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PUBLIC POLICY ON MICROFINANCE SECTOR – CURRENT STATE AND FUTURE DEVELOPMENTS

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Abstract

Changes resulting from the financial crisis have contributed to the development of alternative form of financing, including microfinance which is considered a financial system sector. In order to fully realize its potential, reduce risks inherent to microfinance institutions, as well as to strengthen its market capabilities, it is necessary to take comprehensive measures aimed at devising and implementing public policy on microfinance. The objective of the article is to examine conditions determining the development of the microfinance sector as an element of sectoral policy targeted at meeting financial, economic and social needs. The authors analyze steps necessary for the microfinance sector’s full potential realization and its development. The background for considerations presented in the article is the sectoral public programme focused on microfinance institutions which has already been introduced or is under implementation in Poland.

Keywords: public policy, microfinance, the financial crisis

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Introduction

In recent years, maintaining stability and development of the financial system have become a significant challenge and a constituent part of numerous actions and initiatives, undertaken both by the private and public sectors. Their goal was not only to limit the effects of the financial and economic crises from the national, European and global perspective, but also to activate economic processes and maintain the long-term stability of the financial system. Analysing the financial system in its broad sense, taking into account the institutions which so far were not widely accepted in terms of its mainstream approach, one should pay attention to its constant element, i.e. the sector of small non-bank financial institutions, which includes microfinance. The generic term applied to refer to this group of entities is ‘alternative financial institutions’.

In the last decade, authors have observed considerable changes with regard to the scope and forms of microfinance institutions. The evolution results from new external conditions (including emerging technology), internal organisation or their system and market importance assessment. Under the conditions of the ever-changing external environment, potential risks occurring in the financial and economic system as well as the emergence of previously non-existent market scenarios and events, it is necessary to undertake actions to devise and adopt a strategy related to public policy aimed at realizing the potential of the microfinance sector and facilitating its long-term growth. This type of document¹ should take into account all identifiable types and kinds of microfinance institutions, define their role and importance in the national economy and indicate public instruments and tools which may be applied to achieve the selected social and economic objectives. In addition, it is important to analyse the development conditions of particular forms of microfinance institutions and types of risks related to their operations. In this context, there emerges a question whether in Poland it is possible to identify a coherent, long-term and effective public policy, which could be defined as a public policy on the microfinance sector. Other queries which arise in this context are: What is the role of the microfinance sector in the financial and economic system of a country and what are the challenges and expectations for this sector in the future?

¹ This document is frequently referred to as the Green Paper, i.e. an outline of basic concepts, which requires further studies and analyses aimed at defining the final formula. The basic objective of the devised and adopted document is the identification and use of the potential, possibilities and threats related to particular segments of the financial system from the point of view of the implementation of the national public policy.

The aim of this article is to point to the issues connected with the development of the microfinance sector as an element of the sectoral policy related to the national financial system and social and economic growth of a country. Analyses in the field of microfinance should be carried out similarly to the research on finance. The studies should cover the consideration of the causes and effects of the flow of money together with the motivations and the applied criteria determining the decision-making processes of relevant entities, as well as the consequences of the already functioning redistribution of monetary funds used to meet the needs related to the development of the economy.

An important source for the analysis of the solutions which may be applied in Poland are international experiences and the evaluation of the microfinance sector impact on the functioning and internal organization of the financial, economic and social system. The assessment of current conditions and scope in the results obtained shows that there is no coherent, long-term strategy for the development of the microfinance sector or the use of the potential of these institutions. In the first part of the article, the authors examine the general characteristics of the microfinance sector. The second part of the paper discusses the importance and the essence of the public policy and analyses the position of the financial policy in relation to the microfinance sector, its desired shape as well as its challenges and constraints. The final, third part of the study presents selected public policy programmes based on the use of microfinance, which may constitute the basis for developing a coherent concept of public policy on microfinance.

