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Analysis of Corporate Insolvency Trends in Poland between 2021 and 2024

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Abstract:

Purpose: *This paper analyzes the escalating trend of corporate insolvencies in Poland within the 2021-2024 timeframe, focusing particularly on the dynamics between economic pressures, regulatory frameworks, and global market conditions that contribute to corporate insolvencies.*

Design/Methodology/Approach: *The research methodology involves a mixed-methods approach, integrating quantitative analysis of corporate insolvency statistics with qualitative assessments of legal and economic factors influencing corporate financial stability. The study analyzes official records from COIG and MGBI.*

Findings: *The findings indicate a significant rise in corporate insolvency proceedings, with the most affected sectors being manufacturing, construction, and services. The findings mark an increase in insolvency activity, including a significant year-on-year rise in restructuring proceedings, and underscore a growing reliance on the proceeding for approval of an arrangement due to its popularity among SMEs and its susceptibility to procedural abuse.*

Practical Implications: *Strengthen early warning systems, optimize regulatory tools, and adapt financial risk management strategies to reduce insolvency risk; aimed at businesses, policymakers, corporate managers, and investors.*

Originality/Value: *This study contributes to the existing literature by providing a comprehensive analysis of bankruptcy trends in Poland, highlighting the limitations of traditional prediction models, and advocating for the integration of advanced analytical tools to improve risk assessment and forecasting accuracy.*

Keywords: *Bankruptcy, financial distress, prediction models, risk management, Poland.*

JEL codes*: G33, G17, M21.*

Paper Type: *Research article.*

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1. Introduction

One of the most recent Polish companies to close as a result of insolvency and subsequent bankruptcy is the Lisewo meat processing plant, a long-standing manufacturer renowned for creating premium meat products. Before its ownership was transferred in 2022 to a business that had no prior meat industry experience, the company had been expanding and developing since the 1980s.

When the company stopped paying its employees' salaries in March 2024, it shattered new hopes for further development and began the process of gradually ceasing operations. The majority of the 50 workers were let go in May, and all six of the company's stores shut down in the months that followed. As of March 2025, the company's assets have been valued by the bailiff at nearly three million zloty.

Although Lisewo's demise was caused by a variety of factors that include poor management, mounting debt, and liquidity issues (Głogowski, 2024), this case of corporate insolvency is not unique; rather, it is an illustration of a troubling trend in Poland, which has seen an alarming number of company bankruptcies and insolvencies between 2020 and 2024.

The rise is further supported by the fact that 4,457 restructuring proceedings were started in 2024 in Poland, a notable 102.6% increase over 2022 and a 7.4% increase over 2023.

One key indicator of the rise is the increasing number of insolvency proceedings, which suggests a deteriorating financial health across various sectors. For example, sectors heavily reliant on international supply chains, such as manufacturing and logistics, or those sensitive to fluctuations in energy prices, like the utilities and transportation industries, have been particularly vulnerable to economic pressures.

These sectors have faced mounting operational costs, disrupted supply networks, and declining profit margins, all of which have contributed to a rise in bankruptcy filings among companies operating within these domains (Grima and Thalassinos, 2018).

Adding to the complexity, the real estate sector (especially those entities dealing with commercial and residential property development) has encountered considerable financial challenges due to high interest rates and fluctuating property valuations, leading to increased financial instability in the sector.

While prior studies have examined financial distress using either statistical models or legal analysis, few have adopted a mixed-methods framework to explore the interaction between Poland's evolving insolvency landscape and predictive financial tools. This paper aims to address this issue by combining empirical data with contextual legal-economic insight.

2. Literature Review

2.1 Insolvency vs bankruptcy

Insolvency, a term that applies to companies and individuals, is often used interchangeably with bankruptcy. However, insolvency — understood as a financial state in which a company is unable to pay its debts when due or has liabilities exceeding its assets — is not synonymous with bankruptcy. The distinction depends on the jurisdiction and context. In Poland, and within the corporate framework of this paper, "bankruptcy" is primarily a general or informal term that typically applies to individuals and denotes a legal declaration.

In contrast, Polish corporate law provides for processes such as administration, liquidation, or restructuring — all of which fall under the broader umbrella of insolvency proceedings. Bankruptcy (upadłość, in Polish), as a specific legal concept in the Polish system, should only be seen as a subset of corporate insolvency proceedings, referring only to a decision issued by the competent District Court that is followed by either liquidation or court-supervised restructuring of a company.

In market economies, bankruptcy is a natural and inherent phenomenon that arises from competition that drives out less efficient businesses and frees up resources for more effective ones (Tarczyński *et al.,* 2020; Dankiewicz, 2020; Thalassinos, 2008; Thalassinos *et al.,* 2014). Corporate insolvency, on the other hand, is a legal mechanism designed to safeguard creditors' rights by occupying and best utilizing the debtor's assets. Therefore, the most appropriate and precise term in this context is corporate (or business) insolvency, as it accurately captures the financial condition that triggers formal legal processes under Polish law.

