

FINANCIAL STANDING OF SOCIAL ENTERPRISES ON THE EXAMPLE OF THE KUJAWSKO-POMORSKIE VOIVODESHIP

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Purpose: The main aim of the article is to assess the financial condition of social enterprises as entities influencing regional development. An additional aim is to present the legal basis for the functioning of these entities in Poland, as well as to illustrate their diversity in relation to the analysed group of entities.

Design/methodology/approach: The research methods used in the study include critical analysis of literature, law regulations, and analysis of social enterprises' financial data. The scope of research refers to 25 selected social enterprises operating in the Kujawsko-Pomorskie Voivodeship. The liquidity, profitability, and debt ratios were used and the values of selected descriptive parameters were calculated for each ratio.

Findings: The main balance sheet items of the analysed entities show values that are more characteristic for non-profit organisations than for businesses. As a result, not all indicators commonly used in financial analysis could be used, but this justified the inclusion of two additional ratios used for assessment of non-profit entities. The analysis of the financial situation indicates that the surveyed entities have a high level of liquidity. Half of them could cover their costs for at least one month with the funds they had at the end of the previous financial year. However, the fact that half of the analysed entities do not meet the equity to non-current assets ratio is worrying, as well as the existence of negative equity (fund) in some entities.

Originality/value: Taking into consideration the relatively recent introduction of social enterprise status regulations and the limited information available on the financial standing of such entities in Poland, the article complements the literature by presenting the results of the assessment of social enterprises from the Kujawsko-Pomorskie Voivodeship. In addition, the article contributes to the discussion on how to evaluate social enterprises in Poland.

Keywords: social economy; social enterprise; regional development; Kujawsko-Pomorskie Voivodeship.

Category of the paper: Research paper.

1. Introduction

The introduction of the Social Economy Act in August 2022 was a kind of closure of the ongoing period of social economy development in Poland. Under this Act, legal regulations were introduced concerning, *inter alia*, the organisation and principles of operation of a social enterprise, the principles of obtaining and losing the status of a social enterprise, or the supervision of these entities. A social enterprise, as a social economy entity, is supposed to conduct activity for the benefit of the local community in the field of social and professional reintegration, creation of jobs for people at risk of social exclusion, and provision of social services, realised in the form of economic activity, public benefit activity, and other activity of a payable nature (Ustawa..., 2022, art. 1-2). The tasks resulting from the Act for social enterprises determine their possible impact on regional development.

The issue of regional development, and more specifically the determinants of regional development, is the subject of many research studies (see, e.g., Korenik, 2003; Tuziak, 2023; Spychała, Spychała, 2022). In the literature, the regional development factors are classified in different ways. Taking into consideration the type of those factors we may divide them into: economic factors (e.g., capital, demand and changes in its structure, business efficiency or the employment rate), social factors (e.g., growth and changes in the structure of consumption, rate and nature of urbanisation, increase in the level of education, increase in activity and popularisation of entrepreneurial behaviour), technical factors (e.g., development of technical and implementation facilities, diversification and improvement of production quality, development of high-tech industry), environmental factors (e.g., development of environmental protection and rationalisation of its resources management, implementation of recycling), political factors (e.g: the nature of the authorities, the scope of their competences or their level of legitimacy by society) (Korenik, 2003, p. 65). Creating new jobs for people at risk of social exclusion in social enterprises and providing them with appropriate reintegration support may be indicated as an element of the economic and social factors of regional development. The provision of social services to local communities is also an important area of activity that determines the potential for social and economic development (Stachowicz, Szewczyk, Wiśniewski, 2023, p. 2). The activity of social enterprises can also influence the level of social capital, which determines the development of the region by affecting, among other things, the scope and effectiveness of network cooperation, as well as the efficiency of public institutions, particularly local and regional authorities (Tuziak, 2023, p. 372). Through activities at the regional level, the social economy thus takes on particular importance in voluntarily bottom-up solving local community problems and supporting regional development activities.

The main aim of the paper is to assess the financial condition of social enterprises as entities influencing regional development. A good (stable) financial condition determines the scope and effectiveness of the tasks undertaken by these entities. The critical issue in evaluating the

financial situation in the short term is to maintain an adequate level of liquidity and also to ensure a secure method of financing activities, including an assessment of debt levels and the relationship between the structure of assets and sources of financing. The study analysed the financial situation of 25 entities from the Kujawsko-Pomorskie Voivodeship in the years 2021-2022, which obtained the status of a social enterprise according to the Social Economy Act and which, in the analysed period, had this status based on previously valid legal regulations in at least one of the analysed years.