1. Microfinance and its importance in the financial system

The analysis of microfinance is tied to financial, economic and social issues. Microfinance is identified as an element related to the problems of poverty as well as financial and social exclusion, which are associated with the occurrence of shortages in the economy and the need to improve the resource allocation effectiveness. From a historical perspective, many authors regarded microfinance mainly as a tool needed to fight against poverty and exclusion. Adopting the definition presented by the UN, microfinance may relate to loans, savings, insurance, money transfers, microcred- its or other products targeted at low-income clients.² Others perceive microfinance

² ONZ, http://www.unic.un.org.pl/rok_mikrokredytu/mikrokredyty_mikrofinansse.php, Warszawa, November 2004 [retrieved: 6.03.2016].

in more general terms, recognizing its role in reducing financial exclusion; in this context, the abovesaid exclusion is referred to as being *unbanked* or *underbanked*, *underserved*.³ This approach adopts the definition provided by L. Vigano *et al.*⁴ according to which microfinance also deals with the promotion and dissemination of different forms of financial intermediation which are aimed at under-banked clients, who cannot use the traditional methods and channels due to their size, income level or a lack of financial education. This broader definition corresponds with the one adopted by the European Union, where microcredit is perceived as a loan of less than 25,000 euros offered to entrepreneurs (in particular to microenterprises), social enterprises and workers, people living in poverty, described as unbanked, and thus not having access to traditional capital sources.⁵ Currently, microfinance institutions are a common form of financial intermediation not only in the poorest countries but also in developed countries, including Europe. They constitute part of the national financial system⁶ and provide financial intermediation services. They also play a significant part in the implementation of specific functions and achieving social objectives such as: reducing poverty and limiting the scale of social and financial exclusion, and they contribute to the activation of women in the labour market. The primary objective of their activity is to support socio-economic development through the promotion and financing of microenterprises and creating new jobs.

Depending on the form of ownership, we may distinguish the following categories of microfinance institutions:

- public microfinance institutions;
- institutions owned by its members, e.g. credit unions;
- non-governmental organisations (NGOs), which have been created on the basis of *non-profit* activity and provide microfinance services as part of their statutory activity, e.g. associations and foundations;
- banks, operating on a commercial basis, which offer a wide range of microfinance services and products; this category includes, among others, *greenfield banks*, i.e. institutions whose main objective is to provide banking microfinance services.

As the presented definitions and classifications of the microfinance institutions show, due to their considerable institutional and system diversification, it is difficult

³ P. Błędowski, M. Iwanicz-Drozdowska, *Wykluczenie finansowe w Polsce i możliwości przeciwdziałania*, "Polityka Społeczna" 2, 2010, p. 6.

⁴ L. Vigano, L. Bonomo, P. Vitali, *Microfinance in Europe*, Giordano Dell' Amore Foundation, "Working Paper", November 2004, p. 4.

⁵ H. Kraemer-Eis, A. Conforti, *Microfinance in Europe. A Market Overview*, EIF Research & Market Analysis, "Working Paper" 001, 2009, p. 10.

⁶ L.R. Reed, *State of the Microcredit Summit Campaign Report 2011*, MSC (Microcredit Summit Campaign), Washington D.C. 2011.

to give a clear universal definition of this sector. Devising a coherent legal framework to regulate its activity turns out to be an even greater challenge. Therefore, in Poland and in the majority of countries in the world, microfinance as a sector is not subject to any specific legal regulations. This is one of the reasons why introducing a sectoral public programme dedicated to microfinance proves so difficult. The extensive studies of the European Microfinance Network carried out in 2012/2013 confirm that one of the causes of the limited use of microfinance institutions is a lack of separate regulations for the microfinance sector.⁷ For example, microfinance institutions in Poland operate within the general legal framework, i.e. commercial code, civil code, labour law, banking law, the law on personal data protection, the law on competition, consumer protection, and others.

Another equally important element affecting the possibility of implementing such a programme is the need to carry out the objective measurement and evaluation of the influence of microfinance institutions on the social and economic development of the country. There are many elements of the macroeconomic assessment which present the positive effects related to the activity of such institutions, both with regard to the services provided and achieving social objectives; however, they are not commonly applied or properly defined or explained.

As G. Pesa and P. Porretta emphasise, the microfinance institutions have gained recognition in the European Union in recent years and their role in building social inclusion and facilitating economic growth at a regional level has been generally noticed and appreciated. However, as experts emphasise, they are not taken into account in the national development strategies (the National Action Plan – NAP)⁸ of many Member States. Also, at the level of the EU operational programmes, most undertaken initiatives are neither translated into specific actions nor widely promoted in projects. The findings of the conducted analyses indicate that microfinance is the financial instrument which could be included in at least two structural funds, namely, the European Social Fund (ESF) and the European Regional Development Fund (ERDF).⁹

⁷ M. Bendig, M. Unterberg, B. Sarpong, *Overview of the Microcredit Sector in the European Union*, European Microfinance Network, Brussels 2014.

