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The Private Equity Market in Poland and in Central and Eastern Europe: Selected Aspects

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The political transformation that took place in Poland only 25 years ago allowed a re-launch and development of the most important capital market institution – the stock exchange. Today, the Warsaw Stock Exchange is the largest in Central and Eastern Europe, being among top European trading floors in terms of the number of new listings. Investors choose Poland to invest their capital both because it is the biggest economy in this region and precisely because of its developed capital market and stable and modern banking sector as well as visible activities of institutions supporting entrepreneurship. Marked growth rates of macroeconomic indicators and economic stability so far have directly influenced Poland's attractiveness, encouraging investors to operate in the private equity market as well. Poland and countries of Central and Eastern Europe are emerging markets that are still catching up with Western Europe. The results presented in the article are based on source data from annual reports and publications that have been produced and made available by capital market institutions and from the authors' own research on Polish entrepreneurship. The scope and volume of private equity financing in Central and Eastern Europe and in Poland are characterised by means of analyses, charts and comparisons, highlighting the importance and leading role of Poland as a country that is the first choice for private equity investors in this region.

Keywords: capital market, private equity, source of financing, Central and Eastern Europe, Poland.

Rynek private equity w Polsce i w Europie Środkowej i Wschodniej – wybrane aspekty

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Transformacja ustrojowa mająca miejsce w Polsce zaledwie 25 lat temu umożliwiała ponowne uruchomienie i rozwój najważniejszej instytucji rynku kapitałowego – giełdy. Dzisiaj Giełda Papierów Wartościowych w Warszawie jest największą w regionie Europy Środkowej i Wschodniej i znajduje się w czołówce rankingu europejskich parkietów pod względem liczby debiutów giełdowych. Inwestorzy wybierają Polskę do lokowania kapitału zarówno ze względu na to, iż jest to największa gospodarka w tym regionie, jak również właśnie ze względu na rozwinięty rynek kapitałowy oraz stabilny i nowoczesny sektor

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bankowy, a także widoczną działalność instytucji wspierających przedsiębiorczość. Zauważalne tempo wzrostu wskaźników makroekonomicznych i obserwowana dotychczas stabilność gospodarki wpłynęły bezpośrednio na atrakcyjność Polski i przyciągnęły inwestorów również na rynek private equity. Polska i kraje Europy Środkowej i Wschodniej należą do rynków wschodzących, które ciągle nadrobają dystans dzielący je do krajów Europy Zachodniej. Prezentowane w artykule wyniki badań powstały w oparciu o dane źródłowe z raportów rocznych oraz publikacji opracowanych i udostępnionych przez instytucje powiązane z rynkiem kapitałowym, a także badań własnych dotyczących polskiej przedsiębiorczości. Za pomocą analiz, wykresów oraz zestawień porównawczych przedstawiono zakres i wolumen finansowania private equity w Europie Środkowej i Wschodniej oraz w Polsce, uwydatniając znaczenie i rolę Polski jako kraju wiodącego pod względem pierwszego wyboru dla inwestorów private equity w tym regionie.

Słowa kluczowe: rynek kapitałowy, private equity, źródło finansowania, Europa Środkowa i Wschodnia, Polska.

JEL: L25, O12

1. Introduction

The structures of financial markets of individual Central and Eastern European countries are similar (Figure 1). Significant differences only lie in institutions representing the various sectors, but the progressive globalisation process is also more and more frequently reflected in the operations of the same companies or corporate groups both in Poland and in other countries in the CEE region.

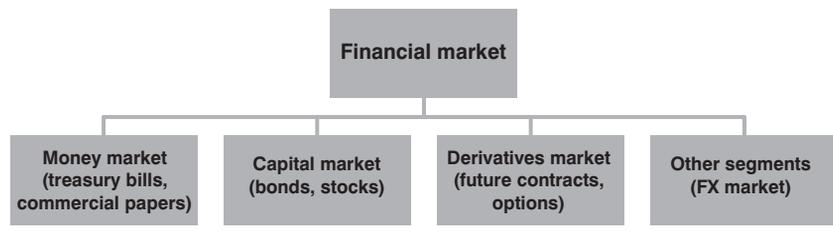


Fig. 1. Structure of the financial market in Poland. Source: J. Małecka. (2015). Selected Problems of the Capital Market in Poland. In: M. Postuła and J. Turyna (eds), Finansowe Uwarunkowania Rozwoju Organizacji Gospodarczych, Zarządzanie Finansami a Efektywność Ekonomiczna (pp. 349–362). Warszawa: Wydawnictwo Naukowe Wydziału Zarządzania Uniwersytetu Warszawskiego.

