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The Bank Guarantee as an Instrument for Improving the Liquidity of Enterprises under the Conditions of the COVID-19 Pandemic

Gwarancja bankowa jako instrument poprawy płynności finansowej przedsiębiorstw w warunkach pandemii COVID-19

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ABSTRACT

Objective: The article analyses the risk accompanying commercial transactions, which is growing and needs to be limited as it worsens financial liquidity in enterprises. The article identifies and determines the causes of this growing risk, and indicates the important role which bank guarantees play as a hedge against this risk. Bank guarantees primarily allow companies to maintain liquidity in a turbulent environment, one fraught with increasing risks characterising commercial transactions between counterparties. Currently, the consequences of the COVID-19 pandemic that European and global economies are facing have significantly destabilised the economic situation. These consequences are taken into account in the article.

Research Design & Methods: The research methods used to develop the article included a study of the subject literature and analysis of reports and research results on the situation that enterprises in Poland and the rest of Europe are facing.
Findings: The results obtained confirm the hypothesis that bank guarantees constitute an important instrument for improving the financial liquidity of enterprises, especially in the conditions prevailing as a result of the COVID-19 pandemic.
Implications/Recommendations: The conclusions drawn indicated that bank guarantees, as well as other special programmes designed to support the activities of enterprises, can help reduce the risk of conducting business activity, particularly the risk of losing financial liquidity.
Contribution: The article adds to the analysis and knowledge base on ways of reducing the risk of losing financial liquidity.

Article type: original article.

Keywords: bank guarantee, corporate liquidity management, commercial contract risk, payment gridlocks.

JEL Classification: G32.

STRESZCZENIE

Cel: Celem artykułu jest analiza sytuacji w zakresie konieczności ograniczania rosnącego ryzyka towarzyszącego transakcjom handlowym, które pogarsza płynność finansową w przedsiębiorstwach, identyfikacja oraz ustalenie jego przyczyn, a także wskazanie na istotną rolę gwarancji bankowych w zabezpieczaniu przed tym ryzykiem. Instrument ten pozwala przede wszystkim utrzymać płynność finansową podmiotom funkcjonującym w turbulentnym otoczeniu i przy rosnącym ryzyku gospodarowania. W artykule wykazano, że obecnie do tej niestabilnej sytuacji gospodarczej znacząco przyczyniają się konsekwencje pandemii COVID-19, z którymi mierzą się gospodarki w Europie i na świecie.
Metodyka badań: Badania oparto na studiach literaturowych oraz analizie dostępnych raportów i publikowanych wyników badań dotyczących sytuacji przedsiębiorstw zarówno w Europie, jak i w Polsce.
Wyniki badań: Uzyskane rezultaty badań potwierdziły postawioną w artykule hipotezę, według której gwarancje bankowe są istotnym instrumentem poprawiającym płynność finansową przedsiębiorstw, zwłaszcza w warunkach pandemii COVID-19.
Wnioski: Wykorzystywanie gwarancji bankowych oraz specjalnych programów dotyczących wspierania działalności przedsiębiorstw jest czynnikiem ograniczającym ryzyko prowadzenia działalności gospodarczej, a zwłaszcza ryzyko utraty płynności finansowej.
Wkład w rozwój dyscypliny: Przeprowadzone badania wpisują się w nurt powszechnych w literaturze analiz sposobów ograniczania ryzyka utraty płynności finansowej przedsiębiorstw.

Typ artykułu: oryginalny artykuł naukowy.

Słowa kluczowe: gwarancja bankowa, zarządzanie płynnością finansową w przedsiębiorstwie, ryzyko kontraktu handlowego, zatory płatnicze.

1. Introduction

Current economic conditions are dominated and determined by the growing consequences related to the crisis caused by the COVID-19 pandemic and increasingly by the war in Ukraine. Growing economic risk, as pointed out in this study, is also manifested in increased risk in commercial transactions. As the quoted research findings show, these often consist of sales on credit and are, unfortunately, associated with a significant increase in the risk of crediting customers. The risk comes to bear in particular when one of the parties to a commercial contract does not meet and honour its terms – for example, not meeting payment dates stipulated in the contract.

