



# FORMS OF FINANCING

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# PROBLEMS

STARTING A BUSINESS AND DEVELOPING IT FURTHER REQUIRES CAPITAL OUTLAYS. THE FREE MARKET OFFERS MANY POSSIBILITIES FOR FINANCING BUSINESS ACTIVITIES, BUT IT ALSO SETS CERTAIN CONDITIONS FOR USING THIS SUPPORT. THIS WORK AIMS TO PRESENT FINANCING METHODS AT THE EARLY STAGE OF RUNNING A BUSINESS. BOTH THE ADVANTAGES AND DISADVANTAGES OF VARIOUS TYPES OF SUPPORT WILL BE PRESENTED HERE.





## COMPANY PROFILE

A small trading company with a documented 20-year history of business activity and an established position on the market. Its activity is focused on wholesale and retail trade of electrical products. The company employs 6 people. The equipment includes delivery vehicles, warehouse equipment and warehouse and office space. However, the warehouse space is insufficient.







A hand is shown dropping a coin into a glass jar that is filled with many coins. A small green plant with two leaves is growing out of the top of the jar. The background is a blurred outdoor scene with green foliage. A yellow rectangular box is overlaid on the image, containing the text "SOURCES OF FINANCING".

# **SOURCES OF FINANCING**



# TYPES OF FINANCING

In the case in question, the company can use the following forms of financing:

- ❖ Equity
- ❖ External capital:
  - Credits
  - Loans
- ❖ Bill of exchange
- ❖ Factoring
- ❖ Forfaiting
- ❖ Guarantees
- ❖ Grants

A close-up photograph of a person's hand, palm up, holding a small stack of US dollar bills. Above the hand, a large, dark, 3D question mark is visible. The background is blurred, showing what appears to be a wooden surface and a glass. The text 'EQUITY CAPITAL' is overlaid in a bright yellow-green color, centered over the stack of money.

# EQUITY CAPITAL





## EQUITY CAPITAL

### **FINANCING FROM YOUR OWN SAVINGS**

This method involves using savings that you have accumulated. Using this method, you invest your own free funds in your business.

### **INTRODUCING A PARTNER TO THE COMPANY**

According to this method of financing, the funds allocated for development and investment come from a person who, through a cash or in-kind contribution, becomes a partial owner of the enterprise.

### **FUNDS FROM FRIENDS AND ACQUAINTANCES**

In this method, the entrepreneur tries to obtain funds for financing the business activity from the closest environment. The funds come from the private budgets of close ones

### **TRANSFORMATION INTO A JOINT-STOCK COMPANY**

In turn, this method involves transforming the enterprise into a joint-stock company and introducing it to the SME stock exchange. In this case, financing comes from the issue of shares.



# EQUITY FINANCING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ In the case of financing a business with one's own savings, the advantages include a profit that is entirely retained by the entrepreneur, freedom in deciding how to use the capital, and motivation related to the risk of losing savings.
- ❖ Funds from family and friends are characterized by the speed of acquisition, the lack of restrictions on use, and the lack of formalities.

## DISADVANTAGES

- ❖ Using your own savings involves the risk of losing everything, sacrificing your private life and losing potential profits due to investing your savings.
- ❖ In the case of funds from family and friends, you risk losing contacts in the event of failure and interference from outsiders in the business's operations.

# EQUITY FINANCING ADVANTAGES AND DISADVANTAGES CONT.

## ADVANTAGES

- ❖ In the case of financing the business by introducing a partner, the advantages of this type of financing include increasing the amount of capital and credit capacity, as well as risk sharing.
- ❖ The advantages of transforming the enterprise into a company include risk sharing, increasing the attractiveness and recognition of the company, and tax savings.

## DISADVANTAGES

- ❖ The disadvantages of financing by introducing a partner are the loss of full control over the company and the giving up of part of the profit.
- ❖ In the case of transforming the company into a partnership, the disadvantages of this type of financing include the giving up of full control and part of the profit.

## FUND STRUCTURE

### FINANCING FROM OWN FUNDS

Very limited form of financing. The size of the funds affects investment possibilities. Use as own contribution.

### FRIENDS AND ACQUAINTANCES FUNDS

Also a limited form of financing that affects investment opportunities. Ease of obtaining allows for a faster start to investment.

### TRANSFORMATION OF THE FORM OF ENTERPRISE

A long process involving a lot of formalities. A relatively large amount of funds to obtain. The possibility of risk sharing and increasing creditworthiness.