The entire financial system functioning in the world emerged as a result of the correlation being the consequence of money surplus among the actors that were eager to make it available to those with shortages of funds (see: Smith, 1998, 2007). The capital flows so created still play a vital role in the ongoing market processes and their mobility is often a decisive factor

for their allocation. International financial flows take place either through banking systems or through securities markets representing capital market solutions. Stock exchanges are essential for capital flows affecting not only national but also global development of economies of individual countries (see: Piókarz, 2013). The securities market has a number of criteria for professional and reliable valuation of securities that ensure shares, while guaranteeing the security of stock exchange transactions (see: Bień, 2008; Czapkiewicz and Wojtowicz, 2014, pp. 771–783; Flores and Szafarz, 1997; Nawrocki and Jabłoński, 2011; Perz, 2008; Małecka, 2016, pp. 34–43). But what about those entrepreneurs whose managerial maturity does not yet allow them to make a decision to get listed? Business transparency, disclosure of data on corporate balance sheets and the legal form of operations sometimes do not go hand in hand with the possibility to raise capital for development on the direct path to the capital market. The companies that are particularly affected are those with the legal status other than a joint-stock company or limited joint-stock partnership which are only beginning to write their own business story and sometimes pursue such innovative activities that even banks question their profitability and the possibility of providing funding (Łuczka, 2013; Łuczka, 2007, pp. 29–49; Bielawska, 2001, 2005; Beck et al., 2006, pp. 932–952). What these entities often resort to are solutions offered by the private equity market as a special kind of capital investments and being a form of external financing for companies not admitted to public trading. Then, not only do they receive co-funding which can be both their own and hybrid financing (the latter being a combination of their own and debt financing) but they also obtain an added value from the investor, which is essential for company development and which takes the form of expert advice on various kinds of management (organisational, legal, tax, marketing, operational and strategic) (see: Małecka and Łuczka, 2016a, pp. 93–110; Małecka and Łuczka, 2016b, pp. 418–431; Tamowicz, 2004). Capital has always been a determinant of development, and its sources and opportunities to raise it have been discussed in the related literature (Robinson, 1958, p. 161; Smith, 1998, p. 427, Łuczka, 2015; see: Smith, 2007). A common element of considerations is also a lack of consistency and clarity as to the criteria determining the design of capital structures in enterprises (Elsas and Florysiak, 2008, p. 39; Modigliani and Miller, 1958; Myers, 1997, pp. 575–592; Gehrke, 2010, p. 3). Therefore, what is important is the variety of available solutions and the knowledge that allows the decision to be made on diversifying sources of financing, in particular for companies in the early stages of development. Such solutions are created by the private equity market.

Launching their activities in Central and Eastern Europe, investors representing the private equity market initially operated in the entire CEE region as a homogeneous group of new EU member states (Figure 2). However, today, clear leaders have emerged including Poland, the Czech

Republic and the Baltic countries. The beginning of the history of private equity funds both in Poland and in CEE as a whole is directly connected with the changes in political systems and related transformations that had to take place in the economies of these countries after communism had collapsed (see: Dumitrescu, 2015, pp. 186–197; Małecka, 2016, pp. 34–43; Myshlyayev, 2013, pp. 253–258). It was not until after 1990 that CEE countries began operating on a market basis, opening their borders to foreign investors. All related activities were processes some of which were implemented faster and other more slowly, with their effects being sometimes visible immediately and sometimes only after several years.

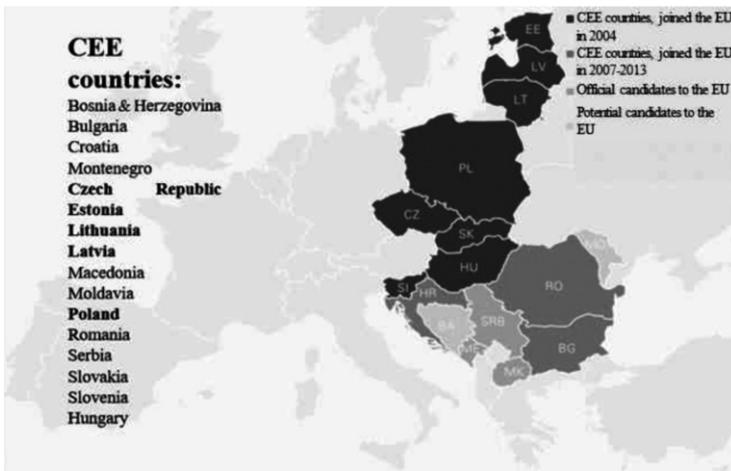


Fig. 2. Countries of Central and Eastern Europe. Source: the authors' own elaboration based on EVCA 2014 Report.

