

Hungary

Proportion of Companies Intending to Take Out a Bank Loan Continues to Decrease

Bank loans continue to be the main form of financing, but in the two years since the outbreak of the economic crisis the proportion of companies planning to use them has decreased significantly. Similarly to last year's results, even the companies that are otherwise optimistic about receiving a loan are more pessimistic about the amount they may be granted – these are some of the findings of GfK Hungária's Corporate Banking Monitor survey.

The proportion of the companies that are confident that the Hungarian banks will judge their loan applications favourably has been decreasing since 2007 – this is what is shown by this year's results of GfK Hungaria's survey on the banking habits of Hungarian businesses.

In the course of their survey on the financial habits and strategies of businesses with at least HUF20 million net annual sales, GfK Hungária has found that the proportion of company managers who think their company's loan application would be turned down during a possible loan decision-making process has increased steadily from 7.5% in the last quarter of 2007 to 13.5% in 2008 and 17.1% at the end of 2009.

The survey, which is conducted by interviewing the financial decision makers in businesses, also showed that the companies that are otherwise optimistic about receiving a loan are also more pessimistic about the amount they may be granted. The proportion of respondents who believe they would be granted a loan amounting to at least 25% of their net annual sales has fallen from 50% in 2008 to 47%.

The more difficult access to loan facilities certainly also has an influence on the financing strategies of the businesses. Certain restructuring activities can be observed in connection with the financing opportunities companies are considering compared to the 2008 data.

"Bank loans continue to be the main form of financing, but the proportion of those planning to use them has fallen by 14 percentage points in two years, which is a 7% fall compared even to the end of 2008," said János Bacher, GfK Hungária's Client Service Director.

The role of government or EU resources and money from competitions has also decreased. Member's/shareholder's loans are already the second most important sources of finance (especially in the case of smaller businesses). It is mostly the bigger companies who try to improve their liquidity by trying to obtain extended periods for making payments.

Some of the instruments employed out of necessity, such as decreasing their need for current assets, rescheduling invoice payments or when the owner takes out a bank loan as a private individual, are mostly significant in the case of small businesses.



Developments in the form of company financing (%)

	2008	2009	2009	2009
	Total	Total	under HUF500 million	over HUF500 million
Bank loan from a Hungarian financial institution	70	64	62	68
Member's/shareholder's loan	27	27	30	18
Government or EU subsidised loan	28	24	24	23
Trying to negotiate longer payment terms with suppliers	16	16	14	20
Increasing capital	8	9	10	6
Decreasing need for current assets	7	8	7	9
Looking for domestic investors	9	6	7	6
Continuously rescheduling invoice payments	5	6	6	6
Financing from parent company	11	6	4	13
Foreign or international bank financing	8	6	5	9
Intercompany loan	4	3	2	5
Looking for foreign investors	5	3	3	4
Taking out a bank loan as a private individual	2	2	2	0

Source: GfK Hungária, Corporate Banking Monitor

Contact:

Janos Bacher
Client Service Director
GfK Hungaria
Visegradi u. 31
H-1132 Budapest
Hungary
Tel. +36 (1) 452 3050
Fax +36 (1) 320 1776
janos.bacher@gfk.com
www.gfk.hu