Pożyczki

# FOREIGN CAPITAL

Kredyty



## CREDITS

### INVESTMENT LOAN

An investment loan is a bank loan that is intended to enable the development of a company by financing various types of investment projects. It is a specific amount of money that can be obtained from a bank provided that a specific purpose for such a loan is indicated. An investment loan for companies can be used, for example, to purchase, build or expand commercial and service real estate, purchase industrial equipment and machinery

### MORTGAGE LOAN

A mortgage loan is an agreement between a bank and a borrower, in which the bank undertakes to provide a specific amount of money for a specific purpose, and the borrower undertakes to repay the loan within a specified period, together with interest and payment of a commission. A mortgage loan is secured by a mortgage. In the event that the borrower defaults on the loan, the bank may arrange for the sale of the mortgaged property. The amount obtained from the sale of the property may be used to satisfy the bank's claims.

# INVESTMENT LOAN

## ADVANTAGES

- ❖ The biggest benefit is the ability for a company to obtain a large amount of cash in a very short time. Many banks do not set an upper limit for the loan amount in the case of this loan, which gives the entrepreneur unlimited possibilities.
- ❖ Since the investment loan can be taken out for up to 20 years, there will be no problem with repayment. The obligation can be divided into convenient installments. Early repayment of the loan is also possible, as well as a periodic grace period if financial problems arise.

## DISADVANTAGES

- ❖ The biggest disadvantage is that this type of loan is not granted to new companies. It can be applied for by entities operating on the market for at least 6 months.
- ❖ In the case of some institutions, the disadvantage may be the long processing of the loan application, as well as the large number of required documents.
- ❖ It is also worth adding that this type of loan has a variable interest rate, and this may be very problematic for many entrepreneurs.



## AVAILABLE LOAN OFFERS FROM THE THREE LARGEST BANKS

### PKO

- Commission set individually
- Promise to grant a credit or loan  
- from the amount of the  
promise PLN 250
- Promise to grant a credit or loan  
- from the amount of the  
promise PLN 250 - 2%
- Commission on the unused  
amount of the credit - 0.006%
- Reference rate - WIBOR
- Margin 0.5% for a credit amount  
from PLN 3,000,000. The Bank's  
margin depends on the amount  
of the credit and is not less than  
3.5%.

### PEKAO

- Fee for activities related to  
accepting and considering a  
credit application - 0.5% min.  
PLN 300
- Fee for issuing a credit promise  
- 0.5% min. PLN 250
- Preparation fee - negotiated fee  
min. 1.5% max. 8%
- Commitment fee - 3.5% per  
annum.
- Reference rate - WIBOR
- Margin from 1.84% if you also  
use other bank products.

### SANTANDER

- Consideration of the application  
for a loan/loan service - free of  
charge
- Preparation fee - individually  
determined
- Commission for readiness (for  
each day) - 0.0069%
- Commission for early repayment  
of the loan - rate of 3% or the  
rate specified in the  
agreement/annex
- Reference rate - WIBOR
- Most often it is from 0 to 5% of  
the loan value.

# MORTGAGE LOAN

## ADVANTAGES

- ❖ The advantage of a mortgage loan is that you start paying off the value of your property, which in turn allows you to accumulate your wealth.
- ❖ The terms offered by individual financial institutions can vary significantly, but most banks offer a loan spread over many installments – up to 35 years.
- ❖ Among the advantages of a mortgage loan, the advantages worth noting are that it is usually granted at a lower interest rate than other types of loans.

## DISADVANTAGES

- ❖ No bank offers mortgages for 100% of the property value any more. Usually, these financial institutions require a minimum of 20% down payment, and often even more. One of the disadvantages of mortgages is the high cost of financing. This is due to the long credit period. This means that the value of interest due to the bank can be similar to or even exceed the borrowed amount. This means that a loan for PLN 200,000 can cost a total of up to PLN 400,000.

## AVAILABLE CREDIT OFFERS FROM THE THREE LARGEST BANKS

### PKO

- ❖ 0% commission with unemployment insurance
- ❖ 0% commission with transfer of a housing loan from another bank
- ❖ Variable or fixed interest for 5 years
- ❖ Only 10% deposit required
- ❖ RRSO at PKO Bank Polski 9.83%
- ❖ RRSO at PKO Bank Hipoteczny 9.84%

### PEKAO

- ❖ no commission
- ❖ from 1.79% margin
- ❖ up to 90% of property value
- ❖ APR 9.18%
- ❖ Offer valid until 31.03.2024

### SANTANDER

- ❖ Own contribution from min. 10%
- ❖ No commission for granting a loan with life insurance
- ❖ Fixed interest rate for 5 years APR 9.36%
- ❖ Maximum loan amount does not exceed PLN 10 million.
- ❖ Granting a loan - commission max. 3%





## LOANS

### INVESTMENT LOAN

An investment loan is a financial instrument that supports the development of an enterprise. Loans intended to finance investment projects aimed at developing or strengthening the economic potential of enterprises, increasing or strengthening their position on the market or increasing their competitiveness.

