

FINANCIAL EXCLUSION IN POLAND – Country report, stage II

A. DEBATE ON FINANCIAL EXCLUSION IN POLAND

The debate on combating financial exclusion in Poland has been missing. In several debates around social exclusion the issue of financial exclusion was largely ignored. The problem was not treated as a priority in social exclusion policies. Financial exclusion received also limited recognition from the Polish financial sector.

Better situation is in the field of education both from public and private sector, but the initiatives are not integrated and co-ordinated, what would increase the effectiveness of the educational process. According to the Map of Financial and Insurance Education, prepared by Polish Banking Association (Związek Banków Polskich, ZBP), there were about 70 different initiatives in 2007. The statutory role of the National Bank of Poland (Narodowy Bank Polski, NBP) and Financial Services Commission (Komisja Nadzoru Finansowego, KNF) gave them the lead on financial education in order to promote public understanding of financial services. They were both treated below as a government sector.

In comparison to other EU countries, there is also a scarce Polish research on financial exclusion. Most of research to date have explored other aspects of social exclusion connected with unemployment, poverty and ageing. Only some of them are focused on issues related to using banking services.

In some discussions on social exclusion several organizations recommended that a greater focus should be placed on the relationship between financial exclusion and social exclusion in Poland with a particular commitment to identifying and addressing barriers to financial services.

B. GOVERNMENT RESPONSE FOR FINANCIAL INCLUSION (POLICY MEASURES, AS FACILITATOR AND AS LEGISLATOR)

I. General remarks

The modernisation of the policy for social protection and social inclusion is an important element of the general country development vision included in the draft Country Development Strategy accepted by the council of Ministers on June 2006.

The goals of the State and NGOs in Poland, in the area of preventing social exclusion and thus preventing financial exclusion, are concentrated on the following issues: education, preventing poverty, unemployment, disabled peoples, healthcare and social care. The key strategic framework in that area has been defined in National Action Plan on Social Inclusion, however there is no special recognition of the issue of financial exclusion within that frameworks.

Self – governing voivodships (regions) have been assigned the task to elaborate, validate and implement the voivodship strategies in the sphere of social policy, which is an integral part of the development strategies of voivodships embracing in particular programmes devoted to: fighting social exclusion, equalising the opportunities of the disabled, social assistance, prevention and solution of alcohol problems, cooperation with NGOs. The district programmes should be consulted with the communes and voivodship programmes. By 2010 all communes, districts and voivodships should implement their local strategies. A part of this may be an equal approach to the financial services ensured by the educational programmes etc.

As a step dedicated to promote wider access to financial services and thus to prevent financial exclusion is one of the priority tasks realised by the Ministry of Science and Information Technology – the implementation of the *Strategy for IT development of the Republic of Poland – e-Poland, 2004 – 2006*. One of its aims was to prevent social exclusion by ensuring technical possibilities of the participation in the information society for the people from the “middle generation” required training and for the disabled. As one of the research conducted in Poland proved that the cheapest way to use banking services is internet banking (e.g. the lowest charges for payment facilities). At the end of June 2007 about 10 million persons have access to internet banking facilities, but only about 4 million used them actively. This shows how important is the problem of convincing people to use internet as a channel to access banking services.

There are no explicit initiatives of Polish government to encourage the financial industry to tackle financial exclusion and to co-operate with other sectors.

II. Economic and financial education promoted by National Bank of Poland

Pursuant to Article 59 of the Act of NBP, the National Bank of Poland conducts publishing and promotional activity. In pursuit of these purposes the Bank has acknowledged the necessity of its involvement in economic education and hence promotion of the financial literacy, growth of entrepreneurship and understanding of the market economy principles. The NBP Programme of Economic Education has become a part of the NBP's mission.

The activity of the central bank is declared as designed on the basis of detailed analyses of educational activities of other projects conducted by Polish institutions and NGOs, and on research on the level of economic knowledge and public opinion surveys.

The educational activity of National Bank of Poland applies to a broad range of social and age groups, however it is especially targeted at the young people. One of the Bank's goals is to ensure that economic literacy becomes a priority in the national education agenda. That is why NBP tried successfully to reach teachers of economics or economics-related subjects. It undertakes comprehensive projects to equip teachers with tools to improve the quality of the classes of economics and personal finance.

The organization of competitions, workshops, presentations, or distance learning are examples of how the NBP works to develop interest in the economic issues. Below are described some particular areas of educational activity of National Bank of Poland.

1. Economic Education Portal – NBPortal.pl

The Economic Education Portal NBPortal.pl was launched in 2003. The Portal aims at providing and deepening knowledge about the economy and supporting other educational activities of the NBP. Access to the resources of the portal is entirely free. NBPortal.pl features, among other items, has following sections:

- Distance learning,
- Teacher's Centre – a service designed for teachers of economics,
- Fun,
- Knowledge Mines – made of two parts: the Virtual Library, and the glossary of economic terms,
- News.

