurs and household savings (rising inflation) (Szostek, 2010: 329).

Poland's accession to the European Union in 2004 triggered a debate over microfinance in the country. New opportunities of raising capital for development of economy, including recapitalization of financial institutions, emerged. Thanks to the European funds, for example, loan funds could reach out to the sector of small and medium enterprises with capital offers. They may potentially meet the expectations with regard to the development of the microfinance system in Poland and become a leader of the non-banking institutions sector.

According to a study by CGAP, nearly 2 million households of low income in Poland are in need of a microloan that would provide for the financial needs of a business or self-employment. Only 3% of the households have access to such loans though, which reveals a wide financial gap that fuels the search for a diagnosis of the state of affairs on the market of financial services and its future development. In Poland, 6% of the households earn revenues from business activity in the form of self-employment, which translates into 400,000 of existing enterprises. Furthermore, members of 28% of the households are planning to become self-employed. The lack of capital poses an obstacle for nearly 40% of the micro-enterprises and for the individuals that plan to start a business in this form.[1] The lack of credit history is yet another barrier for micro-entrepreneurs to obtain microcredit as only 21% of them have ever used official sources of microcredit.

The microcredit market in Poland provides for 29% of the households with low income and 1.98 million micro-enterprises. 17% of the existing micro-enterprises and 83% of the start-ups (those who plan on self-employment) are interested in microcredit. However, only 3% of them are currently using microcredit. The remaining part either do not have access to microcredit or do not have a need for it. The value of the market, which has been estimated with the average value of a loan for enterprises that are currently using it (18,250 PLN), amounts to 36.08 billion PLN.

The microfinance in Poland has a European dimension which depends on the level of economic development and the regulations concerning microcredit that are in force. European microfinance institutions aim to meet the pre-defined objectives to, above all, counteract the effects of crisis and rising unemployment. These problems can in part be solved by microfinance.

It is important to remember the following factors while analysing microfinance in Poland:

- there is no universal, uniform, commonly accepted definition of a microfinance institution and a model of classification which could be employed in Poland,
- the microfinance institutions in particular countries came into existence as a reaction to specific problems and needs of social groups in those countries. They also evolved in different historical, cultural, social and economic conditions and responded to specific demands for such products,
- the classification that is applied in a given country should be adapted to the specific nature and type of the entities operating in this country,

[1] Microenterprises are all those economic activities that employ fewer than 10 people.

- the classification of microfinance institutions should take into account the division into formal versus informal and private versus public institutions, which has been accepted in the institutional economic theory.

The two categories of microfinance institutions that operate in Poland are (Pluskota, 2013: 173):

- banking microfinance institutions: commercial banks, cooperative banks,
- non-banking microfinance institutions: loan funds, credit unions, other.

There are no special legal regulations for microfinance providers in Poland. Banking in Poland focuses on collecting deposits and issuing loans. In terms of lending, the Banking Law differentiates between credits and loans. While credit and saving operations can only be conducted by legally accredited banks, the general banking legislation regarding loans is very liberal. Almost anybody can give loans to almost everybody. The levels of interest rates can be chosen freely as there has been no usury law in place so far. For the Polish MFIs, this means they can charge enough interest to make their business financially sustainable, but it makes Poland also attractive to predatory lenders, such as the UK-based Provident.

There arises the sector of non-banking financial institutions which have knowledge and experience in helping micro-entrepreneurs and the socially excluded overcome obstacles. Financial and consumer protection has become an issue. Overall, the legal framework for microfinance providers is very liberal as it permits allocation of loans without restrictions on interest rates and the legal status of the loan provider.

3.1. Banking microfinance institutions

Traditionally, banks in the European countries offer financing not only to individual clients, but also to enterprises. In the microfinance area, there are commercial banks with a separate microfinance offer (microfinance-oriented banks), microfinance-sensitive banks and microfinance banks. Cooperative banks constitute a separate sector.

Access to banking in Poland is one of the poorest in the European Union. For purely economic reasons, a certain number of citizens do not purchase financial services. Other reasons, which can be described as geopolitical, cultural and social, also contribute to this situation. In narrow terms, financial exclusion means limited access to finance and insurance services, business and pension counselling, education, culture and independent management of one’s finance. In broad terms, however, financial exclusion is directly linked to social exclusion as it results in material deprivation. Access to basic financial services is determined by one's professional status, their level of education and a place of living. Price restrictions create a cost barrier that cannot be overcome by customers. This state of affairs is a source of frustration as it blocks social promotion.