### WORKING CAPITAL LOAN

A working capital loan is a form of financial support that is dedicated to micro, small and medium-sized enterprises. A big advantage of this type of support is the lack of a minimum period of the company's operation. This means that even newly established enterprises can apply for such a loan offered by DFR.

# INVENTORY LOAN

## ADVANTAGES

- ❖ No need to make an own contribution, which can be a significant convenience for companies with limited funds.
- ❖ Diversity of investment purposes – funds obtained from an investment loan can be used for various investment purposes of the company, such as purchasing land, building a production hall or purchasing new machinery.
- ❖ Lower requirements for loan collateral, compared to an investment loan.

## DISADVANTAGES

- ❖ It generates costs in the form of interest and fees that can significantly affect business operations.
- ❖ Some loans require collateral, such as a mortgage or personal guarantee. This involves the risk of losing valuable assets and a lot of responsibility.
- ❖ have specific repayment schedules, which can generate pressure in the event of unstable company revenues or unforeseen circumstances. taking out multiple loans can lead to excessive debt.

## INVESTMENT LOAN FROM THREE SUPPLIERS

### GÓRNOŚLĄSKI FUND

- Application processing fee – PLN 200
- Loan granting fee – from 0.5% to 4.0% of the loan amount
- Loan promise issuance fee – from 0.2% of the loan amount, not less than PLN 500
- Variable from 2.47% per annum, determined based on the base rate announced by the European Commission increased by a margin.
- Loan amount from PLN 25,000 to PLN 1,000,000.

### AKAT

- Loan amount: up to PLN 1 million
- Loan interest rate: from 2.81%
- Repayment period: up to 84 months (monthly repayment method)
- Grace period for capital repayment: up to 3 months
- Own contribution: not required
- Financing: up to 100% of gross expenses

### POLISH ENTREPRENEURSHIP FOUNDATION

- Finansowanie: do 100 % wydatków brutto
- Oprocentowanie: na warunkach korzystniejszych niż rynkowe: 2,85% zgodnie z zasadami pomocy de minimis
- Maksymalny okres spłaty: do 84 miesięcy
- Maksymalna karencja: do 6 miesięcy, przy czym karencja nie wydłuża okresu spłaty pożyczki
- Brak innych opłat i prowizji

# WORKING CAPITAL LOAN

## ADVANTAGES

- ❖ A working capital loan can help maintain the financial liquidity of a company.
- ❖ In the case of this loan, you can finance the investment faster.
- ❖ A quick inflow of funds increases the company's capital.
- ❖ Loans are characterized by a small amount of formalities

## DISADVANTAGES

- ❖ Changes in the economy, market, or industry can affect a company's ability to repay a loan.
- ❖ If a company is unable to repay a loan as agreed, it can lead to financial difficulties. In extreme cases, the company can go bankrupt.
- ❖ An inappropriately selected loan can lead to excessive debt.



## WORKING CAPITAL LOAN 3 SUPPLIERS

### INDUSTRIAL DEVELOPMENT AGENCY

- ❖ loan intended to finance working capital,
- ❖ for Clients from the SME sector with turnover exceeding PLN 4 million and having positive results for the last financial year, maintaining full accounting,
- ❖ loan amount: from PLN 0.8 million,
- ❖ financing in PLN,
- ❖ market interest rate: WIBOR 1M + margin in accordance with the margin grid used in the loan parameterizer,
- ❖ arrangement commission from 0.2%,

### "SCREP" ASSOCIATION

- ❖ Investment and working capital loan PIO is intended for micro, small and medium-sized enterprises operating for more than 3 years.
- ❖ Loan value from PLN 10,000 to PLN 500,000
- ❖ Maximum loan repayment period 84 months from the date of its launch
- ❖ Interest rate from 8.62% to 11.62% on market terms
- ❖ Grace period for capital repayment 12 months from the date of its launch

### EMPLOYERS' ASSOCIATION POLSKA MIEDZ

- ❖ This is a loan for SMEs whose financial situation has deteriorated due to the effects of the pandemic or Russian aggression against Ukraine.
- ❖ high loan amount of PLN 1 million (or PLN 1.5 million if you achieve the goal related to the transition to a low-emission economy;
- ❖ you only repay the borrowed capital - you have 6 years to do this
- ❖ there are no additional costs
- ❖ you can easily settle the loan - with a statement of working capital expenses or investment invoices

## CREDIT AND LOAN DIFFERENCES

### LOAN

- A loan agreement transfers ownership of a specified amount of money or goods to the borrower.
- In a loan agreement, specifying the purpose is not mandatory.
- In the case of a loan, the purpose does not have to be specified.
- A loan may be for a fee or free of charge.

### CREDIT

- A credit agreement only leaves the borrower an amount of money at their disposal.
- A specific purpose must be specified in the credit agreement.
- The credit should be used in accordance with the terms specified in the credit agreement.
- A credit is always a remunerated obligation.

