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Model of local currency in context of relationships between cooperative banks and sector of micro, small and medium-sized enterprises

The Polish cooperative banks with longstanding tradition are confronted with the need to seek new solutions to ensure further functioning and development, due to ongoing changes in the turbulent market environment. At the same time, micro, small and medium-sized enterprises operating in this area (which account for more than 90% of all Polish companies and employ about 70% of all working Polish citizens) face financial barriers. This dissertation focuses specifically on the identification and analysis of solutions which aim to improve the functioning of cooperative banks, as well as micro, small and medium-sized enterprises (MMiŚP) operating in their local environment. The need to carry out research in this field is reflected in limited development opportunities of the current business model of cooperative banks and barriers indicated by MMiŚP, which was signalled both in theoretical and practical approach.

The fundamental problem, providing a framework of research carried out in this dissertation, is a bibliographic study of the literature which identifies current challenges of the Polish cooperative banking, through the analysis of its contribution and place in the banking sector, as well as the literature which identifies problems in the functioning of micro, small and medium-sized enterprises. Those enterprises and cooperative banks, while operating in the same area, are (mutually) clients of one another.

The aim of this dissertation is a more detailed characterization of a local currency system, in forming business relationships of cooperative banks and micro, small and medium-sized enterprises operating in their environment.

The dissertation consists of the introduction, five major parts and the final conclusions. The **first** chapter introduces the essence of local currency, including its potential to support the establishment and improvement of relationship among business entities. The concept of money and development doctrine were analyzed based on the neutral money and the local currency. The creators of the neutral money theory assume that interest is not the natural (timeless) property of money. The quoted evidence confirms the claim that non-interest money (or with negative interest) accelerates and increases the turnover of goods and services (all mutual performance). It results in the increase of local well-being, since it is not cost-effective to 'keep' money which does not secure the wealth owned. It forces the circulation of money. The author is mainly concerned with the arguments which confirm pragmatism, functionality and contribution of local currency systems. The Summary (1) of the chapter concludes with defining the challenges stemming from the implementation of this model.

In the **second** chapter, the selected European experience using local currencies is presented (town of Wörgl, WIR Bank in Switzerland, Swedish Cooperative Bank JAK Medlemsbank and Bristol Pound) and Polish experiments with the local currency *Dobry* and *Zielony* are analyzed. In Summary (2) concluding this chapter, characteristic features and specificities of local currency systems are listed.

The **third** chapter is concerned with the overview of historical circumstances (turning points) and current problems and challenges of the Polish cooperative banking and specificities of cooperative banking in other countries. The overview begins with the analysis 263

of the definition of the bank, cooperative bank and cooperative movement in the literature on the subject and legal regulations. While presenting historical experience of the Polish cooperative banking, it was emphasized that its idea was based on both Franz Herman Schulze's and Friedrich Wilhelm Raiffeisen's concepts which were briefly presented. The chapter concludes with defining the development factors of the cooperative banking sector as Summary (3).

The **fourth** chapter is concerned with the importance of cooperative banks in the context of key client segment, taking into account the situation of operating in the same local area (mainly villages and small towns) as the Polish micro, small and medium-sized enterprises. The concept and features of this sector are defined, financial needs are diagnosed, and also the relationships between cooperative banks and MMiŚP. The articulation of factors and conditions of development of micro, small and medium-sized enterprises in collaboration with cooperative banks concludes chapter 4 as Summary (4).

The **fifth** chapter comprises attempts to identify the main premises of implementation of a local currency system in small cooperative banks, beginning with the adoption of assumptions of the new concept – the model of a local currency in functioning of the Polish cooperative banking and the sector of micro, small and medium-sized enterprises (MMiŚP). The aims, tasks, mechanism and rules of functioning of the proposed solution were defined, and in addition the identification of the main premises of implementation of a local currency system. The adopted research assumptions and objectives are presented (for identification of the premises of the model implementation), the conducted studies are discussed, their results and conclusions are presented, and also the legal, organisational and financial framework of implementing this system is discussed. Summary (5) of this chapter provided suggestions concerning the effective implementation of the system at issue.

The dissertation is completed with the final conclusions. They support the thesis proposed in the introduction that... "Implementation of the local currency system in the relationship of cooperative bank – sector of micro, small and medium-sized enterprises, creates new development opportunities" ... and in the conclusions ... "The model of a local currency in context of relationship between the Polish cooperative banking and the sector of micro, small and medium-sized enterprises" ... means a practical proposal to optimise the functioning model of the Polish cooperative banks (particularly small ones) and the development of micro, small and medium-sized enterprises based on a local currency.

The doctoral thesis corresponds with the current trend in social economics. In many places it emphasizes educational and social activities which promote cooperation, along with joint responsibility for achieved results. They are widely practiced cooperative principles – self-help, self-governance, democracy and joint solutions to common problems, which not only inspired people all over the world but led to the development of local communities. These are also the basic criteria of social economics.