

Malgorzata Kowalik, PhD

Department of Economics and Organisation of Enterprises

Faculty of Management

College of Management Sciences and Quality

Cracow University of Economics

ORCID: 0000-0002-5645-5771

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

1. Introduction

The 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 an increase in risk in concluded commercial transactions, often consisting, as the quoted research findings show, of sales on credit and unfortunately associated with a significant increase in the risk of crediting customers. It occurs in particular when one of the parties to a commercial contract does not meet and keep its terms, i.e. payment dates stipulated in the contract. Therefore, this article recognizes the need to try to reduce this risk in order to prevent payment gridlocks in economy, the loss of liquidity by enterprises and to maintain continuity in economic turnover between cooperating entities. To this end, a research hypothesis has been put forward, indicating that, especially recently, an important role in securing the risk of a commercial contract and maintaining financial liquidity by enterprises may be played by the use of guarantee instruments, especially the bank guarantee.

2. Financial liquidity of enterprises in the context of 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 this phenomenon. 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 means a dramatic change in the attitude compared to the 2019 survey where only 16% expected the risk from debtors to increase and 3/4 expected the situation to remain stable (European Payment Report 2020, 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 - which 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. In addition, 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 a 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 2020, pp. 10-12).

From the results of a recent study entitled „Portfel należności polskich przedsiębiorstw" (Portfel należności..., 2019) for this period, it can also be read that for 57.3% of Polish firms the lack of timely payment of receivables by their counterparties is a real barrier that does not allow them to conduct business. Every third entrepreneur 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 pay 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).

In, particular, the problem concerns small and medium-sized enterprises, which are in a weaker position in economic relations with large entities. The Bibby SME Index survey (Zatory płatnicze coraz większą zmorą MSP..., 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.

As it results from the European Payments Report published by Intrum, the time of waiting for a payment in the B2B sector in 2020 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 2020, p. 15). In addition, when trying to find out the reasons for this situation in the SME sector, it should be pointed out that, according to research, on average in Europe, 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 2020, 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%, Norway the UK and Spain at 48%. The least in the Czech Republic is 16%.

It should be emphasised that the use of a 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 it was 29.6%, in 2016 - 35.8%, in 2017 - 30.8%, in 2018 - 30.5%, while in 2019 48.5% of the total B2B sales value of Polish respondents was made on credit. Despite this, this is well below the average (67.2%) for Eastern Europe and Poland ranks second lowest in the region, following the result recorded in Bulgaria at 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 of trade credit, suppliers surveyed in Poland seemed equally willingly offered 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).

Moreover, considering that 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 polskich przedsiębiorstw..., 2019). It is worth noting that in this situation, the supplier is forced to finance its counterparty long enough for it to, for example, run out of funds for some remunerations of its employees or cover other costs of the firm's operations. It should be stressed that in the worst case, such a delay may lead to its bankruptcy, as it is the loss of

liquidity, and not too low profitability, that is the cause of about 80 percent of enterprise bankruptcies in Poland (Mielczarek, 2016).

The difficult situation of enterprises-suppliers also results from the approach to payments by recipients, as Polish entrepreneurs in the first place pay remunerations to employees (74.4% of businesses) and pay taxes to the tax office and social security contributions (70.7% of firms), according to the research "Priorytety płatności" conducted by Keralla Research 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 entrepreneurs, invoices issued by key contractors and suppliers. For almost 30% of firms, this is the last payment on the list (KRD: Polscy przedsiębiorcy w pierwszej kolejności..., 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, although 48% assure that this happens rarely. However, 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 entrepreneurs, following wages and receivables to the Treasury. Less important are service charges: rent, electricity, gas and telephone - thinks every fourth firm. According to entrepreneurs, leasing instalments may also be moved to a further position (21%)". (KRD: Polscy przedsiębiorcy w pierwszej kolejności..., 2020).