Entities with social enterprise status must be able to operate in a competitive market economy, hence it is necessary to assess their financial health as they deliver activities in the public sphere. However, it should be taken into account that, apart from the financial result, the achievement of specific social goals is also important, as these entities operate on the borderline between the business sector and the non-profit sector. Therefore, in the analysis carried out, due to the nature of the social enterprise status, in addition to the typical financial ratios used to assess the financial situation of enterprises, the ratios used for assessing public benefit organisations were also applied.

An additional aim of the article is to present the legal basis for the functioning of entities with the status of social enterprise in Poland, and to illustrate the diversity of these entities in terms of legal form and type of activity in relation to the analysed group of entities. The research methods used in the article include a critical analysis of the literature and current legislation, as well as an analysis of financial data from the financial statements of social enterprises. For each of the financial indicators used selected descriptive parameters were calculated.

Given the relatively recent introduction of regulations concerning the status of social enterprise and the little information available on the financial situation of such entities in Poland, the article complements the Polish literature on the subject by presenting the results of an analysis of social enterprises from the Kujawsko-Pomorskie Voivodeship. In the foreign literature, studies can be pointed out on assessing the situation of social enterprises using financial data. For example, E.A.M. Searing, on the basis of panel data, analysed which financial characteristics may indicate resilience to financial deterioration or the ability to recover from a difficult financial situation with respect to small and young social enterprises from the United States (2021). In contrast, S. Guan, S. Tian, and G. Deng analysed the impact of diversification and revenue structure on the financial health of Chinese social enterprises (2021). V. Gelashvili, M. del Mar Camacho-Minano, and M.J. Segovia-Vargas, using indicator analysis, analysed the economic and financial situation of social enterprises operating in Madrid (2020). On the other hand, L. Mook, A. Chan, and D. Kershaw, in a case study analysis, proposed a measure of social return on investment to be used to evaluate a social enterprise (2015). As for Polish publications on the subject of social enterprises, they refer rather to the theoretical background of social economy entities (Kaczocha, Sikora, 2023; Chojnacka, 2019), the benefits of the entities for regional development (Janowski, 2020) or the evaluation of the effectiveness of the use of financial support obtained by social enterprises (Oliński, 2020).

The article is organised into an introduction, sections on the status of the social enterprise, the research methodology, the obtained results of the analysis of the financial situation of selected social enterprises from the area of the Kujawsko-Pomorskie Voivodeship, and the summary.

2. Status of social enterprise in Poland

The legislation on the status of social enterprise is, *inter alia*, the result of actions taken for many years to develop the social economy in Poland. These actions have also been supported by funding from European Union funds. In particular, they were connected to the Europe 2020 strategy adopted in 2010, which identifies inclusive growth, supporting a high-employment economy that ensures social and territorial cohesion, as key priorities (KPRES, 2014, p. 11). In the 2004-2006 programming period, the development of the social economy was supported under the instrument of the EQUAL Community Initiative Programme, while in the 2007-2013 period, the Operational Programme Human Capital (Pacut, 2010, p. 52). In the next programming period 2014-2020, support for the social economy sector took place both within the Regional Operational Programmes and at the national level, in the Operational Programme Knowledge Education Development, under which the ‘Development of social economy’ activity was implemented (it included, *inter alia*, start-up loans for entities starting up or operating for up to 12 months and development loans for entities operating for more than 12 months) (Informacja..., 2022, p. 29). During this period, the social enterprise model was implemented and popularised, in which it was possible to conduct paid public benefit activity, other paid activity or economic activity (Stachowicz, Szewczyk, Wiśniewski, 2023, p. 25).

Detailed requirements for a social enterprise were included in the Guidelines of the Minister of Investment and Development on the implementation of projects in the area of social inclusion and poverty reduction using the resources of the European Regional Development Fund for 2014-2020 (hereinafter referred to as CT9 Guidelines). The guidelines were aimed at ensuring compliance of actions undertaken within the framework of thematic objective 9 Promoting social inclusion, combating poverty, and all discrimination (including investment priority 9v entitled Supporting social entrepreneurship and professional integration in social enterprises and the social and solidarity economy to facilitate access to employment) with the National Programme for Combating Poverty and Social Exclusion and the National Programme for the Development of the Social Economy (Informacja..., 2022, pp. 7-8).

