THE FINANCIAL STABILITY AND ACCESS TO FINANCING OF SMES IN HUNGARY

Annamária Ónodi Kazai

ABSTRACT

The present study was prepared within the framework of cooperation between the Competitiveness Research Centre, operating within the Institute of Business Economics of Corvinus University of Budapest, and the National Association of Entrepreneurs, based on a commission from the latter. The goal of the study was to survey the self-financing capabilities and borrowing opportunities of majority Hungarian-owned small and medium-sized enterprises (SMEs), and to identify potential problems. The results of the research revealed that the high proportion of owner's equity in the financing structure is not due to difficulties with borrowing, but because enterprises that cover their financing primarily from their own resources have other financing opportunities at their disposal. Although general satisfaction with banks shows a diminishing tendency, it can still be interpreted favourably. The majority of companies have not encountered serious borrowing difficulties. With regard to the system of competitive tenders, company managers have sensed some improvement, but general satisfaction is still lacking. Although the research results suggest that the primary obstacle to growth in 2013 was not the lack of credit or external funding, it is important to emphasize that start-ups, young enterprises and micro-enterprises, which struggle the most with financing worries, were not represented in the analysed database.

JEL code: G2 and G3

Keywords: corporate finance, capital structure, banking services, borrowing, tendering system

INTRODUCTION

The present study was prepared within the framework of cooperation between the Competitiveness Research Centre, operating within the Institute of Business Economics of Corvinus University of Budapest, and the National Association of Entrepreneurs, based on a commission from the latter. We sought answers to the questions of what characterizes the financing structure of the Hungarian SME sector; what are its self-financing capabilities; what are the available borrowing or EU funding opportunities; and what problems are experienced by domestic enterprises in the area of capitalization and financing. The basis for our research was the 2013 corporate competitiveness research database, the fifth element of the Competitiveness Research Centre's "In Global Competition" research programme series. The survey was carried out between May and November 2013, with the cooperation of staff from the TÁRKI institute for social research.

RESEARCH METHODOLOGY

In examining the financing structure and capitalization of enterprises, it is particularly important for us to be clear about the characteristics of the circle of companies under examination. In the 2013 corporate competitiveness survey that serves as the basis for our research, incorporated companies employing more than 50 people and operating for at least four years were sought, ensuring a representative sample in terms of both size and geographical distribution. The sample of 300 companies was dominated by medium-sized enterprises (72.7%), while the proportion of large companies was 16.7%. The majority of companies (45%) operated in the processing industry, but commerce (20%), construction, other services, agriculture and the food industry were also represented. Most of the companies were domestically owned (71.3%), while the proportion of state-owned firms was 5.7%, and the proportion of those in foreign ownership 23%. (For a detailed description of the sample, see Chikán – Czakó – Wimmer, 2014.)

Our investigation focused on SMEs in majority domestic ownership. The proportion of majority domestic-owned small enterprises within the sample as a whole was below 10% (29 companies), while more than half of the companies in the sample (170 companies) were domestically owned medium-sized enterprises. Our population for the purposes of this study, therefore, was 199 companies. The willingness to provide answers to the various questions in the questionnaire varied between 100% and 18% (in the case of borrowing goals). It follows from this that we were able to draw conclusions from samples of varying size for each of the groups of questions. The average number of employees in the examined sample was 81. Less than half of the companies were engaged in export activity, while 24% revealed an export intensity of above 50%.

In order to conduct a more nuanced analysis of capital structure, credit practices and banking relations, we applied a cluster analysis to classify the companies in three groups based on capital structure and frequency of borrowing, thereby permitting – among other things – a comparison of domestic-owned SMEs financed primarily from owner's equity with those characterized by frequent borrowing.

THE FINANCING STRUCTURE OF ENTERPRISES

Examining the financing and liabilities structure of enterprises, we observed that within the sample, some *46.7% of majority domestic-owned small and medium-sized enterprises (SMEs) never or only rarely took advantage of bank loans.* Frequent borrowing characterized 36% of the companies (see Table 1). These findings are in keeping with the 2009 Monitoring Report laying the foundations for SMEs' strategy, which states that enterprises finance their developments primarily from their own resources, and secondarily from bank loans. Between 2000 and 2005, some 20–25% of enterprises held credit, reflecting increasingly active borrowing in the SME sector after 2000, which was subsequently halted by the impact of the 2009 economic crisis (see Gál 2013, Ganczer 2010, Monitoring Report 2009). The borrowing activity of the Hungarian SME sector falls short of the European Union average (see Monitoring Report 2009).