3.1.1. Commercial banks and microfinance banks

The commercial banking sector in Poland is highly concentrated and its value accounts for the largest institutional part of the microfinance market. Although it has adequate instruments, the commercial banking sector is not particularly keen on financing micro-enterprises or less affluent individuals. In the case of such entities, the availability of the offer depends on the customers' creditworthiness, their assets and the collateral they can provide. The banking industry does not have an appropriate approach towards credit risk in the case of microenterprises and does not seem to understand their problems. The banks are interested in large enterprises with an established position on the market.

Commercial banks make their commitment to microfinance conditional upon the economic situation, the situation on the financial market, the standard of the banking market and the saturation with banking services. What is also important for them is the approval of a certain risk level, which may depend on the policy, the strategy and the financial situation of the parent company.

The banks in Poland are involved in microfinance on a limited scale due to, inter alia, the regulations issued by the supervision authority, which may lead to market over-regulation and an increase in the size of the so-called shadow banking. Too conservative or rigorous an approach towards providing credit by the banking sector may contribute to a situation where the customers transfer to shadow banks, which are not regulated by the Bank Law, and where a parallel system results in higher costs of acquiring funds.

There is no typical microfinance bank on the Polish banking market. However, FM Bank, which came into existence in 2010 on the basis of the microfinance leader *Fundusz Mikro*, appears to be the closest to the model. FM Bank was the first bank for microenterprises. It is also important that the bank is one of the three institutions which operate as accredited intermediaries for implementing the European Progress Microfinance Facility. In 2010-2013, FM Bank extended its offer to include microentrepreneurs and deposits from individual customers.

In 2013, FM Bank PBP SA was formed as a result of the merger between Polish Entrepreneurial Bank SA and FM Bank SA. In 2014, FM Bank PBP SA introduced two commercial brands, namely SMART Bank and BIZ Bank, the latter of which supports the microenterprises sector. Other banks which address their offer to small and microenterprises include Meritum Bank and Idea Bank, which are relatively new to the banking market. A number of commercial banks have assigned departments in their organizational structures to specialize in providing services to such businesses.

Certainly, there is a place and demand on the market for banking institutions specializing in providing financial services to the less affluent individuals and the microenterprises which have just embarked on their entrepreneurial adventure.

3.1.2. Cooperative banks

Cooperative banks are the most numerous group of banking institutions in Poland: in 2016, there were 558 cooperative banks versus 61 commercial banks (Narodowy Bank Polski, 2017: 90). In their vast majority, cooperative banks are of regional or local character. Cooperative banks operate within the framework of a two-tier organizational structure which consists of local banks and the banks that play the role of a national bank (affiliating bank). The two associations of cooperative banks group around two banks, BPS S.A. and SGB-Bank SA.

Cooperative banks differ from commercial banks in their specialization as they focus on providing services to relatively narrow segments of the market and in their acquaintance with local conditions, which enables them to compete efficiently and effectively with and to gain advantage over large supranational banks. Cooperative banks constitute an important section of the banking industry in many European countries. They operate in accordance with the banking law and the cooperative law, which enables them to achieve a high market position and to conduct relatively safe and versatile activities on local financial markets.

What is also important is that cooperative banks perform a social mission as they support local development, provide the best quality of financial services and ensure security of the deposits. The social mission, which is deeply rooted in the idea of the cooperative movement, also coincides with the idea of microfinance, which distinguishes cooperative banks from commercial banks.

On the other hand, however, as they compete with commercial banks, cooperative banks must also take into consideration financial and operational effectiveness and adjust themselves to the trends prevailing on the market. The growing competition on the banking market encourages the cooperative sector to evolve and brings it closer to the idea of the free market, which should not, however, obscure the cooperative and the social goals. To a large extent, cooperative banks are becoming universal banks that also reach out to the customers that are not members of the cooperative.

At present, the sector of cooperative banks is exposed to such threats as (Pluskota, 2013: 177-178):

- much higher costs of implementing technical innovation and higher operating costs than those incurred by commercial banks (an effect of a small scope of business and the local character),
- the local character replaced by a global approach (an effect of exaggerated consolidation which expands the territorial range),
- a loss of cooperative character (the effect of dominance of economic effectiveness over social effectiveness).

A cooperative bank builds relations with the customers that are based on social ties and mutual trust, which can be a crucial factor in developing the customer’s loyalty to the bank. A local bank taken away from its region and acting at the national level loses its local (cooperative) character.