Late payments were reducing the liquidity of Polish enterprises and the IMF forecasts (IMF Data Mapper..., 2020) also pointed to economic difficulties in 2020. In this economic situation, 55 % of businesses said that late payments from customers would have a negative impact on their liquidity, i.e. 10 percentage points above the European average. In addition, the inefficiency of cross-border debt collection is pointed out to have a significant impact on payments. The ineffectiveness or unavailability of cross-border debt recovery procedures is a particular concern for Polish companies. More than a half (53 %) claim that this has a negative impact on international payments - the highest percentage in Europe (European Payment Report, 2020, p. 72). It should be added that in European firms, on average, around a quarter (25 %) of their incoming payments are international, and in Poland this is even higher, 27 % (European Payment Report, 2020, p. 26). It is therefore possible to point to another important area of the need to secure international transactions in the activities of enterprises, e.g. through the use of bank guarantees.

According to the report (European Payment Report, 2020, 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 waiting for your customers to fall behind with their payments, it is better to secure your business 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, the Anti-Payment Gridlock Act (Act of 19 July 2019 on amending certain acts in order to ...) in force from the beginning of 2020 in Poland.

Among the legal collaterals of debt, personal and material collaterals are also indicated (Sierpińska et al., 2021, p. 139). Among **personal collaterals** one can distinguish: a bill of exchange, a warranty, a sponsor's declaration, a bank guarantee, accession to a debt, a debt takeover, voluntary submission to execution by a debtor in the form of a notarial deed. On the other hand, the most frequently used **material collaterals** are: earnest money, guarantee deposits, bid securities, blocking of funds on the account, transfer of title to secure loan repayment, registered pledge, mortgage.

3. The bank guarantee as a means of securing against the risks of a commercial contract

Conducting business activity is burdened with high risky 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 many tools for securing commercial transactions. One of them is **a bank guarantee**, which constitutes a reliable and convenient security of mutual liabilities and receivables of business partners, both in domestic and foreign trade (Szkubel, 2011).

A bank guarantee is governed by the Civil Code (the Act of 23.04.1964 Civil Code) and the Banking Law - Articles 80 to 92, (the Act of 29.08.1997 the Banking Law). Banks may, upon request, issue and confirm bank guarantees, sureties, as well as open and confirm letters of credit, whereas a bank's obligation is always a monetary obligation.

It is worth mentioning that 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** may be granted, and in practice is granted, also by 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 fulfil 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 (the Act of 23.04.1964 the Civil Code)

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. A bank guarantee, pursuant to Art. 81 of the Banking Law (the Act of 29.08.1997 Banking Law), 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 fulfil them on his own.

The bank may also confirm the obligation of another bank arising from the bank guarantee, and in this situation the beneficiary may address its claims to (Banking Law of 29 August 1997, Art. 83):

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

Granting and the validation of a bank guarantee shall be made in writing under pain of nullity. A bank guarantee may have different wording depending on its purpose and the reason for which 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 finansowe..., 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 confirmation, if necessary,
- the guideline 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 to increase or decrease the guarantee amount,
- the duration of the guarantee agreement,
- factors that may cause the guarantee to terminate,
- the bank's obligation to pay the cash benefit,
- form of the guarantee (unconditional or conditional),
- form of the demanded payment,
- the time limit for making the payment,
- permission to verify the identity of the guarantee beneficiary,
- date and place of signing the guarantee,
- 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 amount of bank guarantees varies greatly, and 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 may 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. Thus, bank guarantees function in various situations and one can find various **types** of them in the offers of banks, which confirms.

It is therefore possible to have a bank guarantee **for a natural person** as well as a guarantee **for enterprises**. The most common are bank guarantees for companies whose activities involve transactions for large amounts. Such a bank guarantee increases the credibility of the business in the eyes of its contracting parties, since it gives the

beneficiary the certainty of recovering his 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.

As mentioned by M. Sierpińska et al. (2021, p. 147), the bank usually provides guarantees only to its proven customers. Most banks provide guarantees when they are afraid of losing their trustworthy clients, which are firms that have an account with the bank and whose financial situation can be monitored on an ongoing basis.