Two strategic games of NBPortal.pl are especially worth to mention in the context of avoiding financial exclusion: “A rich pensioner” and “The Bank O.K.”. The first one is designed for elderly people who have become pensioners. It familiarizes them with some possibilities of investing money and informs about bank facilities designed for pensioners. The second one shows in an interesting way the functioning of a bank with the name Bank O.K.



In 2006, NBPortal.pl's resources were accessed by nearly 1,3 million users. The number of e-learning courses' participants increased to 57 thousand.

2. Educational programmes for school, teachers and journalists

Secondary school pupils and teachers are target groups of particular importance to the NBP. NBP's educational activity is aimed at adding variety to teaching economics in school. The NBP cooperates with state-owned and privately-owned media and prepares, *inter alia*, some educational programmes. In addition to schools and universities, another important addressee of NBP educational activity are mass media and journalists.

3. Scholarship programme

The National Bank of Poland, in cooperation with the Educational Enterprise Foundation, the Agricultural Property Agency, the Polish-American Freedom Foundation, and non-governmental organisations, take part in the Bridging Scholarship Programme.

4. Project: *The Accessible Bank*

A very good example of the activity of National Bank of Poland in the area of preventing financial exclusion is the initiative called *The Accessible Bank*, which is a countrywide project conducted in co-operation with the *Open Doors Association*. It examines the accessibility of banks' premises and customer services for disabled and elderly persons. One of the main advantages of the project has been the unique opportunity to hear from disabled persons themselves about their needs. The aim of the project is to raise the awareness of bank officials of the different needs of their customers, and the fact that some customers may require special treatment. The aim of it is the continuous improvement in the customer

services and in the architectural accessibility of banks. The start of *Accessible Bank* project coincided with the European Year of the Disabled.

The NBP supported the publication of a guide on how to improve procedures, the suitability of customer services, and the accessibility of banks' premises. The special value of the publication lies in the authors' expertise, as each chapter devoted to a given disability has been prepared by, or consulted with, a person suffering from that condition.

III. Financial education promoted by Financial Services Commission.

According to article 4 of the Act on supervision over financial market one of the responsibilities of KNF is taking up educational and information activities regarding financial market. Financial Supervisory Commission, which shall start to supervise banks from the beginning of 2008 (integrated supervisory authority), has been so far mostly focused on promotion of financial education in the field of capital market and money investment.

There are two targets groups: teachers involved in teaching economics at secondary schools and pupils. Programmes for teachers were focused on capital markets, but those for pupils organized recently were related also to savings. This programme was "Week of Savings" (Tydzień Oszczędzania) run under the auspices of KNF in co-operation with by Kronenberg Foundation¹ (set up by Bank Handlowy w Warszawie SA) and Foundation Think!.

„A Week of Savings” is organized on the occasion of 31 October – World Savings Day which is a main event of the one-week-long action. The aim of this initiative is to promote among Poles the habit of saving and the ability to manage the household finances well. The main element of the “Week of Savings” are actions organized in secondary schools and high schools.

The task given for young people is to develop and realize concept for celebration of the World Savings Day. Pupils and teachers decide in what way the issue of saving will be discussed. Every concept which is developed and implemented at schools or in their environment during last days of October is taken into account (e.g. happenings, special lessons, plays at school or in its neighborhood). Over 75.000 pupils and 3.000 teachers from

¹ Leopold Kronenberg Foundation was created 10 years ago to mark the 125th anniversary of the founding of Bank Handlowy w Warszawie S.A.

Poland have already taken part in this event. Millions of Poles received the information about available methods of saving and an effective use of own money resources thanks to the cooperation with mass media.

C. MARKET RESPONSE FOR FINANCIAL INCLUSION (VOLUNTARY CHARTERS, PROVISIONS BY ALTERNATIVE PROVIDERS OR MAINSTREAM PROVIDERS)

1. Banking industry commitment

We interviewed representative of Polish Banking Association (ZBP), which undertook many initiatives in order to promote use of banking services, but not related directly to dealing with financial exclusion on socially-based commitment. Measures undertaken have mostly commercial features and were related to reducing the number of underbanked, that is convincing people to use more extensively banking services when they already have a bank account.

According to the representative of ZBP there are several phases that banking sectors in economies in transition have to undergo:

- Dealing with the best clients;
- Crediting more clients, also ones with lower income, thanks to good data bases in credit information agencies;
- Promoting the wide use of banking services in the society.

Banking sector in Poland is supposed to be between the second and the third phase, with still more stress on the second one.