2.2 Academic Interest in Insolvency

The phenomenon of corporate insolvency has garnered significant legal and economic attention, prompting extensive research into its occurrence and impact (Sundaresh, 2019). This interest has resulted in a growing body of academic work focusing on financial restructuring, insolvency frameworks, and the effectiveness of legal instruments.

Different views exist regarding the mechanisms that facilitate successful financial restructuring and reorganization (Gouiaa, 2020), and empirical research emphasizes the use of court-supervised mechanisms to resolve defaults and reorganize companies in financial distress (Hotchkiss *et al.,* 2008). These analyses include those of creditor roles, equity holders' leverage, and the broader impact of legal systems on restructuring outcomes (Ayotte and Morrison, 2009).

Poland provides a pertinent case for examining these issues. The country's corporate landscape, marked by a dominant small and medium-sized enterprise (SME) sector,

has been increasingly affected by various internal and external pressures. SMEs, which constitute the backbone of the Polish economy, often lack financial reserves and access to sophisticated risk management tools, making them especially vulnerable to distress (Obradović *et al.,* 2020).

In recent years, the rise in bankruptcies in Poland has emerged as a pressing economic issue. According to data from the Central Bureau of Statistics (GUS), although bankruptcy rates appear steady at times, significant fluctuations occur quarterly—such as the increases observed in Q2 and Q3 of 2024 and the decrease noted in January 2025 (Dybińska, 2024). Notably, the only recent decrease in bankruptcies was during the pandemic, when numbers fell by nearly 24 percent.

In parallel, a drop in business registrations has been recorded across all sectors, with the steepest decline (15.8%) in the information and communication sector (Stawicka, 2023). The rise in bankruptcies in Poland presents a multifaceted challenge that demands a comprehensive understanding of its causes, consequences, and potential remedies. The phenomenon encompasses economic, legal, social, and even psychological dimensions (Krajewski *et al.,* 2020).

The remedies for corporate insolvency and enterprise distress consist of restructuring and insolvency frameworks, discussed in the following sections. In Poland, the COVID-19 pandemic exposed structural vulnerabilities in many sectors, underscoring the necessity for efficient legal mechanisms to manage financial distress (Garrido *et al.,* 2021). As a result, temporary insolvency procedures were introduced to reduce reliance on already burdened courts during the pandemic (Menezes and Lawless, 2023).

Similarly, legislative reforms, including the 2019 amendments to consumer bankruptcy laws, have significantly influenced insolvency trends (Adamus, 2020). In response, policy tools such as a modular approach to insolvency have been promoted for their flexibility, particularly for micro, small, and medium enterprises *(Davis et al.,* 2016).

2.3 Factors Contributing to the Increase in Bankruptcies

Several key factors contribute to the escalating number of bankruptcies in Poland and include an interplay of global economic downturns, rising inflation, supply chain disruptions, evolving regulatory landscapes, and the complex structure of global markets. These pressures collectively heighten the susceptibility of numerous enterprises (Al-Sarraf, 2020), squeezing profitability and increasing operational risks.

Economic downturns that are characterized by reduced consumer spending and investment have placed immense pressure on businesses, leading to financial instability and, in many cases, insolvency. Researchers such as Pisula have

emphasized that corporate insolvency is a direct consequence of such macroeconomics as GDP, inflation rates, increasing labor and energy costs, declining demand from customers and clients, and high interest rates (Pisula, 2020).

The rising costs of raw materials can also strain businesses' financial resources, as do high interest rates, which tend to increase the cost of borrowing and make it more difficult for businesses to invest in growth and manage their debt obligations. An additional burden on businesses is connected with the complexity and costs associated with regulatory compliance, especially for smaller firms that may struggle to navigate the bureaucratic landscape.

As businesses struggle with shrinking profit margins and rising operational costs, the weight of difficult business conditions has been especially heavy. External pressures, such as supply chain disruptions and geopolitical instability, exacerbate these challenges, creating a risky environment for businesses in a variety of industries (Sarnakov *et al.,* 2021). These pressures can be further exacerbated by the ever-changing legal and regulatory frameworks, which necessitate constant adaptation and compliance, adding layers of complexity for businesses seeking to remain solvent.

2.4 Consequences of the Rise in Corporate Insolvency Numbers

The increasing incidence of corporate insolvency in Poland carries significant implications for both the national economy and broader society. One immediate consequence is job loss resulting from business closures, which contributes to rising unemployment rates and socio-economic hardship.

Additionally, the insolvency of companies can disrupt supply chains, affecting a wide range of dependent enterprises and sectors. From a fiscal perspective, insolvent businesses cease to contribute tax revenues, which places further strain on public finances. Furthermore, a sustained rise in insolvencies undermines investor confidence, deters future investment, and hampers long-term economic growth and development.

This upward trend in corporate insolvency demands scrutiny and systematic analysis (Baran and Bauer, 2021). In recent years, Poland has witnessed a marked increase in insolvency proceedings, a pattern that reflects broader European trends. In several regions, the number of business failures has already surpassed pre-pandemic levels (Schoen, 2016). These developments are shaped by a convergence of factors, including deteriorating business conditions, mounting economic pressures, and evolving dynamics within both national and global markets.

