



# 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. The microcredit activities of the foundations for enterprise promotion in the counties and the capital, as well as the microcredit activity of the Hungarian Foundation for Enterprise Promotion of the National Microcredit Fund does not fall under the Act on Credit Institutions (Banking Act). These organizations are allowed to undertake microcredit activities outside the scope of the Banking Act but in accordance with the Act on Credit Institutions and Financial Enterprises<sup>1</sup>. Other foundations may not pursue microcredit activities.

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## Supervisory Framework for Non-Bank Lending

Microfinance organizations are not regulated by separate rules, but it is the role of the prosecutor's office to supervise their activities. The protection of client data is guaranteed by several rules of law, which every microfinance organization must comply with (e.g. the Office of the Data Protection Commissioner).

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## Products

Business microloans are currently disbursed by NGOs and non-bank financial institutions. However, these organisations are not regulated with respect to the maximum loan amount. However, on average the maximum amount lent by these institutions is approximately EUR 32,000 for business loans. Non-bank financial intermediaries are not allowed to disburse personal microloans.

1. Section 2 (1) (f) of Act CCXXXVII of 2013

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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 enables individuals to support organizations operating in the form of foundations, after which they receive tax incentives. Existing practices show that microfinance foundations only receive a small fraction of this 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 as microcredit. For example, in the new schemes, the loan size ranges between EUR 3,200 and EUR 1,935,500 and thus, the ceiling is significantly higher compared to micro loans. The new schemes do not provide coaching, assistance and mentoring services connected to financing. This scheme is not available to foundations.

The major challenge for the microfinance sector is the lack of lobbying power of foundations at the governmental level. Policy recommendations include the establishment of a new microcredit scheme of structured funds to use foundations as financial intermediaries.

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## Inclusive Entrepreneurship and Microenterprise Development

There are several programmes supporting micro enterprises in Hungary. However, their characteristics differ significantly from those of microfinance schemes. The characteristics of schemes declared and propagated by the government differ from their actual nature in certain cases.



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