# W E K S E L

.....  
(miejsce i data wystawienia weksła)

Dnia ..... zapłacę za ten weksel ..... na rzecz

.....  
sumę .....

.....  
słownie .....

.....  
miejsce płatności .....

**BILL OF  
EXCHANGE**

.....  
(imię i nazwisko wystawcy oraz PESEL)

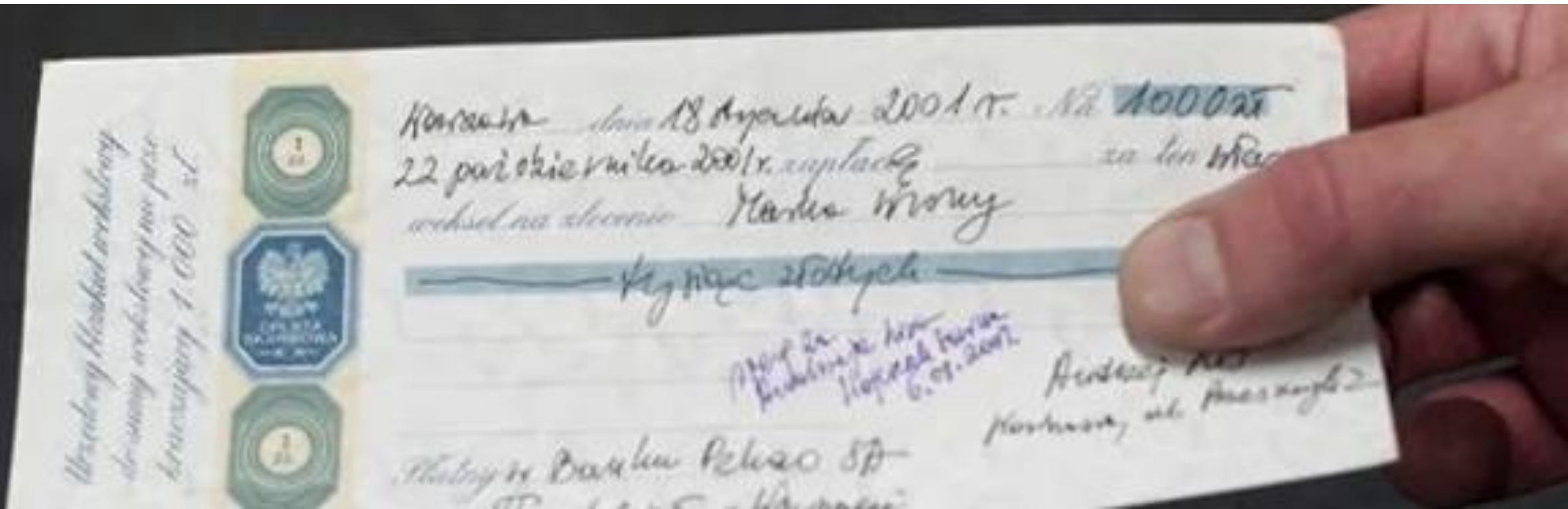
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(adres zamieszkania)

druk weksła pobrany ze strony [www.remitent.pl](http://www.remitent.pl)

.....  
(podpis wystawcy)

## BILL OF EXCHANGE

- ❖ A promissory note is a security drawn up in a form strictly defined by the bill of exchange law, containing an unconditional promise by the issuer to pay a specified sum of money at a specified place and time, creating unconditional liability of the persons signed on it.
- ❖ A bill of exchange is a security drawn up in a form strictly defined by the provisions of the bill of exchange law, containing an unconditional order by its issuer to a specified person to pay a specified sum of money at a specified place and time to a specified person, creating unconditional liability of the persons signed on it.





# INVESTMENT BILL

## WHAT IS THIS?

This is a newly created structure that has no direct legal basis in the applicable regulations, including the Bill of Exchange Law. Simply put, it is a combination of a bill of exchange and a loan. This involves numerous risks that can significantly affect the security of the investment.

## HOW DOES IT WORK?

In principle, an investor purchasing an investment note obtains a type of security (subject to the lack of direct support in applicable regulations) that provides them with a stable income and a high rate of return on investment. The investor selects the amount of the investment and the frequency of paying out profits during its duration. The issuer then grants loans, most often secured by mortgages, to other entities that need financing for various purposes. The borrower repays the loan, and the investor receives a return of capital with interest.

## RISK.

A scenario where we actually make money on investment notes is possible. The problem is that we have no guarantee that this will happen.



