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The Administration of Financial Institutions and the Social Economy

Abstract

This paper analyses the relationship between the administration of financial institutions and the social economy. The aim of this study is to demonstrate that the administration of financial institutions not only exercises a supervisory function over the social economy sector but also helps shape the conditions for its operation and development. The paper assumes that social economy entities operate in a complex normative and financial environment shaped by administrative, financial, and public finance laws, as well as regulations concerning public aid. The study employs a formal-dogmatic approach and a critical literature review, supplemented by an analysis of selected data and reports on funding sources and barriers to development. It was demonstrated that the formal availability of support instruments does not necessarily determine their actual usefulness, as procedural requirements, the level of formalisation, access to repayable instruments, and the ability of financial institutions to account for the specific nature of social economy entities are also of significant importance.

KEYWORDS: social economy, financial institutions, public aid, financial instruments

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1 Introduction

The subject of this paper is the relationship between the administration of financial institutions and the social economy. This topic is gaining in importance as the role of the social economy in the performance of public tasks grows, and as social economy entities become increasingly linked to public financing mechanisms. In the Polish legal system, the basic framework for this sphere is set out in the Act of 5 August 2022 on the social economy,[1] which regulates, amongst other things, the status of social enterprises, support instruments and the model of administrative supervision exercised by the provincial governor. The institutional background of the financial market is formed, *inter alia*, by the Act of 27 August 2009 on Public Finance,[2] the Act of 17 December 2004 on Liability for Breaches of Public Finance Discipline,[3] and the Act of 21 July 2006 on Financial Market Supervision.[4]

The aim of this study is to analyse the relationship between the administration of financial institutions and the social economy, with particular emphasis on the impact of public law regulations and financing mechanisms on the operating conditions of social economy entities. This issue is interdisciplinary in nature, as it encompasses matters pertaining to administrative law, financial market law, public finance law and social policy. Consequently, it requires a perspective that goes beyond the traditional view of the financial sector as a purely market-driven area, and of the social economy as a sphere exclusively civic or charitable.

The starting point for further discussion is the assumption that the relationship between the administration of financial institutions and the social economy is enduring and systemic. It is not limited solely to individual instances of granting credits, loans, grants or subsidies, but concerns the overall organisational and regulatory framework within which social economy entities operate. The administration of financial institutions influences

1 The Act of 5 August 2022 on the social economy (consolidated text: Journal of Laws of 2025, item 806).

2 Act of 27 August 2009 on public finances (i.e. Journal of Laws of 2025, item 1483, as amended).

3 Act of 17 December 2004 on liability for breaches of public finance discipline (i.e. Journal of Laws of 2025, item 1484).

4 Act of 21 July 2006 on financial market supervision (i.e. Journal of Laws of 2025, item 640, as amended).

this sector both directly, through mechanisms of distribution, control and settlement of funds, and indirectly, by setting standards for security, transparency and permissible forms of participation in financial transactions.

The study employs a formal-dogmatic approach and critical literature analysis. Selected statistical data and reports on funding sources and barriers to the development of the social economy sector were used to supplement the analysis.

2 | The Administration of Financial institutions and the Social Economy

The administration of financial institutions is understood as a system of administrative and legal measures relating to the regulation, supervision, control, security and transparency of the financial market. Article 2 of the Act on the Regulation of the Financial Market explicitly states that "the purpose of financial market supervision is to ensure the proper functioning of that market, its stability, security and transparency, confidence in the financial market, and to ensure the protection of the interests of market participants." In this context, the concept encompasses not only financial market supervisory authorities in the strict sense, but also public administration bodies, institutions implementing operational programmes, entities managing public and European funds, and financial institutions implementing specialised support instruments, such as Bank Gospodarstwa Krajowego.

The specific objectives of the supervision exercised by the Polish Financial Supervision Authority are set out in the legislation governing the various segments of the financial market. It should be noted, however, that the legislator seeks to protect similar values across various sectors. In the banking, insurance and pension sectors, and to a certain extent also in the capital market, the most important objective is to safeguard the interests of less privileged market participants, i.e. those using financial services.[5] From the perspective of this study, this is significant because social economy entities, when using financial instruments and public funds, act as participants in legal and financial relationships requiring an appropriate level of protection, but also subject to specific public law requirements.