Additionally we present educational activity of PKO BP – Polish commercial bank servicing traditionally many households.

1.1. Polish Banking Association (ZBP)

The following initiatives of ZBP shall be distinguished:

- code of good practices,
- promoting guarantee funds and microfinance institutions,
- promoting credit information agency,

- promoting non-cash-payments,
- supporting educational programmes.

The Polish Banking Association published in 2004 up-dated code of *The Good Banking Practice Principles*, that are designed to protect consumers in their operations with commercial banks. They shall assure proper relations between banks and customers, but are not dealing with financial exclusion.

A great success achieved by ZBP was related to promoting guarantee funds (Fundusze Poręczeniowo-Gwarancyjne), that were providing support to micro- and SMEs in obtaining financing from banks, as well as local microfinance institutions (Fundusze Pożyczkowe). They are especially important for local authorities. Both of these forms supported economic growth and helped with improving the level of society well-being. People that might have been financially excluded, but decided to run a business would have a chance to profit from this programme. This shall be treated as indirect activity to promote financial inclusion.

Another important initiative, promoting better access to credit, thanks to better risk-assessment, was related to setting up the credit information agency (Biuro Informacji Kredytowej – BIK), which is functioning very well and more and more banks (and also credit unions) are using information from its data bases (for details please see country report stage I).

As mentioned above, there were many initiatives supporting the use of non-cash payment methods. They were targeted to underbanked persons, i.e. those having bank account, but not extensively using it, who have quite big share in the society (for details please see survey report for Poland). One of the first initiatives was related to promoting the use of direct debit. Recently micro-payments have started to be promoted. In order to use micro-payments having a bank account is not necessary, since they may be done with the use of mobile phones, which are extensively used in Poland (in 2007 there were about 39 million mobile phones in comparison to about 13 million fixed line phones) or e.g. students identification cards. As a banking sector initiative may be also regarded setting up the finance agencies, dealing with simple bill payments at the cash desk of e.g. hypermarkets (for details please see country report, stage I as well as working paper devoted to financial exclusion in NMS).

In April 2007 (ZBP initiative), the Coalition for Non-cash Turnover and Micro-payments (Koalicja na Rzecz Obrotu Bezgotówkowego i Mikropłatności), was set up. Altogether there are 32 parties from both municipal and private sector involved. One of the goals of this Coalition is to have 90% of Polish society with a bank account till 2015. The Coalition is also targeting at the intensification of the use of banks account for salaries and wages payments as well as pensions payments. The patron of the Coalition is the President of NBP.

As far as educational programmes are concerned ZBP targeted mostly students and economic journalist. Program for students is called Academic Forum of ZBP „Bank for Young”. In 2007 there was a third wave of meetings of students and banking sector representatives. Banking sector representatives are trying to search what are the needs of the young generation in relation to banking services. This dialog has helped so far banking sector to tailor offer to students needs.

1.2. PKO Bank Polski SA

PKO Bank Polski used to be the biggest, traditional retail bank for households in Poland. The bank participates in implementation of educational programs at schools and other child care facilities. PKO BP provides financing to the several competitions like: best Youth Enterprise, Economic Knowledge Competition organized by the Polish Economic Society and programs executed by the Warsaw School of Economics.

For many years (even during communist times) PKO BP has been conducting at schools the program SKO (Szkolna Kasa Oszczędności – School Savings Union) with heading “Today we save with SKO – Tomorrow with PKO”. This programme shall teach pupils to save regularly, even a small amounts of money.

2. Not for profit sector commitment

Not for profit sector activities are aimed generally at improving the level of financial education both for adults and for young people. They are not linked directly to any measures combating financial exclusion. We interviewed representatives of Microfinance Center, which is the most active and most linked to dealing with financial exclusion.

The not for profit sector commitment embraces activities of:

- Microfinance Center (MCF) based in Warsaw,

- Programme “My finance” run by Kronenberg Foundation in co-operation with National Bank of Poland and other NGOs (this may be also classified as banking sector commitment),
- SKOK (Polish system of credit unions) and SKEF (Association for Financial Education) being a part of credit unions’ system.

2.1. Microfinance Center

The Microfinance Centre for Central & Eastern Europe and the New Independent State (MFC) is an international, grass-root network of microfinance institutions from the region. The organization was launched in Warsaw and began its operations in 1997. It serves as a network of 110 microfinance institutions.