⁸ P. Porretta, P. Giovanni, *op.cit.*, p. 91.

⁹ B. Maas, S. Lammerman, *Designing microfinance operations in the EU. A manual on how to build and implement microfinance support programmes using the ESF*, ESF, Brussels 2012.

2. The essence of public policy and its importance in the context of microfinance development

Public policy should be regarded as activities in the public sphere which influence the functioning of a large group of people and affect various social and economic phenomena. The scope and boundaries of public policy are constantly subject to discussion. The science on public policy dates back to the first years of the twentieth century, when political scientist C. Merriam tried to combine the theory and practice of politics in order to understand the actual activity of the government.¹⁰ According to H.D. Lasswell, the objective of policy sciences was to determine “who, what, when and how gets the value”.¹¹ Contemporary definitions in this respect refer to the identification and use of particular components of public policy. T. Dye defines public policy as a study of what the governments do, why they do it and what differences arise from it.¹² In turn, M. Kraft and S. Furlong define public policy as a cycle of the government’s taking or not taking action in response to social problems.¹³ In contrast, D. Robertson and D. Judd limit the concept of public policy to the role and importance of the governmental institutions, defining it as an independent variable, which is a key point for the changes shaping the current and future policy in relation to the expectations concerning different areas of the state’s influence on the economy and society (other policies).¹⁴ Public policy is a term referring both to redistribution and regulatory activities, since it refers to the principles of shaping the institutional structure as well as sectoral conditions.¹⁵ Thus, the state should be the entity which provides incentives, creates regulations, reduces social tensions, develops and implements both public policy at the national level and sectoral policies which constitute components of the overall strategy of the social and economic development of the country.

The analysis of the definitions and the assessment of the importance of public policy shows that the undertaken activities should be based on the combined legal and regulatory instruments, providing appropriate measures available to the public

¹⁰ T.A. Birkland, *Introduction to the Policy Process*, M.E. Sharpe, Armonk, 2005, p. 7.

¹¹ H.D. Lasswell, *Politics: Who Gets What, When, How*, [in:] *Re Political Writings of Harold D. Lasswell*, New Haven Press Inc., New Haven 1936, p. 283.

¹² T.R. Dye, *Understanding Public Policy*, Prentice Hall, Englewood Cliffs, New Jersey 1987, p. 1.

¹³ M. Kraft, S. Furlong, *Public Policy: Politics, Analysis, and Alternatives*, 4th ed., CQ Press, Los Angeles 2013, p. 3.

¹⁴ D. Robertson, D. Judd, *Re Development of American Public Policy: Re Structure of Policy Restraint*, Scott, Foresman, Greenview 1989, p.7.

¹⁵ *Ewaluacja w polityce publicznej*, A. Surdeja, (Ed.), Difin, Warszawa 2013, p. 8.

administration bodies.¹⁶ At the level of public institutions, it is important to carry out specific operations, using the instruments whose efficiency has been verified (e.g. using international experience) and which can be implemented at the national level. The policy developed in such a way becomes the basis for the executive measures applied to solve a specific range of problems, where the decisive criterion is the recognition of public (common) good.

The crisis and its effects have increased the importance of public institutions in maintaining the stability of the financial system and its involvement in the restructuring process of the financial institutions, both traditional ones and those included in the sector of alternative finance. Public entities which are responsible for maintaining the stability and security of the functioning of financial sector institutions¹⁷ have introduced modifications mainly with regard to the objectives, functioning, actions and the applied instruments. These actions aim at improving the condition of the financial sector and achieving strategic goals at the national level such as: ensuring the safety of the functioning of financial institutions on the market and creating the basis for the implementation of the national social and economic goals. Stable and secure financial institutions, based on firm foundations, also have a possibility of absorbing external shocks.¹⁸ In the case of microfinance, the importance of providing public goods and services is clearly defined and is derived from the definition of the sector, which according to its assumptions should concentrate on the provision of *non-profit*, *not-for-profit* or low-cost services. The relevance, effectiveness, usefulness and effectiveness of the decision-making processes in the area of public policy in relation to microfinance are determined by many factors, however, priority should be given to the financial aspects. Therefore, the strategy of the development and strengthening of the importance of microfinance in the country's financial and economic system should be based on the identification of the financial factors, with the consideration of the division into the market and public part of the financial system¹⁹ and provide the basis for the development of subsequent segments of public policy (sectoral policy) implemented at the national level.