The period of rapid economic growth in Poland and CEE countries is also inextricably linked with their entry into the European Union, which only consolidated their economic and political position but also added credibility noticed in business by private equity funds too. Was Poland, therefore, chosen as the most attractive market based primarily on four factors: (1) the largest economy in the region, (2) well-established modern banking system, (3) activities of institutions supporting entrepreneurship, and (4) developed capital market represented by the Warsaw Stock Exchange, which is currently the largest and fastest growing exchange in the region? (see: Małecka, 2016, pp. 34–43; Małecka and Łuczka, 2016a, pp. 93–110; Małecka and Łuczka, 2016b, pp. 418–431; EVCA, 2015). Is it only because of these four main factors that Poland is today known as the first-choice country among PE investors in the CEE region? The authors of this article

attempted to examine the economic factors that actually affect decisions made by funds on the allocation of resources in Poland by analysing data collected through a KPMG survey of 21 PE funds operating in Poland and by referring to their own research done on a sample of 238 respondents. The survey of the funds was conducted between February and April 2014, and the authors' own research, aimed at gaining more insight into entrepreneurship and awareness of company development opportunities offered by capital raised for development through private equity solutions, was carried out from April to June 2016. In addition to the surveys among a selected group of respondents who intended to set up their own business in no more than three years, further in-depth interviews were conducted. The scope and volume of private equity financing in Central and Eastern Europe and in Poland are characterised by means of analyses, charts and comparisons, highlighting the importance and leading role of Poland as a country that is the first choice for private equity investors in this region.

2. Outline of the economic situation in Central and Eastern Europe

The countries of Central and Eastern Europe include: Bosnia and Herzegovina, Bulgaria, Croatia, Montenegro, the Czech Republic, Estonia, Lithuania, Latvia, Macedonia, Moldova, Poland, Romania, Serbia, Slovakia, Slovenia and Hungary – 17 countries, 11 of which belong to the EU. The population of the entire region in 2013 was 170 million and the total GDP of CEE countries stood at EUR 1 086 billion¹ (EUR 607 billion in 2004). The quality and standard of living in these countries continue to improve, especially after their accession to the European Union, yet are still lower than the EU average and much worse than in the leading countries of Western Europe. In the CEE group, the first place as regards the GDP per capita in 2013 was occupied by Slovenia (USD 27.4 thousand), followed by the Czech Republic (USD 27.2 thousand) and Slovakia (USD 24.7 thousand) (Figure 3). Despite being the largest economy in this geographical division, Poland ranked in the middle (USD 21.1 thousand). The lowest result was achieved by Romania (USD 13.2 thousand) (KPMG, 2014, p. 12). All the factors that result from the standardisation introduced after the countries united and joined the Union, such as harmonisation of laws and direct, ever broader cooperation with Western European countries, allow CEE countries to develop their infrastructures more intensively and speedily and innovate in every field of activity, thereby making them more attractive to foreign investors from around the world, including private equity funds (see: Gompers and Lerner, 2001, pp. 145–169; Metric and Yauda, 2001, pp. 619–654; Małecka and Łuczka, 2016b, pp. 418–431; Tamowicz, 2004).

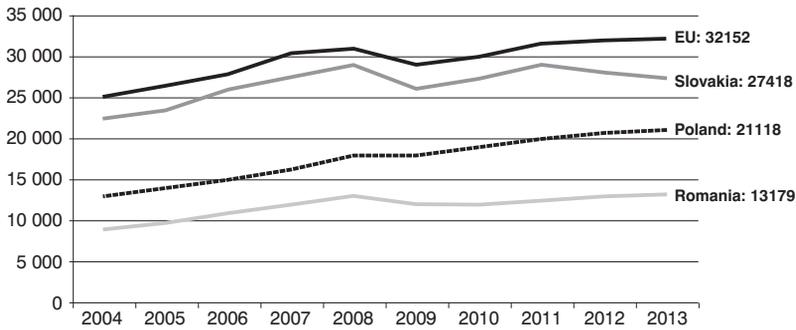


Fig. 3. GDP per capita (in purchasing power parity) in the EU and selected CEE countries. Source: KPMG. (2014). *Rynek Private Equity w Polsce: fakty i opinie*. Warszawa: KPMG, p. 12 (based on data from the International Monetary Fund).