Notably, recent studies highlight a concerning imbalance: the rate of business closures is increasingly outpacing the formation of new enterprises, indicating a potentially unsustainable climate for business activity across Europe (Araújo *et al.,*

2022). This phenomenon has wide-ranging effects, not only for businesses but also for creditors, employees, and policymakers. Addressing these challenges requires comprehensive, data-informed strategies that mitigate risk and promote resilience within the economic system (Akšamović, 2017).

To fully understand the implications of rising corporate insolvency, a multidimensional analytical framework is essential—one that integrates statistical trends, legal structures, and macroeconomic indicators (Białkowski, 2018). Such an approach enables a more accurate diagnosis of systemic weaknesses and supports the formulation of targeted policy responses.

2.5 Bankruptcy Procedures in Poland

In Poland, the processes relating to insolvency are governed by the nation’s bankruptcy laws, which aim to balance the liquidation of insolvent firms with the opportunity for reorganization and debt restructuring. This process involves lengthy legal proceedings, and the costs associated with this process tend to be significant and entail spending on keeping the trustee's office, securing bankrupt property, and valuation and exploitation of the bankrupt’s property, among others.

Ultimately, the whole process tends to be complicated and is synonymous with state intervention through government bodies and stretches its negative effects to creditors, suppliers, employees, and a sizable segment of society.

Poland’s legal system that governs the corporate insolvency process plays a critical role in shaping corporate financial behavior and outcomes. Polish bankruptcy law, significantly reformed since the country’s transition from a centrally planned economy, is designed to balance the interests of debtors and creditors while promoting overall economic efficiency (Rusanov *et al.,* 2018). The primary goal of Poland’s bankruptcy laws is to facilitate an orderly and equitable resolution of financial distress, thereby protecting the rights of all parties involved while simultaneously seeking to preserve viable businesses (Tarczyński *et al.,* 2020).

The specific procedures governing bankruptcy vary depending on the legal form of the business entity. For instance, the process for a limited liability company differs from that of a sole proprietorship due to distinctions in legal structure, liability, and statutory requirements. Insolvency and the ensuing bankruptcy unfold across three interconnected levels: economic, legal, and formal. Economically, it reflects a firm’s inability to meet its financial obligations, signaling structural distress.

Legally, it entails complex judicial proceedings governed by commercial and civil law. Formally, it involves fulfilling administrative and procedural requirements necessary to initiate and complete the winding-down process. Beyond these dimensions, the process also carries significant psychological and emotional implications for entrepreneurs, who may experience personal and professional loss,

especially when businesses represent the culmination of years of effort and investment.

Within the Polish legal system, *bankruptcy* (*upadłość*) refers specifically to the formal judicial procedure triggered when a business is unable to fulfill its financial obligations. Proceedings are initiated upon petition by either the debtor or a creditor and are adjudicated by the competent District Court (*Sąd Rejonowy*).

A declaration of bankruptcy may result in either liquidation—where assets are sold to satisfy outstanding debts—or court-supervised restructuring provided the enterprise retains the potential for recovery. The number of bankruptcy decisions issued within a given period thus serves as a key indicator of the volume of enterprises that have entered formal insolvency proceedings due to irreversible financial failure.

In response to recent economic disruptions, particularly those exacerbated by the COVID-19 pandemic, Poland introduced temporary insolvency mechanisms to reduce the burden on overextended judicial systems (Menezes and Lawless, 2023). These measures aimed to streamline processes and provide businesses with more accessible pathways to resolve financial distress outside traditional court-based channels. Furthermore, legislative reforms in the area of consumer bankruptcy—most notably the 2019 amendments—have significantly influenced the volume and nature of personal insolvency cases in Poland (Adamus, 2020).

There are currently four different kinds of restructuring procedures available under Polish law, excluding informal out-of-court agreements not covered by the country's official statutory restructuring framework (Grabarczyk *et al.,* 2024). (Through out-of-court restructuring, debtors can maintain their reputation while seeking financial recovery by avoiding the stigma that formal insolvency or restructuring filings may entail.) The particulars of the debtor's situation usually determine which procedure is best. Grabarczyk *et al.* (2024) point to the following as the four official processes, which are usually started at the debtor's request:

(1) approval of an arrangement, the quickest and most efficient option, is mostly an out-of-court procedure that small and medium-sized businesses especially prefer. Nonetheless, this process is said to be the most misused, frequently employed by debtors who want short-term enforcement protection without having any real plans to restructure;

(2) the accelerated arrangement proceeding, which uses a streamlined framework to enable adoption that is comparatively quick;

(3) the arrangement proceeding, a formalized, court-led process that is rarely used in practice because of its length and complexity;

(4) the remedial proceeding, which is the most comprehensive and time-consuming of the available options.

If none of these are available, a prepackaged bankruptcy is a simplified process in which an insolvent party may sell all or a substantial portion of their business to a prearranged investor for a predetermined price. Although the pre-pack concept is appealing to potential investors, it appears to be underutilized despite being available in the Polish legal system since January 2016 because it enables creditors to maintain the value of the bankrupt party's business (Grabarczyk *et al.,* 2024).