# BILL OF EXCHANGE FINANCING

## ADVANTAGES

- ❖ The issuance of a bill of exchange does not entail any additional costs.
- ❖ Another advantage of bills of exchange is their personal nature. This is manifested in the fact that the debtor specified in the bill of exchange is responsible for the repayment of the obligation with all his assets. A bill of exchange can therefore speed up legal proceedings in the event of the need to enforce the debt.
- ❖ The third advantage of a bill of exchange is the running function, which allows for the payment of the debt to another person with the bill of exchange held and the transfer of the previous obligations of the debtor to that person.

## DISADVANTAGES

- ❖ It is associated with a high risk of abuse by the creditor, who may enter a higher amount on it than the agreement or bill of exchange declaration states.
- ❖ A blank bill of exchange is very difficult to invalidate or revoke, because the only evidence of its existence is the document itself and the debtor's signature.
- ❖ A bill of exchange may be transferred to another person (so-called endorsement), who may claim payment on the basis of the bill of exchange regardless of whether they know the content of the agreement or bill of exchange declaration.

## BILL OF EXCHANGE FINANCING

### **COST OF NOTARIAL CERTIFICATION**

In accordance with the currently applicable notarial fees for certifying the authenticity of a signature, the notary may demand a fee depending on the amount of the bill of exchange, which ranges from PLN 10 net (bill of exchange up to PLN 3,000) to PLN 300 net (bill of exchange for an amount greater than PLN 557,500).

### **THE RISK OF “PUTTING A BILL OF EXCHANGE INTO CIRCULATION”**

Bills of exchange pose a high risk, among other things, because the person entitled to receive payment from the bill of exchange may transfer his rights under the bill of exchange to another person. It is more difficult to defend when payment is demanded by a person to whom the original creditor transferred the rights under the bill of exchange through a so-called endorsement.

# FACTORING



# FACTORING

FACTORING IS ONE OF THE FORMS, ALONGSIDE A BANK LOAN, OF MANAGING RECEIVABLES IN A COMPANY. THE BASIS OF FACTORING IS THE TRANSFER OF RECEIVABLES RESULTING FROM A PURCHASE-SALE TRANSACTION TO A FACTOR, WHO IN TURN COLLECTS RECEIVABLES FROM THE DEBTOR, THEREBY FINANCING THE CREDITOR AND TAKING OVER THE RISK OF NON-REPAYMENT. IN POLAND, IT IS MOST OFTEN ASSUMED THAT FACTORING IS A SERVICE OF ACQUIRING AN UNDISPUTED AND SHORT-TERM RECEIVABLE FROM THE FACTORER BEFORE ITS DUE DATE, REDUCED BY A FEE FOR THIS SERVICE FOR THE BENEFIT OF THE FACTOR WITHOUT TAKING OVER THE RISK OF NON-RECEIPT OF PAYMENT OR WITH TAKING OVER SUCH RISK.

# FACTORING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ Factoring is also a reliable way to quickly improve a company's financial liquidity ratio - this is of great importance if the company plans to invest or take out a loan in the future.
- ❖ Another benefit of factoring is its availability - unlike a bank loan, the factorer does not have to run the company for at least a year, and even the smallest business can benefit from factoring.
- ❖ One form of factoring also allows the risk of the debtor's insolvency to be transferred to the factorer - using such a solution increases the costs of factoring.

## DISADVANTAGES

- ❖ The most obvious of these is the need to pay a commission - however, it is worth mentioning that this is not an amount that the entrepreneur must physically have at the time of concluding a factoring agreement. The agreed amount will be deducted from the value of the invoice being sold, which makes the process of obtaining funds even easier.
- ❖ Very often, you can come across the opinion that the disadvantage of factoring is that it can contribute to the deterioration of relations with the contractor - an important feature of open factoring is the need to inform the company whose invoice we are selling about the establishment of cooperation with the factor.

## FACTORING ON THE POLISH MARKET

### FAKTORIA

- Min. financing limit: PLN 30,000
- Min. number of factoring recipients: 1
- Min. company age: 6 months
- Max. payment term: 120 days
- Min. payment term: 7 days
- Invoice financing (gross): 90%
- Commission 10%

### TRANSCASH

- Min. financing limit: PLN 10,000
- Min. number of factoring recipients: 1
- Min. company age: 6 months
- Max. payment term: 90 days
- Min. payment term: 1 day
- Invoice financing (gross): 100%
- Commission 10%

### PRAGMAGO

- Min. financing limit: PLN 50,000
- Min. number of factoring recipients: 1
- Min. company age:
  - from 1 day of operation
- Max. payment term: 90 days
- Min. payment term: 7 days
- Invoice financing (gross): 95%
- Commission 5%

# FORFAITING

Form **W-2** Wage and Tax Statement  
Copy 1 — For State, City or Local Tax

Form **W-2** Wage and Tax Statement  
Copy D — For Employer



# FORFAITING

## WHAT DOES IT INVOLVE?

Forfaiting is a technically simple instrument of financing international trade, and at the same time it is accepted all over the world. It is based on discounting or rediscounting by the bank of receivables from commercial transactions. It is the purchase of term receivables, resulting from the execution of deliveries, excluding the right of recourse in relation to the assignor of the receivable. It consists in transferring rights to a specific receivable in exchange for receiving funds reduced by the value of interest for the entire forfaiting period. The bank, or forfaiter, discounts export receivables, which have been secured by the importer's bank, and then makes a payment for the exported goods, deducting discount interest.