This article recognises the need to attempt to reduce this risk in order to prevent payment gridlocks in the economy and the loss of liquidity by enterprises, and to maintain continuity in economic turnover between cooperating entities. To this end, the following research hypothesis has been put forward: guarantee instruments, particularly the bank guarantee, plays a crucial role in reducing the risk of a commercial contract and maintaining financial liquidity among enterprises. Based on multiple factors – a study of the relevant literature, analysis of the applicable legal acts, and comparative analysis of data contained and published in current reports on the situation in Poland and in Europe – the hypothesis was proven accurate. Using elements of the causal analysis in the research, an attempt is made to explain why the risk of commercial contracts has increased and how bank guarantees can be used to limit that risk.

2. Financial Liquidity of Enterprises amid Growing Payment Gridlocks in Poland and Europe

Payment gridlocks have been severely hitting the financial condition of businesses for years, and the economic crisis caused by the COVID-19 pandemic has only increased their impact. More and more businesses are borrowing at the expense of their suppliers, delaying payments and creating new payment gridlocks at other entities.

The increased risk of rising payment gridlocks is recognised by businesses across Europe, where 43% predicted that the risk of company debtors in the form of late or non-payments would increase over the course of 2021, and 19% claimed that it would increase significantly. This signals a dramatic change in attitudes from those reported in the 2019 survey, where only 16% expected the risk from debtors to increase and three-quarters expected the situation to remain stable (*European Payment Report…* 2021, p. 6).

Behaviours and experiences related to timely payments vary across Europe by region and country. According to the survey, the Central European region is the least affected by late payments. About 22% of those surveyed consider debtors paying after the agreed date to be very problematic for their financial situation. That figure is below the European average of 25%. In contrast, as many as 42% of Eastern European businesses say their survival is threatened by late payments. At the same time, 31% of Eastern European firms say that over-reliance on unsecured loans by business partners was one of the biggest payment challenges in 2021. However, the risk of late payments is highest in Southern Europe and will continue to rise. The COVID-19 crisis has increased the pressure that businesses are under as they struggle to maintain healthy cash flows with potential revenue declines. More than half (53%) say debtors in a difficult financial situation are one of their biggest payment challenges in 2021 (this is well above the European average, which is 38%). The situation is not expected to improve and almost six in ten firms in Southern Europe (57%) expect the risk of late payment to increase (the European average is 43% (*European Payment Report…* 2021, pp. 10–12).

A recent study on this period (*Portfel należności…* 2019) reported that for 57.3% of Polish firms, the lack of timely payment of receivables is a real barrier to conducting business. Every third company confirms that the lack of timely payment by business customers prevents the firm from paying its own receivables on time, and thus exposes the firm to paying penalty interest and to be entered in the register of debtors (Gronek 2019). Payment gridlocks are still one of the most serious barriers to business development, as 31% of businesses limit their investments for this reason (*Coraz mniej długów…* 2020).

The problem haunts small and medium-sized enterprises particularly, as they are in a weaker economic position than their larger counterparts. The Bibby SME Index survey (*Zatory płatnicze…* 2021), conducted by Bibby Financial Services on a representative sample of small and medium-sized enterprises, shows that as many as 34% of respondents have recently experienced late payments.

Meanwhile, Intrum's European Payments Report shows that the time that entities in the B2B sector in 2020 wait to be paid increased to 46 days, and in the public sector to 53 days, while the real time of paying by B2B customers averaged 60 days in Europe (*European Payment Report…* 2021, p. 15). In addition, in seeking the cause of this state of affairs in the SME sector, one might look to research indicating that only 33% of small and medium-sized enterprises declare having a code of ethics encouraging prompt payment, compared to 48% of large firms (*European Payment Report…* 2021, p. 28). On average across Europe, 37% of respondents say their company has a code of ethics in place to encourage a prompt payment culture, with Poland at 40%, the highest in Switzerland, at 50%, and Norway the UK and Spain not far off, at 48%. Czech Republic rounds out the bottom of the list, at 16%.