3. Research Methodology

This study employs a comprehensive mixed-methods approach to investigate the dynamics of bankruptcy in Poland, integrating both quantitative and qualitative data to provide a holistic understanding of the phenomenon. The quantitative component includes statistical analysis of bankruptcy filings, sector-specific failure rates, and macroeconomic indicators to identify patterns and correlations.

3.1 Database

The primary data source utilized in the study is the data from Centralny Ośrodek Informacji Gospodarczej (COIG), the Central Economic Information Centre, a Polish institution that specializes in collecting, processing, and providing access to economic, financial, and legal information about businesses operating in Poland. COIG aggregates and analyzes data from multiple official registers, including the National Court Register (KRS), official court bulletins, the Central Registration and Information on Business (CEIDG), and the National Official Business Register REGON system.

These sources provide details on company registrations, bankruptcy and restructuring proceedings, legal changes in company status, and enforcement actions. COIG's database is comprehensive and regularly updated, making it a reliable source for tracking insolvency trends and assessing business risk. Other sources include publications from the National Debt Register (Krajowy Rejestr Zadłużonych, KRZ), court bulletins like the Court and Economic Monitor (Monitor Sądowy i Gospodarczy, MSiG), and statistics and reports from MGBI, which provide insolvency lists based on official and publicly available data.

3.2 Timeframe

Our chosen timeframe for the study is 2021-2024, which serves as a critical lens through which to examine trends in corporate insolvency and restructuring activities. This timeframe has had the greatest impact on the Polish economy in recent years, as it has seen a series of overlapping and mutually reinforcing crises that have shaped the current economic landscape in Poland.

4. Results

The distribution of corporate insolvency proceedings in Poland between 2021 and 2024, broken down by the legal form of business entity, shows that the most affected group throughout this period were limited liability companies, accounting for the majority of bankruptcy filings each year, with a notable upward trend culminating in 307 cases in 2024. Sole proprietors also constituted a significant portion of bankruptcies in 2021 but showed a marked decline over time, from 82 in 2021 to only 18 in 2024, possibly reflecting either improved financial resilience among micro-enterprises or a shift toward other legal structures.

Joint-stock companies experienced moderate levels of bankruptcies, while certain business types, such as professional partnerships, simple joint-stock companies, and foreign enterprise branches, registered no bankruptcy cases. Table 1 illustrates this.

Table 1. *Number of corporate insolvency proceedings by legal form of business entity, 2021–2024*

Legal Form of Entity	**2021**	**2022**	**2023**	**2024**
Limited liability companies (sp. z o.o.)	229	245	285	307
Sole proprietors	82	37	40	18
Limited partnerships (spółki komandytowe)	29	26	27	29
Joint-stock	20	24	28	21
Registered partnerships (spółki jawne)	8	7	11	8
Cooperatives	6	6	7	5
Limited joint-stock partnerships	2	4	6	3
Total	**376**	**349**	**404**	**391**

Source: *Own elaboration.*

4.1 Sectors

The highest number of corporate insolvencies in 2024 occurred in the manufacturing, trade, and construction sectors, mirroring the distribution observed in 2023 (MGBI, 2025). This phenomenon can be attributed to the inherent structural vulnerabilities present within capital-intensive and production-oriented domains.

The highest numbers can be found for industry, with 106 companies filing for insolvency, and have been steadily increasing, from 73 in 2022 to 93 in 2023, and then rising further to 106 in 2024. This sector includes a diverse range of industries, from traditional manufacturing to high-tech and advanced industrial processes.

It covers the manufacturing of food products, textile and garment manufacturing, wood and paper production, chemical manufacturing, metal and machinery production, electronic and electrical equipment manufacturing, and automotive manufacturing.

The majority of restructuring proceedings were also recorded in these same sectors. The growing prevalence of corporate insolvencies in these sectors calls for a separate comprehensive policy analysis, which would require a multidimensional approach encompassing economic indicators, legal frameworks, and structural reforms (Białkowski, 2018; Akšamović, 2017).

Trade and vehicle repair also experienced significant insolvency rates during this period, likely influenced by supply chain disruptions and volatile consumer demand. The construction sector has been adversely affected by persistent issues, which may be attributed to increased material costs and delays in public and private investment cycles.

It is interesting to note that the accommodation and food services sector, which suffered severely from the effects of the pandemic in 2021, witnessed a sharp decline in the number of bankruptcies by 2022 and again in 2024. This decline may be attributed to the implementation of post-pandemic recovery measures or to industry consolidation. Conversely, the number of filings in the services sector (comprising financial, real estate, and professional services) remained consistent, underscoring the pervasive and enduring impact across a wide range of service-oriented enterprises.

The data presented in Table 2 points to the industrial sector consistently demonstrating the highest number of insolvencies.