Table 1
Frequency of borrowing by majority domestic-owned SMEs in 2013

	No.	%
Never (1)	41	**32.0**
Rarely (2)	19	14.8
To a moderate degree (3)	22	17.2
Frequently (4)	16	12.5
Very frequently (5)	30	**23.4**
Total	128	100.0

Source: Competitiveness database

For a more detailed analysis of the liabilities structure, we carried out a cluster analysis, in which we relied on both 2012 financial data and the frequency of borrowing according to enterprises' own self-assessments. As a first step, we established indebtedness categories based on balance sheet data. We listed companies in six groups based on whether they had long-term liabilities or short-term outstanding loans as of 31 December 2012, as well as on the proportion of owner's equity within their total liabilities. Table 2 contains the average data of financial indicators of those companies, which proved satisfactory at a preliminary financial reliability examination (the assets / liabilities equation), or which did not have negative equity. Within the sample as a whole, five companies had negative equity, representing less than 3% of the sample.

At 44% of the examined companies, the proportion of long-term external liabilities was significant (14.28%), alongside the ratio of short-term credit (15.56%). (See Table 2, indebtedness category 6.) This is partly in keeping with the results of the 2003 survey by Sinkovics, who revealed a 13% proportion of long-term credit at small enterprises and a 36% ratio of short-term loans based on analysis of 2002 balance sheet data. At medium-sized enterprises, his calculations showed that the proportion of long-term liabilities was 72%, while the ratio of short-term loans was 23%. Based on our investigation, in the most indebted company category the average proportion of owner's equity was 35.8%, which is below the 2002 average 41% ratio showed by Sinkovics. Although the companies belonging to category 5 had long-term external liabilities, the average proportion of owner's equity was 75%. A high proportion of owner's equity also characterized companies falling into indebtedness categories 1 (79.8%) and 3 (77.67%). Companies in category 1 had neither long-term liabilities nor short-term credit, while the proportion of accounts payable to suppliers was below 6%. Although enterprises falling into category 3 held short-term credit, its ratio did not reach 6% on average. *Overall 41% of the examined companies had a ratio of owner's equity to total liabilities higher than 75%* (categories 1, 3 and 5). The liabilities structure of enterprises belonging to categories 2 and 4 was not unequivocal based on the supplied financial data, the calculated indicators showing a low proportion of owner's equity (32–33%). In category 2, besides owner's equity, financing derived mainly from accounts payable, while in category 4 both accounts payable (24.8%) and short-term credit (20%) played a strong role in financing. The obtained results are comparable with the results of Gál's 2013 cluster analysis. In the latter survey, the proportion of companies financed almost exclusively from owner's equity was 27%, which approximately tallies with the proportion of 24.5% for the first two categories in the classification employed by us.

Table 2
Financing structure of domestic SMEs broken down by indebtedness categories (indicators calculated from balance sheet data after financial cleaning)

Indebtedness category	Distribution of companies	Owner's equity/ Balance sheet footing 2012	Long-term liabilities / Balance sheet footing 2012	Short-term credit / Balance sheet footing 2012	Accounts payable/ Balance sheet footing 2012
n= (25)	16.34%	79.82%	**0.00%**	**0.00%**	5.77%
n= (11)	7.19%	33.71%	**0.00%**	**0.00%**	19.80%
n= (7)	4.58%	77.67%	**0.00%**	5.73%	6.92%
n= (11)	7.19%	32.35%	**0.00%**	**20.05%**	**24.83%**
n= (31)	20.26%	75.23%	3.74%	4.18%	6.61%
n = (68)	44.44%	35.81%	**14.28%**	15.56%	13.91%
Total n = (153)	100.00%	52.50%	7.11%	11.06%	11.99%

The formation of clusters took place based on the indebtedness categories presented above and the frequency of borrowing by enterprises (see Table 1), thus identifying three principle groups (see cluster sample sizes in Table 3). The first group contained companies essentially financing from their own resources. In 2012, the average proportion of self-financing at these companies was 70%, with no long-term liabilities based on 2012 balance sheets and a ratio of short-term credit of 2.3% (see Table 4). More than half of these companies (51.5%) did not take out loans at all and 15% only rarely, while some 30% typically borrowed to a moderate degree (see Table 5). In the other two clusters, the proportion of owner's equity was below 50%, the ratio of long-term liabilities 8–9%, and the proportion of short-term credit 12–16%. Despite the fact that the financing structure of the two clusters of companies appears similar based on financial data, there is a significant difference in their frequency of borrowing. Based on self-assessments in the second cluster, borrowing is relatively rare, while all companies in the third cluster declared that they had often made use of credit. (For detailed data, see Tables 3, 4 and 5.)