3.2. Non-banking microfinance institutions

As mentioned earlier, apart from banks, also non-bank entities, such as loan funds, Cooperative Savings and Credit Unions (CSCUs) and other lending institutions enter the realm of microfinance on the Polish financial market. They will be discussed later in the article. Shadow banking institutions are not bound by the Banking Law. They force banks out of the market as their individual offer is addressed to the customers that cannot or do not want to use the offer from the banks. Shadow banking institutions are characterized by a great flexibility in verifying their customers' creditworthiness, which enables them to drive banks out of their traditional domain.

3.2.1. Loan funds

Loan funds are entities that are classified as shadow banking financial institutions. They focus on the business sector supporting it with microloans. Generally, a microloan is a low interest rate financial support for the poorest, small-sized enterprises and potential entrepreneurs who, as a rule of thumb, do not have access to bank loans.

Fundusz Mikro was one of the first such institutions on the Polish microfinance market. It developed a unique form of financial cooperation with its customers, which was based on the principles of partnership and mutual trust, as it provided constant access to capital under simple conditions, without unnecessary formalities. In nearly 20 years on the market, *Fundusz Mikro* has become a leading institution in the sector of microfinance in Poland and one of the largest in Central and Eastern Europe. Since it was founded, *Fundusz Mikro* has granted over 130,000 loans for over a billion PLN to 57,000 owners of small and micro enterprises. In 2009, *Fundusz Mikro* was converted into FM Bank . The old name was retained to denote the debt-collecting institution only. In 2012, *Fundusz Mikro* received technical assistance financed by the European Union as part of the JASMINE project and resumed lending. At present, *Fundusz Mikro* cooperates with interested entrepreneurs who have difficulty accessing capital due to the restrictive requirements of the Banking Law.

The construction of the loan fund system started in 1992. In 2015, there were 87 loan funds operating in Poland. The majority of them are associated in the Polish Union of Loan Funds. In 2015, loan funds issued 8,772 loans with total value of about 878,80 thousand PLN (Filipiak et al., 2015: 22).

Loan funds run a non-profit activity in order to reduce developmental disproportions at the regional tier and to provide sources of funding for entrepreneurial development, which, in turn, leads to a reduction in the scope of financial exclusion. It was possible for loan funds to originate and develop due to the loan capital which, initially, came from the foreign sources and then from the central budget. A particular rise in the development and importance of loan funds both in the Polish economy and in the finance system took place after 2000 due to the EU funding that was used to raise the capital of these institutions.

Over 95% of the total number of granted loans has been directed towards the small and micro-enterprises sector. In many cases, the funds operate in the areas that are not economically attractive, and that suffer from social and financial exclusion or high unemployment. Loan funds supplement the credit offer from the banks; their customers are often enterprises that have been refused funding from banks (Pluskota, 2013: 203).

The loan-funds sector in Poland seems to be well developed. There are nearly 70 loan funds with the capital of 1.6 billion PLN. The data refer exclusively to the majority of loan funds that operate with the use of public money. The information on other types of lenders with private capital is scarce and imprecise. This is due to the fact that the activity of issuing loans is treated in the same way as any other business activity, which, on the whole, has a positive impact on the development of the sector. The activity of public loan funds does not formally differ much from private loan funds. The customers associate public loan funds with the private ones and that is why they view the public loan funds as relatively expensive. Polish loan funds differ considerably from this type of institutions in other European Union countries as they do not focus on excluded persons, but on a wide spectrum of enterprises (the average sum of a loan stands at 60,000 PLN).

The Polish loan funds are considerably dependent on the accessibility of public funds, which results in a situation where the funds do not develop their own, clearly outlined strategy of lending. Most of the funds act on the ad hoc principle, in a reactive way, creating a financial offer which depends on the available public funds (e.g. JEREMIE initiative). The funds that rely on the idea of microloans are as follows:

— Rural Development Foundation,
— *Inicjatywa Mikro* [Micro Initiative] (uses guarantees from Microfinance Progress Facility),
— Foundation for the Development of Polish Agriculture (FDPA)
— *Fundusz Mikro*.

Also loan funds rarely offer training or counselling support, which is indispensable from the microfinance concept and so important for young entrepreneurs.