5 Bartosz Wojno, "The Act on Financial Market Supervision. Commentary," [in:] *Capital Market Law*, Vol. II, *Commentary*, ed. Marek Wierzbowski, Ludwik Sobolewski, Paweł Wajda. 4th ed. (Warszawa: C.H. Beck, 2023. Legalis), Art. 2, Nb 10–13.

From the perspective of the social economy, equally important are those forms of administrative intervention that concern access to capital, the conditions for obtaining funds, the eligibility for public support, expenditure controls, and sanctions for breaching the rules governing the management of public funds.

In accordance with Article 2(2) of the Social Economy Act, the social economy comprises the activities of social economy entities for the benefit of the local community in the areas of social and vocational reintegration, the creation of jobs for people at risk of social exclusion, and the provision of social services, carried out in the form of economic activity, public benefit activity and other remunerated activities.[6] The social economy primarily comprises those organisations which produce goods and provide services to meet social needs, whilst basing their operations on cooperation, solidarity and democratic management. A characteristic feature of these entities is also the manner of ownership and oversight of their activities. Production resources may belong to employees, consumers or service users, whilst the organisation itself and the direction of its activities remain under the social control of members or other stakeholders.[7] The social economy therefore encompasses various types of initiatives and organisations whose operation is based on market mechanisms, redistribution and the principle of reciprocity.[8]

This category of entities includes, amongst others, social enterprises, reintegration units such as social integration centres, vocational activity centres, occupational therapy workshops, as well as public benefit entities, including foundations, associations and other entities pursuing social objectives. There are around 100,000 social economy entities operating in Poland,[9] which indicates that this is not a marginal aspect of economic life, but a significant segment of public policy and socio-economic life.

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6 Act of 5 August 2022 on the Social Economy (i.e. Journal of Laws of 2025, item 806).

7 Juan Antonio Tomás Carpi, "The Prospects for the Social Economy in a Changing World" *Annals of Public and Cooperative Economics*, No. 68 (1997): 247–279.

8 See Magdalena Małecka-Łyszczek, Radosław Mędrzycki, Agata Barczewska-Dziobek, Małgorzata Mędrala, Agnieszka Pacut, "Art. 2," [in:] *Act on the Social Economy. Commentary*, ed. Wojciech Fill, Dorota Sylwestrzak, Magdalena Małecka-Łyszczek, Radosław Mędrzycki, Agata Barczewska-Dziobek, Małgorzata Mędrala, Agnieszka Pacut (Warszawa: Wolters Kluwer, 2023, Lex).

9 Gov.pl portal, *Social Economy*. https://www.gov.pl/web/rodzina/ekonomia-spoleczna-i-solidarna?utm_source=chatgpt.com.

The hybrid nature of social economy entities' activities justifies intervention by external actors, primarily public ones, equipped with appropriate financial instruments. This intervention is intended to preserve the specific character of this sector and counteract excessive commercialisation in the area of meeting social needs.[10]

The social economy falls within the scope of numerous regulatory regimes (administrative law, public finance law, state aid law, financial market law, and often also public procurement law and European fund law), which do not always constitute a fully coherent and transparent regulatory model from the perspective of a social economy entity.[11]

3 | The Significance of the Relationship Between the Administration of Financial Institutions and the Social Economy

At this point, a fundamental question must be asked: Why is it worth comparing the administration of financial institutions with the social economy at all? The answer stems from the practical functioning of social economy entities themselves. The social economy constitutes a sphere situated between a market based on competitive mechanisms, the state, in which public institutions play a fundamental role, and the private sector.[12] Social economy entities use public funds, apply for grants, participate in government and local authority programmes, utilise European funds, carry out paid or commercial activities, and sometimes also enter into relationships with the banking sector and other financial institutions. Consequently, their activities cannot be analysed solely through the prism of social policy or civic engagement, but require consideration of the entire financial and administrative environment.

As Anna Zimnoch points out, the sources of funding for social economy organisations are diverse and multifaceted. These organisations can make use of both instruments typical of the small and medium-sized enterprise sector – such as own funds, shareholder contributions, bank loans, leasing, factoring and loans – and forms of support specific to the social nature of

10 Andrzej Powałowski, Ewa Przeszło, "Support for the Social Economy – Legal Aspects" *Review of Economic Legislation*, No. 7 (2023): 4.