Table 3
Sample sizes and proportions of financing structure clusters within the sample as a whole, and among domestic SMEs

Financing structure clusters	Frequency in sample as a whole		Frequency among domestic SMEs	
	No.	%	No.	%
Dominance of owner's equity	52	29.5%	33	27.70%
External financing present, borrowing rare	67	38.1%	44	37%
External financing present, borrowing frequent	57	32.4%	42	35.30%
Total	176	100%	119	100%

Table 4
Characteristics of financing structure clusters among domestic SMEs (indicators calculated from balance sheet data)

Financing structure clusters	Owner's equity / Balance sheet footing 2012	Long-term liabilities / Balance sheet footing 2012	Short-term credit / Balance sheet footing 2012	Accounts payable / Balance sheet footing 2012
Dominance of owner's equity (n=26)	70.5%	0.0%	2.3%	10.9%
External financing present, borrowing rare (n=38)	45.8%	9.4%	16.8%	14.5%
External financing present, borrowing frequent (n=35)	48.6%	8.3%	12.1%	11.5%

Table 5
Frequency of borrowing among domestic SMEs broken down by financing structure clusters

	Dominance of owner's equity		External financing present, borrowing rare		External financing present, borrowing frequent	
	No.	%	No.	%	No.	%
Never (1)	17	**51.5%**	21	**47.7%**	0	0.0%
Rarely (2)	5	15.2%	12	27.3%	0	0.0%
To a moderate degree (3)	10	30.3%	11	25.0%	0	0.0%
Frequently (4)	0	0.0%	0	0.0%	15	**35.7%**
Very frequently (5)	1	3.0%	0	0.0%	27	**64.3%**
Total	33	100.0%	44	100.0%	42	100.0%

Beyond analyzing the 2012 financial data, we were able – based on the assessments of company managers – to fashion a comparative picture of the 2013 corporate financing structure which corroborated the earlier findings. At companies primarily financing from owner's equity, the proportion of external resources was around 20%, while the ratio of short-term resources was the lowest (17%), within which the most significant element was the stock of accounts payable. The proportion of external resources was highest (35.47%) within the group characterized by frequent borrowing, as was the ratio of short-term resources (44%), within which the two most decisive elements were short-term bank loans (42%) and the stock of accounts payable (30%).

To gain a closer understanding of companies' financing policy, it helps to examine the priorities of their financial strategy. Company managers were asked to evaluate 11 possible financial priorities based on how much these characterized their own corporate practice. The most striking difference was that *the maintenance of liquidity was the most important consideration in the financial strategies of companies which borrow frequently,* preceding profitability in second place. In the other two clusters, the most important priority was to reduce costs. In the case of companies primarily financing from owner's equity, this was followed by the observance of payment commitments and deadlines; while in the case of companies borrowing only rarely, profitability came second, but the maintenance of liquidity did not even feature among the five most important priorities. Factors that potentially contribute to the liquidity problems of frequently borrowing companies – in their own assessment – are their weaker self-financing capabilities and profitability below the industry average. By contrast, companies which did not borrow frequently assessed their profitability at around or above average. In his 2013 survey, Gál likewise determined that higher profitability was paired with a higher ratio of owner's equity.

CREDIT PRACTICES AND BANKING RELATIONS

Among the examined companies, on average more than half of the credit taken out (55%) was in the form of short-term forint loans, followed by a proportion of long-term forint loans of above 40%. Credit provided by owners was seen to the greatest extent (30%) at companies primarily financing from owner's equity, while the lowest proportion in this regard (9.9%) was observed at regularly borrowing companies. Companies financing from owner's equity did not take out foreign currency credit, the proportion of which was highest at companies borrowing only rarely (25.9%).