# FORFAITING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ Elimination of currency, political and commercial risks.
- ❖ Improvement of financial indicators through liquidation of cash.
- ❖ Simple formalities and quick execution of the agreement.
- ❖ Ensuring the purchase of 100% of the value of the receivable.

## DISADVANTAGES

- ❖ High discount interest deducted in advance for the entire contract period.
- ❖ The forfaiting service is not available to all companies - the receivable must meet the appropriate requirements.

# FRANCHISING



# FRANCHISING

FRANCHISING – A SYSTEM OF SELLING GOODS, SERVICES OR TECHNOLOGIES, WHICH IS BASED ON CLOSE AND CONTINUOUS COOPERATION BETWEEN LEGALLY AND FINANCIALLY SEPARATE AND INDEPENDENT COMPANIES: THE FRANCHISOR AND ITS INDIVIDUAL FRANCHISEES. FRANCHISING ALSO ASSUMES THE FLOW OF KNOW-HOW FROM THE FRANCHISOR TO THE FRANCHISEE THROUGHOUT THE DURATION OF THE FRANCHISE AGREEMENT. THE ESSENCE IS THE GRANTING OF RIGHTS (AND ACCEPTANCE OF OBLIGATIONS) BY CONCLUDING A FRANCHISE AGREEMENT. FRANCHISING GIVES THE OPPORTUNITY TO USE, AMONG OTHER THINGS:

THE FRANCHISOR'S KNOW-HOW AND BUSINESS CONCEPT

THE FRANCHISOR'S TRADEMARKS

ASSISTANCE IN CONDUCTING BUSINESS ACTIVITIES.



# FRANCHISING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ Franchising allows you to reach customers faster.
- ❖ Franchising is a good business idea for inexperienced people.
- ❖ Franchising reduces the risk of failure and collapse of the business in the first moments of operation.
- ❖ Franchising does not require large financial outlays for marketing and promoting the new company.
- ❖ The franchisee can receive support at every stage of running the business.

## DISADVANTAGES

- ❖ The costs of establishing cooperation can be high.
- ❖ Restrictions on running a business for franchisees.
- ❖ The franchisee must reckon with a brand image crisis.
- ❖ Work not entirely on your own account.



The background is a blurred photograph of a desk. On the left, a calculator is visible. In the center, there are some papers and a pen. The word "SECURITIZATION" is overlaid in the center in a bright green, bold, sans-serif font, enclosed in a thin green rectangular border.

# SECURITIZATION

## SECURITIZATION

Securitization - a refinancing technique in which a pool of assets, together with the cash flows they generate, is isolated from the bank's balance sheet in the form of a special purpose entity that refinances by issuing securities. Securitization is an off-balance sheet method of raising capital, consisting in transforming isolated assets into marketable securities. These assets may include, in particular, receivables resulting from contracts for trade receivables of enterprises, export receivables, as well as future receivables. It defines the process of issuing securities that are secured by a group of selected assets. Debt securities, such as bonds or investment certificates, are sold to investors, who are given the opportunity to invest their free funds. At the same time, risk is transferred.



# SECURITIZATION ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ The originator does not have to wait for the debt to be repaid.
- ❖ This can significantly increase the funds for company development.
- ❖ Securitization increases the company's credit capacity.
- ❖ Securitization is an off-balance sheet form of company financing. This allows for a significant improvement in the balance sheet structure.
- ❖ In the case of assets with a long maturity period, securitization can be a good way of long-term financing.
- ❖ Securitization provides investment opportunities with a theoretically high level of investment security.

## DISADVANTAGES

- ❖ High costs of preparing securitization, which means that they must apply to large projects.
- ❖ The need to maintain high quality assets throughout the duration of the program.
- ❖ Securitization transactions are complex and require significant commitment and time to prepare.



# JOINT VENTURE

## JOINT VENTURE

## JOINT VENTURE



Joint venture - this is a concept derived from English and is translated as "joint venture". In international business, a joint venture means an entity that has been created jointly by more than one company in order to create a specific task or conduct a specific business activity. Partners in a joint venture share profits, costs and losses related to the conducted activity.



# FRANCHISING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ The foreign company can use the host company's knowledge of local markets.
- ❖ Combination of the knowledge of the partner(s) with the host company.
- ❖ Risk spread across all partners.
- ❖ Complementarity of partners in performing their duties.