Regardless of the principal, we can distinguish **two types of bank guarantees** (Gwarancja bankowa – zabezpieczenie finansowe..., 2019):

- **conditional guarantee** - the bank pays out the guarantee sum only in the situation when the beneficiary of the benefit fulfils 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, 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 finansowe..., 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 (Gwarancja bankowa, stat.gov.pl).

A guarantee is granted upon **the application** of an enterprise, which is examined by the bank in a similar way as a credit application. Thus, the bank assesses the applicant's creditworthiness and financial standing, as well as the company's future prospects. When deciding to issue a bank guarantee, the bank carefully analyses the risk it may incur in doing so. After assessing the situation and deciding to provide a bank guarantee, depending on the amount, the bank may 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 that obtains 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 expect this, in particular they abandon the establishment of the guarantee security when they obtain a very positive result of the examination of the creditworthiness of a given customer (Gwarancja bankowa – czym jest ..., 2018)

A guarantee is valid **for the period for which** it was concluded, but in addition there are also other reasons than the lapse of time for the expiry of the guarantee e.g., (Gwarancje bankowe, 2018):

- the principal will perform his obligation towards the beneficiary and will prove it in the manner laid down in the guarantee,
- the beneficiary will release the bank from all obligations set out in the guarantee before the expiry of the validity period,
- the guarantee will be cancelled (if the contract included the possibility of cancelling it),
- the bank will perform the obligations specified in the guarantee.

A bank guarantee agreement increases the credibility of the entrepreneur in the eyes of the counterparty. Especially as it is used mainly for transactions involving high amounts. Unfortunately, obtaining a guarantee can cost the customer a lot, as fees related to a bank guarantee are charged for all activities of the bank. Among the most important **costs of a guarantee** the following can therefore be identified (Gwarancja bankowa – zabezpieczenie finansowe dla osób fizycznych i firm ..., 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,
- commission for issuing a guarantee (on the transaction amount),
- commission for increasing the guarantee amount (on the amount of the increase),

- commission for extending the validity of the guarantee (on the amount of the remaining balance),
- payment of the claim under the guarantee,
- fee for the issuance of a guarantee promise by the bank.

The commission for issuing the guarantee and promissory note shall be 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 the creditworthiness assessment and 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 must be submitted to the bank in order for the payment of the guaranteed sum to take place. 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 due to its high effectiveness and abstract character.

Thus, to sum up, from the point of view of economic turnover, the essential features of a guarantee should be emphasised (Gwarancje bankowe i ubezpieczeniowe w praktyce..., 2021, pp. 19-21):

- a) an increase in the liquidity of the principal - usually the principal, when using a guarantee for the purpose of e.g. a bid bond or performance bond, does not need to block a significant amount of cash that he would otherwise have to provide to the beneficiary (Byrne, Barnes, Collyer, 1998);
- b) an increase in the credibility of the principal - in the process of issuing a guarantee, the financial situation of the principal is verified, thus the mere fact of issuing a

guarantee confirms a positive assessment of such a situation, which may be important information for counterparties (a prolonged period of unsuccessful guarantee seeking usually precedes the commencement of a restructuring process or the bankruptcy of the principal);

- c) a high degree of complexity of the activities linked to the issuance and enforcement of guarantees - requiring a high degree of professionalisation in the handling of guarantees;
- d) the need to analyse each individual case where a guarantee is issued,
- e) monitoring the risk of guarantees issued,
- f) high administrative cost of the guarantee process - the above circumstances tend to make the administrative cost of the guarantee process relatively significant,
- g) lack of standardisation - the need to adapt the content of a specific guarantee to the specifics of the underlying contract and the specifics of the principal's activity means that there is a huge number of possible variants of the content of guarantees on the market,
- h) particular interest in guarantees of certain sectors of the economy - for many years the construction sector has been the main party ordering the issuance of guarantees, but also the commercial real estate sector, the international trade sector and the broadly understood public procurement sector have been important from the point of view of guarantee issuers;
- i) a big role of macroeconomic factors - 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, and, importantly, it is an instrument which allows the beneficiary to obtain the demanded amount virtually immediately. In addition to its protective function, it also plays a financial function, i.e. it improves the firm's liquidity, relieving it from the need to unnecessarily block of its own funds in tender deposits, long-term performance bonds or guarantees of 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