According to the Ministerial Guidelines, a social enterprise is a social economy entity that fulfils all of the following conditions (Wytyczne..., 2019, pp. 12-14):

1. it has legal personality and conducts business activity registered in the National Court Register or paid public benefit activity or educational activity or cultural activity within the meaning of the relevant acts;
2. it employs a minimum of 30% of people belonging to at least one of the groups of persons at risk of social exclusion defined in the guidelines and conducts a reintegration process, agreed with them and specified in time, towards these employed persons, aimed at acquiring or regaining professional qualifications or key competences;
3. it does not distribute its profit or balance sheet surplus to its shareholders or employees, but uses it to strengthen the enterprise's potential as non-distributable capital and a specific part for professional and social reintegration;
4. it is democratically managed (the governance or ownership structure of the social enterprise is based on co-management in the case of cooperatives, employee shareholding, or employee participation principles, as defined by the entity in its statutes or other founding document);
5. the average monthly remuneration of all employees, including management staff, does not exceed 3 times the average monthly remuneration in the enterprise sector announced by the President of the Central Statistical Office for the previous year;
6. employs on the basis of an employment contract, cooperative employment contract or civil law contract (excluding persons employed on the basis of civil law contracts who carry out business activities) at least three persons with a working time of at least $\frac{1}{4}$ full time, and in the case of civil law contracts for a period of not less than 3 months and comprising not less than 120 hours of work in total for all months, maintaining the indicated proportion of employment.

The requirements for social enterprises presented in the CT9 Guidelines have largely impacted the current regulations for social enterprise status, contained in the Social Economy Act enacted on 5 August 2022. The social enterprise status can be obtained by entities such as (Małecka-Łyszczek, Mędrzycki, 2023):

- social cooperatives,
- work cooperatives, including cooperatives of disabled and cooperatives of the blind, and agricultural production cooperatives,
- non-governmental organisations with the exception of political parties, European political parties, trade unions and employers' organisations, professional associations, foundations established by political parties and European political foundations,
- legal persons and organisational units acting on the basis of the regulations on the relation between the State and the Catholic Church in the Republic of Poland, the relation between the State and other churches and religious associations, and on guarantees of freedom of conscience and religion, if their statutory goals include conducting public benefit activity,

- associations of local government units,
- joint-stock companies and limited liability companies, as well as sports clubs being companies operating in accordance with the regulations of the Sports Act of 25 June 2010, which do not operate with a view to making profit and allocate their total income to the pursuit of their statutory objectives, and do not distribute profits among their shareholders and employees,
- entities constituting social economy entities (entities that, based on the regulations of the Act of 27 August 1997 on professional and social rehabilitation and employment of disabled persons or the Act of 13 June 2003 on social employment, organised, respectively, an occupational therapy workshop, established a professional activity workshop or a social integration centre, or run a social integration club).

If these entities carry out paid public benefit activity, as defined in the Act of 24 April 2003 on public benefit activity and voluntary work, or economic activity, as defined in the Act of 6 March 2018 - Entrepreneurs' Law or other activities of a payable nature. In addition, the condition must be met that the State Treasury, a local government unit, a state or local government legal person, or a natural person does not have control over the aforementioned entities within the meaning of Article 4(4) of the Act on Competition and Consumer Protection of 16 February 2007, excluding social cooperatives established by persons referred to in Article 4.2, point 2 of the Act on Social Cooperatives of 27 April 2006 (Ustawa..., 2022, Article 3).

Article 4 of the Social Economy Act explicitly indicates that the activity of a social enterprise is to serve local development by performing at least one of the two indicated objectives covering 1) social and professional reintegration of persons at risk of social exclusion and 2) implementation of social services. A social enterprise that realises the first of the indicated objectives is also supposed to perform the function of creating new jobs for persons at risk of social exclusion in social enterprises. These persons are to represent at least 30% of the total number of employees, are to perform work on the basis of an employment contract or a cooperative employment contract, and each person at risk of social exclusion is to be employed at least 1/2 full time (Ustawa..., 2022, art. 5). It should be emphasised that the regulations of the Social Economy Act define the concept of persons at risk of social exclusion as broadly as possible. In particular, social exclusion includes the lack of or limited opportunities to participate in social, political, cultural, or economic life (Stachowicz, Szewczyk, Wiśniewski, 2023, p. 14).

According to the regulations implemented, a social enterprise should have a consultative and advisory body, and it may not allocate the profit or balance sheet surplus obtained from its paid public benefit activity, economic activity or other activity of a paid nature for distribution among its members, shareholders, and persons employed in it (Ustawa..., 2022, art. 7, art. 9(1)).

The adopted social enterprise regulations are in line with the principles presented in the National Programme for the Development of the Social Economy until 2023, which distinguishes social-economy entities, as recognised by (KPRES, 2019, p. 9):

- the priority of social objectives over economic objectives,
- the priority of providing services to members, employees, or the community over categories of absolute profit,
- autonomous governance and participatory decision-making,
- carrying out activities on a regular basis using economic instruments and bearing economic risks related to these activities.