Among majority domestic-owned SMEs, *the most common goal of borrowing was to purchase machinery, equipment and vehicles.* The same can be said of *companies characterized by frequent borrowing, where typically there was almost no settlement of bank debts or purchase of real estate.* Of companies primarily financing from their own resources, only four companies answered this question (4%), and for these companies – besides the purchase of machinery, equipment and vehicles – the purchase of materials and payment of tax debts featured with close to the same frequency (see Table 6).

Generally speaking, the managers of domestic-owned SMEs *did not perceive borrowing as a significant problem.* Loans of less than a year's maturity were easier to access than long-term credit (statistical tests corroborating the difference). Some 22% of companies felt it was difficult to take out loans of less than one year, while this ratio was 27% for loans of more than one year. Some 40% of the SMEs questioned reported no problems either borrowing for less than one year or for more than one year (see Table 7).

Table 6
Borrowing goals

	Financing structure clusters			
Borrowing goals	**Domestic-owned SMEs (n = 36)**	**Dominance of owner's equity (n=4)**	**External financing present, borrowing rare (n=13)**	**External financing present, borrowing frequent (n=41)**
Purchase of machinery, equipment and vehicles	**3.17**	**3.50**	2.31	**3.82**
Purchase of real estate	1.83	2.25	1.46	1.64
Purchase of materials	2.61	**3.50**	2.38	2.30
Wage payments	1.94	2.50	1.62	2.20
Payment of debts to suppliers	2.09	2.00	1.69	2.55
Payment of bank debts	1.97	2.75	1.54	1.80
Payment of tax debts	2.00	**3.25**	1.54	2.20

On a 5-grade Likert scale – 1: did not occur at all, 5: was very frequent

Table 7
Access to credit – opinions of the domestic-owned SME sector

	Loans of up to one year		**Loans of more than one year**	
	No.	%	No.	%
Unable to access loan	8	6.5	13	10.7
Difficult to access loan	20	16.3	20	16.5
Moderately difficult	43	35.0	39	32.2
Easy access to loan	24	19.5	26	21.5
Very easy access	28	22.8	23	19.0
Total	123	100.0	121	100.0

Regular borrowers found securing loans the easiest, while those financing primarily from owner's equity found it moderately difficult. This means that a high proportion of owner's equity at a company cannot be attributed to borrowing difficulties, but may rather be explained by the fact that such companies have other financing options at their disposal and are not obliged to take out credit.

The obtained results are in keeping with the 2009 Monitoring Report, where – among other things – participants were questioned about factors hindering growth. In 2009, companies saw high tax and social security burdens, the unpredictability of economic regulations, insufficient demand and intense competition as the factors most hindering growth. On a scale of 100, they rated insufficient capital at 31 and a shortage of credit at 15, compared to a value of 76 assigned to high taxes, for example (see Monitoring Report 2009). A 2006 survey by the European Commission also revealed no serious financing problems, with 86% of companies declaring themselves satisfied with their financing situation (cited by Ganczer T., 2010). We can thus assume that in 2013, *it is not a lack of credit which has primarily hindered the growth of Hungary's SME sector.*

Despite the fact that accessing loans is not a serious problem for the majority of SMEs, *opportunities for accessing credit were seen as deteriorating compared to the years preceding the crisis.* Overall, no statistically significant difference was apparent in the assessment of short or long-term loans. Less than 15% of companies sensed improving tendencies, while the majority (43–47%) experienced no change in borrowing opportunities and more than 40% saw deteriorating tendencies (see Table 8). Examining the question according to financing structure clusters, the situation gives even greater pause for thought. On the one hand, the average opinion in all the clusters indicated a deteriorating tendency, while on the other hand frequent borrowers – as the companies with the greatest amount of experience of taking out credit – gave the most negative assessment of the direction of change. In this cluster of companies, we experienced a statistically significant difference with regard to the difficulty of accessing short or long-term loans. In the case of long-term credit, the change was seen as even more unfavourable. These deteriorating borrowing opportunities are corroborated by several other studies.

Table 8
Changes in opportunities for accessing credit compared to the pre-crisis period – opinions of the domestic-owned SME sector

	Loans of up to one year		**Loans of more than one year**	
	No.	%	No.	%
Significantly deteriorated	16	12.8	14	11.8
Deteriorated	38	**30.4**	36	**30.3**
No change	54	**43.2**	56	**47.1**
Improved	13	10.4	8	6.7
Significantly improved	4	3.2	5	4.2
Total	125	100.0	119	100.0

Despite the assessment of companies that borrowing opportunities have deteriorated compared to the pre-crisis situation, *the general level of satisfaction with banks can still be seen as favourable*. This is also apparent in the fact that *the majority of enterprises said they do not intend to change their bank*. The likelihood of changing banks was greatest at companies that borrow frequently, 21% of whom regarded this as conceivable in future.