11 Powałowski, Przeszło, "Support for the Social Economy – Legal Aspects", 2.

12 Andrzej Zybała, "The Complexity of the Social Economy as a Socio-Economic Phenomenon" *Social Policy*, No. 1 (2022): 2.

their activities. At the same time, social economy organisations have access to sources of funding arising from the specific nature of their activities. These may include, amongst others, membership fees, donations from private individuals, including the 1.5% income tax deduction transferred to public benefit organisations. Public fundraising, auctions, lotteries and sponsorship are also of significant importance.[13] Grants from public sources, originating from both local government bodies and central government, as well as dedicated funds, are also important instruments. These opportunities are supplemented by foreign funding, in particular European Union funds and support offered by international foundations and institutions.[14]

The relationship between the administration of financial institutions and the social economy determines the general conditions under which the sector operates; therefore, its analysis requires answers to several questions: Are the available financing instruments tailored to the specific nature of social economy entities; do formal requirements constitute an excessive barrier to access; is the control of public expenditure proportionate to the scale and nature of these entities' activities; and do regulations concerning state aid and the management of public finances support the development of these entities?

4 Access to Funding Instruments

Social enterprises can make use of various funding instruments that support both their day-to-day operations and their development in relation to the pursuit of social objectives and the employment of people at risk of social exclusion. The support system includes funding from public and private sources, as well as from repayable external funds.[15]

Employment-related instruments are of fundamental importance. Pursuant to Article 22 of the Social Enterprise Act, a social enterprise may obtain funding from the Labour Fund to cover the costs of creating a job for a referred unemployed person or jobseeker, as well as funding for their salary. The same provision also provides for the possibility of obtaining funding from PFRON towards the costs of creating a job for a referred person with a disability and towards the costs of their remuneration. In addition,

13 Anna Zimnoch, Sources of Funding for Social Economy Entities" *Scientific Papers of the Wrocław University of Economics*, No. 167 (2011): 580–581.

14 Ibidem, 580–581.

15 Ibidem, 581.

Article 21 of the Social Enterprise Act provides the basis for subsidising the costs of social security contributions for employees of a social enterprise at risk of social exclusion, whilst Article 23 of the Social Enterprise Act provides for financial support from European funds related to the creation of jobs in social enterprises.

Instruments aimed at entities employing people with disabilities are also of significant importance. Under Article 24 of the Social Enterprise Act, it is possible to receive subsidies for bank loans and loans from cooperative savings and credit unions. Additionally, Article 25 of the Social Enterprise Act introduces a mechanism to reduce contributions to the State Fund for Rehabilitation of Disabled Persons (PFRON) when purchasing goods or services from a social enterprise.

The Act also provides for easier access to public procurement, which may constitute a significant source of revenue for these entities. Article 26 of the Act provides for the possibility of applying a subjective reservation, which is one of the social clauses of an integrative nature. This instrument serves to support the socio-occupational integration of people at risk of social exclusion, whilst also increasing the opportunities for entities operating in the field of integration to bid for public contracts.[16]

The support system is further supplemented by support services for social economy entities referred to in Article 29 of the Social Economy Act, and sectoral programmes for supporting the social economy provided for in Article 28 of the Social Economy Act.

At the same time, Bank Gospodarstwa Krajowego offers repayable instruments for social economy entities. Social economy entities can access loans financed from national funds, such as liquidity and mission-based loans, as well as from EU funds, including start-up or development loans under the European Funds for Social Development 2021–2027, and guarantees from the National Guarantee Fund.[17] Data from BGK shows that the largest group of loan beneficiaries consists of not-for-profit entities (49%) and non-profit organisations (41%), whilst only a small proportion of them (11%) operate on a for-profit basis. These entities operate primarily in the fields of education and upbringing (22%), social and humanitarian aid (14%) and catering (14%). The

16 Magdaena Małecka-Łyszczek "Art. 26," [in:] *The Social Economy Act. Commentary*, ed. Radosław Mędrzycki, (Warsaw: Wolters Kluwer, 2023. Lex).