Table 2. *Insolvency by industry sectors, 2021–2024*

Sector	**2021**	**2022**	**2023**	**2024**
Industry	96	90	105	102
Construction	49	60	59	57
Trade & vehicle repair	92	75	94	90
Transportation and Storage	21	23	14	29
Accommodation and food services	24	11	22	11
Information and Communication	9	17	20	15
Services	68	61	72	74
Other Sectors	17	12	18	13
Total	**376**	**349**	**404**	**391**

Source: own elaboration based on COIG

4.2 Number of New Registrations

Trends in corporate insolvencies must be viewed alongside new business registrations. Their inverse relationship can signal either economic renewal or decline. In Poland, the recent increase in insolvencies coupled with declining business formations suggests a more pessimistic scenario.

As for the number of new business registrations in Poland from 2021 to 2024, a trend can be observed for specific sectors. As was the case with the highest number of bankruptcies (above), the two sectors facing the most significant challenges are industry and construction. Both have witnessed decreasing business registrations and relatively high bankruptcy rates, particularly in capital-intensive industries and those prone to supply chain disruptions.

Another industry that seems to be in flux is the trade and vehicle repair industry, which shows high levels of bankruptcies and business registrations. On the other hand, it can be observed that the reduced number of bankruptcies and a more stable registration trend indicate that the accommodation and food services sector recovered from pandemic-related struggles. The most consistent sector has been services, showing resilience in the face of fluctuating market conditions. Table 3 presents the number of new business registrations in Poland from 2021 to 2024.

Table 3. *Number of Business Registrations According to Polish PKD Classification, 2021-2024*

Sector	2021	2022	2023	2024
Industry	28,452	28,106	27,652	25,529
Construction	72,892	71,972	70,030	66,466
Trade & vehicle repair	59,491	58,712	59,053	55,791
Transportation and Storage	20,318	22,417	21,761	21,525
Accommodation and food services	12,780	11,967	12,224	12,056
Information and Communication	30,325	41,511	35,256	28,875
Services	75,275	76,268	76,674	77,736
Other Sectors	50,938	55,850	56,857	59,065
Total	**350,471**	**366,803**	**359,507**	**347,043**

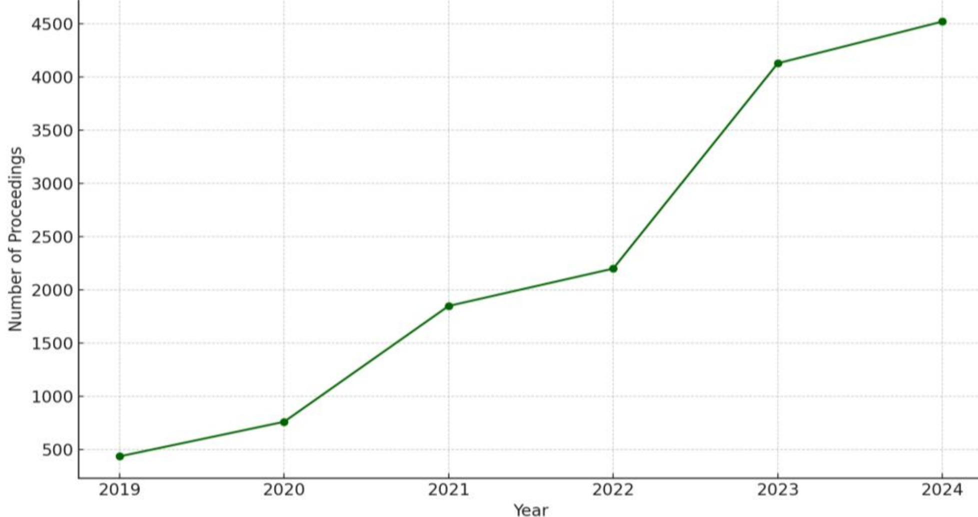
Source: *Own elaboration based on COIG.*

4.3 Restructuring on the Rise

Between 2019 and 2023, the number of restructuring proceedings initiated in Poland surged from 435 to 4,130, representing nearly a tenfold increase. This dramatic rise reflects growing financial distress among enterprises and a greater reliance on restructuring as a strategic tool for avoiding insolvency. The introduction and subsequent popularization of simplified restructuring procedures played a critical role in this trend, offering businesses a more accessible and less formal path to financial recovery.

The data underscores the increasing importance of restructuring within the Polish insolvency landscape and highlights a broader shift towards proactive financial reorganization over outright liquidation. The following Figure shows the sharp increase in the number of restructuring proceedings in Poland from 2019 to 2024, with 2024 data projected based on the first half of the year.

Figure 1. *Number of Restructuring Proceedings in Poland, 2019-2024*



Source: *Own elaboration based on COIG.*

The primary data source in the study from the Central Economic Information Centre (COIG) also points to the fact that Poland is seeing a growing popularity for the use of Polish restructuring proceedings (Grabarczyk *et al.,* 2024), as far more companies choose restructuring as a way of staying out of bankruptcy (Jankowski, 2024). A total of 2,261 restructuring proceedings were initiated in the first half of 2024, marking a 7.2% rise from the 2,109 cases recorded during the same period in 2023.