The use of trade credit in relations between counterparties is an integral part of business activity. This is also confirmed by research conducted by Atradius

(*Poland: Higher Insolvency…* 2019), where an increasing percentage of sales in Poland is made on credit. As the statistics show, in 2015 the number was 29.6%, in 2016, 35.8%, in 2017, 30.8%, in 2018, 30.5%, and in 2019, 48.5% of the total B2B sales value of Polish respondents was done on credit. Despite the growing reliance on credit in Poland, these figures are all well below the average (67.2%) for Eastern Europe. In fact, Poland ranks second lowest in the region, following only Bulgaria (33.8%).

The higher percentage of sales made on credit in Poland most likely reflected stronger domestic demand in 2019 than in 2018 and more dynamic export flows. In addition to increasingly offering trade credit, suppliers surveyed in Poland seemed equally willing to offer their customers more time to settle invoices. The majority of Polish respondents (88%) granted terms allowing payment within an average of 38 days from the issuance of the invoice (compared to 30 days in 2018). These are the third longest average payment terms in Eastern Europe, after those observed in Turkey (59 days) and Romania (40 days), while the European average is 37 days (*Poland: Higher Insolvency…* 2019). In this context, it should be emphasised, after Sierpińska (2014, p. 132), that the payment terms of invoices should be adjusted to the level of customer crediting risk. This allows companies to minimise the risk of overdue and uncollectible receivables and to maximise sales.

For the sake of comparison, in the third quarter of 2019, the average payment overdue period was 3 months and 25 days, and the average percentage of overdue receivables in the portfolios of Polish enterprises was 22.2% (*Portfel należności…* 2019). In such a situation, the supplier is forced to finance its counterparty long enough for it to, for example, run out of funds for some remuneration of its employees or to cover other operating costs. In the worst case, such a delay may lead to bankruptcy: It is the loss of liquidity, not low profitability, that causes about 80% of enterprise bankruptcies in Poland (Mielczarek 2015).

The straits enterprise suppliers face also results from the approach to payments by recipients. Polish companies first and foremost remunerate employees (74.4% of businesses) and pay taxes to the tax office and social security contributions (70.7% of firms). These revealing statistics come thanks to the report *Priorytety płatności* conducted by Keralla Research and commissioned by the National Debt Register (KRD) and NFG factoring company. Payments that can be postponed and paid in the second place, are, according to respondents, invoices issued by key contractors and suppliers. For almost 30% of firms, this is the last payment on the list (*KRD: Polscy przedsiębiorcy…* 2020).

The survey, carried out on micro, small and medium-sized firms in January 2020, shows that 61% of businesses delay payments to their counterparties, though 48% maintain that this happens rarely (0.6% admit that it is a regular activity). Municipal taxes (48.8%) and large company loans (31.5%) are the third most important expenses for Polish enterprises, following wages and receivables to the Treasury. A quarter of respondents indicate that less important payments include service charges such as rent, electricity, gas and telephone. According to entrepreneurs, leasing instalments may also be moved to a further position (21%) (*KRD: Polscy przedsiębiorcy…* 2020).

While late payments reduced the liquidity of Polish enterprises, IMF forecasts (*IMF Data Mapper* 2020) also pointed to economic difficulties in 2020. 55% of businesses – 10 percentage points above the European average – said that late payments from customers would have a negative impact on their liquidity. Inefficient cross-border debt collection also has a significant impact on payments. The ineffectiveness or unavailability of cross-border debt recovery procedures is a particular concern for Polish companies. More than half – at 53%, the highest percentage in Europe – claim that this has a negative impact on international payments (*European Payment Report…* 2021, p. 72). On average, around a quarter (25%) of incoming payments are international at European firms, while in Poland the figure comes in even higher, at 27% (*European Payment Report…* 2021, p. 26). Crucially, bank guarantees could also help secure international transactions for enterprises.

