



# EMN Legislative Mapping Report HUNGARY



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This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries.

The national factsheets cover the following thematic areas:

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## Regulation of Lending Activity

In Hungary, there is no specific regulation on microcredit provision. Financial enterprises (in the form of joint stock companies), saving cooperatives and foundations can offer loans under Act CCXXXVII on credit institutions and financial enterprises. In addition, thanks to the Act CXII (1996), the Hungarian Foundation for Enterprise Promotion and the County Foundations for Enterprise Promotion are also allowed to directly offer microcredits.

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## Supervisory Framework for Non-Bank Lending

The prosecutor's office supervises financial enterprises, saving cooperatives, and foundations with microlending activities. County foundations for enterprise promotion and Hungarian foundations for enterprise promotion are not supervised. The protection of client data is guaranteed by several rules of law, which all microfinance organisations must comply with (e.g. the Office of the Data Protection Commissioner).

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## Products

Business microloans to SMEs and micro-enterprises are currently disbursed by non-bank lenders. However, there is no regulated with respect to the maximum loan amount or an interest rate cap. NBFIs are not allowed to disburse personal microloans.

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## Incentives and Support

Microcredit is provided from equity, but government support is not available in the form of equity. The current legislation provides tax incentives for individuals to support organisations operating in the form of foundations. Existing data show that microfinance foundations only receive a small fraction of this type of support.

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## Development of the Existing Framework for Non-Bank Microcredit Provision

Structural funds have recently been used to implement a new financing scheme dedicated specifically to support development. This scheme, however, cannot be viewed solely as microcredit. For example, in the new schemes, loan sizes range between EUR 3.200 and EUR 1.935.500 and thus, the ceiling is significantly higher than typical microloans. The new schemes do not provide coaching, assistance and/or mentoring services connected to financing. This scheme is not available to county foundations. The major challenge for the microfinance sector is the lack of lobbying power of foundations at the national level. Policy recommendations include the establishment of a new microcredit scheme of structured funds to use county foundations as financial intermediaries.

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## Inclusive Entrepreneurship and Microenterprise Development

There are several programmes supporting microenterprises in Hungary. However, their characteristics differ significantly from microfinance. Finally, in certain cases, the characteristics of schemes declared and propagated by the government differ substantially in practice.



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