Corporate insolvencies also saw an uptick, with 219 filings compared to 208 in the first half of the previous year (as did consumer bankruptcies, interestingly). These trends suggest a continued upward trajectory in insolvency-related actions.

Although the number of these cases has been increasing since January 2016, the period between 2020 and 2023 saw the largest increase, mostly because Polish legislation, in reaction to the pandemic, introduced what are known as simplified restructuring proceedings (Grabarczyk *et al.,* 2024). The increase in restructuring proceedings indicates that businesses are proactively seeking solutions to financial distress, possibly to avoid formal bankruptcy.

Statistics concerning the number of court decisions to liquidate businesses confirm a continuing upward trend in business closures in Poland. In 2020, there were 547 such decisions, followed by 399 in 2021, 339 in 2022, 394 in 2023, and 436 in 2024. The exceptionally high number recorded in 2020 can be attributed to the COVID-19 pandemic, which triggered a sharp surge in insolvencies.

According to Jackowski (2025), the main factors driving this increase included declining consumer demand, rising labour costs, high energy prices, and difficulties

in securing external financing. While the numbers temporarily decreased in 2021 and 2022, the resurgence observed in 2023 and 2024 suggests that Polish businesses continue to face persistent structural and macroeconomic challenges, amplifying the risk of liquidation across multiple sectors, especially for transportation, construction, and trade (Jackowski, 2025).

5. Discussion

5.1 Polish Businesses Under Stress

The starting point for the timeframe under analysis in this paper is the COVID-19 pandemic, which brought about unprecedented disruptions to global and domestic business activity. In its immediate aftermath, many companies experienced severe financial strain due to lockdowns, forced closures, labor shortages, and a sudden decline in consumer demand.

Even though a number of government assistance programs were put in place to lessen the impact on the economy, the longer-term consequences of these measures started to show up towards the end of 2021, especially in the form of rising inflation. The goal of governments' and central banks' massive monetary expansion during the pandemic was to lessen the economic impact through stimulus packages, which was one of the main causes of inflationary pressures.

In addition, production halts, border closures, and transportation restrictions caused long-term disruptions in global supply chains, which led to shortages of essential goods and materials and fueled price increases. The start of the conflict in Ukraine at the beginning of 2022 exacerbated the instability, which led to a dramatic rise in the cost of raw materials and energy.

Russia, a significant supplier of fossil fuels and other strategic resources, was subject to sanctions that raised input costs and created uncertainty in a number of economic sectors. These factors combined to put Polish companies under more stress, especially those with narrow profit margins or those in energy-intensive sectors.

5.2 Shifting Economic Landscape

An analysis of corporate insolvency and restructuring statistics in Poland indicates a shifting economic landscape. Piotrowski and Wspólnicy (2025) posit that one of the most prevalent causes of corporate insolvency is the gradual decline in financial liquidity, which is often accompanied by excessive debt. The capacity of a company to honor its ongoing financial obligations is ultimately jeopardized when its total liabilities begin to exceed its asset value.

The inability to arrange debt in a sustainable way and imbalances in the company's capital structure lead to structural insolvency, which is a particularly important

component of this process. These fundamental financial weaknesses frequently result in businesses entering a debt spiral, a cyclical pattern of increasing debt that can be challenging to disengage from without external assistance or formal restructuring processes (Piotrowski and Wspólnicy Restrukturyzacja, 2025).

5.3 Identifying Potential Insolvency

It is widely acknowledged that several key financial indicators are significant in the identification of potential insolvency. Such indicators include, but are not limited to, a debt-to-equity ratio that exceeds recommended safety thresholds, a debt-to-EBITDA ratio that indicates challenges in meeting financial obligations, and high interest expenses relative to EBITDA, suggesting unsustainable borrowing costs.

The MGBI 2024 report highlights a series of concerns, particularly in instances where companies resort to aggressive accounting practices or exhibit significant discrepancies between reported operating results and actual cash flows (Piotrowski and Wspólnicy Restrukturyzacja, 2025). Such inconsistencies frequently indicate underlying structural deficiencies and may obscure deteriorating financial health.

Corporate insolvency may become unavoidable in a number of serious situations. First, when a company becomes insolvent and lacks realistic prospects of regaining financial liquidity. Bankruptcy is frequently the only practical option in these situations. Such circumstances usually occur when the company's liabilities outweigh its assets over time and its operating income is insufficient to meet even its most basic commitments.

Second, a company may go bankrupt due to a lack of market opportunities, particularly if the sector it works in exhibits no signs of recovery or future profitability, making restructuring attempts pointless. Last but not least, one major obstacle to avoiding bankruptcy is creditor resistance. The business will be forced into formal insolvency proceedings if the majority of creditors reject the proposed restructuring plan or arrangement terms, eliminating any chance of a mutually agreeable resolution.

5.4 Recuperation Versus Insolvency

When it comes to what differentiates businesses that successfully undergo restructuring rather than enter corporate insolvency, several key factors stand out.