3. Social enterprises in the Kujawsko-Pomorskie Voivodeship

3.1. Research Methodology

The list of entities that have obtained the status of a social enterprise according to the regulations set out in the Social Economy Act is available on the website containing the Register of Social Assistance Units at: https://rjps.mrips.gov.pl/RJPS/RU/start.do?id_menu=59. For the purpose of this article, a list of 66 enterprises from the Kujawsko-Pomorskie Voivodeship that have obtained social enterprise status as of 31 July 2023 has been downloaded. To obtain financial data for at least two financial years (2021 and 2022), the list of analysed enterprises was limited to those entities from the Register of Social Assistance Units, which at the same time were social enterprises operating under the CT9 guidelines. This list was obtained from the Social Enterprise Database on the website of the Department of Social Economy at: <http://www.bazaps.ekonomiaspoleczna.gov.pl/>. In this way, a list of 55 social enterprises operating in the Kujawsko-Pomorskie Voivodeship was obtained. Furthermore, entities which gained the status of a social enterprise in 2022 (based on the CT9 guidelines), as well as those whose financial statements were not available through the Financial Documents Repository or the attached files could not be read correctly, were excluded from the analysis.

The procedure used to assess the financial situation resulted in data from 25 entities with the status of a social enterprise. These entities have different legal forms, as presented in Table 1. Among the examined sample, the largest share is held by social cooperatives - 13 entities, and foundations - 8 entities. In total, 45% of all entities operating in the Kujawsko-Pomorskie Voivodeship that had the status of a social enterprise according to the CT9 Guidelines and obtained this status according to the guidelines contained in the Social Economy Act by 31 July 2023 were analysed.

Table 1.

Legal forms of the entities with the status of a social enterprise from the Kujawsko-Pomorskie Voivodeship in the analysed period

Legal form	Number of all entities with the status of social enterprise	Number of examined entities with the status of social enterprise	Share of the examined entities in all social enterprises
Social cooperatives	21	13	61.90%
Foundations	17	8	47.06%
Associations	4	2	50.00%
Non-profit companies (limited liability companies)	13	2	15.38%
Total	55	25	45.45%

Source: own elaboration.

Table 2 presents additional characteristics of the entities analysed, such as the date of registration of their activity, the main business activity, the purpose of their activity as a social enterprise, as well as the period for which the social enterprise status was obtained according to the CT9 Guidelines and the date of obtaining the status based on the Social Economy Act. The analysed entities are characterised by different periods of activity; the oldest entity has been operating since mid-2006, while 7 entities registered their activity as recently as 2020.

The main scope of activity in the analysed group includes: administrative and support service activities (5), health care and social work activities (4), accommodation and food service activities (3), water supply and sewage and waste management and remediation activities (3), professional, scientific and technical activities (3), education (2), arts, entertainment and recreation activities (2), construction (2), information and communication (1). For 12 entities, the purpose of the activity is only the reintegration activity, for 4 the realisation of social services, while the rest of the entities realise both those purposes. Summarising the characteristics of the analysed entities, attention should be paid to their diversity in terms of legal form, type of business activity, and purpose of activity, as well as the period of activity.

Table 2.

Characteristics of the examined entities with the status of a social enterprise from the Kujawsko-Pomorskie Voivodeship

No.	Date of business registration	Main business activity	Purpose of activity: Reintegration Activity (RA)/ Realisation of Social Services (RSS)	Status period according to CT9 guidelines	Date of obtaining status under the Social Economy Act
1	2006.05.25	Education	RSS	2021.09.30 2023.03.29	2023.02.13
2	2008.11.04	arts, entertainment and recreation activities	RA; RSS	2022.05.12 2023.11.11	2023.02.22
3	2010.02.08	accommodation and food service activities	RA; RSS	2020.01.20 2023.01.19	2023.02.13
4	2010.02.11	health care and social work activities	RA; RSS	2021.06.01 2022.11.30	2023.02.17

Cont. table 2.