Poland as the country with the largest area in the CEE region simultaneously generates more than 1/3 of the GDP in this group, with its inhabitants representing almost 1/3 of the region's population. These factors were not without significance for the assessment by private equity funds that decided to start operating in Poland and chose it as the main investment market. In 2012, Poland accounted for 46% of all investments made by private equity funds in the CEE region. Poland's share in the CEE population was 32% in 2013 and that in the GDP of the CEE countries amounted to 35% (EVCA, 2015).

Another factor encouraging private equity funds to invest in Poland is also a growing number of small and medium-sized enterprises that far exceeds the EU average according to the European Commission report which measures the degree of entrepreneurship of the population, among others, by means of the self-employment rate, the number of people setting up or wishing to set up their own business (Figure 4). Obviously, doubts

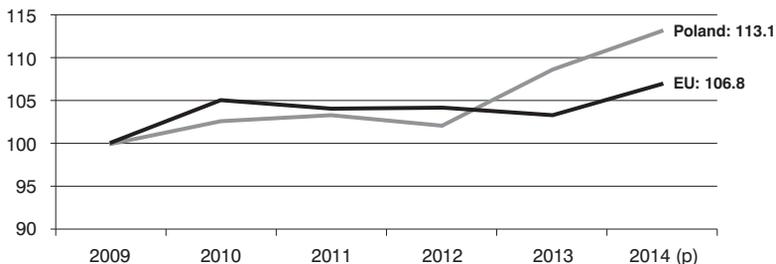


Fig. 4. Increase in the number of small and medium-sized enterprises in Poland and the EU (100 = 2009). Source: KPMG. (2014). *Rynek Private Equity w Polsce: fakty i opinie*. Warszawa: KPMG, p. 16.

always arise here as to how many people running their own businesses, including in particular those self-employed, determine the actual entrepreneurship rate, which generally does not exclude possible development, changes in philosophy of life or desire to develop and become a larger-scale entrepreneur generating new jobs.

What is also important to private equity funds is the status of the Warsaw Stock Exchange, which ranks among the top European exchanges in terms of new listings (55 new listings in 2013), immediately after the London Stock Exchange (103 new listings in 2013) and before NASDAQ OMX Nordic and NYSE Euronext (39 new listings in 2013), Borse, Wiener Borse and the Budapest Stock Exchange (10, 2 and 2 new listings in 2013 respectively). Generally, companies, regardless of the country of their parent establishments, are far more likely to take advantage of private equity funding solutions when operating in countries deemed to be developed that have advanced investment market tools as guaranteed in Poland by the Warsaw Stock Exchange (see: Da Gbadji et al., 2015, pp. 1213–1245).

3. Private equity funds' investments in Central and Eastern Europe and in Poland

One of major factors indicating the intensity of the development and involvement of private equity in the growth of individual world economies is the relationship between the actual value of such investments and the GDP of a country. This ratio still remains much lower in the CEE region than in Western Europe, but an analysis should take into account a short period that has elapsed since the first structures and market rules that allow foreign investment in the examined region were established. The last 25 years have brought not only quick and significant economic growth in the CEE economies but also political, legal and social changes. The development of private equity solutions is definitely fostered by the EU membership of individual countries, which brings about unification and harmonisation of rules that allow efficient business operations to be pursued by entities interested in developing their business in this area. According to the research, neither Poland, the Czech Republic nor the Baltic countries, where the activity of funds is the most intensive, come even close to Sweden, the United Kingdom and France as regards the investment value in relation to GDP. Nonetheless, it can be concluded that also this ratio will be ever higher as the GDP per capita increases. The results achieved by Bulgaria and Hungary are also worth highlighting as the values of private equity investment in relation to GDP there in 2012 reached levels similar to those in Ireland and Spain (0.21% and 0.17% respectively) (Figure 5).

Raising capital for company development by means of private equity solutions is an effective source of financing that minimises the cost of capital raising (no interest), thereby improving the liquidity of companies. Individual

solutions are addressed to companies mainly depending on their size and stage of development. The fundamental division affecting the opportunities to start cooperation with a private equity fund concerns chiefly company development stages. Venture capital funds include (1) early-stage funds, (2) later-stage venture funds and (3) balanced funds.