According to the *European Payment Report 2020* (2021, p. 22), as many as 45% of respondents on average in Europe believe that late payments limit the liquidity of their businesses, and 38% that it even poses a threat to their businesses. So, it is not worth it for business to wait for their customers to fall behind with their payments. Rather, business can be secured in advance with solutions that prevent late payment at a global level. In such a situation, creditors are interested in obtaining security for the full value of the contract. The ways to secure payments include: prepayments, payment monitoring, debt collection, factoring, bank guarantee and credit insurance, and the Anti-payment Gridlock Act (Ustawa… 2019), which has been in force from the beginning of 2020 in Poland.

Personal and material collaterals are among the legal collaterals of debt (Sierpińska *et al*. 2021, p. 139). Personal forms of collateral include bills of exchange, warranties, a sponsor's declaration, bank guarantees, access to debt, debt takeovers, and voluntary submission to execution by a debtor in the form of a notarial deed. The most frequently used forms of material collateral include earnest money, guarantee deposits, bid securities, blocking of funds on the account, transfer of title to secure loan repayment, registered pledges, and mortgages.

3. The Bank Guarantee as a Means of Securing against the Risks of a Commercial Contract

Running a business is fraught with risk and requires a high degree of trust in relations between contracting parties. This trust, however, should be strengthened by appropriate contract performance security. There are numerous tools for securing commercial transactions. According to Jędrzejczyk and Antoniak (2017), one of the most frequently used forms of securing these transactions is the bank guarantee, which is used throughout the economy. S. Szkubel (2011) emphasises that a bank guarantee is a reliable and convenient security of mutual liabilities and receivables of business partners, both in domestic and foreign trade. Moreover, a bank guarantee also facilitates the negotiation of lower prices and favorable terms of a trade credit (*Gwarancja bankowa zabezpieczy…* 2006).

A bank guarantee is governed by the Civil Code (Ustawa… 1964) and the Banking Law – Articles 80 to 92, (Ustawa… 1997). Banks may, upon request, issue and confirm bank guarantees, sureties, as well as open and confirm letters of credit. At the same time, a bank's obligation is always a monetary obligation.

There are significant differences between a bank surety and a bank guarantee, although they are often confused. Both a bank surety and a bank guarantee are intended to secure the lender in the event of the debtor's insolvency. A bank surety can be granted, and in practice is granted, both by banks and non-bank entities, such as natural persons. A bank surety is a one-sided legal act by virtue of which, for example, a bank or an individual undertakes to repay a liability in the event that the debtor is unable to fulfill this obligation. A surety is drawn up in writing under pain of invalidity, and the rules of its operation and application are regulated in detail by the Civil Code (Ustawa… 1964).

Bank guarantees, on the other hand, can only be granted by banks; they are of a completely different nature and appear in relations between enterprises. Pursuant to Art. 81 of the Banking Law (Ustawa… 1997), a bank guarantee is "a unilateral undertaking by the bank-guarantor that upon fulfillment by the entitled entity (the beneficiary of the guarantee) of certain payment conditions, which may be established by documents specified therein, which the beneficiary will attach to the payment demand drawn up in the prescribed form, the bank will perform a monetary performance to the benefit of the beneficiary of the guarantee – directly or through another bank".

Thus, a guarantee is a document stating that the obligations of a bank's customer towards a third party will be fulfilled by the bank within a specified period of time in the event that the customer fails to fulfill them on their own.