## DISADVANTAGES

- ❖ Complicated legal and formal procedure for establishing a company.
- ❖ Long-standing trade secrets may be disclosed.
- ❖ Different business goals of partners.
- ❖ Significant differences in the strategy of running the business.
- ❖ High risk of running such a business.
- ❖ Difficulties in controlling the company from abroad.

A photograph of two business people shaking hands over a laptop on a desk. The scene is dimly lit with a green plant in the background. A semi-transparent dark green rectangle is centered over the handshake, containing the text 'BUSINESS ANGELS' in bright green.

# **BUSINESS ANGELS**

## BUSINESS ANGELS

BUSINESS ANGEL – A PRIVATE INVESTOR, USUALLY WITH EXTENSIVE EXPERIENCE IN BUSINESS ACTIVITY, WHO INVESTS IN COMPANIES IN THE EARLY STAGES OF DEVELOPMENT IN EXCHANGE FOR TAKING OVER SOME OF THEIR SHARES OR STOCKS.

UNLIKE VENTURE CAPITAL FUNDS, WHICH MANAGE A POOL OF FUNDS ENTRUSTED BY OTHER ENTITIES OR INDIVIDUALS, BUSINESS ANGELS INVEST THEIR OWN FUNDS AND GET INVOLVED PERSONALLY SUPPORTING THE DEVELOPMENT OF THE STARTUP.



# FRANCHISING ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ Usually fewer formal requirements, relatively to other methods of raising capital,
- ❖ Helpful know-how and experience of the investor,
- ❖ Accelerated development of the enterprise
- ❖ Investor contacts that can be used for development, e.g. good business, economic or financial advice, marketing strategist, lawyer, suppliers, access to real estate or a proven business intelligence agency,
- ❖ Possibility to avoid loans, which are usually more risky than cooperation with business angels.

## DISADVANTAGES

- ❖ Partial surrender of shares, i.e. also profits from one's own idea,
- ❖ Relinquishing full independence,
- ❖ Relinquishing information resources that could potentially be used by the investor to bypass the subsidized project,
- ❖ Sometimes, despite a good idea, it is difficult to obtain support due to a lack of contacts and connections.



**GUARANTEES**

**GUARANTEE**



# BANK GUARANTEE

## WHAT IS A BANK GUARANTEE?

A bank guarantee is an instrument established in Polish law, specifically in the Banking Law, Article 81. It is a unilateral obligation of the bank, called the guarantor, that after fulfillment of specific payment conditions by the company obtaining the guarantee (beneficiary), the bank will perform a specific monetary service for it. A bank guarantee must always be drawn up in writing and include all arrangements regarding the conditions to be met, the form of payment, etc. The beneficiary of a bank guarantee can be a company, e.g. a manufacturer of some goods. There are different types of bank guarantees. The most commonly used model is a guarantee as security for repayment of a loan, as well as a guarantee of payment for purchased goods or performance of services.



# BANK GUARANTEE ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ The bank has financial stability, thanks to which the debtor has a 100% guarantee of receiving funds regardless of what their financial condition will be in the future.
- ❖ The beneficiary receiving the bank guarantee receives funds from the bank very quickly and without unnecessary procedures or formalities.

## DISADVANTAGES

- ❖ Commission for granting a guarantee - its amount depends on the terms of the agreement between the bank and the beneficiary.
- ❖ Additional fees for considering an application for granting or extending a guarantee - the cost is approximately PLN 150.

# BANK GUARANTEE ADVANTAGES AND DISADVANTAGES CONT.

## ADVANTAGES

- ❖ A payer with a bank guarantee has a higher creditworthiness (a faster credit or loan application process). A bank guarantee ensures that the lender will definitely receive repayment of the obligation (from the contractor or, in certain circumstances, from the bank). This type of guarantee gives the entrepreneur a better chance when applying for prestigious contracts to implement multi-million investments.

## DISADVANTAGES

- ❖ Additional costs related to processing an order to issue a guarantee, extending the term or increasing the amount of a bank guarantee - for such services you have to pay around PLN 200.
- ❖ Fee for issuing a credit promise in domestic trade - it amounts to around PLN 500.

## GUARANTEES ON THE POLISH MARKET

### POLISH DEVELOPMENT FUND GROUP

- ❖ scope of guarantee: up to 60% of the loan amount,
- ❖ max. guarantee amount: 5 million,
- ❖ purpose: securing repayment of a working capital or investment loan,
- ❖ guarantee period: up to 120 months for investment loans and covers a period no longer than the loan period extended by a maximum of 3 months,
- ❖ commission: 0.5 percent of the guarantee amount per annum of the guarantee amount,

### MBANK

- ❖ BGK guarantee scope – 80% of the loan value
- ❖ maximum total guarantee amount is EUR 2,500,000
- ❖ maximum guarantee period is 20 years for investment loans
- ❖ loan security – optional, agreed with the borrowe

### BGK

- ❖ is granted for a maximum period of 120 months,
- ❖ may secure loans granted in foreign currencies,
- ❖ secures up to 60% of the loan amount,
- ❖ does not include interest and other costs related to the loan,
- ❖ is secured by a blank promissory note of the entrepreneur,
- ❖ the commission rate for the guarantee granted is 0.5% of the guarantee amount per annum

A person in a dark suit and blue tie holds a burlap money bag with a large dollar sign (\$) on it. The bag is tied at the top. In the foreground, a row of wooden human figures stands on a wooden surface. The background is a solid dark blue color.