In 2004 the Consortium for Low-Income People Education was set up in order to implement training programme “Plan your future” (Zaplanuj swoją przyszłość). All around the world the programme was financed by Citigroup Foundation and coordinated by Microfinance Opportunities and Freedom from Hunger. In Poland – beside MFC – the member of the Consortium was, among others, Polish Banking Association. According to MFC, there are about 13,5 million low-income persons who need to be trained in order to control and manage scarce financial resources in a proper way. Within the framework of the project there were only pilot activities in years 2004-2005². In 2004 there was a quality survey in 3 communities conducted to validate the usefulness of special training package and to find out the best ways to reach low-income families with educational campaign. In 2005 a pilot training of which 262 persons (in 28 groups) was finalized. This training was targeted at adult persons up to 45 and also pupils (aged 16-19). MFC tried to attract whole families to promote understanding of personal finance and financial planning for all living under the same roof.

Microfinance Center plans to re-launch at the end of 2007 a program of financial education for low-income population. This initiative will be financed by grant of Levi Strauss Foundation and will be run in close co-operation with about 30 NGOs. The goal of the project is to set up local structures of financial education, which may train low income people in personal finance and financial planning. The first phase of the project is planned from

2 See: www.edufin.org.pl with two reports: Matul M., Pawlak K., Falkowski J., *Priorytety wzmacniania edukacji finansowej wśród ubogich rodzin w Polsce. Zarys zagadnienia na podstawie wyników badania jakościowego*, październik 2004 and Matul M., Pawlak K., Guzowski K., *Edukacja finansowa dla osób o niskich dochodach w praktyce. Raport z ewaluacji pilotażu warsztatów z edukacji finansowej*, lipiec 2005.

November 2007 to June 2008 – this will be mostly related to "training the trainers". After this period there will be an evaluation of these activities and information campaign. According to MFC plans the whole program shall last to 2015. The support from EU operational programmes will be probably requested.

According to MFC³, only 35% of low income people believe that financial planning is reasonable, and 87% of people is not planning for longer than a month. Only 15% of low income people make some savings, 47% borrow money from different sources and within 5% of them is in the overindebtness trap. *De facto* MFC is the only institution involved directly in education of low income people. The plans of MFC are related not only to Poland, but also to other countries in the region (e.g. Ukraina, Georgia).

2.2. Programme "My finance"

Program "My finance" (Moje finanse) is financed by the Kronenberg Foundation and the National Bank of Poland and implemented by Junior Achievement Foundation. Its direct addressees are 2,400 secondary school teachers countrywide. By 2007 over 216,000 young people shall take part in lessons and workshops provided in the Program.

"My Finances" is composed of three modules.

- 1) "I like banks" – young people learn what is money, what criteria are important when choosing a bank account, what kinds of deposits they can make, how to get a loan and avoid credit traps.
- 2) "My investments" – presents forms of saving and investing alternative to bank deposits, with their pros and cons. Knowledge taught in this module shall include rules of functioning of the capital market with its basic instruments such as shares and bonds.
- 3) "Investing towards future" – focuses on the new social security system, its legal bases, pension funds, their performance and strategies of saving towards old age, etc.

In Autumn 2005 the first training was delivered to the teachers who are going to teach "My Finance" in their schools within the curriculum subject "business basics" and in interactive workshops. All "My Finance" teachers were provided with multimedia teaching aids, films and games that are to make the teaching process more attractive and encourage pupils to take active part in the workshops and lessons.

³ MFC, *Zaproszenie do współpracy i wzięcia udziału w projekcie*, 2007, s. 2.

2.3. SKOK and SKEF

As described in the working paper devoted to the role of credit unions in NMS, credit unions in Poland (SKOK) are not very much focused on providing services to low income people and they show the signs of commercialization of their activities and taking care of middle income people (see also results of survey conducted in Poland). SKEF is an organization related to credit unions' system. The name SKEF is an abbreviation of Polish equivalents of Association for Financial Education Promotion (Stowarzyszenie Krzewienia Edukacji Finansowej). In cooperation with SKOK, SKEF is running an arbitrage court to solve claims of the consumers. From our perspective the most important achievement is the network of centers for financial and consumer advice (ODFiK – Ośrodki Doradztwa Finansowego i Konsumentkiego, www.odfik.skef.pl). They started to be build in 2001. Now 7 centers are operating only in big towns. ODFiK project has been co-financed (till 2007) by EU resources from Transition Facility 2004 (TF2004/ 016-829.02.04.04/Kon/05). The main focus of this centers activities was overindebtiness.

D.EVALUATION OF IMPACT

It is not possible to conduct an impact assessment, since there were no direct initiatives aimed at reducing financial exclusion in Poland. Evaluation of educational initiatives might be possible only in the long run, but so far no specific indicators has been built. In our opinion the MFC activities shall be evaluated and supported by the state or EU, since they are the only ones targeted at low income population.



The broad discussion on financial exclusion shall be started to work out the national strategy for dealing with financial exclusion in Poland. However, due to the high level of cross-border financial markets integration (also in the banking sector due to ownership structure), it seems to be reasonable to start a Europe-wide debate on that important issue.