5	2013.12.06	administrative and support service activities	RA	2020.02.21 2023.02.20	2023.03.17
6	2014.06.25	accommodation and food service activities	RA; RSS	2020.02.01 2023.01.31	2023.07.11
7	2016.08.31	education	RA; RSS	2019.04.05 2023.09.22	2023.06.23
8	2017.03.23	construction	RA	2019.07.26 2024.01.26	2023.02.13
9	2017.06.30	administrative and support service activities	RA; RSS	2020.01.18 2023.01.17	2023.04.07
10	2017.07.11	health care and social work activities	RSS	2018.10.19 2023.05.02	2023.02.17
11	2017.10.18	accommodation and food service activities	RA	2021.12.10 2023.06.10	2023.07.20
12	2017.11.24	water supply and sewage and waste management and remediation activities	RA	2020.02.09 2023.02.09	2023.02.20
13	2018.04.26	administrative and support service activities	RA	2020.01.07 2023.01.28	2023.02.13
14	2018.05.10	administrative and support service activities	RA	2019.07.01 2024.04.24	2023.06.06
15	2018.06.15	information and communication	RA	2018.11.05 2023.05.20	2023.05.04
16	2018.07.11	water supply and sewage and waste management and remediation activities	RA	2019.12.11 2024.03.27	2023.07.06
17	2018.07.23	administrative and support service activities	RA	2019.12.11 2024.03.27	2023.07.06
18	2019.10.08	professional, scientific, and technical activities	RSS	2022.05.27 2023.11.26	2023.04.13
19	2020.01.31	health care and social work activities	RA; RSS	2021.09.23 2023.03.22	2023.01.19
20	2020.02.12	arts, entertainment and recreation activities	RSS	2020.09.21 2023.11.02	2023.07.26
21	2020.03.02	water supply and sewage and waste management and remediation activities	RA	2020.06.17 2024.04.09	2023.07.06
22	2020.03.03	health care and social work activities	RA	2020.06.17 2024.04.09	2023.07.06
23	2020.03.19	professional, scientific, and technical activities	RA	2020.07.23 2023.07.22	2023.07.13
24	2020.08.20	professional, scientific, and technical activities	RA; RSS	2020.09.08 2024.04.11	2023.02.03
25	2020.12.30	construction	RA; RSS	2022.04.20 2023.10.19	2023.07.14

Source: own elaboration.

The evaluation of the financial situation was based on financial data obtained from the financial statements. However, it should be noted that the entities use different financial statement templates, which affects the scope of financial data available to be used in the analysis. In the analysed group, the largest number of entities - 12 - presented financial statements in accordance with Appendix No. 6 to the Accounting Act, which is intended for non-governmental organisations, 7 entities, which included mainly social cooperatives used Appendix No. 1, which is characterised by the widest range of financial data, another 4 social

cooperatives used Appendix No. 5 for small entities, while two entities used the least extended Appendix No. 4 for micro entities (Table 3).

Table 3.

Template of financial statements used by examined entities with the status of a social enterprise from the Kujawsko-Pomorskie Voivodeship

Legal form	Template of financial statement according to the annexes to Accounting Act			
	annex no. 1	annex no. 4	annex no. 5	annex no. 6
Social cooperatives	6	1	4	2
Foundations	0	0	0	8
Associations	0	0	0	2
Non-profit companies (limited liability companies)	1	1	0	0
Total	7	2	4	12

Source: own elaboration.

The conducted analysis used indicators aimed at assessing the financial situation in terms of profitability, maintenance of liquidity, and ways of financing activities. Table 4 presents the financial ratios used in the analysis and how they were calculated in relation to the various financial statement templates from which the financial data was obtained.

Table 4.

Indicators used in the analysis and calculation method depending on the financial statement template

Ratios	Template of financial statement according to the annexes to Accounting Act			
	annex no. 1	annex no. 4	annex no. 5	annex no. 6
Return on total revenue ROS	net profit (loss)/ (net sales revenue + other operating income + financial income)	net profit (loss)/ (core operating revenues + other income and profits)	net profit (loss)/ (net sales revenue + other operating income + financial income)	net profit (loss)/ (revenue from statutory activities + revenue from business activities + other operating income + financial income)
Return on assets ROA	net profit (loss)/ total assets	net profit (loss)/ total assets	net profit (loss)/ total assets	net profit (loss)/ total assets
Return on equity ROE	net profit (loss)/ equity	net profit (loss)/ equity	net profit (loss)/ equity	net profit (loss)/ own fund
Current ratio	current assets/ short-term liabilities	current assets/ (liabilities and provisions for liabilities – provisions for liabilities)	current assets/ short-term liabilities	current assets/ short-term liabilities
Quick ratio	(current assets – inventory)/ short-term liabilities	(current assets – inventory)/ (liabilities and provisions for liabilities – provisions for liabilities)	(current assets – inventory)/ short-term liabilities	(current assets – inventory)/ short-term liabilities

Cont. table 4.

Cash ratio	current investments/ short-term liabilities	current investments/ (liabilities and provisions for liabilities – provisions for liabilities)	current investments/ short-term liabilities	current investments/ short-term liabilities
Stability ratio	current investments _t *365/ total costs _{t+1}	current investments _t *365/ total costs _{t+1}	current investments _t *365/ total costs _{t+1}	current investments _t *365/ total costs _{t+1}
Debt ratio	liabilities and provisions for liabilities / total assets	liabilities and provisions for liabilities / total assets	liabilities and provisions for liabilities / total assets	liabilities and provisions for liabilities / total assets
Non-current asset financing ratio	equity/ non-current assets	equity/ non-current assets	equity/ non-current assets	own fund/ non-current assets
Equity ratio	equity/ total income	equity/ total income	equity/ total income	equity/ total income

Source: own elaboration on the basis: (Gelashvili, Camacho-Miñano, Segovia-Vargas, 2020; Chojnacka-Pelowska, Górecka, 2023; Chang, Tuckman, 1991).

