

The Funding of Growth Scheme and the obstacles of company investments

Summary

In this analysis the behaviour of Hungarian enterprises is investigated regarding their investments and loans. In 2013 the volume of investments stated to grow in Hungary after a prolonged period of decrease. In a 2014 IEER survey of 2606 respondents almost half of the enterprise leaders claimed that the volume of their investments has not changed in the last six months, 11 percent experienced growth and 14 percent faced decrease. 27 percent of the companies have not invested in this period. The investment expectations are more negative: fewer leaders plan to increase or maintain the level of their investments (7 percent and 42 percent) and more leaders expect a decline (15 percent). 37 percent of company heads do not plan to invest at all. Enterprises located in Southern Transdanubia could grow the most regarding their investments. Having high export rate, mostly Hungarian ownership, working in the commerce or the construction sector and being involved in the Funding of Growth Scheme (FGS) of the Central Bank of Hungary also helped the companies to increase their investments. Companies having these features also have the most positive investment expectations.

The most important problems the companies have to face are the unstable regulation, the high funding costs, the lack of demand and the difficulties of getting a loan. Those enterprise leaders who experience and expect decrease in their investments tend to find unstable regulation a substantial problem. Small companies of 10 to 49 employees often face high funding costs. The lack of demand is a problem for enterprises in the commerce sector, and companies of mostly Hungarian ownership and low export rates. Getting a loan is the most difficult for enterprises in transportation and industry with mostly Hungarian ownership.

More than 60 percent of the companies have a loan, most of them are current assets or investment loans. Enterprises located in Northern Great Plain, working in the commerce sector with numerous employees, low export rates and mostly Hungarian ownership are the most likely to have loans. The higher is the level of investment activity of an enterprise the more likely that it has a loan. 84 percent of the companies with loans borrowed the loan in HUF, third of them in Euros and about 1 percent in other currencies. 14% of all enterprises participate in the FGS program. Mostly small Hungarian construction companies with decreasing investment volume participate in the program. Companies in the FGS have worse business expectations than enterprises outside the program.