3.2.2. Cooperative Savings and Credit Unions (CSCUs)

CSCUs are considered, at present, to belong to one of the most important cooperative groups in terms of the number of entities, the number of customers and the achieved results, as well as their position on the market of financial services. Due to their specific character, the CSCUs in Poland are in fact credit unions. They belong to the World Council of Credit Unions (WOCCU). WOCCU consists of over 51,000 credit unions from around 100 states, whose assets are estimated at over 1.5 billion USD. WOCCU promotes the worldwide development of credit unions and the implementation of new services in order to reduce financial exclusion. It also aims to improve the provisions and regulations protecting customers. According to the WOCCU report, by the end of 2011, credit unions all over the world had around 200 million members who deposited over 1.2 billion USD in savings and who were granted over 1 billion USD in credits and loans (World Council of Credit Unions, 2011: 1).

Originally, these entities operated as mutual assistance funds in workplace. In the mid-1990s, they became independent and converted into CSCUs. They mainly collect deposits from and issue small loans to their members. From year to year, however, their development gained momentum until they reached the today's level which is comparable to middle-sized commercial banks. Their activity is regulated by the CSCUs Act which defines a union as a cooperative under the provisions of the Cooperative Law. Its aim is to collect deposits only from its members, to grant them loans, to carry out financial operations at the request of its members or to act as an intermediary in insurance contracts. A CSCU's relations with customers are strengthened by granting them membership in the cooperative. The status of a CSCU requires the approval of the Polish Financial Supervision Authority. As they belong to and are controlled by their members, the CSCUs in Poland provide non-profit financial services as their retained earnings are allocated to reinforce the reserve fund and to increase the equity capital so that their levels are appropriate for the risks taken. The benefits for the members of a CSCU include higher interest on deposits (savings) and lower interest on loans, as well as lower charges for financial operations. Apart from strictly financial services, credit unions worldwide provide other services that, for example, make business start-ups possible (Pluskota, 2013: 182).

The CSCUs sector is characterized by a high level of concentration, which can be seen by the fact that out of the fifty-three CSCUs operating in Poland at the end of 2014, three biggest

CSCUs (with assets over 1 billion PLN) accounted for the two-thirds of the sector with regard to their assets, credits and deposits.

As a supplier of microfinance products, the cooperative sector (cooperative banks and CSCUs) smooth out the imperfections of the credit market such as its information asymmetry, its reluctance to participate in the enterprises that are characterized by low profitability or its reserve towards low income customers (Hoff, Stiglitz, 1990: 235). However, despite their growing popularity, by the end of 2011, the share of the CSCUs in the Polish finance system was relatively small. The amount of the loans and deposits provided by the CSCUs in Poland means that they are not and will not become a competition for commercial banks in the foreseeable future. However, the number of offices and the specific offer for a special group of customers (the elderly of low income) even now pose a substantial competitive challenge, particularly for cooperative banks. Unlike cooperative banks, which belong to the banking sector, CSCUs are not regulated by the Banking Law as technically they are not banks. Cooperative banks are obliged to respect the prudential standards that are in force for the banking sector. CSCUs can conduct their deposit-credit activity in a more flexible way.

The importance of CSCUs in the Polish financial system is relatively limited due to:

- their comparatively small participation in the market of the finance products (both in terms of deposits and credits),
- a relatively small number of direct links between CSCUs and other financial institutions,
- mutual and immediate substitutability of the services between CSCUs and banks.

The difference also regards the geographical range of both of these types of institutions: cooperative banks mainly operate in rural areas, whereas CSCUs are mostly present in cities. This provides an opportunity for both cooperative banks and CSCUs to complement each other's offers and thus cooperate. However, in reality, the products offered by these two types of institutions substitute each other, which means that there is some competition between the two types of entities.

3.2.3. Other microloan institutions

Institutions and private persons can become financial intermediaries. In the light of the banking law, banks and CSCUs are intermediaries of institutional character. The other group comprises financial institutions which lend money on their own account or act as agents in financial services on the orders from a third party. New independent private entities have also emerged as widely understood financial intermediaries in the area of microfinance. Some of them specialize in the sale of fast loans to persons whose creditworthiness is on the margin of acceptability. They are often characterized by a direct contact with customers, which increases the chances of selling a given product (e.g. Provident Polska S.A.). These entities offer loans at an excessively high interest rate of which the customers are not aware. As the credit policy is being made tougher and tougher by the banks, microenterprises and potential entrepreneurs have limited access to financing, which makes them turn to usurers or shadow banks.

Shadow banks offer financial products and services similar to banking services but without the appropriate license and financial control. These entities are not obliged to exchange information on the customer's debt or assess their creditworthiness, which raises the risk of the transaction and increases the costs for the customers. To place shadow banks under financial supervision would obligate them to respect the law, to raise the criteria for granting loans and, as a result, to limit their microloan activity.