For every indicator, the value of the arithmetic mean and median was presented, as well as other descriptive statistics that illustrate the distribution of the indicator under study and its variability, such as maximum value, minimum value, upper and lower quartiles, and skewness, were calculated. A limitation in conducting financial analysis among social enterprises is the fact that there are levels of selected balance sheet items that are more characteristic of non-profit organisations than of entities carrying out business activities. This is illustrated in the next two tables (Tables 5 and 6), which contain characteristics of such balance sheet items as non-current assets, current assets, short-term investments, equity (fund), net financial result, liabilities and provisions for liabilities and short-term liabilities.

Table 5.

Descriptive parameters of selected assets balance sheet items in the examined social enterprises from the Kujawsko-Pomorskie Voivodship (in thousand PLN)

Description	Non-current assets		Current assets		Short-term investment	
	2021	2022	2021	2022	2021	2022
Maximum	700.01	4 059.01	2 916.25	4 833.36	1 963.58	3 529.55
Upper quartile	137.95	145.41	214.83	395.31	201.13	166.08
Median	55.62	70.15	102.39	74.09	67.70	46.86
Lower quartile	35.33	40.57	65.43	42.57	15.56	27.31
Minimum	0.00	0.00	0.10	12.08	0.02	6.84
Mean	119.24	289.52	335.92	413.14	214.06	274.49
CV (in %)	139.73	277.33	184.28	233.57	195.90	258.25

Source: own elaboration.

Table 6.

Descriptive parameters of selected equity and liabilities balance sheet items in the examined social enterprises from the Kujawsko-Pomorskie Voivodship (in thousand PLN)

Description	Equity (own fund)		Net financial result		Liabilities and provisions for liabilities		Short-term liabilities	
	2021	2022	2021	2022	2021	2022	2021	2022
Maximum	933.13	1 619.29	680.99	998.93	2 457.29	3 980.86	1 343.79	1 134.03
Upper quartile	166.03	197.48	89.18	62.00	286.95	307.39	215.12	181.16
Median	71.92	55.25	19.85	22.16	108.53	103.27	31.40	50.98
Lower quartile	7.28	29.41	2.38	-13.56	33.88	47.71	8.99	10.77
Minimum	-193.56	-108.64	-63.41	-97.32	0.00	2.07	0.00	0.75
Mean	145.74	211.98	81.95	64.10	306.01	490.68	164.76	159.59
CV (in %)	176.58	185.47	188.27	332.78	172.25	211.11	172.31	162.67

Source: own elaboration.

The values presented for each statistical measure of selected balance sheet items confirm both the large diversity of the analysed financial data among the analysed entities in a single year and the significant changes in these values between years. It is worth noting that 5 entities in 2021, and 3 entities in 2022 had no non-current assets. In the years studied, 19 entities had no inventories, while all the social enterprises analysed had no provisions for liabilities. Due to some specific level of selected balance sheet items, the following assumptions were additionally made in the analysis carried out:

- each ratio was calculated for a group of the same entities in 2021 and 2022 (an entity for whom ratio could not be calculated in one of the analysed years was also excluded from the calculation for the other period),
- observations for which the indicator could not be correctly interpreted or could not be calculated because the value of the denominator was zero were excluded from the calculations,
- data for entities with negative equity (fund) for the calculation of the return on equity (fund) ratio, debt ratio, asset financing ratio and equity (fund) ratio were not included.

As a consequence of these assumptions, the number of observations used to calculate statistical measures for each ratio is less than 25 (the exact number of observations is given in the tables).

3.2. Results

Table 7 presents the results of the financial analysis in terms of the liquidity assessment carried out on the basis of three ratios examining liquidity in static perspective (current ratio, quick ratio and cash ratio). Additionally, the financial stability ratio was used in this aspect of the analysis, by means of which it is measured how long the short-term investments held at the end of the previous financial year, i.e. the assets with the highest degree of liquidity, comprising mainly cash and cash equivalents, will last for the new financial year. The results obtained using the financial stability ratio are presented as the number of days that the short-term investments held are sufficient to finance the costs of the business, assuming that most of the costs are the

same as the cash outflow (Dyczkowski, 2015b, pp. 152-153). This is one of several indicators used to assess the economic efficiency of a non-profit/ public benefit organisation's operations (Dyczkowski, 2015a).

Table 7.

