

# **Loans and the Loans for Growth Program (NHP) at Hungarian SMEs**

**Results from the October 2014 “SME Outlook” survey  
of HCCI IEER**

**Budapest, March 2015**



The Institute for Economic and Enterprise Research operated by the Hungarian Chamber of Commerce and Industry (IEER or GVI in Hungarian) is a non-profit economic research institute indulging in applied research in several subfields of economics. Our mission is to provide empirically and theoretically substantiated knowledge and analysis of the economic and social processes that influence the actual situation and perspectives of Hungarian economy and Hungarian companies.

HCCI IEER

Institute for Economic and Enterprise Research  
Hungarian Chamber of Commerce and Industry

Author: Jasna Žarković

**Research staff:**

Miklós Hajdu  
Erika Révész  
Anna Bárdits  
Bence Szabó

**Head of research: István János Tóth, PhD**

Senior Research Fellow, Institute of Economics, Hungarian Academy of Sciences  
Director,  
Institute for Economic and Enterprise Research  
e-mail: [tothij@econ.core.hu](mailto:tothij@econ.core.hu)

date: March 20th 2015.

Office: H-1034 Budapest, 120 Bécsi street

Phone: (+36-1) 235-05-84

Fax: (+36-1) 235-07-13

E-mail: [gvi@gvi.hu](mailto:gvi@gvi.hu)

Web: <http://www.gvi.hu>



Within the framework of the “SME Outlook” research, since January 2005 the HCCI Institute for Economic and Enterprise Research (IEER) conducts a quarterly analysis of the situation of small and medium sized enterprises, their short-term prospects, as well as the economic and institutional factors affecting this business group. For this project a total of 300 companies operating within the fields of manufacturing, construction and services are surveyed and the data is analysed in every quarter. The structure of the sample remains the same from quarter to quarter, with the companies surveyed representing the economic performance and sector distribution of small and medium sized enterprises in Hungary.

On June 1, 2013, the National Bank of Hungary launched the Loans for Growth Program (NHP), albeit the details of the program had been known several months earlier. For the October 2014 SME Outlook survey the leaders of small and medium-sized enterprises were asked about bank loans and the NHP Program by the IEER.

The results show that 56% of small and medium-sized enterprises have some form of bank loan. The most common type of credit is working capital loan (including bank loans). Companies hold mostly forint-denominated loans.

Euro-based loan is the most common foreign currency loan and mainly used by export-oriented companies, companies in the manufacturing sector and medium-sized firms.

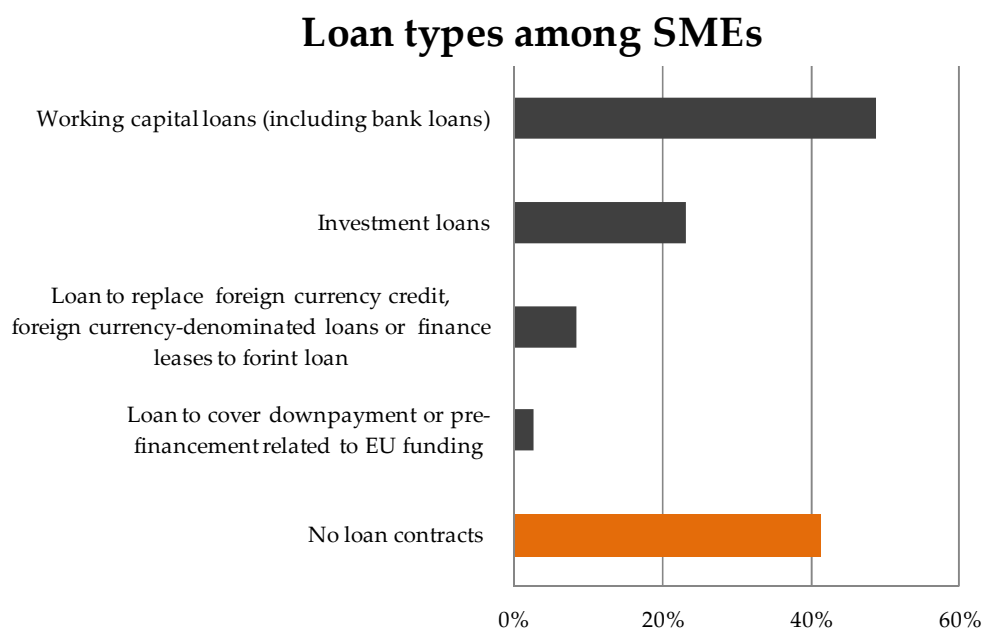
Every fifth company among SMEs have applied for loan under the Loans for Growth Program (NHP). More than half of the companies were interested in working capital loans. Every second company applied for a loan up to 50 million forints. The overall opinion of SMEs is that there are no major changes in the terms of access to loans during the period 2013 and 2014.