In the context of guarantees used as instruments to maintain liquidity in firms, it is also worth mentioning in the current situation the loan guarantees widely used and offered by banks - instruments to support businesses affected by the Covid-19 pandemic.

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). It can be indicated from studies carried out in Europe's five largest national economies (excluding Russia) in 2020, i.e. : France, Germany, Italy, Spain and the UK, that by 30 June 2020 there were 22 national credit support programmes related 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), but also 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, 2020).

It seems that SMEs in the sectors most affected by the crisis (e.g. trade, tourism and transport) have benefited the most from public loan guarantee schemes. Considering the data on the use of guaranteed loans for the period April-August 2020, it can be observed 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 with the exception of Germany (Falagiarda, Prapiestis, Rancoita, 2020).

Increasing the levels of indebtedness among small and medium-sized enterprises, especially those in sectors hit hard by the pandemic, has taken place especially in

countries that have been more generous in the guarantee schemes implemented and offered, which is also pointed out in the research published in the BIS Quarterly Review (Casanova, Hardy, Onen, 2021).

An example in this respect is the de minimis guarantee programme offered in Poland, implemented 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 part of permitted state aid to secure the repayment of a working capital or investment loan to a micro, small or medium-sized enterprise (SME).

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 SME sector (Bank Gospodarstwa Krajowego, www.bgk.pl/male-i-srednie...). 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 are (Bank Gospodarstwa Krajowego, www.bgk.pl/male-i-srednie...):

- increased guarantee coverage 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
- 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 confirmed for years the exceptional role played by BGK guarantees 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 challenge posed by the Covid-19 pandemic (Efekty programów gwarancji..., 2021).

This product has 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 an improvement in their 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.

Summing up the share of loans generated thanks to de minimis and COSME guarantees in the total SME credit, it can be concluded that at the end of Q2 2021 already nearly one in five zloty (18.7%) of SME 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 (of which PLN 62.8 billion was a working capital loan and PLN 3.7 billion was an investment loan), which would not have been originated without BGK's guarantee support, had appeared in the economy.

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, of which more than 99% claim that this was possible owing 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 gwarancji..., 2021).

5. Conclusions

A 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 counterparty and do not require the involvement of the company's own financial resources, which is very important from the point of view of the limited liquidity of Polish businesses (Szkubel, 2011).

Around three out of four European businesses (73%) (European Payment Report, 2020, p. 13) agree that payments made on time are crucial to building and maintaining the trust of their suppliers and partners. Entrepreneurs and analysts point out that "Every business is based on trust. In the long run, ethics are 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. What is more, Covid-19 adds to the pressure on companies as the slowdown of the economic growth reduces demand and supply chains are disrupted.

Bibliography:

Anderson J., Papadia F., Véron N. (2021), *COVID-19 Credit Support Programs in Europe's Five Largest Economies*, Peterson Institute for International Economics (PIIE), Washington, <https://www.piie.com/sites/default/files/documents/wp21-6.pdf>, [access date: 10.03.2022]

Bank Gospodarstwa Krajowego, <https://www.bgk.pl/male-i-srednie-przedsiębiorstwa/zabezpieczenie-finansowania/gwarancja-de-minimis/> [access date: 09.03.2022]

Byrne J.E., Barnes J.G., Collyer G.W. (1998), *International Standby Practices ISP98*, Institute of International Banking Law & Practice, Inc., International Chamber of Commerce, No E590E, 1998.