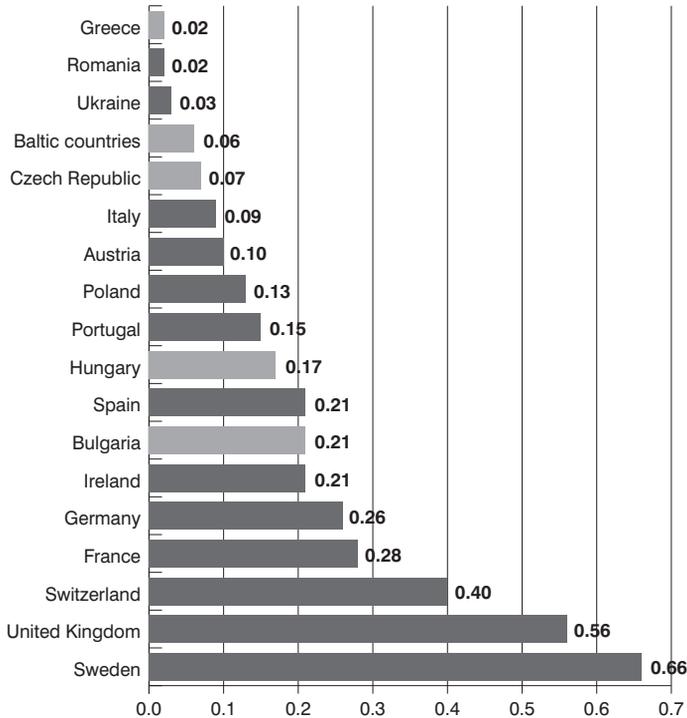


Fig. 5. Values of private equity investment in relation to GDP in selected countries in 2012. Source: the authors' own elaboration based on KPMG. (2014). *Rynek Private Equity w Polsce: fakty i opinie*. Warszawa: KPMG.

Venture capital² investments are a subset of private equity investments and include investments that are in the early stages of development, i.e. the stage of seed, start-up and early expansion (seed, start-up and later stage venture). Seed capital funds invest primarily small amounts in projects in the initial stage of implementation. They provide capital for projects in the so-called seed stage, or start-up phase, which, despite high investment risks, offer a higher rate of return on investment (see: Gompers and Lerner, 2001, pp. 145–169; Metric and Yauda, 1001, pp. 619–654; Małecka and Łuczka, 2016b, pp. 418–431; Tamowicz, 2004). Private equity fundraising in Central and Eastern Europe increased its share more than threefold in

Stage focus	2007		2008		2009		2010		2011		2012		2013		2014	
	E	PL														
Venture capital	8.6	9.0	11.8	7.9	15.7	0.4	8.7	0.5	8.2	3.9	8.7	1.9	9.4	4.1	8.7	8.8
Growth capital	6.2	23.1	12.6	3.5	21.2	23.3	15.0	17.4	11.5	24.0	10.9	22.0	9.8	39.6	13.4	26.1
Buyout	81.8	65.0	72.0	88.6	52.1	74.1	70.9	79.1	77.0	71.8	76.5	70.0	77.0	54.1	75.4	64.3
Rescue/Turnaround	0.7	0.3	0.6	0.0	2.9	2.2	1.2	0.5	1.0	0.3	0.9	0.7	0.9	0.0	0.5	0.0
Replacement capital	2.7	2.6	3.0	0.0	8.1	0.0	4.2	2.5	2.3	0.0	3.0	5.4	2.9	2.2	2.0	0.8
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

Tab. 1. Private equity structure in Central and Eastern Europe in 2007–2014 (in %). Source: the authors' own elaboration based on data from the European Private Equity & Venture Capital Association (J. Matecka and T. Luczka (2016). Selected Aspects of Seed Fund Raising by Companies of Different Sizes in Poland and Certain Countries of the European Union. In: Innovation Management, Entrepreneurship and Corporate Sustainability 2016 (pp. 418–431). Praha: Vysoka Skola Ekonomicka & Praze).

2014 (from EUR 409 million in 2013 to EUR 1.47 billion in 2014). Venture capital funds were valued at EUR 176 million in 2014 as compared to EUR 62 million in 2013. This amount was 2.8 times higher and represented a considerable 12% of funds raised in CEE in 2014 (EVCA, 2015). During the analysis of financing by company development stage (stage focus) in the period considered, it was noted that buyouts invariably represented the largest share of the total private equity market. Venture capital funds ranked third, after the growth capital. Buyouts concern mainly large companies. For small and medium enterprises, we find the main solution in the share of venture capital (Table 1).

In a geographic breakdown of venture capital fundraising all Central and Eastern Europe (0.9%) does not compare with even one of these: Germany (8.4%), UK (10.2%), Spain (6.8%) or Scandinavian countries (8.4%). But in the authors' opinion, their results mark out the direction of development for Poland and the other countries in this region. For Poland, all venture capital funds used in 2014 amounted to EUR 22 million, representing 0.61% of funds invested in such development in CEE (EVCA, 2015). Generally, the venture capital market is not easy to predict, both in terms of the amounts raised and the number of funds investing money to support economic development.