Selected descriptive statistics of the liquidity ratios in analysed social enterprises from the Kujawsko-Pomorskie Voivodship

Description	Current ratio		Quick ratio		Cash ratio		Stability ratio
	2021	2022	2021	2022	2021	2022	2022
No. of observations	24	24	24	24	24	24	24
Maximum	48.12	77.09	48.12	77.09	45.05	70.61	205 days
Upper quartile	6.56	4.55	6.56	4.52	5.50	3.12	66 days
Median	2.26	2.26	2.24	2.22	1.50	1.33	30 days
Lower quartile	1.25	1.10	1.25	1.10	0.57	0.53	4 days
Minimum	0.02	0.37	0.02	0.37	0.00	0.16	0 days
Mean	5.75	9.44	5.74	9.44	4.48	6.86	50 days
Skewness	3.77	2.76	3.77	2.77	3.93	3.29	1.40

Source: own elaboration.

In the analysed group of social enterprises, the average value of liquidity ratios is high, and the value of these ratios increases in 2022 compared to the previous year. The results obtained for the current liquidity ratio and the quick liquidity ratio for both years analysed are very similar, which is the result of the fact that most of the analysed entities did not have inventories. In 2022, on average, the value of current assets held exceeded the value of current liabilities by more than nine times, while short-term investments exceeded the value of current liabilities by more than six times. The average values are also significantly higher than the median; hence it implies that liquidity ratios are below average for most entities. In 2022, half of the analysed entities had a cash ratio of more than 1.33. A positive skewness ratio for all years and ratios analysed indicates right-handed asymmetry.

The results obtained may in fact indicate significant over liquidity occurring among the analysed entities, however, they are mainly related to the low level or lack of short-term liabilities in the analysed social enterprises. Therefore, in the author's opinion, it is worth using the proposed financial stability indicator for the analysis, which, due to its construction, omits the limitation indicated above. As data from the previous period are also used to calculate the indicator for a given year, the results obtained apply only to 2022. Short-term investments held at the end of 2021 would on average be sufficient for 50 days of activity in 2022 (assuming that all costs of 2022 would involve a cash outflow). In $\frac{1}{4}$ of the entities, this was only sufficient for 4 days of activity, while in half it was sufficient for more than 30 days.

Table 8 provides the results obtained for selected profitability ratios in the analysed entities.

Table 8.

Selected descriptive statistics of profitability ratios in analysed social enterprises from the Kujawsko-Pomorskie Voivodship

Description	ROS		ROA		ROE	
	2021	2022	2021	2022	2021	2022
No. of observations	24	24	24	24	20	20
Maximum	36.55%	17.98%	63.99%	87.38%	118.45%	93.71%
Upper quartile	7.53%	8.35%	17.87%	23.63%	73.27%	75.83%
Median	3.27%	4.62%	10.65%	17.67%	45.30%	33.67%
Lower quartile	0.42%	-1.06%	3.32%	0.95%	18.17%	9.43%
Minimum	-14.65%	-22.98%	-104.15%	-74.28%	-241.92%	-134.68%
Mean	6.30%	2.05%	9.66%	13.19%	33.95%	28.10%
Skewness	1.03	-1.16	-1.72	-0.37	-2.69	-1.29

Source: own elaboration.

The profitability analysis was limited to the three most frequently used ratios of return on assets (ROA), return on equity (ROE), and return on revenue (ROS). However, given that the financial statements of the analysed entities were presented in accordance with various annexes to the Accounting Act, in order to ensure the highest possible comparability of data, the author decided to calculate the ROS ratio taking into account the value of net result and the total value of revenue. Due to the low value of financial income and financial expenses in the analysed entities, it can also be assumed that the ROS ratio calculated in this way is a good approximation of operating profitability. In the considered period, the mean and median values of the analysed profitability ratios were at different levels. The average profitability of total revenues in 2022 decreased by 4.25 percentage points compared to 2021, but half of the analysed entities improved the profitability of total revenues in 2022 compared to the previous year. The arithmetic mean for ROE was at a similar level in the years studied, but half of the analysed entities achieved a lower ROE in 2022 compared to 2021. The considerable differences in the calculated values of ROA, ROE, and ROS ratios in the years under study result, among other things, from the high variability of the financial result, which is heavily dependent on the subsidies obtained or the instruments intended for social enterprises to support their business purposes. In addition, the analysed entities often have low and/ or significantly changing values of the main balance sheet items, which are used to calculate profitability ratios.

Table 9 shows the results of the analysis carried out in terms of the selected business financing ratios in the social enterprises. The analysis was based on the general debt ratio, which informs about the extent to which assets are financed by liabilities, as well as a ratio illustrating the so-called golden balance sheet rule, according to which non-current assets should be financed by a stable source of financing, such as equity (own fund). From the literature concerning the financial analysis of non-profit organisations, an additional equity (own fund) ratio has been adopted. It was calculated as the relation of equity (own fund) to total revenue. The reason for this is that in the event of a periodic lack of revenue, the entity can use its net assets (corresponding in value to equity) to finance its activities. A larger proportion of equity (own fund) in relation to total revenue provides greater security in that the corresponding

net assets are more likely to replace revenue in times of financial distress (Chang, Tuckman, 1991, p. 660).