17 Bank Gospodarstwa Krajowego, *Support for Social Economy Entities*. https://www.bgk.pl/programy-i-fundusze/wsparcie-podmiotow-ekonomii-spolecznej/.

services they provide are mainly directed at people with disabilities (60%), the unemployed (50%), older people and children (41% and 40% respectively).[18]

A BGK report from December 2024 indicates that social economy entities are signalling a need for access to both non-repayable forms of support (subsidies, grants, co-financing) and low-interest loans.[19] The report also noted a shortage of working capital loans, investment loans and loans for larger amounts, whilst some small entities pointed to a lack of very small loans tailored to the scale of their operations.[20]

5 Barriers Related to Financing

The 2014 study *Ex-Ante Assessment of Financial Instruments for Supporting Social Economy Entities and Young People* identifies a number of reasons why social economy entities fail to realise their development expenditure. The most significant include a lack of own funds, limited access to grants, credit or loans, and the inability to obtain guarantees. Insufficient knowledge regarding return on investment planning and the unstable situation of the entity itself also constitute a significant barrier.[21]

The study also identified obstacles related to applying for a credit or loan. These primarily included unfavourable financial results, insufficient financial stability, and a lack of awareness of the need to use repayable instruments. Other significant constraints included concerns regarding risk, market instability and difficulties in providing collateral for a loan or credit. Internal conditions of the entities are also significant, such as statutory provisions or decisions by management bodies that preclude the use of repayable instruments. Other barriers include a lack of need for such forms of financing or a negative attitude towards them, failure to meet formal criteria, and the belief that financial institutions do not offer products tailored to the specific nature of social enterprises.[22]

18 Anna Podsiad et al., *Social Economy Entities in the Financial Market: Needs, Challenges and Plans* (Warsaw: Department of Research and Analysis, 2024), 4.

19 Ibidem.

20 Ibidem, 33.

21 Magdalena Andrzejewska et al., *Ex-Ante Evaluation of Financial Instruments for Supporting Social Economy Entities and Young People. Final Report* (Warsaw: Institute for Structural Research, 2014), 53.

22 Ibidem, 57–58.

Similarly, a 2020 study entitled *Survey of Financial and Non-Financial Needs in the Social Economy Sector and Social and Health Services* indicated that the use of repayable financing by social economy entities faces numerous barriers. A significant problem remains: the limited level of financial knowledge among those managing these entities, the varying levels of professionalism in accounting services, and insufficient understanding of the specific nature of financial instruments on the part of some supporting institutions. Many organisations decide not to apply for a loan or credit at the initial stage of assessing their chances, assuming that such support is unattainable or considering its costs to be too high.[23]

Organisations that attempt to secure repayable financing, in turn, encounter difficulties arising from banks' lack of understanding of the specific nature of social economy entities' activities, including their legal forms, operating models and financial management practices. The absence of a bank specialising in financing such entities has also been highlighted. An additional barrier is the lack of adequate collateral, as many organisations do not possess significant assets that could serve as security for a loan or credit. As a result, access to repayable instruments remains limited for these organisations, and some of them are forced to seek alternative forms of financing, such as leasing or trade credit.[24]

The main reasons cited for not applying for commercial market financing in 2019 were, first and foremost, a lack of need for repayable instruments (42%) and a reluctance to take on debt from financial institutions (42%). Other significant barriers included a lack of suitable collateral and a lack of creditworthiness (23% each). Respondents also highlighted the unfavourable terms of the financing on offer, in particular the level of fees and interest rates (16%), as well as the lack of a commercial market offering tailored both to the specific nature of the entities and to the projects they planned (11%).[25]

6 | Formal Barriers to Obtaining Support Funds

Access to public funds requires the beneficiary not only to meet material criteria, but also to comply with formal requirements. Article 44 of the Public

23 Marek Gajewski et al., *A Study of Financial and Non-Financial Needs in the Social Economy Sector and in Social and Health Services* (Warsaw, 2020), 67.

24 Ibidem, 67–68.

25 Ibidem, 69.

Finance Act stipulates that public expenditure may be incurred only for the purposes and in the amounts set out in the Budget Act, a local government budget resolution or the financial plan of a public finance sector entity. Furthermore, they should be incurred in a targeted and economical manner. The Act therefore establishes the principles governing public expenditure, which include planning, legality, purposefulness and economy, as well as efficiency, effectiveness and timeliness, and the conclusion of contracts in accordance with the Public Procurement Law.[26] In turn, pursuant to Article 47 of the Public Finance Act, an entity applying for public funds to carry out a specific task should submit a proposal for the performance of the task in accordance with the principles of fair competition, guaranteeing that the task is carried out in an efficient, economical and timely manner.[27]

For public administration, these are standard and reasonable requirements; for social economy entities, however, they may mean having to constantly translate social objectives into the language of indicators, timetables, task-based budgets, procurement procedures and settlement models. This is particularly evident in the case of European funds. Pursuant to Article 184 of the Public Finance Act, expenditure related to the implementation of programmes and projects co-financed by European funds is incurred in accordance with the procedures set out in the relevant regulations and the accounting rules applicable to grants from the state budget. Project funding agreements cover, amongst other things, the deadlines and method of project settlement, forms of performance guarantees, and the conditions and deadlines for the repayment of funds used improperly.[28] Excessive

26 Małgorzata Cilak, "Art. 44," [in:] *The Public Finance Act. Commentary*, ed. Zbigniew Ofiarski (Warsaw: Wolters Kluwer, 2021. Lex).