Casanova C., Hardy B., Onen M. (2021), *Covid-19 policy measures to support bank lending*, "BIS Quarterly Review", 20 September 2021, https://www.bis.org/publ/qtrpdf/r_qt2109d.htm [access date: 19.03.2022]

Coraz mniej długów, coraz więcej zysków (Less and Less Debt, More and More Profit) (2020), <https://windykacja.com.pl/2020/10/26/coraz-mniej-dlugow-coraz-wiecej-zyskow/> [access date: 07.03.2022]

Efekty programów gwarancji de minimis i COSME – raport z badania 2021 (The Effects of the De Minimis and COSME Guarantee Programmes - Survey Report 2021), Bank Gospodarstwa Krajowego Departament Badań i Analiz, November 2021, European Investment Fund, https://www.bgk.pl/files/public/Pliki/Analizy_ekonomiczne/Efekty_programow_gwarancji_de_minimis_i_COSME_-_raport_z_badania_2021.pdf [access date: 07.03.2022]

European Payment Report 2020, 22nd Annual Edition, Intrum, https://www.intrum.com/media/8918/european-payment-report-2020_final.pdf, [access date: 17.03.2022]

Falagiarda M., Prapiestis A., Rancoita E. (2020), *Public loan guarantees and bank lending in the COVID-19 period*, "ECB Economic Bulletin", Issue 6/2020, https://www.ecb.europa.eu/pub/economic-bulletin/focus/2020/html/ecb.ebbox202006_07~5a3b3d1f8f.en.html [access date: 09.03.2022]

Gronek H. (2019), *9 na 10 firm ma problem ze ściąganiem należności od kontrahentów (9 Out of 10 Firms Have Problems Collecting Debts from their Contractors)*, publication date: <https://www.zadluzenia.com/portfel-naleznosci-polskich-przedsiębiorstw-iikw-2019/> , [access date: 07.03.2022]

Gwarancja bankowa – czym jest i jak uzyskać? (A Bank Guarantee - What Is It and How to Get One?) (2018), <https://www.bankier.pl/smart/gwarancja-bankowa-czym-jest-i-jak-uzyskac-umowa>, [access date: 11.04.2022]

Gwarancja bankowa – zabezpieczenie finansowe dla osób fizycznych i firm (A Bank Guarantee - Financial Security for Natural Persons and Firms) (2019), <https://ofin.pl/gwarancja-bankowa>, [access date: 17.03.2020].

Gwarancje bankowe i ubezpieczeniowe w praktyce i orzecznictwie (Bank and Insurance Guarantees in Practice and in Case Law) (2021), P. Wierzbicki (ed.), Wolters Kluwer, Warszawa 2021, pp. 19 – 21.

Gwarancje bankowe (Bank Guarantees), (2018), <https://www.biznes.gov.pl/pl/firma/kontrahenci-i-klienci/chce-nawiazac-wspolprace-z-kontrahentem/metody-zabezpieczenia-przed-nieuczciwymi-kontrahentami/gwarancje-bankowe>, [access date: 23.03.2020]

IMF Data Mapper (2020), International Monetary Fund, <https://www.imf.org/external/datamapper/profile/POL> [access date: 15.03.2022]

KRD: Polscy przedsiębiorcy w pierwszej kolejności płacą wynagrodzenia i podatki (National Debt Register: Polish Entrepreneurs Pay Remunerations and Taxes First) (2020), <https://www.money.pl/gielda/krd-polscy-przedsiębiorcy-w-pierwszej-kolejnosci-placa-wynagrodzenia-i-podatki-6480279081813633a.html> , [access date: 07.03.2022]

Mielczarek A. (2016), *Tak zaufać, żeby nie upaść (To Trust So As not to Fall)*, <https://mycompanypolska.pl/artukul/440/kredyt-kupiecki-finance>, [access date: 29.04.2020]

Pojęcia stosowane w statystyce publicznej (Terms Used in Public Statistics), <https://stat.gov.pl/metainformacje/slownik-pojec/pojecia-stosowane-w-statystyce-publicznej/2200,pojecie.html> , [access date: 07.03.2022]