Some 75% of majority domestic-owned SMEs had accounts at a single bank, this proportion being even higher (83%) in the case of companies primarily financing from their own resources. However, among frequent borrowers this figure was only 59% (in this cluster, 29% of companies had accounts at two banks, and 8% at three banks). The majority of companies had relationships with two or three banks. Frequently borrowing companies had dealings with significantly more banks (2.28) than those primarily financing from owner's equity (1.74). (See detailed data in Table 9.)

Table 9
Distribution of companies according to number of banking relationships

Number of bank relationships	Majority domestic-owned SMEs		Financing structure clusters					
			Dominance of owner's equity (n= 31)		External financing present, borrowing rare (n=41)		External financing present, borrowing frequent (n=40)	
	Total bank relation-ships (n=134)	Number of banks hold-ing accounts (n=125)	Total bank relation-ships	Number of banks hold-ing accounts	Total bank relation-ships	Number of banks hold-ing accounts	Total bank relation-ships	Number of banks hold-ing accounts
1	37.3%	75.2%	48.4%	83.3%	39.0%	78.4%	30.0%	59.5%
2	35.1%	17.6%	38.7%	6.7%	36.6%	18.9%	27.5%	29.7%
3	22.4%	4.0%	6.5%	3.3%	19.5%	0.0%	35.0%	8.1%
4 or more	5.2%	3.2%	6.5%	6.7%	4.9%	2.7%	7.5%	2.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Companies *gave a favourable assessment of cooperation with their most important bank* (a grade of 4 on a 5-grade scale). No statistically significant difference could be shown between the general assessments of frequent borrowers and companies primarily financing from owner's equity; however, differences could be observed regarding individual elements of the banking relationship. In general, companies evaluated the flow of obligatory or requested information the most favourably (grade above 4). While frequent borrowers felt that the flow of information from their company to the bank was stronger (4.61 compared to 4.16), companies primarily financing from equity regarded the bank's supply of information more favourably (3.91 in the case of voluntary supply of information) than frequent borrowers (3.55). The least favourable assessments were given for notification of changes in the financial environment (3.46) and the solving of problems beyond obligatory tasks (3.49), but even in these two cases we can speak of neutral rather than negative assessments. A comparison of banking assessments also confirms the earlier conclusion that the reason companies primarily financing from equity do not generally take out bank loans is not that they would not be granted them, or that they have a bad opinion of banks, but rather because they have different financing policies. It is important to add to this conclusion that, as a basic principle in conducting research into competitiveness, incorporated companies employing more than 50 people and operating for at least four years were sought in forming the sample.

In the case of more than 70% of companies in the examined sample of domestic-owned SMEs, there was no request to reschedule loan repayments or interest payments, nor any payment default. Frequent requests for rescheduling arose at only 12% of the companies borrowing most frequently, while no companies did so in the other two clusters. Companies regarded default on payment as even less typical. Around 20% of frequent borrowers declared that default on loan repayments or interest payments was moderate, while – in their own assessment – this was not typical at all of 78% of these companies. (See Tables 10 and 11.)

Table 10
Frequency of requests to reschedule loan repayments or interest payments

Frequency of rescheduling requests	Domestic-owned SMEs (n = 90)	Financing structure clusters		
		Dominance of owner's equity (n=13)	External financing present, borrowing rare (n=24)	External financing present, borrowing frequent (n=41)
Never	**71.1%**	**69.2%**	**70.8%**	**75.6%**
Rarely	11.1%	7.7%	12.5%	12.2%
Moderate	10.0%	23.1%	16.7%	0.0%
Frequent	7.8%	0.0%	0.0%	12.2%
Very frequent	0.0%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Table 11
Frequency of default on loan repayments or interest payments

Frequency of default on payment	Domestic-owned SMEs (n = 92)	Financing structure clusters		
		Dominance of owner's equity (n=14)	External financing present, borrowing rare (n=24)	External financing present, borrowing frequent (n=41)
Never	77.2%	92.9%	79.2%	78.0%
Rarely	8.7%	0.0%	20.8%	2.4%
Moderate	12.0%	7.1%	0.0%	19.5%
Frequent	0.0%	0.0%	0.0%	0.0%
Very frequent	2.2%	0.0%	0.0%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

