The financial situation of enterprises and its impact on monetary and fiscal policies, Poland 1992–93*

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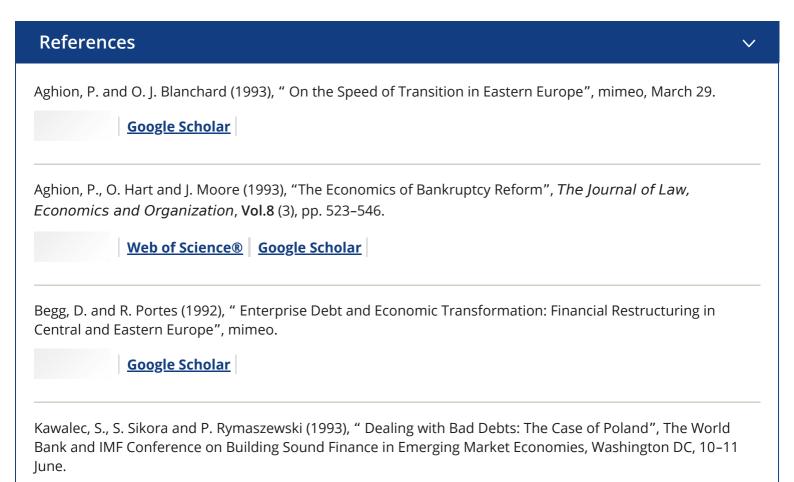TEL:071 955 7510

1. Introduction

This is the first detailed study of enterprise finances in a country of Central and Eastern Europe during transition. It is based on enterprise data collected monthly by the Polish Central Statistical Office. Its primary purpose is to provide answers to questions about

the size of enterprise debt, particularly bad debt, to banks, other enterprises, and the government; about its distributions by sector of activity and type of ownership; and about its evolution over time.

The central findings are, firstly, that the bad debt is a large proportion of total debt, both to banks and enterprises, and, secondly, that it is highly concentrated. The study identifies enterprises, in terms of sales (and possibly employment) representing about a tenth of the whole enterprise sector, whose debt in relation to the total income of these enterprises is particularly large. In terms of financial situation and the softness of the budget constraint, these enterprises have been (and are) distinctly different from most other enterprises, forming effectively a 'black hole' in the economy. The Polish enterprise sector has thus been found to have, in 1992-3, a heavily pronounced dual structure: about 90% of it is almost debt-free while about 10% of it has accumulated large debts to banks, the government and other enterprises.

The paper also discusses the implications of these findings for the conduct of fiscal and monetary policies of the central authorities and for the lending policy of commercial banks. For the purpose of disciplining both state banks and enterprises, it advocates an initially incomplete re-capitilization of banks and the use of banks for financial and physical restructuring of indebted enterprises.

2. Data

The Polish Central Statistical Office (CSO) divides all enterprises (legal persons), irrespective of ownership, into three categories: large (L), medium (M) and small (S).

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Citing Literature

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