27 This provision does not specify the procedure for awarding contracts under this procedure, but rather sets out the guidelines that must be followed in accordance with the relevant regulations, including the Act of 11 September 2019. – Public Procurement Law (i.e. Journal of Laws of 2024, item 1320, as amended), the Act of 24 April 2003 on Public Benefit Activities and Volunteering (i.e. Journal of Laws of 2025, item 1338, as amended), the Act of 19 December 2008 on public-private partnerships (i.e. Journal of Laws of 2023, item 1637), the Act of 16 December 2010 on public transport (i.e. Journal of Laws of 2025, item 285, as amended), the Act of 21 October 2016 on concession contracts for construction works or services (i.e. Journal of Laws of 2025, item 1688, as amended). Paweł Mańczyk, "Art. 47," [in:] *The Public Finance Act. Commentary*.

28 Art. 206 of the Public Finance Act.

reporting, complex procedural requirements and extensive documentation can therefore place a significant burden on social economy entities.

7 Control of Public Expenditure

Public funds require protection against mismanagement and abuse. From this perspective, the control of public expenditure also applies to social economy entities.

The Social Economy Act provides for supervision by the provincial governor and the possibility of losing social enterprise status if certain conditions are met.[29] The provisions of the Public Finance Act, on the other hand, provide for the obligation to repay grants used contrary to their intended purpose or unduly received.[30] A similar provision is set out in Article 207 of the Public Finance Act, according to which funds allocated for the implementation of programmes co-financed by European funds, which have been used contrary to their intended purpose, in breach of procedures, or received unduly or in excess, are subject to repayment together with interest as for tax arrears. In certain situations, the beneficiary may also be excluded from receiving funds for a period of three years from the date of repayment.

In turn, the Act of 17 December 2004 on liability for breaches of public finance discipline[31] establishes sanctions for specific irregularities in the management of public funds. Pursuant to Article 4(1)(1) of the Act on Liability for Breaches of Public Finance Discipline, this liability applies not only to persons operating in the public finance sector, but also to persons who are members of the governing bodies of an entity not classified within that sector, to which public funds have been transferred for use or disposal. Article 6 of the Act on Public Finance Discipline expressly provides that a breach of public finance discipline constitutes both the transfer or granting of a subsidy in breach of the rules, and the expenditure of a subsidy contrary to its intended purpose, failure to settle it within the prescribed time limit, or failure to determine the amount of the subsidy to be returned to the budget. In the area of public procurement, a breach of discipline may also include a number of procedural irregularities, including describing the subject matter of the

29 Art. 17 of the Economic Activity Act.

30 Article 169 of the Public Finance Act.

31 Act of 17 December 2004 on liability for breaches of public finance discipline (i.e. Journal of Laws of 2025, item 1484).

contract in a manner that may hinder fair competition or awarding a contract in breach of the required procedure.[32] The range of penalties is set out in Article 31 of the Act on the Prevention of Corruption. These include a warning, a reprimand, a financial penalty and a ban on holding positions involving the management of public funds.

8 State Aid

State aid is one of the key ways in which public authorities influence the economy, whilst also being a manifestation of state interventionism. Granting support to selected entities leads to the creation of more favourable operating conditions for them. The manner in which such aid is granted influences both the pace of socio-economic development and other processes and phenomena occurring in the economy and social life.[33] Concerning social economy entities, forms of *de minimis* aid include, amongst others, a grant from the Labour Fund for an unemployed person to start a business under the rules laid down for social cooperatives, and a grant from PFRON funds for a person with a disability.[34]

Linked to the issue under analysis is the problem of the impact of state aid rules and, more broadly, the principles of public intervention on the situation of social economy entities. Of fundamental importance here is Article 107(1) TFEU,[35] which prohibits aid granted by the state or through state resources in any form, insofar as it distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods and affects trade between Member States. For social economy entities, the problem lies in the fact that, whilst pursuing social objectives, they often simultaneously carry out economic or remunerated activities, and so in certain situations may be classified as undertakings within the meaning of EU competition law. This means that public support directed at social economy entities cannot be

32 Art. 17 of the Act on the National Fund for Public Finance.

33 Michał Ginter, "Public Aid as a Source of Financing for SMEs: The Case of Greater Poland" *Acta Universitatis Nicolai Copernici*, No. 2 (2015): 152.