Poland: higher insolvency levels ahead, (2019), <https://atradius.pl/reports/publicationspayment-practices-barometer-poland-2019.html>, [access date: 20.03.2022]

Portfel należności polskich przedsiębiorstw (The Portfolio of Receivables of Polish Enterprises) (2019), Projekt badawczy Związku Przedsiębiorstw Finansowych w Polsce oraz Krajowego Rejestru Długów (The research project by the Association of Financial Companies in Poland and the National Debt Register), developed by P Białowolski, T.M. Napiórkowski, https://zpf.pl/pliki/informacjasygna/inp_iii_kw_2019.pdf , [access date: 20.04.2022].

Sierpińska M., Sierpińska-Sawicz A., Kowalik M., Zubek M. (2021), *Kredyt kupiecki, Ryzyko i sposoby jego ograniczania (Trade Credit, Risk and Ways of Reducing It)*, Wydawnictwo Poltext, Warszawa.

Szkubel S. (2011), *Gwarancja bankowa – skuteczny sposób na ograniczenie ryzyka kontraktu (A Bank Guarantee - an Effective Way to Reduce Contractual Risk)*, [Gazetaprawna.pl, https://biznes.gazetaprawna.pl/artykuly/513184,gwarancja-bankowa-skuteczny-sposob-na-ograniczenie-ryzyka-kontraktu.html](https://biznes.gazetaprawna.pl/artykuly/513184,gwarancja-bankowa-skuteczny-sposob-na-ograniczenie-ryzyka-kontraktu.html); [access date: 17.03.2020]

Ustawa z dnia 19 lipca 2019 r. o zmianie niektórych ustaw w celu ograniczenia zatorów płatniczych Dz.U. 2019 poz. 1649 (The Act of 19 July 2019 on changing some acts in order to reduce payment gridlocks, Journal of Laws, item 1649).

Ustawa z dnia 23.04.1964 r. Kodeks cywilny, Dz. U. 1964 nr 16 poz. 93 z późn. zm. (The Act of 23 April 1964, The Civil Code, Journal of Laws 1964 No 16, item 93 as amended)

Ustawa z dnia 29.08.1997 r. Prawo bankowe, Dz. U. 1997, nr 140, poz. 939, z późn. zm.; Dz. U. z 2020 r. poz. 284, 288, 321. (The Act of 29 August 1997, The Banking Law, Journal of Laws 1997, No 140, item 939, as amended.; Journal of Laws of 2020, item 284, 288, 321)

Zatory płatnicze coraz większą zmorą MSP – jak im przeciwdziałać? (Payment Gridlocks Are a Growing Nightmare for SMEs - How to Prevent Them?) <https://www.bibbyfinancialservices.pl/onas/wiedza-i-aktualnosci/artykuly/2021/zatory-platnicze-zmoro-msp> , [access date: 17.03.2022]

Summary

The aim of the article is to draw attention to and indicate the important role of bank guarantees in securing against the risk associated with commercial transactions. It should be emphasised here that this instrument allows primarily to maintain liquidity to entities operating in a turbulent environment and with increasing risks in the course of commercial transactions between counterparties. Currently, the consequences of the Covid-19 pandemic, which European and global economies are facing, significantly contribute to this unstable economic situation, as taken into account in the article. These aspects were taken into account in the article, where the analysis of the literature on the subject was carried out and the available reports and published research results concerning the situation of enterprises in Europe and Poland were traced. The results obtained confirmed the hypothesis formulated in the article, as well as the conclusions drawn indicated that bank guarantees, as well as special programmes offered to support the activities of enterprises, are a factor reducing the risk of conducting business activity, especially the risk of losing financial liquidity. The research carried out in the article is part of the trend of the analysis of ways to reduce the risk of losing financial liquidity of enterprises, common in the literature.

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

JEL code : G32 / G23