¹⁶ *Polityka publiczna. 10 lat Polski w Unii Europejskiej*, J. Osiński, K. Negacz, K. Obłąkowska-Kubiak, (Eds.), Oficyna Wydawnicza SGH, Warszawa 2014, p. 9.

¹⁷ The institutions responsible for the stability and security of the functioning of the financial system during the crisis were defined using the category of financial *safety net*. In Poland, the *safety net* includes: the National Bank of Poland (Narodowy Bank Polski), the Financial Supervision Commission (Komisja Nadzoru Finansowego), the Ministry of Finance (Ministerstwo Finansów) and the Bank Guarantee Fund (Bankowy Fundusz Gwarancyjny).

¹⁸ Narodowy Bank Polski, *Raport o stabilności systemu finansowego w Polsce*, Warszawa 2016, p. 10; <http://www.nbp.pl/systemfinansowy/rsf022016.pdf> [retrieved: 6.03.2016].

¹⁹ *System finansowy w Polsce*, Z. Polański, B. Pietrzak, B. Wozniak, (Eds.), PWN, Warszawa 2008.

The implementation of public policies can take place at the international, regional and local level in a horizontal, sectoral or subjective dimension. Since Poland's accession to the European Union in 2004, most of the policies carried out by the state have been adapted to the EU assumptions and guidelines. The basic EU horizontal policies for 2014–2010, which are regarded as the priority directions of the social and economic development, include: sustainable development, equal opportunities and information society.²⁰ The microfinance policy does not have a clear demarcation line and finds itself in the area bordering between financial and social policies. Microfinance is an element of the financial system. Its occurrence in the market results mainly from the need to satisfy the basic economic and social needs indicated by the society. Many countries identify their so-called bottlenecks, which in the time of the financial crisis are mainly related to providing the sources of finance for households and enterprises. The shortages and gaps (including the so-called financial gaps) indicate threats to the stability of the economy and its individual elements. Many of their sources also lie in the ways of shaping public policies applied to date at the national level, as well as in the relevant influence of external factors.²¹ This situation in particular determines the need to use the resources and the potential of microfinance. Simultaneously, one should bear in mind that all the areas of public policy are characterized by the desire to find the ways to improve the well-being of the society.²² In its scope of activity, public policy should refer to the issues and concepts which are not generally accepted by the society and require intervention.²³ According to G. Pes and P. Porretta, microfinance, self-employment and micro-entrepreneurship should become public policy priorities in the field of economic growth and social inclusion.²⁴ However, R. Szarfenberg draws attention to the fact that so far there have been no common areas between the conceptual area of the public and social policy.²⁵

As part of the currently implemented national and regional public policy in Poland there appear tendencies to prioritise the initiatives consisting in increasing employment rather than promoting self-employment. Higher priority is given to the activities aimed at improving the situation of small, medium-sized and large enterprises

²⁰ Fundusze Europejskie, <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/zasady-dzialania-funduszy/czym-sa-fundusze-europejskie/> [retrieved: 27.02.2015].

²¹ A. Zybala, *Państwo i społeczeństwo w działaniu. Polityki publiczne wobec potrzeb modernizacji państwa i społeczeństwa*, Difin, Warszawa 2013, p. 14.

²² *Ewaluacja w polityce publicznej*, A. Surdeja, (Ed.), Difin, Warszawa 2013, p. 8.

²³ M.E. Kraft, S.F. Furlong, op cit., p. 4.

²⁴ G. Pes, P. Porretta, op.cit., p. 148.

²⁵ R. Szarfenberg, *Miejsce polityki społecznej w polityce publicznej*, Ekspertyza na potrzeby projektu Kalkulator Zaniechania (Expertise for the needs of 'The Calculator of Costs of Inaction' project), Warszawa, March 2013, p. 33, http://rszarf.ips.uw.edu.pl/pdf/Ekspertyza_PSwPP.pdf [retrieved: 27.02.2016].

instead of micro-enterprises. The role of public policies appears to be focused on training and retraining staff as well as providing consultancy services for the staff of former large enterprises. However, at this point it is also important to indicate that the scope of their activity in the area of establishing and developing micro-enterprises is perceived as limited.