Table 9.

Selected descriptive statistics of business financing ratios in analysed social enterprises from the Kujawsko-Pomorskie Voivodship

Description	Debt ratio		Non-current asset financing ratio		Equity ratio	
	2021	2022	2021	2022	2021	2022
No. of observations	20	20	18	18	21	21
Maximum	96.97%	87.66%	26.41	63.14	0.65	0.81
Upper quartile	83.40%	70.67%	2.64	2.18	0.22	0.19
Median	59.56%	54.03%	1.37	0.73	0.09	0.15
Lower quartile	29.86%	29.80%	0.52	0.60	0.04	0.08
Minimum	0.00%	2.79%	0.06	0.18	0.02	0.04
Mean	54.52%	51.01%	2.83	4.68	0.17	0.21
Skewness	-0.40	-0.36	3.98	4.20	1.57	2.03

Source: own elaboration.

The values of the arithmetic mean and median indicate that, over the period studied, the analysed social enterprises reduced the share of liabilities in asset financing. In 2022, on average, they financed their assets with liabilities of around 51%, while $\frac{1}{4}$ of the entities had debts of more than 70% of assets. As for the non-current asset financing ratio, the value obtained for the arithmetic mean indicates a very secure way of financing non-current assets - in 2022 equity is more than 4 times higher than non-current assets. Nevertheless, the positive skewness suggests that for the majority of entities the non-current asset financing ratio reaches values below the average. Considering the median, it turns out that in 2022, half of the analysed entities had this ratio below 1, which means that the principle of secure financing of non-current assets was not met, as the non-current assets were also partly financed by liabilities.

The results obtained for the equity (own fund) ratio may indicate that more of the analysed social enterprises were better secured in 2022 compared to 2021. In 2022, equity (own fund) represented on average 21% of total revenues (compared to 17% in 2021), while in half of the analysed entities it was at least 15% (compared to 9% in 2021).

4. Summary

The aim of the article was to assess the financial standing of social enterprises from the Kujawsko-Pomorskie Voivodship as entities influencing regional development through the tasks they perform, such as: social and professional reintegration of people at risk of social exclusion and the delivery of social services. A good and stable financial situation determines the scope and effectiveness of the tasks undertaken by these entities.

The study identified significant problems in carrying out the analysis which included the great diversity of entities with the status of social enterprise both in terms of legal form, scope of activity, and scope of financial data. Furthermore, the limited number of entities analysed was also due to the unavailability of financial statements in the Financial Document Repository or the submission of incomplete files.

The next problem in assessing the financial situation of entities with social enterprise status arises from the purpose of their operation. On the one hand, these entities are supposed to achieve selected social goals, but on the other hand, they are not typical non-profit entities, so taking into account in the assessment of their financial condition the typical indicators used to assess profit-orientated entities seems reasonable. It turned out that selected balance sheet items of the analysed entities have values that are more characteristic of non-profit organisations than of entities running a business. This meant that not all ratios commonly used in financial analysis could be used, and also justified the use of two additional ratios used to assess non-profit entities.

An assessment of the financial situation of the selected social enterprises from the Kujawsko-Pomorskie Voivodeship, conducted on the basis of financial ratios, indicates that they have a high level of liquidity. Half of the analysed entities could cover their costs for at least one month using funds held at the end of the previous financial year. A certain level of security is also confirmed by the increasing level of the equity (own fund) ratio. The net asset value, which represents equity (own fund), provides a higher level of security in 2022 in the event of periodic revenue shortfalls. However, the fact that principle of secure financing of non-current assets by equity was not met in half of the entities, as well as the existence of negative equity (own fund) in some entities is worrying.

The considerable difficulty lies in assessing the profitability of social enterprises. It seems that these entities should show positive profitability, still, taking into account the purpose of their activities, high profitability should not be expected. Among the analysed entities the number of entities that show a negative financial result increased in 2022. In addition, the respective values of such items as equity or total assets in these entities cause great problems in the correct assessment of the results obtained.

An undoubted limitation of the study is the small number of entities involved in the research and the short research period. Taking this into account, and also the fact that entities with social enterprise status obtained under the Social Economy Act are in the early stages of their activities, it seems necessary to continue research in the future. The future studies should focus both on developing methods for assessing the financial situation of these entities or monitoring their performance in the context of financial independence and methods of financing social economy initiatives.

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