The bank may also confirm the obligation of another bank arising from the bank guarantee. In such a situation, the beneficiary may address its claims to (Ustawa… 1997, Art. 83):

– the bank which issued the guarantee,
– the bank which confirmed the guarantee
– both of these banks jointly, until the creditor's claims are fully satisfied

A bank guarantee is granted and validated in writing under pain of nullity. Such a guarantee may have different wording depending on its purpose and the reason it is to be issued. The wording of the agreement on the bank guarantee must be precise and must not give rise to doubts on the part of either party. The document should therefore clearly state (*Gwarancja bankowa – zabezpieczenie*… 2019):

– the principal of the guarantee (who is a participant but not a party to the contract),

– the parties to the contract – the beneficiary of the guarantee and the guarantor (the bank),

– the bank that issued the guarantee and, if necessary, that bank's confirmation,

– the guidelines of the protected claim,

– the documentation required by the bank,

– the sum guaranteed (the amount of the guarantee that can be paid out),

– the possibility of increasing or decreasing the amount on the guarantee,

– the duration of the guarantee agreement,

– factors that may cause the guarantee to terminate,

– the bank's obligation to pay the cash benefit,

– the form of the guarantee (unconditional or conditional),

– the form of the demanded payment,

– the time limit under which the payment is to be made,

– permission to verify the identity of the guarantee beneficiary,

– the date and place the guarantee was signed,

– the legal rules governing the bank guarantee.

The amount of the guarantee does not depend on the value of the liability it secures but is usually determined by the entrepreneur's situation – his or her capital requirements and the ability to obtain a guarantee for a given amount. The amounts bank guarantees are taken for varies greatly, but it is not uncommon for these amounts to be in millions.

A bank guarantee may cover: the return of an advance payment, proper performance of a contract, repayment of a loan or lease instalments, payment of customs or excise duty, timely payment for goods received or services rendered, payment of rent. It can also be a tender guarantee, replacing an advance payment or deposit paid prior to a transaction, or a lottery guarantee – ensuring the payment of prizes for winners of games or promotions, etc. Guarantees are often classified according to the purpose and object of a security (see Koziński 1983, p. 44; Heropolitańska *et al.* 2000, p. 266). Bank guarantees thus are used in various situations, and there are various types of them in the offers of banks, further confirming the fact they are applied widely.

There are bank guarantees for natural persons and guarantees for enterprises. But the most common are for companies whose activities involve transactions for large amounts of money. Such guarantees increase the credibility of the business in the eyes of its contracting parties, since it gives the beneficiary the certainty of recovering their money regardless of the firm's future financial situation. Bank guarantees also significantly increase the chances of obtaining a high cash loan from another bank on favourable terms.

Banks usually provide guarantees only to proven customers (Sierpińska *et al*. 2021, p. 147). Most banks provide them when they are afraid of losing trusted clients – those that have an account with the bank and whose financial situation can be monitored on an ongoing basis.

Regardless of the principal, two types of bank guarantee can be distinguished (*Gwarancja bankowa – zabezpieczenie…* 2019):

– conditional guarantee – the bank pays out the guarantee sum only when the beneficiary of the benefit fulfills all the conditions stipulated in the guarantee agreement and the bank confirms the legitimacy of the claim;

– unconditional guarantee – upon the beneficiary's written request, the bank pays out the full guarantee amount but without verifying the legitimacy of the claim and without requiring additional documentation.

A third-party guarantee consists of the security that the counterparty offers as a successful conclusion to the commercial contract. An own guarantee occurs when a trader acting as a buyer guarantees the payment security of the seller (*Gwarancja bankowa – zabezpieczenie…* 2019). In addition, the following types of bank guarantees can be indicated: tender guarantee, credit guarantee, repayment of leasing instalments, repayment of receivables, payment of customs duties, return of advance payment, contract guarantee (stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/2200.pojecie.html, accessed: 7.03.2022).

When an enterprise applies for a guarantee, the bank examines the application as it would be a credit application. Thus, the bank assesses the applicant's creditworthiness and financial standing, the company's future prospects, and its own risk in issuing the guarantee. The bank may then also ask for additional security (*Gwarancja bankowa – czym jest…* 2018).