3. The examples of public programmes and development strategies of the microfinance sector in Poland

In Poland, similarly to most EU countries, there are no developed and implemented policies concerning the microfinance sector, especially in terms of the institutional recognition of these financial entities. Considerable market diversification in this regard seems to limit the effectiveness of the actions taken in the form of public programmes dedicated to microfinance, their systematization or the evaluation of their activity. In Poland, the only entity which plays a leading role with regard to the coordination of the public policy related to microfinance is Bank Gospodarstwa Krajowego (BGK). In order to ensure more effective and more sustainable use of structural funds, the European Commission has implemented a number of programmes and financial instruments which are supported by BGK. The Council Regulation no. 1083/2006 of 11 July 2006 is the main provision governing different aspects of the use of financial mechanisms, i.e. available financial support, other than just grants or subsidies, offered by the European Union in cooperation with the European Investment Bank (EIB) and the European Investment Fund (EIF). The two initiatives concerning microfinance were: JEREMIE (Joint European Resources for Micro to Medium Enterprises) and JASMINE (Joint Action to Support Microfinance Institutions). The JEREMIE initiative was implemented by the European Commission in cooperation with the European Investment Fund and the European Investment Bank and was focusing on 2007–2013 programmes. This enabled the government and self-government to allocate funds offered by the European Regional Development Fund (ERDF) in the form of capital, loans and/or guarantees. Unlike the grants, where funding is provided as one-off financial aid, the JEREMIE instrument was renewable, and the allocated funds were intended to be used repeatedly.²⁶ The assistance could take the following forms:

²⁶ P. Porretta, G. Pes, *Microfinance*, EU Structural Funds and Capacity Building for Managing Authorities. A Comparative Analysis of European Convergence Regions, Palgrave–Macmillan, New York 2016, p. 52

- consultancy and technical support;
- low-interest loans;
- credit guarantees;
- capital investments and *venture capital*;
- guarantees.

In Poland, the responsibility for the implementation of the initiative was vested in the Marshal Office, the entity in charge of the Regional Operational Programme. The Marshal Office then transferred the funds to the Manager of the JEREMIE Trust Fund, that is Bank Gospodarstwa Krajowego. The BGK selected financial intermediaries (loan funds, guarantee funds, banks and other financial institutions), and through these entities the funds were transferred to entrepreneurs. The target group of these programmes were micro-, small and medium-sized private enterprises or the enterprises in the final phase of privatization. The specific purpose of the initiative was to provide financial aid to companies in the initial stages of their business activity, with no credit history or collateral of the appropriate value.²⁷ In the current EU financial perspective (2014–2020), the mechanism has been adapted to market requirements and the expectations voiced by the Member States.²⁸ The second phase of the JEREMIE programme (JEREMIE 2) was implemented in 2017. For example, in the Mazowieckie voivodship, enterprises from the region can use the available funds of PLN 280 billion allocated to the development and establishment of enterprises as well as to support the ecological production processes.²⁹

In Poland, the category of the microfinance institutions which participate in the implementation of public policy also includes loan funds which have been operating in the microfinance market since the early 1990s. The creation of this sector resulted primarily from the desire to provide additional sources of financing for customers who, in the future, will constitute a specific category of the clients of banking institutions. Due to the nature of their operations and the mission resulting from conducting an activity which is not only profit-oriented, loan funds strive to reduce the development disparities in the region, aim to provide financing for the development of entrepreneurship, counteract social exclusion or limit its scale. Loan funds are one of the basic groups of financial intermediaries which concentrate on the effective allocation of the capital from the EU programmes and transfer it to the beneficiaries (entrepreneurs) seeking additional sources of financing

and Europejski Fundusz Inwestycyjny, JEREMIE – Joint European Resources for Micro to Medium Enterprises, http://www.eif.org/what_we_do/resources/jeremie/index.htm?lang=-en [retrieved: 27.02.2017].

²⁷ JEREMIE, *Czym jest JEREMIE*, <http://www.jeremie.com.pl/ogolnie/> [retrieved: 27.02.2017].

²⁸ Europejski Fundusz Inwestycyjny, JEREMIE, op.cit.