4. Private equity funds in Poland

Economic fluctuations in 2008 had an impact on the entire CEE economic region. The consequent outflow of investment capital affected the development of Lithuania, Latvia and Estonia in particular. Its another reflection was the real involvement of private equity funds, with negligible levels in 2009. The following years, however, encouraged private investors to undertake market activities. Of 21 funds surveyed in Poland by KPMG,³ half began operations as early as before Poland's accession to the European Union, that is before 2004. Just a few were active already in the 1990s. 25% started their activity in 2004–2008 and a similar number in 2009–2013. 44% of the analysed funds have accumulated up to EUR 250 million, 22% from EUR 250 million to EUR 1 000 million and 33% are international funds with accumulated funds exceeding EUR 1 000 million many times over. 65% of the investments in question have been made by special funds that are dedicated precisely to the CEE region, with some of them targeting Poland specifically. Upper investment limits in Poland (equity value) of more than EUR 200 million are reported by 13% of the funds examined, 73% of them declare up to EUR 100 million, 43% reveal the lower limit of up to EUR 5 million, and exactly the same number of funds report the lower limit of more than EUR 10 million (Figure 6).

The investigation conducted by KPMG in Poland has shown that in 2004–2013 private equity funds considered the following sectors as the

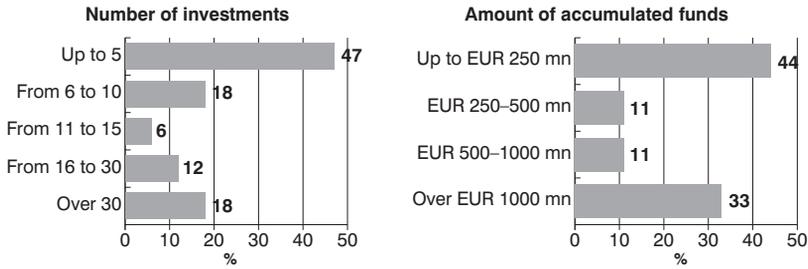


Fig. 6. Numbers of investments made and amounts of funds accumulated by the analysed funds since the beginning of their activities in Poland. Source: the authors' own elaboration based on KPMG. (2014). *Rynek Private Equity w Polsce: fakty i opinie*. Warszawa: KPMG, p. 30.

most attractive: IT, media and communication (19%), manufacturing (18%), medicine (13%) and retail trade (12%) (Figure 7). 177 investments were examined. Divestments were usually made in 2010–2012 and the cash-on-cash return median was 2.78 times. The highest returns were achieved in the financial services sector, yet they were made after 7 years on average. 65% of the funds investigated were dedicated to Poland or the CEE region and 35% of investments in Poland were made by the funds of a broader geographical coverage.

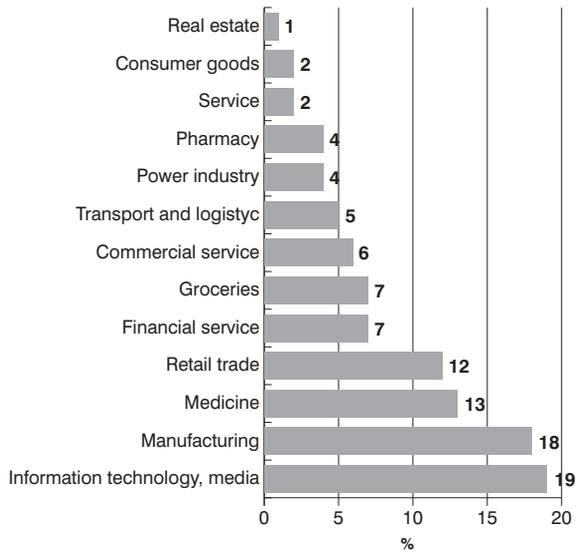


Fig. 7. Investments in various sectors in 2004–2013. Source: the authors' own elaboration based on KPMG. (2014). *Rynek Private Equity w Polsce: fakty i opinie*. Warszawa: KPMG.

In the Polish private equity market, most transactions at the moment of divestment involve primary repurchase of the company from the owner (59% in 2013). The main reason is a short tradition of private equity solutions in Poland, hence this share can be expected to evolve towards repurchase of shares from other private equity funds (secondary buy-out) (13% in 2013) as the market matures. The sale of non-core assets by corporations is the third most common form of divestment in Poland (14% in 2013). Investing in public companies and their subsequent delisting, a form that allows starting activities in the capital market, is not a very popular solution. Only 4% took advantage of this option (KPMG, 2014, p. 32).

