

ATM for SMEs

Interreg Europe

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Microfinance and COVID: protecting businesses

Studies show that COVID-19 pandemic impacted mostly the SME sector: small businesses losing their markets, downsizing staff, consuming all the savings, just for the sake of survival. And as a consequence, thousands of households became threatened by poverty.

Across Europe, we see relevant initiatives from governments to mitigate the impact of the crisis. Experts all agree that **subsidized microloans to the smallest enterprises should play an important part** in the economic recovery packages. Despite some concerns that the crisis would affect MFI solvency, we are convinced that this crisis calls for enhanced cooperation between MFIs and governments, so that **new funding possibilities** can open up for the most vulnerable enterprises.

Microfinance is still a powerful and effective tool in guaranteeing financial inclusion, especially during turbulent and crisis conditions. It can be **effectively integrated in government aid programmes** and it can lead to social and economic benefits across which go far beyond the loan disbursement.

The **ATM for SMEs consortium encourages MFIs and policy makers to invest in new microcredit funds**. We share some examples from our partnership how to increase the role of microfinance during the economic crisis.



„This pandemic is a great challenge for all of us. We see clearly from the client survey that the **situation is critical**, the micro enterprises are draining of resources and they feel hopeless. **Microfinance, combined with government aids**, can be crucial for the survival of this sector.”

*Tibor Szekfű
director of FEA – Lead Partner of ATM for SMEs
president of the Hungarian Microfinance Network*

Hungary: credit fund proposal based on SME demands

The **consequences of the COVID crisis are “drastic”** for more than 70% of the clients of the Hungarian Microfinance Network, and they would welcome more microcredit programmes, possibly combined with non-refundable subsidies – shows a recent survey among the SME clients.

45% of the businesses needed to downsize and 65% can only finance operation for 1-2 months, if the situation is not improving. Their primary goal is to survive the months of the crisis and the majority would **welcome a new microcredit programme** with subsidized interest. The average preferred loan size is 25k EUR.

Based on the findings of the survey, Tibor Szekfű, president of HMN, proposed a new social microfinance programme to the attention of the Minister of Finance.

The **“Enterprise Microcredit Programme”** would be financed by the Hungarian government (estimated amount: 25 million EUR) and disbursed by the members of the HMN. This way, the social aspect can be guaranteed - as studies show, non profit MFIs have a great social outreach in Hungary. The proposal suggests that if we consider also the social and broader economic benefits, the new programme would be an efficient tool for economic recovery.

Poland: Millions for Świętokrzyskie companies for loans

231 million PLN - such an amount from EU funds was reserved in the Świętokrzyskie Anti-Crisis Shield for SME's sector for loans that will allow them to stay on the market during the economic crisis caused by the coronavirus pandemic. Interest in this form of support, which can be reached by the end of this year, is enormous.

The Świętokrzyskie entrepreneurs whose companies suffered from the coronavirus pandemic may also apply for investment and turnover loans of up to 1 million PLN by the end of this year. 150 million PLN was reserved for this purpose. This amount has been raised by transferring EU funds from several activities to one, i.e. Financial Instruments for Small and Medium Enterprises, whose leader is National Economy Bank. The funds from the Swietokrzyskie Voivodeship Fund of Funds project will also be used, among others, from reimbursements of loans granted earlier, even before the outbreak of the epidemic. They are also granted on very favorable terms by four intermediaries operating in our region, to which applications should be submitted.

Croatia: Subsidy on investments, to maintain employment

Koprivnica Križevci County provided support by **subsidizing 50% of investments in tangible assets**, i.e. investments in the purchase / adaptation of business premises and equipment, a maximum of 50,000.00 HRK - 6,700 EUR for companies that had a standstill in their economic activities caused by the COVID-19 pandemic. Preference was given to economic entities that maintained the same level of employment.

Also, at the national level, ministries have given / grants and benefits to companies affected by the COVID-19 pandemic.

Hungary: New loan to help SMEs hit by the crisis

As the Managing Authority responsible for the Economic Development And Innovation Operational Programme (EDIOP), the Ministry for National Economy launched a **working capital product for SME's active in Hungary, in the less developed regions** due to the economic crises caused by COVID-19, in June 2020.

The programme is available in Hungary except the Central Hungarian region, and it can finance stocks and running costs. The interest rate and the amount of the expected own resources is 0%. The minimum amount of the collateral ratio should be 20% of the current outstanding capital. This loan product is financed from EDIOP, under Priority axis 8 which covers the financial instruments. As expected, it is very popular among the companies and almost half of the total allocated amount (110 billion HUF) is covered with applications have green light for contracting.

Spain: Lower interest rates to support SMEs

CEEI Burgos continues working in collaboration with SODEBUR (Provincial Governmental Agency) in the delivery of microcredit to support start-ups, unemployed people and rural development in Burgos Province.

To further support SMEs during and after the COVID situation some conditions have been improved, as for the **interest rates which have decreased from 1,5%-3% to 0%-0.75% with a maximum amount of 25.000€**. There is also a specific line for the study of companies affected by the COVID.

The project "ATM for SMEs" is aiming at giving comprehensible answers to these questions and also showing the ways how decision makers can exploit the potential of nonprofit microfinance schemes.

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