34 Krzysztof Meder, Jakub Bogusz, Jakub Nieciuński, Przemysław Pietrzyk, *State Aid for Social Enterprises in the Light of National Regulations. Legal Opinion* (Warsaw: Institute of Public Affairs, 2014), 34.

35 Treaty on the Functioning of the European Union, Article 107(1).

analysed solely from a social policy perspective, but must also be assessed in terms of its admissibility under state aid law.

De minimis aid is of particular importance. From 1 January 2024, two new Commission Regulations governing the rules on the granting of *de minimis* aid will apply, including Commission Regulation (EU) 2023/2831.[36] In accordance with Article 3(2) of the Regulation, the total amount of *de minimis* aid granted to a single undertaking by a single Member State must not exceed €300,000 over the preceding three-year period. Before such aid is granted, the applicant must provide information on aid received during the reference period.[37] From the perspective of social economy entities, this means the need to monitor the cumulative limit, but also to maintain accurate records and be prepared to demonstrate the history of support received.

9 Conclusion

The relationship between financial institutions and the social economy is one of the key factors determining the development of this sector. Social economy entities operate within a regulatory and financial environment that is largely shaped by public administration, financial market institutions and public fund management mechanisms. Their position depends not only on their own organisational and economic activity, but also on the quality and adequacy of the institutional environment.

An analysis of the current regulations suggests that the legislator recognises the importance of the social economy as a means of achieving reintegration, employment and service provision objectives. This is reflected both in the separate regulation of the status of social enterprises and in the forms of support provided for in the Social Economy Act. However, the mere formal availability of these instruments does not determine their actual usefulness. This is also determined by procedural requirements, the ability of financial institutions to recognise the specific nature of the sector, and the proportionality of control mechanisms.

36 Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ EU L 2023, p. 2831).

37 Article 37 of the Act of 30 April 2004 on proceedings in matters concerning State aid (i.e. Journal of Laws of 2025, item 468, as amended).

Social economy entities are subject to the rules of financial law and public finance, as they use public funds, participate in economic activity and carry out tasks of significant social importance. The literature on the subject emphasises that the use of financial instruments should take into account both their specific characteristics and the characteristics of the entities that are their ultimate recipients. This means that these instruments can only be used effectively under specific conditions and provided that certain criteria are met.

This issue applies to both non-repayable and repayable instruments. With regard to grants and subsidies, formal requirements, accountability and the consequences of identifying irregularities are of fundamental importance. In the case of repayable instruments, creditworthiness, collateral, the cost of financing and the financial institutions' understanding of the sector's specific characteristics remain crucial. If the management of financial institutions is to genuinely support the development of the social economy, it must take into account the fact that entities in this sector combine the characteristics of market and social entities, and therefore require tools tailored to this dual nature. The wider application of financial instruments therefore requires a proper identification of the objectives and areas in which they can be applied. It is therefore necessary to base this process on a well-thought-out strategy for investing public funds.[38]

In addition, the governing bodies of social economy entities bear complex risks associated with the use of public funds. These include both the possibility of having to repay the funding and the loss of social enterprise status, and, in some situations, also liability for breaches of public finance discipline. Consequently, irregularities may also affect the entity's future ability to apply for further forms of support. From the state's perspective, this mechanism serves as a safeguard, as it protects the legality and regularity of public expenditure. At the same time, for social economy entities, it may constitute an institutional barrier, increasing caution regarding applications for public funds.

De lege ferenda, it is therefore reasonable to strive for greater alignment of financial instruments and administrative procedures with the realities of how social economy entities operate. This applies in particular to simplifying some of the formal requirements, increasing the flexibility of repayable financing

38 Gajewski et al., *A Study of Financial and Non-Financial Needs in the Social Economy Sector and in Social and Health Services*, 22.

tools, developing guarantee and support instruments, as well as strengthening the administrative capacities of social economy entities themselves.

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