The average valuation of companies in Poland as reported by the funds surveyed was higher than in Western Europe (63%). Almost one third say that the valuation is at the same level as in Western Europe. Also potential return on investment was valued higher. The average cash-on-cash return on investments made in 2004–2013 in Poland or in Central and Eastern Europe proved to be greater than three times in 29% of cases, with 71% of the funds surveyed reporting the average return on investment to be two- or three-fold. No fund reported lower return.

In analysing the most likely divestments, the following forms are primarily taken into consideration: (1) sale to a strategic player, (2) sale to a fund, (3) IPO, (4) purchase by the second shareholder in the company concerned. Strategic players attracted are most frequently those outside the country; 85% of respondents stated that these were mostly European entities even from beyond the CEE region. It is the Warsaw Stock Exchange gaining experience and developing, together with its very good position among competitive markets, that the authors believe will pave the way to the evolution and increased choice of IPO a divestment form.

The funds will also assess the future attractiveness of investment sectors differently. The most popular sectors mentioned were: consumer goods (2% in 2004–2013) and the medical sector – medicine and pharmacy (13% in 2004–2013). These were followed by business services, technology and media, and manufacturing (6%, 19%, 18%, respectively, in 2004–2013). Financial services, energy and construction ranked last. Forecasts predict, therefore, drastic changes in the existing shares of individual sectors in the investment portfolios of private equity funds in Poland.

5. The private equity market in the light of the authors' own research

The authors' own research conducted on the sample of 238 questionnaires from April to June 2016 on Poles' entrepreneurship and knowledge about the capital market and opportunities to raise capital for develop-

ment in this way showed that nearly 50% of respondents were willing to start their own business and create jobs within 3 to 5 years to come (Figure 8).

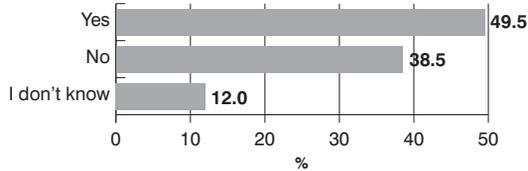


Fig. 8. People reporting their willingness to start their own business. Source: the authors' own elaboration.

The vast majority of them do not intend to give up their current sources of income in the initial period until their new activity proves profitable. Simultaneously, 60% of them openly state that they do not distinguish between the money market and the capital market. Most of them know the money market institutions such as banks and credit unions very well. That is where future entrepreneurs would seek support and opportunities to raise capital for development. When asked about the level of knowledge that would be necessary to make a decision about how and where they could raise capital to invest in their own business, 9% of respondents said that they had full competence in this regard. The biggest shortcomings perceived by respondents lie in the knowledge about the opportunities offered by EU programmes (66%) and the possibilities of using public funds (51%). One third recognised the opportunity to raise capital for development through private equity funds as an issue that they would like to know better, wishing also to understand the rules and opportunities offered by these funds (Figure 9).

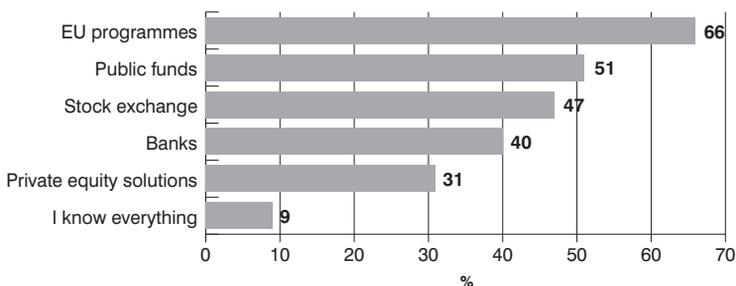


Fig. 9. Respondents wishing to obtain knowledge about opportunities to finance their businesses. Source: the authors' own elaboration.

What is alarming, however, are the results that clearly indicate that the majority of respondents do not know anything about the private equity market since 39% of them have never even heard of such a notion or related word connotations regarding specific solutions (Figure 10). “Start-up” is the most commonly recognised notion, which is, however, not by the ability to define this option, inhibiting the understanding of how this type of financing works. Only 7% of respondents have heard about IPO, and as few as 3% have some information about seed solutions. Given that 88% of respondents not only know about but also have taken out a bank credit, 84% have taken out a bank loan, and 80% of them have obtained a long-term credit, a conclusion can be drawn on the awareness of private equity funds’ offer among Polish entrepreneurs.