Companies that recover tend to recognize financial distress early and respond proactively, whereas those that fail often delay action and respond in panic. Sound financial management also plays a crucial role, firms that maintain accurate accounting and clear cash flow oversight are better equipped to plan their recovery, while those with disorganized or manipulated financial data struggle to build trust.

Other dividing lines include a leadership mindset, clear communication with creditors, and a realistic, data-driven restructuring plan. Firms that make use of legal and financial advisors are generally more successful than those that attempt to navigate the process alone. The following Table 4 shows the distinguishing features of resilient companies from those that collapse under pressure.

Table 4. *Organizational Traits of Recovery vs. Insolvency*

Area	Companies Successfully Restructuring	Business Bankruptcies
Response time	Early crisis detection, swift action	Delayed reaction, panic-driven decisions
Financial information	Accurate accounting and cash flow control	Disorganized data, unclear finances, manipulation
Management attitude	Willingness to change, openness, accountability	Denial of problems, avoidance of responsibility
Creditor communication	Open dialogue, negotiation, trust-building	Isolation, lack of communication, avoidance
Restructuring plan	Realistic, data-based, with a clear action timeline	Unrealistic, based on hope, lacking implementation
Access to financing	Finds funding sources (e.g., factoring, investors, loans)	No financing, loss of trust from banks and partners
External support (advisors)	Uses restructuring and legal advisors	Operates alone, often without relevant experience
Organizational culture	The team focused on shared goals and transparency	Lack of engagement, internal conflicts
Progress monitoring	Regular KPI tracking, restructuring progress reporting	No monitoring, no adjustments to actions

Source: *Own elaboration.*

When choosing between restructuring and corporate insolvency proceedings, businesses must weigh a number of important considerations. Since restructuring provides an opportunity to protect the company and avoid the finality of bankruptcy, it is frequently the recommended course of action.

Companies in the early stages of financial difficulties or those at risk of insolvency are more likely to succeed in restructuring efforts, making the degree of insolvency one of the key determinants.

Additionally, market prospects are crucial because companies in industries with room to grow can more readily persuade creditors to accept a restructuring plan. Support from creditors is also crucial because their willingness to negotiate and accept suggested terms is a major factor in the success of restructuring.

Another important consideration is financing availability since ongoing operations during restructuring frequently call for outside funding. The last consideration is procedural costs; restructuring may be substantially less costly than bankruptcy, which is especially important for small and medium-sized businesses.

5.5 Second Chance Directive

The Polish government has announced its intention to implement a series of new regulations with the aim of facilitating the recovery of financially unstable companies, thereby avoiding the process of corporate insolvency. These amendments will be implemented as a consequence of the EU's Second Chance Directive, the objective of which is to facilitate the recovery of businesses experiencing financial difficulties, as opposed to the more extreme measure of forced closure.

The primary objective of the directive, initially adopted by the European Parliament in 2019, is to enhance the efficacy of restructuring systems throughout the European Union. The purpose of implementing mechanisms such as early warning systems is to promote prompt action in order to detect financial problems before they escalate into a crisis (Pilarski, 2025; Podsiadło, 2024).

Should the aforementioned revisions be implemented, it is anticipated that there will be several significant alterations to Poland's restructuring legislation. The satisfaction test's introduction is of particular significance, as it enables creditors to assess whether a company's proposed restructuring would result in higher returns than corporate insolvency and liquidation.

The new regulations will also guarantee that all secured creditors, i.e., those who have collateral, will be included in the restructuring plan, regardless of the percentage of their claims that are likely to be fulfilled. The duration of debtors' protection from enforcement action under the amended legislation is subject to a maximum of four months in order to avoid delays.

The recently introduced cross-class consolidation regulation stipulates that a restructuring plan may be endorsed even in instances where the majority of creditors express their opposition, provided that specific criteria are met. The proposed streamlined processes will be of particular benefit to microbusinesses. This will facilitate the initiation of restructuring processes, which will be more cost-effective. It is evident that the plans under discussion will require fewer formal elements, and the satisfaction test will not have to be carried out (Pilarski, 2025; Podsiadło, 2024).

5.6 Prognosis

The forecast analysis for the coming years shows that the number of insolvencies will stabilize or decrease by 2025, albeit still at higher levels than before the COVID-19 pandemic. However, there is a degree of risk associated with global events such as wars (e.g., in Ukraine) or the geopolitical situation in Asia, which are typically sources of uncertainty for companies. If interest rates remain high, it is likely that a significant number of companies will continue to have difficulty meeting their debt obligations (Asian Development Outlook April 2024).

According to a report by Allianz Trade, a global leader in trade credit insurance, the number of corporate insolvencies in Poland is expected to decline by 4% year-on-year in 2025 (following an 8% increase in 2024) to around 4,650 cases. In 2026, however, the number of insolvencies is expected to fall further to 4,100, a 12% decrease, according to the report.

This contrasts with the report's global projections for business failures in 2025 and 2026, which are expected to rise by 6% and 3%, respectively. This would mark the fifth consecutive year of rising global insolvency figures, with the most vulnerable sectors - construction, retail, and services - particularly at risk (Supernak, 2025).