Security for a bank guarantee may take the form of a separate agreement between the bank and the entity seeking the guarantee for its transactions. Banks may require different legal securities for the claim, in the form of a pledge, a mortgage or a blank promissory note, or in the form of a surety under civil law. This means that if there is a need to execute a bank guarantee, the bank will pay off the beneficiary of this guarantee and will be able to claim its receivables e.g. from a designated (subject of the collateral) asset of its client. It should be emphasised, however, that banks do not always require legal securities for a claim. In fact, when a bank obtains a very positive result from examining a customer's creditworthiness, it will often abandon the establishment of the guarantee security (*Gwarancja bankowa – czym jest…* 2018).

A guarantee is valid for the period for which it was concluded, though there are reasons other than the lapse of time that a guarantee can expire, e.g. (*Gwarancje bankowe* 2018):

– the principal can perform his obligation towards the beneficiary and will prove it in the manner laid down in the guarantee;

– the beneficiary can release the bank from all obligations set out in the guarantee before the expiry of the validity period;

– the guarantee can be cancelled (if the contract included the possibility of cancelling it);

– the bank performs the obligations specified in the guarantee.

Having a bank guarantee agreement can increase the entrepreneur's credibility in the eyes of the counterparty, particularly as the guarantee is used mainly for transactions involving large sums of money. Unfortunately, obtaining a guarantee can be very costly for the client, as fees related to producing a bank guarantee are charged for all of the bank's activities to that end. These include (*Gwarancja bankowa – zabezpieczenie…* 2019):

– a fee for preparing a draft guarantee/promissory note – the fee is charged in the event that the customer decides not to issue a guarantee/promissory note,

– a commission (on the transaction amount) for issuing the guarantee,

– a commission (on the amount of the increase) for increasing the guarantee amount,

– a commission (on the amount of the remaining balance) for extending the validity of the guarantee,

– payment of the claim under the guarantee,

– a fee for the issuance of a guarantee promise by the bank.

The commission for issuing the guarantee and promissory note is charged monthly in advance, from the date of the issue of the document until the date on which the bank's obligations expire. The fee for issuing the promise of a guarantee is charged separately from the fee for issuing the guarantee, unless other terms have been agreed. Some banks charge, in addition to a commission on the bank guarantee granted, a fee for assessing creditworthiness as well as a fee for processing the request for a guarantee.

The cost of granting a bank guarantee depends on the type of guarantee, the amount guaranteed and the currency. The price is different in each bank and is generally set as a percentage of the guaranteed sum. These costs may seem high, but it should be borne in mind that in the event of arrears the debtor has to reckon with interest for late payment and other additional costs. Furthermore, the settlement of debts protects the debtor from being entered in the National Debtor Register.

The wording of the guarantee must describe in detail what documents (with what content and in what form) are to be submitted to the bank in order for the payment of the guaranteed sum to be made. This may be a simple statement in writing or a written statement with the documents specified in the agreement. The advantage of the guarantee over other forms of security is primarily that it is highly effective and is of an abstract character.

To sum up, from the point of view of economic turnover, the essential features of a guarantee are the following (Beroud-Mazur *et al*. 2021, pp. 19–21):

a) it increases the liquidity of the principal – when using a guarantee for example, for a bid bond or performance bond, the principal does not need to tie up a significant amount of cash that it would otherwise have to provide to the beneficiary (*International Standby Practices* 1998);

b) it increases the principal's credibility – in the process of a guarantee being issued, the principal's financial situation is verified. This means the mere fact of the guarantee being issued is a positive assessment of such a situation. Such an assessment can be important information for counterparties (a prolonged period of unsuccessful guarantee seeking usually precedes the commencement of a restructuring process or the principal's bankruptcy);

c) activities linked to issuing and enforcing guarantees are highly complex – they require a high degree of professionalisation;

d) the need to analyse each individual case where a guarantee is issued;

e) the risk of guarantees issued is monitored;