The research has shown that 60% of respondents generally do not know how the financial market is designed and what tools it offers to raise funds

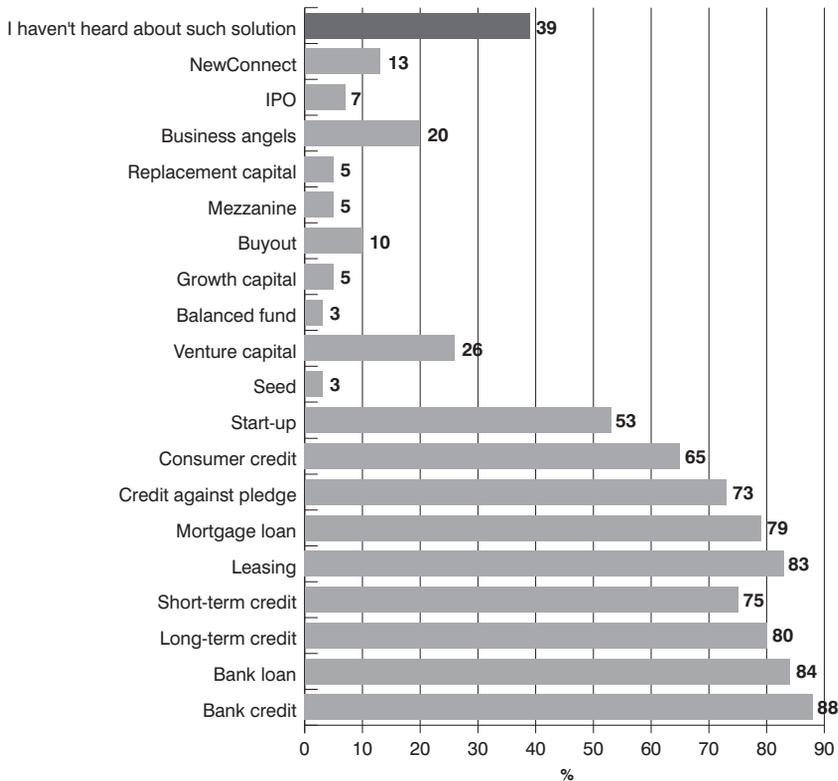


Fig. 10. Recognition of programmes and the offer of the money and capital markets among respondents. Source: the authors’ own elaboration.

for development effectively. More than one third of respondents admitted knowing nothing about private equity funds whatsoever. At the same time, only 31% expressed a wish to find out more about them and attend training in this field. It is this group where one should seek potential future entrepreneurs who will develop their businesses and who are open to the search for solutions for development and implementation of their business plans, taking into account private equity funds as an efficient source of capital for development. Simultaneously, a research question arises, namely: how can this knowledge be disseminated among them?

6. Conclusion

Due to the political system changes and reforms implemented after 1989 in Poland and other Central and Eastern European countries, the economic growth was rapid, encouraging new investors to allocate their resources and develop their businesses in this region. Privatisation, market liberalisation and opening up to foreign capital have resulted in the shrinking distance between both Poland and the leading CEE countries and the more developed Western Europe. Prospects for development are very good though. This is evidenced, *inter alia*, by the relationship between the per capita GDP and investment to GDP. Poland is still an emerging market with a relatively young capital market that continues to catch up with Western Europe. It is now called the first-choice country for private equity investors in the CEE region since it is one of the fastest growing economies in the EU. Poland attracts investors from all over the world, also because of its well-developed capital market enabling IPO divestment. Its modern and competitive banking sector makes it possible to obtain debt financing effectively and business support institutions ensure more efficient operations. The crowning is its EU membership, guaranteeing the smooth functioning of regulations and unification of procedures and ensuring international standards and investor rights protection. As compared to the entire Central and Eastern European region, the Polish private equity market is very strong. The prospects for further development are, nonetheless, open to all CEE countries because more and more stable economic conditions and increased consumption there as well as the prosperity of many sectors likely to be consolidated encourage private equity funds to develop and invest in this region. In order for this process to take place on a much larger scale than at present, the level of awareness of the existence of such solutions must be definitely raised among the potential actors in the private equity market. The authors' own research suggests that most respondents do not know even the names of existing private equity solutions such as start-up, seed and venture capital, which holds true for 39% of respondents. Hence the conclusion that the number of investors attracted by very good CEE development prospects will continue to grow, and the research question

that arises primarily concerns how to popularise private equity solutions among potential participants in this market.

Endnotes

- ¹ Almost as much as the GDP of the Scandinavian countries.
- ² Venture capital is a medium- and long-term investment in non-public enterprises which are in the early stages of development and are burdened with high risk of investment failure, with possibilities of professional management support in terms of optimisation of business processes and improvement of management provided by specialised entities (venture capital funds). The aim of venture capital investment is to reach profit as a result of reselling their equities or shares after a specified period.
- ³ KPMG Sp. z o.o. is a Polish limited liability company and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss legal entity.

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