Another perspective on this trend is provided in a report by MGBI (MGBI, 2025), which draws upon data from the National Debt Register (KRD) and other public business registers, including KRS, CEIDG, and REGON. Despite the absence of specific projections for 2025 in the report, the observed upward trend could indicate a potential increase in insolvency and restructuring cases (MGBI, 2025).

It is important to acknowledge that whether this trend continues to rise or decline is influenced by several factors, including the availability of labor, wage pressures, and employee shortages. This also aligns with the findings of the MGBI report, where key factors highlighted include the repeated increase in Poland's minimum wage, rising electricity prices, high social security contributions, and continuing high inflation rates.

6. Conclusion

Even though the growing number of corporate bankruptcies is concerning, the economy as a whole has not yet reached a critical point. To illustrate, it should be noted that the number of companies that declared bankruptcy in 2023 accounted for 0.07 per mille (‰) of the entire population of Polish businesses (MGBI, 2025). The rise in corporate insolvencies could be a signal of deeper structural and cyclical issues within the national economy.

Fundamentally, however, such a pattern frequently points to declining profit margins, rising operating expenses, and difficulties obtaining capital - all of which

can be made worse by outside economic disruptions. The rise in bankruptcies may also indicate the need for additional reforms in business support. Some industries are clearly finding it difficult to adjust to changing market conditions, especially those with narrow profit margins, as pointed out in the aforementioned MGBI report.

In this regard, it is essential that businesses have access to comprehensive assistance, including better financing and business advisory services in addition to restructuring, as suggested by the report. Support of this kind might be necessary for businesses to better adjust to the ever-changing market environment.

The current legal framework governing insolvency and restructuring proceedings in Poland is generally adequate and aligned with EU standards, offering four distinct restructuring procedures tailored to various stages of financial distress. However, concerns persist regarding the practical application of these regulations. The most commonly used procedure—approval of arrangement—is often misused by debtors seeking temporary enforcement protection without a genuine restructuring plan.

Moreover, limited oversight, high procedural costs, and delays—particularly in more complex cases—undermine the system’s effectiveness. These challenges, combined with a lack of early intervention by distressed firms, highlight the need for improved enforcement mechanisms and broader education in financial crisis management.

Valuable insight into the broader economic climate in Poland is also found when we contrast corporate insolvency statistics with new business registration rates. The increasing insolvency trends may be influenced by the complex and burdensome business environment in Poland. The simultaneous rise in bankruptcies and decline in business formations signal worsening economic conditions or the presence of regulatory or structural barriers to entrepreneurship.

Conversely, high levels of business registration accompanied by low insolvency rates may reflect a more dynamic and resilient economic environment. as highlighted by the GBCI 2024 report that ranks Poland as the seventh most difficult country in Europe and twelfth globally to do business in, even though Poland has made strides in improving its business environment.

The ranking suggests that the overall business environment in Poland remains challenging with complex legal regulations and their inconsistent enforcement compared to its European counterparts, with the manufacturing, retail, and construction sectors proving to be particularly vulnerable. The statistical analysis presented in this paper highlights the growing importance of restructuring as a strategic tool for addressing corporate financial distress.

The success of restructuring initiatives in this situation depends on the timely detection of early warning indicators and the swift start of corrective actions. The likelihood of recovery and long-term viability is greatly increased by proactive

intervention as opposed to reactive crisis management, highlighting the necessity of institutional support and managerial awareness in navigating economic turbulence.

It is possible to speculate that as the general state of the economy gradually improves in 2025 and the years that follow, businesses' financial standing will also improve. It is reasonable to anticipate a decline in new insolvency proceedings and an increase in restructuring proceedings rather than bankruptcies if macroeconomic conditions improve, i.e., inflation declines, exchange rates stabilize, and the economy recovers.

This would suggest a change from efforts to liquidate businesses to efforts to salvage them. Declining insolvencies could be facilitated by stabilizing interest rates and bringing inflation down to 4 or 5%. The EU support initiatives for SMEs or a rise in both public and private investment may also contribute to that. At the same time, Poland's restructuring tools are becoming more and more popular, which could help protect many businesses and job opportunities.

Regarding suggestions for businesses looking to reduce the risk of corporate insolvency, it is critical to recognize warning indicators early on, such as ongoing cash flow problems, rising debt levels, or late payments. Online financial health check tools and insolvency risk calculators are helpful resources that are becoming more widely accessible through Polish legal and business advisory websites.

These tools can support early decision-making and assist in determining the likelihood of insolvency. Second, resilience can be greatly increased by putting in place strong internal controls, keeping liquidity buffers, and regularly performing financial forecasting. In order to negotiate terms before financial stress worsens, businesses in unstable industries should also diversify their sources of income and keep lines of communication open with their creditors.

Lastly, it is crucial to get expert counsel as soon as financial difficulties arise rather than when a crisis strikes. Before insolvency becomes inevitable, this involves speaking with restructuring advisors, attorneys, or insolvency practitioners who can assist in examining both formal and informal recovery options.

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