f) the administrative cost of the guarantee process are high (given the foregoing);

g) a lack of standardisation – because the content of a specific guarantee must be adapted to the specifics of the underlying contract and the specifics of the principal's activity, there is a huge number of possible variants of the content of guarantees on a given market;

h) particular interest in guarantees in certain sectors of the economy – for many years the construction sector has been the leading party requesting the issuance of guarantees. It is joined by the commercial real estate sector, the international trade sector and the broadly understood public procurement sector as important guarantee issuers;

i) macroeconomic factors play a significant role – the number and value of guarantees issued and the number and value of payments are quite closely linked to economic fluctuations – in practice, it can be observed that periods of strong economic growth correspond to an increased demand for the issuance of new guarantees, while periods of crisis usually result in an increased number of demands for payments on previously issued guarantees.

A guarantee protects the beneficiary against the risk of the counterparty's insolvency. It also allows the beneficiary to obtain the amount sought virtually immediately. In addition to its protective function, it also plays a financial function: it improves the firm's liquidity, relieving it from the need to unnecessarily tie up its own funds in tender deposits, long-term performance bonds or guarantees for the removal of defects and faults. In addition to securing business relationships, a bank guarantee has another important function – it increases the credibility of the principal of the guarantee in the eyes of its counterparty (Szkubel 2011).

4. Using Bank Guarantees to Counter the Effects of the COVID-19 Pandemic

Loan guarantees were widely used and offered by banks as instruments to support businesses affected by the COVID-19 pandemic, particularly in maintaining their liquidity.

In 2020, European governments mitigated the economic impact associated with the COVID-19 pandemic by introducing various programmes to combat the pandemic through a number of initiatives. These included credit support efforts, such as bank loan guarantees, especially for small and medium-sized enterprises (SMEs). Studies carried out in Europe's five largest national economies – France, Germany, Italy, Spain, and the UK – show that by 30 June 2020 there were 22 national credit support programmes in response to COVID-19, implemented in the context of fiscal policy. Most of these programmes (94%) were guarantees for loans and other non-commercial credits (14 programmes), as well as trade credit guarantees (3 programmes) (Anderson, Papadia & Véron 2021, p. 4).

The features of loan guarantee schemes vary from country to country, but all must comply with the guidelines adopted by the European Commission. Guarantee schemes are designed to support companies and self-employed people who have been affected by the COVID-19 crisis but were not in a difficult financial situation at the end of 2019. The guaranteed share is between 70% and 90% of the loan principal, although guarantee schemes of up to 100% are also available in several countries, including Italy and Germany, especially for smaller loans for small and medium-sized enterprises (SMEs) and the self-employed. Coverage is lower in other euro zone countries (Falagiarda, Prapiestis & Rancoita 2021).

SMEs in the sectors most affected by the crisis (e.g. trade, tourism and transport) appear to have benefited the most from public loan guarantee schemes. Data on the use of guaranteed loans for the period April–August 2020 show that the uptake of guaranteed loans was much higher for SMEs and the self-employed than for large firms in Italy, France or Spain, but not in Germany (Falagiarda, Prapiestis & Rancoita 2021).

As research published in the "BIS Quarterly Review" shows, debt levels among small and medium-sized enterprises, especially those in sectors hit hard by the pandemic, have risen, especially in countries that have been more generous in their guarantee schemes (Casanova, Hardy & Onen 2021).

An example in this respect has been Poland's *de minimis* guarantee programme, offered under the government programme "Supporting Entrepreneurship with the Use of Guarantees and Sureties of the Bank Gospodarstwa Krajowego". *De minimis* guarantees have been implemented in order to improve access to finance for enterprises in the SME sector and to provide a range of generally available guarantees supporting business development.