²⁹ Bank Gospodarstwa Krajowego, www.bgk.pl [retrieved: 10.10.2017].

their operations. The main objective of their activity is to reduce the financial gap, the level of poverty and to stimulate entrepreneurship. The development and the increasing importance of loan funds in the economy and the financial system could be observed in the last decade, in particular in the period of significant growth with regard to the possibilities of recapitalising their business operations with resources from the EU funds.³⁰

The subsequent public programme implemented with the participation of the microfinance sector was the JASMINE³¹ initiative, created by the European Commission, the European Investment Bank and the European Investment Fund. JASMINE was implemented as a pilot programme in 2008 and was carried out in the period of 2007–2013.³² Its objective was to support the development of the microfinance market in the European Union by providing financial aid (loans, capital) and technical support targeted at non-bank entities providing microfinance services. The activities carried out as part of this programme were to be complementary in relation to the objectives set and achieved within the JEREMIE framework. As foreseen by the European Commission proposal from 2007,³³ the objectives of JASMINE included:

- support of the development of entities rendering microfinance services and microfinance institutions (MFI) in different areas of their operations: *governance*, risk management information systems and strategic planning;
- helping these intermediaries to achieve stability in market conditions.

In 2010, the European programme dedicated to microfinance – the European Progress Microfinance Facility for Employment and Social Inclusion was created. Its establishment increased the availability of microcredits allocated to founding and developing the activity of small enterprises. Its objective was to expand the number of microfinance products and services through activation of the operations of financial intermediaries supporting the development of debt instruments, guarantees and equity financing. This programme consisted of two types of instruments: equity and guarantees. Equity instruments comprised mainly soft loans, subordinated loans, risk-sharing loans and equity shares targeted at financial intermediaries in order to help them maintain their liquidity, constituting the capital basis for granting microcredits. The primary objective of the instruments implemented as part of this programme was to help to create and further develop microenterprises. The budget

³⁰ Rynek funduszy pożyczkowych w Polsce, PZFP Report, Warszawa 2015, p. 3.

³¹ http://ec.europa.eu/regional_policy/pl/funding/special-support-instruments/jasmine/#2 [retrieved: 15.10.2014].

³² Europejski Fundusz Inwestycyjny, JASMINE – Joint Action to Support Microfinance Institutions, http://www.eif.org/what_we_do/microfinance/JASMINE [

³³ Komisja Europejska, *European initiative for the development of microcredit in support of growth and employment*, 13 November 2007.

of the Progress programme for 2010–2013 was estimated at EUR 203 billion. In the next financial perspective, i.e. EU 2014–2020, the Progress programme constitutes one of the axes of the Employment and Social Innovation (EaSI) Programme, whose overall budget for the period is estimated at EUR 919,5 billion, and approximately 21% of the funds is allocated to the development of microfinance.³⁴

The development of the institutions included in the category of microfinance is not feasible without proper support on the part of public institutions. In 2009, the European Parliament issued a resolution containing recommendations on the implementation of the actions supporting the development of micro-loan institutions in Europe.³⁵ In addition to the initiatives developed at the EU level, there are also different kinds of the public, social and private initiatives supporting the development of the microfinance institutions in Europe. JASMINE was one of the initiatives, and it was aimed at increasing the scope and range of the services of all kinds provided by microfinance institutions as well as supporting their development so that they could become profitable and efficient institutions in the financial services market.

Summarising the considerations set out in this part of the article, it is important to note that there is a wide variety of programmes focusing on the use of the potential and strengthening the role of microfinance institutions. Most of them have been developed and financed with public funds. However, due to the fragmentary functioning of the public programmes, their effectiveness and market significance does not allow achieving strategic national or European social and economic goals. Therefore, it is necessary to develop and adopt a comprehensive, coherent, and long-term public programme allowing for the exploitation of the microfinance sector potential. It is important to note that the lack of a coherent strategy considerably limits the availability of the abovesaid local institutions: due to their relatively small size and importance, they are not widely recognisable, and consequently, they are not commonly used by the public.

³⁴ *Programy Ramowe Unii Europejskiej w perspektywie finansowej 2014–2020*, Enterprise Europe Network, Krajowy Punkt Kontaktowy Programów Badawczych UE, PARP, Warszawa 2014, p. 25. (*Framework Programs of the European Union in the financial perspective 2014–2020*, Enterprise Europe Network, National Contact Point for EU Research Programmes, PARP, Warszawa 2014, p. 25).