COMPETITIVE TENDERS

Of the surveyed domestic-owned SMEs, 65% did not take part in any tenders at all between 2009 and 2013. The greatest number of companies participated in tenders within the framework of the New Széchenyi Plan, followed in popularity by the New Hungary Rural Development Programme and support programmes financed purely from domestic sources (ministries, local governments, foundations). (The values in Table 12 must be treated with caution as the proportion of those responding to questions related to tenders was 51%. In the case of tenders, the distribution ratios were determined in proportion to the number of companies filling out the questionnaire, but in assigning values to all the tenders we presumed that companies not filling out the questionnaire had not taken part in any tenders at all.) However, a comparative evaluation of the tenders concerned provides us with a relatively reliable picture. The companies' own assessments are in harmony with the actual frequency of participation in tenders. In terms of improving the competitiveness of companies, the New Széchenyi Plan was regarded as the most important, followed by the New Hungary Rural Development Programme and support programmes financed purely from domestic sources (ministries, local governments, foundations). (See Table 13.)

Some 43% of questioned companies sought help in writing applications for all tenders, while 35% had no help at all. On average companies worked with a collaborating partner in a little more than half of tenders (53.2%). More than half of respondent companies (54.4%) proved successful in all their tenders, while the proportion of those whose tender participation was always unsuccessful was less than 10%. Some 61.4% of enterprises declared their intention to participate in various tenders in future.

Overall companies regarded tenders as useful in terms of improving their competitiveness. The greatest number agreed with the contention that without support through tenders they would not have been able to implement investments in an economical manner. The financing from tender funds of investments already decided upon earlier was typically more prevalent than the initiation of new investments in response to tender opportunities. The assessment of company managers was that investments realized through tender funding enhanced their company's competitiveness, although they did not see tenders contribute to increasing the number of employees. (See Table 14.)

Approximately half the companies not taking part in tenders gave their reasons for non-participation. The primary reason for not participating in tenders (48%) was that they had no need for additional funding. Some 22% of companies did not have enough information about the tender conditions, 35% regarded the process as too complicated, and 25% did not satisfy the tender conditions.

Despite the fact that companies have sensed a small improvement in the tendering system in the last five years, complete satisfaction is still lacking. Company managers agreed only moderately that the tendering system focuses on the right areas and groups of companies, at the same time still sensing problems with the transparency of the system. (See Table 15.)

Table 12
Frequency of participation in tenders

Tenders	Number of tenders 0	1	2	3	4	5	6 or more
New Széchenyi Plan (n=84)	47.6%	22.6%	9.5%	8.3%	4.8%	3.6%	0.0%
New Hungary Rural Development Programme (n=78)	61.5%	20.5%	9.0%	5.1%	2.6%	0.0%	1.3%
Support provided from EU funds through individual government decisions (n=62)	88.7%	6.5%	3.2%	0.0%	1.6%	0.0%	0.0%
Other tenders co-financed by EU (n=70)	75.7%	10.0%	7.1%	4.3%	0.0%	1.4%	1.4%
Other foreign-financed tenders (n=57)	94.7%	1.8%	1.8%	0.0%	0.0%	1.8%	0.0%
Support programmes financed purely from domestic sources (ministries, local governments, foundations) (n=65)	72.3%	15.4%	4.6%	3.1%	1.5%	1.5%	1.5%
All tenders (n=199)	65.8%	9.5%	8.0%	3.5%	3.0%	4.0%	6.0%

Table 13
Tenders seen as most important in terms of competitiveness (opinions of majority domestic-owned SMEs)

	No.	%
New Széchenyi Plan	24	38.10%
New Hungary Rural Development Programme	15	23.80%
Support programmes financed purely from domestic sources (ministries, local governments, foundations)	13	20.60%
Other tenders co-financed by EU	9	14.30%
Support provided from EU funds through individual government decisions	2	3.20%
Other foreign-financed tenders	0	0.00%
Total	63	100.00%