4. Conclusion

Social and financial exclusion is a real problem of many economies around the world and microfinance has, for many years, been regarded as a remedy for it. Exclusion also affects the member states of the European Union, including Poland. Although the history of microfinance in this country is relatively short, its important role in curbing poverty or stimulating entrepreneurship has gained proper attention.

Access to capital is not the only barrier to the development of microfinance. Also insufficient awareness of the existence of such sources of finance or debt aversion hinder the demand for such services. The actions that could create effective demand should aim at the following:

- increasing the awareness of financing options; entrepreneurs either do not know much about microcredit or are not aware of the existing financial intermediary services for micro enterprises,
- changing negative attitudes towards borrowing; both the operating micro entrepreneurs and those planning on self-employment dread debt for, as is often the case, purely cultural reasons,

- providing business development services and incentives for those who aspire to self-employment; there is a clear need for more knowledge and skills and for a promotion of entrepreneurial attitudes among the individuals with low income. Only half of those who aspire to self-employment have access to proper information on the issue. Also legal and administrative barriers hinder the development of pro-entrepreneurial climate.

The microfinance sector in Poland has to cope with the following issues:

- there is no definition of the microcredit/microloan (the concept is used with reference to small loans for individuals/firms excluded from the traditional financial system), which may pose an obstacle for creating a unified policy and supervision regulations,
- limited participation of banks in supplying the microloans results from their aversion to this instrument (cumbersome lending procedures discourage customers),
- increasingly rigorous credit requirements (the effect of the crisis) make bank loans harder to obtain and more expensive,
- too conservative and rigorous a way of lending by the banking sector may lead to a situation where customers resort to shadow banking institutions, which are not supervised by controlling authorities,
- growing attractiveness of non-banking institutions, which enjoy more flexibility in lending, increases the scope of shadow banking,
- there are no legal restrictions in Poland as to who can involve in money lending and giving guarantees – such a business activity is not limited by law,
- the development of the shadow banking sector results in higher costs of financing – there are also private lenders that unfortunately abuse the high demand for loans on the market and offer their loans at extremely high interest rates.

To overcome developmental barriers for microfinance services requires manifold actions. The following tasks should be listed amongst the challenges that are faced by the microfinance market: to provide a better legal and institutional environment, to provide capital for microfinance institutions, especially the loan funds, to adjust to the technological changes in modern society and to create a climate for the development of micro-entrepreneurship. The finance market in Poland is still in need of a banking institution or institutions that would specialize in services for less affluent individuals and for micro enterprises.

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Instytucje mikrofinansowe w Polsce wobec przeciwdziałania wykluczeniu społecznemu i finansowemu

Streszczenie

Koncepcja mikrofinansów jest znana obecnie na całym świecie. Może się ona rozwijać zarówno w krajach ubogich jak i wysoko rozwiniętych. Mikrofinanse dążą do realizacji dwóch podstawowych celów: stymulowania pożyczkobiorców do podejmowania działalności, która spowoduje powstanie przychodów oraz osiągnięcia efektów społecznych, które umożliwią społeczną integrację, a dzięki temu także włączenie finansowe. Rynek mikrofinansów w Europie chociaż różni się od rynku w krajach ubogich poziomem i zakresem wsparcia w formie mikrokredytu i innych produktów mikrofinansowych także boryka się z określonymi wyzwaniami.

Rynek usług finansowych obejmuje różne podmioty, które oferują szeroki zakres produktów swoim klientom. Celem instytucji mikrofinansowych jest dostarczanie usług finansowych takich jak mikrokredyt/mikropożyczka osobom, które mają problemy z dostępem do rynku pracy lub są wykluczone społecznie i finansowo. Dostęp do finansowania jest z kolei istotnym warunkiem rozwoju przedsiębiorstw.

Celem tego artykułu jest zbadanie kwestii dotyczących wykluczenia społecznego i finansowego w kontekście funkcjonowania instytucji mikrofinansowych w Polsce. Wykluczenie społeczne i finansowe dotyczy osób ubogich oraz mikroprzedsiębiorstw nie mających łatwego dostępu do wiodącego sektora bankowego. Mikrofinanse są szansą wypełnienia tej luki. Artykuł rozważa możliwości i wyzwania jakie stoją przed mikrofinansami szczególnie w Polsce.

Słowa kluczowe: instytucje mikrofinansowe, mikrokredyt/mikropożyczka, wykluczenie społeczne i finansowe