



## GOOD PRACTICES - CASE IDENTIFICATION /1<sup>ST</sup> LEVEL ANALYSIS

### 1. Good Practice title:

Interest subsidy scheme of the Székesfehérvár based micro enterprises

- *sustainability and efficiency of local microfinance programs*
- *social outreach of microfinance and mitigating the negative effects of financial exclusion*
- *microfinance as a local employment tool*
- *social and technological innovation in microfinance*
- *involvement of priority groups (with special regard to gender equality)*
- *promotion of local microfinance funds and entrepreneurship initiatives*
- *OTHER good practices in microfinance provision*

### 2. Territory of implementation/application (country/region/...)]

City of Székesfehérvár

### 3. Timeframe:

year of introduction:

year of termination:  (leave 0000 if ongoing)

### 4. Brief description of the promoting organization:

Fejér Enterprise Agency: non-profit Local Enterprise Agency. FEA was established in 1991 by 47 founders. The founders include the local government of Székesfehérvár, the General Assembly of Fejér County, several chambers, banks, enterprises and private people.

The mission of FEA is to provide high-level, easily accessible financial, advisory and training services in Hungary to start-ups and existing micro and small enterprises operating in the Transdanubian region in order to improve their skills and abilities which enable them to make their financial situation, social standing and living conditions better.

In order to fulfill its social mission and to realize the goals set by the founders, the Foundation performs concentrated business development activity, which basically focuses on the following main fields:

- Business Development Services



- Training programmes to disseminate entrepreneurial knowledge
- Microcredit programmes to finance enterprises

**5. Main objective of the initiative:**

The background of the scheme is the “Funding for Growth Scheme”, launched by the Hungarian National Bank, offering forint-denominated loan with maximum 2.5% interest.

The “Funding for Growth Scheme”, although being an effective economic recovery measure, is not available for the smallest enterprises. In the framework of the scheme, loans are disbursed by commercial banks, so the credit worthiness of the applicants has to be checked according to the bank standards and the micro enterprises are often excluded from this credit.

**6. Brief explanation of the initiative:**

In 2015, the Municipality of Székesfehérvár, by the initiative of Fejér Enterprise Agency, approved the “Interest Subsidy Scheme of the Székesfehérvár-based micro enterprises”.

The beneficiaries of the local credit scheme are the smallest local (micro) enterprises, with primary or secondary establishment in the city of Székesfehérvár. The funding of the “Székesfehérvár” credit scheme is guaranteed by FEA, and the Municipality is subsidising the average 6% interest on microcredit schemes so that it can be reduced to 2.5%. The local credit scheme is available from November 2015 to 2020, and it can be applied at FEA via the internet-based credit application system.

**7. Target group and measures to involve the target group:**

The target group are the local micro enterprises who are excluded from the credit schemes offered by commercial banks. The goal of FEA and the Municipality was to develop a favourable credit scheme for the micro enterprises who can not access the “Funding for Growth Scheme”.

FEA has 25 years of experience in microfinancing programmes and has a deep overview on the local SMEs. For the promotion of the credit scheme, FEA launched a video promotion campaign, introducing local entrepreneurs who successfully realized their development projects with the help of



FEA.

#### 8. Innovativeness:

Innovative elements of the initiative or other distinctive features compared to other previous programmes:

- based on a board cooperation of local actors (enterprise development agency, Municipality, SMEs)
- the new loan product is tailor-made to the needs of the SMEs
- the GP is combining a financial instrument with the business development services of FEA

#### 9. Outcomes:

Specific indicators:

- No. of loan applications: 84
- No. of clients: 72
- Total amount disbursed: 725.000.000 HUF

Identified success factors of the initiative:

- identification of the target group (local micro enterprises) and the business need
- tailor-made campaign for the target group
- flexible and client friendly loan application, shorter procedures compared to banks