A *de minimis* guarantee is one of the forms of *de minimis* aid granted as state aid to secure the repayment of a working capital or investment loan to a micro, small or medium-sized enterprise. Since July 2018, owing to the implementation of the National Guarantee Fund, the *de minimis* guarantee scheme has functioned as a sustainable and systemic support instrument for entrepreneurs in the SMEs sector (*Gwarancja de minimis…* 2022). In order to counteract the effects of the COVID-19 pandemic, changes have been made to the rules for covering loans with *de minimis* guarantees prepared to mitigate the effects of the COVID-19 pandemic from BGK's aid package, effective from 1 January 2021. These include (*Gwarancja de minimis…* 2022):

– increased guarantee coverage of up to 80 per cent of the loan amount,

– no commission payable for the period from 1 January 2021 to 30 June 2022,

– a maximum guarantee period of up to 75 months for a working capital credit,

– a maximum guarantee period of up to 120 months for an investment loan,

– a maximum guarantee amount of EUR 1.5 million for guarantees up to 5 years and EUR 750,000 for guarantees over 5 years (if the maximum *de minimis* aid ceilings are not exceeded).

As BGK argues, analyses have for years been confirming the exceptional role BGK guarantees play in the process of obtaining external financing for micro, small and medium enterprises operating in Poland. A recent study shows that these effects were even more visible when the Polish economy and society had to cope with the challenges posed by the COVID-19 pandemic (*Efekty programów…* 2021).

BGK guarantees have for years supported Polish entrepreneurs from the micro, small and medium-sized enterprise sector by facilitating their access to working capital and investment loans. Differences are particularly evident when it comes to assessing financial liquidity. Almost three quarters of COSME guarantee beneficiaries (73.4%) and two thirds of *de minimis* guarantee beneficiaries (66.3%) report improved liquidity in the twelve months preceding the survey, whereas in the control sample this percentage reaches only 22.9% and in the sample of all SMEs only 4.6%. This result should not come as a surprise, however, as *de minimis* and COSME guarantees are largely used to secure working capital loans, which in principle are supposed to improve liquidity. If a firm benefits from a BGK guarantee, it probably also uses a working capital loan.

At the end of Q2 2021, nearly one in five zloty (18.7%) of SMEs loans in Poland were covered by BGK collateral in the form of *de minimis* (17.0%) or COSME (1.7%) guarantees. It is estimated that since *de minimis* guarantees were introduced into BGK's offer, by August 2021, PLN 66.5 billion of additional credit had become available (of which PLN 62.8 billion was a working capital loan and PLN 3.7 billion was an investment loan). This credit would not have come about without BGK's guarantee support.

From the beginning of the programme until September 2021, PLN 115 billion of de minimis guarantees have been granted. This has made it possible to secure loans worth a total of PLN 185.7 billion, 73% of companies holding a loan with a COSME guarantee and 66% of *de minimis* guarantee recipients have improved their financial liquidity over the past year. A full 99% of those companies attribute that success to BGK guarantees. Moreover, 72% of *de minimis* guarantee recipients and 62% of COSME guarantee recipients state that the financing obtained with the guarantee helped their firm survive the crisis caused by the COVID-19 pandemic (*Efekty programów…* 2021).

5. Conclusions

Careful observation of the market proves that a guarantee as an instrument of the financial policy of firms is slowly eliminating other – more expensive and more burdensome – forms of securing contracts. Everything indicates that the role of this instrument will continue to grow. This is because bank guarantees effectively cover the risk of the debtor's insolvency, increase the credibility of the counter party and do not require the company to use its own financial resources, which is crucial for Polish businesses, given their often limited liquidity (Szkubel 2011).

Roughly three out of four European businesses (73%) (*European Payment Report…* 2021, p. 13) agree that payments made on time are crucial to building and maintaining the trust of suppliers and partners. Entrepreneurs and analysts point out that every business is based on trust. In the long run, behaving ethically is the only way to survive. But the research also shows that firms across Europe have a long way to go to improve their payment practices. Finally, COVID-19 has added to the pressure on companies as the attendant slowdown in economic growth has reduced demand and disrupted supply chains.

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