³⁵ Rezolucja Parlamentu Europejskiego z 24 marca 2009 r. zawierająca zalecenia dla Komisji w sprawie “Europejskiej inicjatywy na rzecz rozwoju mikrokredytów dla wsparcia wzrostu gospodarczego i zatrudnienia”, OJ 2010/C 117 E/14 (European Parliament Resolution of 24 March 2009 with recommendations to the Commission on “A European initiative for the development of micro-credits to support growth and employment”, OJ 2010 / C 117E/14..

Conclusion

Classical economics recognizes the issue related to the shortcomings of some markets and market mechanisms, which means that they require various types of public intervention, for instance in the form of regulation (or inspiring self-regulation). The authors tend to agree with the opinions of the economists who emphasise that the free market mechanism is efficient in certain circumstances or after meeting specific conditions.³⁶ Therefore, we need to devise and implement a comprehensive policy related to the financial sector. The majority of emerging cases of market turbulence, instability and imbalance are connected with the non-optimal use of market mechanisms. However, in the situation where there is a threat as regards the efficient and effective functioning of the state or strategic elements of its policy, there is a need for undertaking actions to remedy the situation.

The arguments supporting the need to create a coherent, long-term and effective national financial policy related to the microfinance sector include the following phenomena:

- the scale and effects of the global financial crisis and its influence on the financial system in particular countries, individual financial institutions, the society and the condition of public finance;
- the increase in the importance of financialisation, defined as relations of the assets of the traditional financial sector to the value of GDP;
- the scale of aid for the financial sector;
- the change in the ownership structure of capital in the banking sector;
- sustainable economic development requiring a sustainable financial system;
- the emergence of new institutions, instruments or even entire sectors in the market which, in combination with the lack of proper recognition or sufficient knowledge on the scale of their activity and related risk, may generate additional risks and have specific negative economic and social consequences.

The public policy carried out in relation to the microfinance sector should be adapted to the identified goals and available resources, and its results should be subject to constant evaluation. The policy should focus on building horizontal and long-term bonds, which requires the coordination of various areas of the economy. However, it is also important to bear in mind the fact that the actions undertaken in this regard impact the decision-making processes of other market participants,

³⁶ A. Zybala, *op.cit.*, p. 20.

focus on the essential issues and strengthen democratic processes.³⁷ The introduction of the public policy, its modification or supplementation should be enriched by the previous experience and the evaluation of the applied solutions and effects. Based on the collected data, it is important to indicate the new instruments and measures aimed at achieving new goals. The analysis of the presented considerations points out that the public policy related to microfinance should be based on the use of the EU programmes and aid funds as well as the internal financial potential of the state. However, to date, in Poland such a policy has not been developed or executed. This may be due to the fact that Poland is in the initial phase of its implementation. In practice, it is possible to distinguish the following stages of its implementation:³⁸

- selection of programmes, i.e. collecting and choosing the best proposals to solve public problems;
- implementation of public programmes;
- evaluation of the results and effects of actions taken with regard to public policies.

An appropriately devised legal and regulatory framework, created as part of a coherent, long-term and stable public policy related to the financial sector, should include the following basic elements:³⁹

- creating the rules aimed at creating the market discipline which will support the market forces and the environment;
- presenting rights and obligations that are clear and understandable for all market participants and defining their responsibility;
- creating incentives to ensure the effective and proper functioning of all participants in the financial services market;
- limiting the excessive risk related to exceeding the rules of capital requirements and asset portfolio by financial institutions;
- providing adequate rules related to the market entry concerning: the amount of equity, requirements for main shareholders and managers, transparent ownership and organisational structure, as well as defining the level of supervision and internal control;
- providing transparent rules and principles for co-financing activities and possible restrictions for weak entities;
- creating conditions for market participants to obtain sufficient information so that there is no asymmetry as regards information concerning, among others, valuation of assets or the applied reporting procedures.

³⁷ M. Zawicki, *Wprowadzenie do nauk o polityce publicznej*, PWE, Warszawa 2014, p. 21.

³⁸ B. Guy Peters, *American Public Policy, Promise and Performance*, CQ Press, Washington 2004, p. 4.

³⁹ Report of the Working Party on Financial Stability in Emerging Market Economies, *Financial Stability in Emerging Market Economies*, Bank for International Settlements, Basel, April 1997, pp. 25–27.

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