# GRANTS AND SUBSIDIES



# GRANTS

SUBSIDIES ARE FUNDS SUBJECT TO SPECIAL RULES OF SETTLEMENT FROM THE STATE BUDGET, THE BUDGET OF LOCAL GOVERNMENT UNITS AND FROM STATE EARMARKED FUNDS ALLOCATED ON THE BASIS OF THIS ACT, SEPARATE ACTS OR INTERNATIONAL AGREEMENTS, TO FINANCE OR CO-FINANCE THE IMPLEMENTATION OF PUBLIC TASKS.

SUBSIDY - FREE AND NON-REPAYABLE FINANCIAL ASSISTANCE MOST OFTEN PROVIDED BY THE STATE TO ENTITIES TO CARRY OUT THEIR TASKS. A SUBSIDY IS DISCRETIONARY. THE ENTITY APPLYING FOR IT MUST MOST OFTEN MEET THE PREREQUISITES SPECIFIED BY THE ENTITY DISPOSING OF THE FINANCIAL RESOURCES.



# FUNDING

This is actually a term that is not regulated by a legal definition. The Great Dictionary of the Polish Language gives the following interpretation: additional money granted as financial assistance in paying for some undertaking. In short, this means that a subsidy is a specific type of funding, but it is impossible to compare them or indicate differences.



# SUBSIDY



Subsidy – free and non-repayable financial assistance most often provided by the state to specific entities (e.g. political parties, local government units, private enterprises, social organizations and individuals) to support their activities. A subsidy differs from a subsidy in that it has the nature of a legal claim. If it has been entered in the budget for a specific entity, it must be transferred. The decision on its allocation is made by the body that received it.

# SUBSIDIES ADVANTAGES AND DISADVANTAGES

## ADVANTAGES

- ❖ Elimination of currency, political and commercial risks.
- ❖ Improvement of financial indicators through liquidation of cash.
- ❖ Simple formalities and quick execution of the agreement.
- ❖ Ensuring the purchase of 100% of the value of the receivable.

## DISADVANTAGES

- ❖ High discount interest deducted in advance for the entire contract period.
- ❖ The forfaiting service is not available to all companies - the receivable must meet the appropriate requirements.





END



## SUMMARY

In the case of this investment, such forms of financing as: transformation of the form of enterprise, forfeiting, franchising, securitization, joint venture and business angels are not applicable. However, in order to finance the investment, you can use: financing with equity, investment credit, working capital and investment loan, bill of exchange, factoring and loans with guarantees and subsidies.



## SUMMARY CONT.

IN ORDER TO START THE INVESTMENT, IT WOULD BE NECESSARY TO GATHER OWN CAPITAL AND FUNDS FROM FRIENDS AND RELATIVES, WHICH COULD SERVE AS AN OWN CONTRIBUTION FOR THE INVESTMENT LOAN. FINANCING COULD ALSO COME EXCLUSIVELY FROM OWN CAPITAL AND CURRENT INCOME. IN THIS CASE, FACTORING FOR SMES COULD BE USED TO MAINTAIN FINANCIAL LIQUIDITY, AND SOME STAGES OF THE INVESTMENT COULD BE FINANCED WITH A BILL OF EXCHANGE. NEW INVESTMENTS ALSO CREATE NEW JOBS, ON THIS BASIS THE COMPANY COULD RECEIVE GOVERNMENT, EUROPEAN OR EMPLOYMENT OFFICE SUBSIDIES. CHOOSING A LOAN WITH A GUARANTEE COULD ALSO REDUCE ITS COSTS, INCREASE THE AMOUNT OF THE LOAN AND IMPROVE FINANCIAL LIQUIDITY. IN THE CASE OF CHOOSING THE PATH OF FINANCING WITH EXTERNAL CAPITAL, ADDITIONAL COSTS SHOULD BE EXPECTED. ALSO IN THE CASE OF OWN CAPITAL, THE RISK OF SOLVENCY AND DIFFICULTIES RELATED TO A TEMPORARY LACK OF LIQUIDITY SHOULD BE TAKEN INTO ACCOUNT.



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# THANK YOU FOR YOUR ATTENTION

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