## The current loan portfolio of SMEs

In October 2014, 56% of small and medium-sized enterprises had a bank loan. Concerning the type of loan, working capital loans (including bank loans) were the most common used (49% of the respondents). Investment loans were taken out by 23% of the companies.

Loan used to replace foreign currency credit, foreign currency-denominated loans or finance leases to forint loan were taken out by 9% of the companies, while loans to cover share of the EU funding were the least likely to be taken out (3% of the companies).



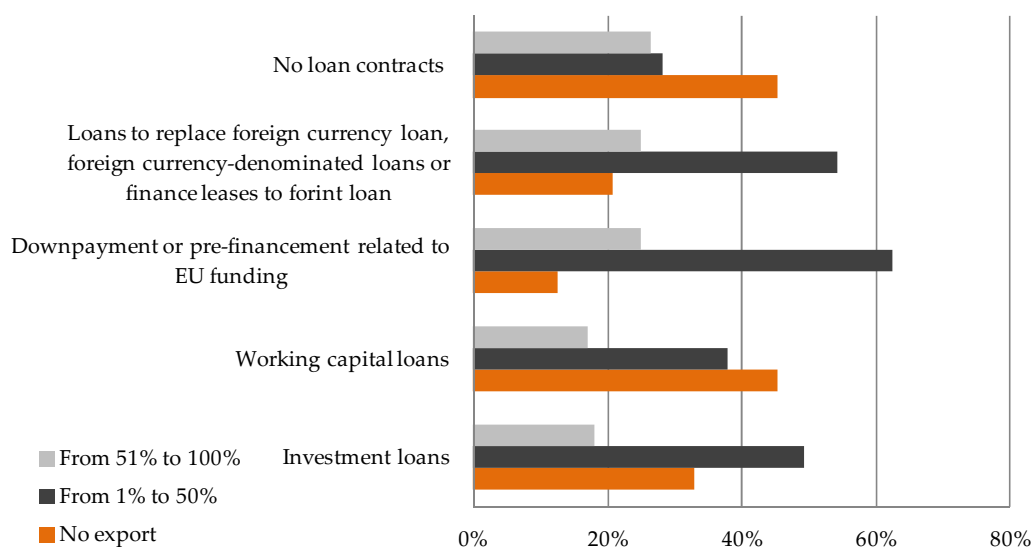
Source: IEER

Taking into account the share of exports in the total sales of the company, data show that working capital loan was the most popular among companies which did not export. The highest proportions of other types of loan were taken out by companies with the share of exports in the total sales between 1% and 50%.

Loans to cover down-payment or pre-finance related to EU funding were taken out the most frequently by the manufacturing sector (87.5%) and the construction sector (12.5%) companies. Further, half of the loan stock used to replace foreign currency credit, foreign currency-denominated loans or finance leases to forint loan were taken out by medium-sized companies (100 to 249 people).