Table 14
Impact of tenders on operation of companies

	Mean	No.	Standard deviation
Tenders created a significant source of financing for investments already decided upon earlier.	3.57	76	1.389
Tender opportunities motivated our company to carry out new investments, which we would not have otherwise initiated due to a lack of capital.	3.54	76	1.418
Developments and investments realized through tender funding enhanced our company's competitiveness.	3.65	78	1.375
Developments and investments implemented through tenders could not have been carried out in an economical manner without the support thus obtained.	3.78	76	1.282
The number of employees has increased significantly in the wake of investments realized with the help of tenders.	2.75	77	1.339

On a 5-grade Likert scale – 1: do not agree at all, 5: agree entirely

Table 15
Assessment of tendering system

	Mean	No.	Standard deviation
The tendering system is transparent and public, and the results in keeping with evaluation criteria.	2.92	115	1.125
The transparency of the tendering system has much improved in the last five years.	**3.12**	116	1.12
The tendering system focuses on the right areas and groups of companies.	3.09	114	1.052
The goals of the tendering system and its power to boost the economy have much improved in the last five years.	3.20	115	1.053
Our company can gain access to tender funding more easily than our most important competitors.	2.18	119	2.049

On a 5-grade Likert scale – 1: do not agree at all, 5: agree entirely

SUMMARY

During our research we have gained a *relatively positive picture* of the financing situation of enterprises. At the same time, we must be aware that start-ups, young enterprises and micro-enterprises, which struggle the most with financing worries, were not represented in the analysed database.

Overall *borrowing activity remains below the European Union average*, but not due to difficulties in taking out loans. The majority of enterprises have had no problem borrowing, although they have sensed deteriorating opportunities to access credit compared to the period before the crisis. It has proven harder to access long-term credit than loans of less than a year's maturity – or enterprises have experienced less favourable tendencies in this regard.

The *most common goal of borrowing* was to purchase machinery, equipment and vehicles. Even among companies which typically borrow frequently, the settlement of debts was not a characteristic borrowing goal, although the picture is clouded by the fact that for these enterprises one of the most important financial goals has been to preserve liquidity, while their profitability does not reach the industry average.

In keeping with earlier results, the *general level of satisfaction with banks* is still favourable, as also apparent in the fact that most companies do not intend to change their bank.

Our investigation corroborated the results of earlier research showing that *higher profitability went hand in hand with a higher ratio of owner's equity*. Our research results suggest that a high ratio of owner's equity in a financing structure does not conceal difficulties with borrowing, but rather the availability of other financing options for enterprises that finance themselves primarily from their own resources, so that they are not obliged to borrow.

Our presumption is that a lack of credit or external funding was not a primary obstacle to growth among the examined companies in 2013.

Of the surveyed domestic-owned SMEs, 65% did not take part in any *tenders* at all between 2009 and 2013. The greatest number participated in tenders within the framework of the *New Széchenyi Plan*, and these tenders were regarded as the most important in terms of improving competitiveness. Some 54% of respondent companies were successful in all their tenders, while the proportion of those whose tender participation was always unsuccessful was less than 10%. In around half of all tenders, companies sought help from a collaborating partner in writing applications. Although companies have sensed a small improvement in the tendering system in the last five years, general satisfaction is still lacking, with problems experienced primarily with regard to the transparency of tenders.

REFERENCES

Chikán – Czakó – Wimmer (2014): Struggling through rugged terrain. Flash report on the results of the 2013 questionnaire-based survey. http://unipub.lib.uni-corvinus.hu/1528/1/BCE%20VKK%20GYORSJELENTES%202014_2.pdf

Gál, V. (2013): Distinctive features of the capital structure of Hungarian small and medium-sized enterprises. Dissertation. http://www.gtk.ke.hu/files/tiny_mce/File/doktori/disszertacio_gal_veronika.pdf

Ganczer, T. (2010): Characteristics of the SME sector and its financing options under the economic crisis, compared with the expansion seen at the turn of the millennium. Budapest Business School thesis. http://elib.kkf.hu/edip/D_15039.pdf

Némethné, G. A. – Sinkovics, A. (2007): An empirical study of the funding and capital structure of non-financial enterprises operating in Hungary, 1995–2003. *Közgazdasági Szemle*, April, 2007 pp. 350–375. http://epa.oszk.hu/00000/00017/00136/pdf/5nemethne-gal-sinkovics.pdf

Monitoring Report (2009): Development strategy of small and medium-sized enterprises, 2007–2013. Annual interim monitoring report 2009.

Sinkovics, A. (2003): Changes in the capital structure of enterprises in Hungary, 1995–2002.