## Loan types among SMEs by the share of exports in total sales



Source: IEER

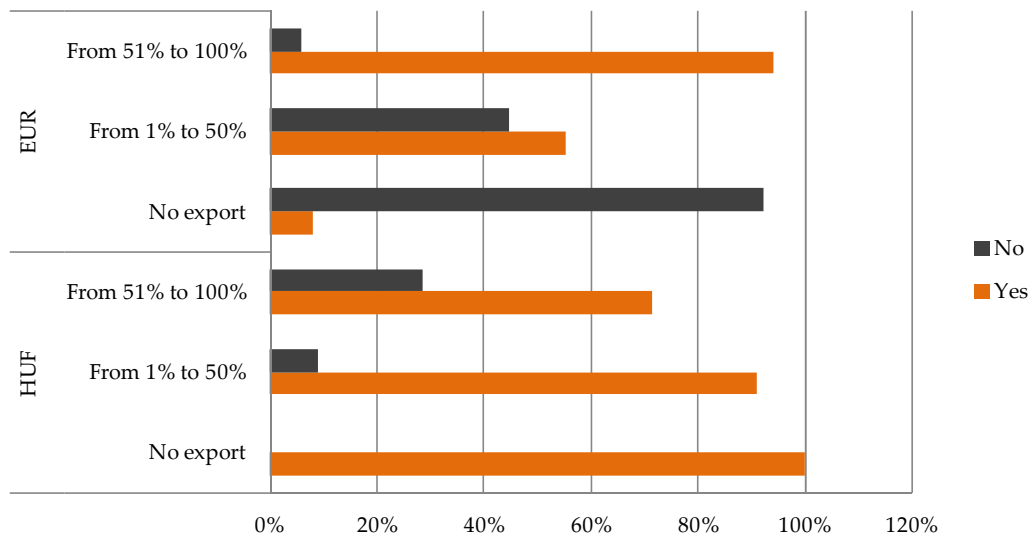
More than 90% of the companies, which answered the question related to the currency of the loans, confirmed that they had a loan in forints. Euro-based loan is the most common foreign currency loan (42% of the respondents). Loans denominated in Swiss francs have been reported by only five companies.

The survey results show that different SMEs characteristics can impact the attitude toward borrowing in forints or Euros. SMEs that have a share of export sales more than 50% of their total sales are the most likely to borrow in Euros. Namely, 94% of them have a loan in Euros, while 71% of them have loan in forints.

Regarding sectors, the findings show that companies in the manufacturing sector are the most likely to have euro-based loan. Every third manufacturing company has a loan in Euros. Also, companies with 100 to 249 people are more likely (57.5%) to borrow in Euros than smaller size companies.

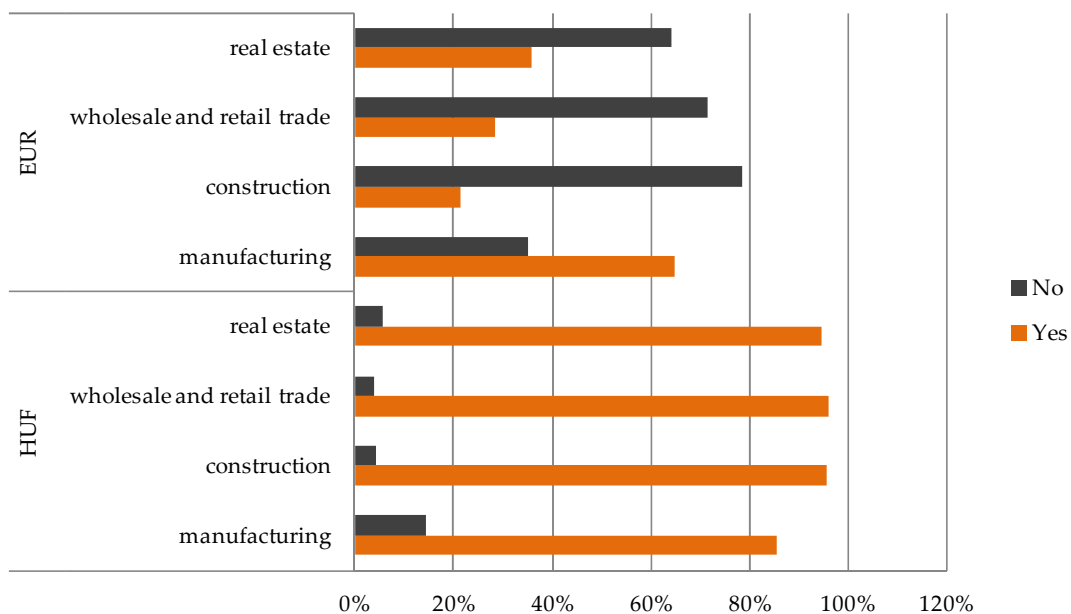


## Currency of loans by the share of exports in total sales



Source: IEER

## Currency of loans by sectors



Source: IEER

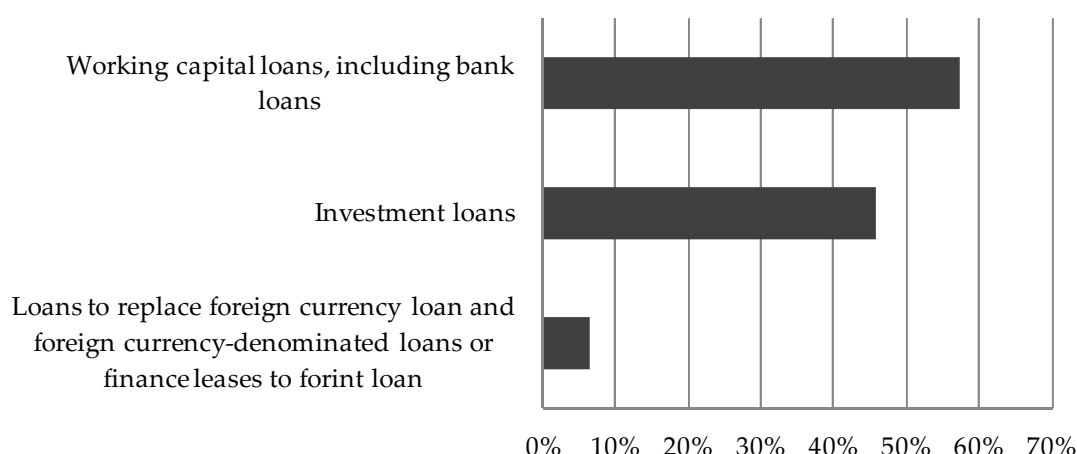


## SMEs and the Loans for Growth Program

21% of the small and medium-sized companies applied for a loan under the Loans for Growth Program (NHP). More than half (57%) of the companies applying for loan under the NHP were interested in working capital loans (including bank loans), while 46% of them have applied for an investment loan. A small proportion (6.6%) has applied for a loan in order to replace foreign currency credit, foreign currency-denominated loans or financial lease loans. None of the SMEs have planned to take out loan to cover share of the EU funding.

Working capital loan was equally taken out by the non-export oriented companies (41%) and the companies with the share of export from 1% to 50% in the total sales (41%). The highest proportions of the loan to replace foreign currency loan and investment loans were taken out by companies with share of exports between 1% and 50%.

### Type of loans applied for in the NHP Program



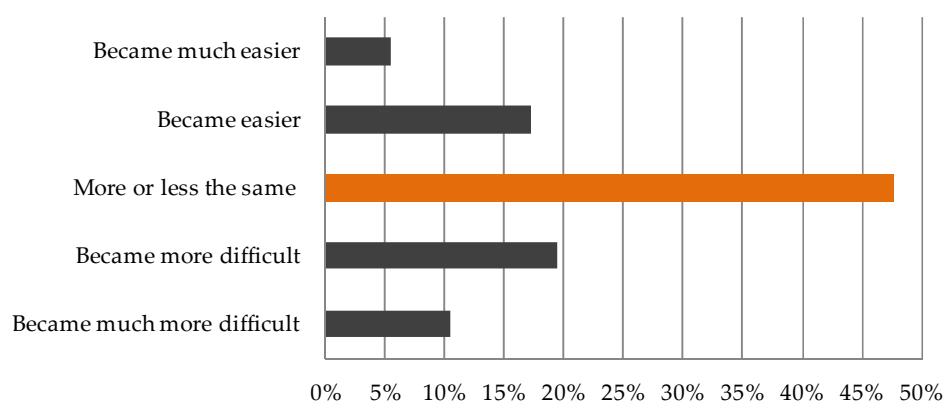
Source: IEER

Among those SMEs which have applied for loan under the NHP, almost every second company (49% of them) applied for up to 50 million forints. Loans for 50 to 100 million forints were applied for by 19% of the companies.

The most common viewpoint among all SMEs (47% of the respondents) was that the terms of access to loans had not changed in 2014 compared to 2013. The share of respondents who indicate that the terms of access to loans have become more difficult (19.5%) is slightly higher than the share of those who think they have become easier in 2014 (17%). The results are a bit different if we look at the opinion of SMEs which have applied for a loan under the NHP. In this case, almost half of the SMEs reported that the terms are more or less the same, while 29% of them think that the loan procedure have become easier.



## Opinion on how the terms of access to loans changed in 2014 compared to 2013



Source: IEER