

INCREASED COMPETITION FOR SMALL ENTERPRISES?

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There are roughly 650 thousand small and medium enterprises (SMEs) in Hungary today; however, that includes an extremely broad and diverse range of companies. The smallest – micro-enterprises with fewer than 10 employees – account for 95% of SMEs, and 36% of the total turnover of the SME sector (Hungarian Central Statistical Office – HCSO, 2014). The Institute for Training and Consulting in Banking (ITCB) has conducted surveys about retail bank account conditions for 8 years now, which it publishes every six months. Due to the large number of SMEs, the ITCB decided in January 2016 to extend its survey to include the banking conditions offered to SMEs.

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1. METHODOLOGY

Due to the large number enterprises in Hungary, SMEs constitute a considerable number of clients for banks; however, they lack the volume of account activity that would qualify them for private banking conditions. By conducting the survey, the Institute for Training and Consulting in Banking (ITCB) set the objective of helping this substantial group of enterprises to sift through the many offers on the market and find the best banking package. Published in August 2016, the survey was based on the banks' conditions in force in early July 2016.

The ITCB's second (latest) survey of bank account index for micro-enterprises illustrates changes in banking fees that have occurred since the first survey of banking conditions. The survey first presents a "snapshot" of the banks' conditions for HUF account products in force in early July. It covers all of the account packages offered to micro-enterprises by eight large banks with national coverage; however, the evaluation indicates only the banking fees of the cheapest account packages.

Market surveys have established that the average annual turnover of a micro-enterprise is HUF 31 million. Accordingly, three types of micro-enterprise clients have been distinguished. (HCSO, 2014). The first type of client is a new enterprise with an annual turnover of approximately HUF 12 million. Due to this relatively

low figure, this type of enterprise will typically use fewer banking services than the average micro-enterprise that has been around for a longer time. However, since the majority of banks offers special rates and conditions to first-time entrepreneurs in the early days, the survey distinguished special-rate and non-special-rate periods for this category. Consequently, the account packages can be consistently compared. The profile of the second type of enterprise corresponds to the medium-sized micro-enterprise, which has been on the market for several years, and has a turnover of approximately HUF 25 million. (That is, this category also falls HUF 6 million short of the average annual turnover.) The third type of client is a micro-enterprise with a turnover of up to HUF 65 million. It can be assumed that all three types conduct the majority of bank transactions by means of electronic banking services, but also use bank branches for deposits and withdrawals, and various cards, too (*Illés, 2013*).

2. SURVEY

The January survey has revealed differences of up to 30–50 per cent between the account packages offered by the large banks. It can also be established that compared to large companies, transaction fee-related costs are relatively higher at 25–50 per cent, depending on the turnover. The reason for this is that cash transfer fees are proportional up to HUF 2 million, and since small companies usually transfer smaller amounts, they pay the proportional transfer fees, while larger companies do not.

The second (latest) survey compared earlier and current banking fees. The survey reveals that banking fees have very slightly decreased in many banks in the past six months, attesting to an increase in competition. Some banks (Raiffeisen) reduced monthly banking fees by 22% in the start-up period of first-time entrepreneurs. There was only one bank (CIB) that raised account handling fees, but only very slightly. We maintain that it is well worth examining banking fees in the long term and choosing a bank accordingly. All of the surveyed banks offer special rates to their clients, which also need to be taken into consideration when choosing a bank.

2.1. First type of client: first-time entrepreneurs' account handling fees

Like in the survey conducted six months ago, the starting point was that banks offer first-time entrepreneurs special rates during a preferential period (usually a year after opening the account). Calculations and research have established that a start-up company will have an annual turnover of around HUF 12 million, em-

ploy 1 person and perform the majority of transactions electronically. In the preferential period, the first-time enterprises, as defined by the ITCB, are offered accounts at an annual HUF 5000–8500, while the upper limit can be as high as 9500 after the year has elapsed. The conclusion of the January survey stands that there are considerable differences between the banks in annual account handling fees.

Table 1
Fees in the preferential period

Preferential period				
January 2016	June 2016	Account package	January 2016 (HUF)	June 2016 (HUF)
4	1	Raiffeisen Vállalkozói Aktív Számla 1	6 830	5 329
1	2	K&H start+	5 737	5 737
2	3	OTP Start	6 354	6 345
3	4	BB Gyümölcsöző	6 651	6 651
5	5	UniCredit Origó	6 888	6 888
8	6	MKB 1×1 Dinamika	8 714	8 006
6	7	Erste Induló	8 194	8 194
7	8	CIB Bázis Üzleti Számla Plusz	8 405	8 405

Source: compiled by the author

Table 1 sums up annual fees for the preferential period. It can be seen that compared to the period a six months before, Raiffeisen's Vállalkozói Aktív Számla 1 package became considerably cheaper, bringing the bank to the first place from the previous fourth. The decrease is due to the fact that the bank no longer charges fees for electronic and batch payments between banks.¹

There is small decrease in fees in OTP's Start package, as a result of a reduction in fixed fees. MKB reduced the fees of its 1×1 Dinamika package (accounting and transfer fees mainly), moving it higher on the list.

¹ Where the client opened an account with the bank between 1 March and 1 July 2016.

Table 2
Non-preferential fees

Non-preferential period				
January 2016	June 2016	Account package	January 2016 (HUF)	June 2016 (HUF)
1	1	K&H start+	5 737	5 737
2	2	UniCredit Origó	6 888	6 888
3	3	BB Gyümölcsöző	7 150	7 150
4	4	Raiffeisen Vállalkozói Aktív Számla 1	7 385	7 383
5	5	Erste Induló	8 542	8 542
6	6	CIB Bázis Üzleti Számla Plusz	8 673	8 673
7	7	OTP Start	8 881	8 870
8	8	MKB 1x1 Dinamika	10 240	9 532

Source: compiled by the author

After the preferential period the order corresponds to the state six months ago. K&H Bank continues to offer the account with the best conditions. A few of the banks have reduced their fees, most significantly MKB (in spite of which the bank continues to be the last in the ranking).

Assessing the fee structure of the individual account packages it can be established that in the preferential period the majority costs were related to transfers and transaction fees. However, there are considerable differences in individual fees between the account packages. For example Budapest Bank, MKB and Raiffeisen Bank do not charge account handling fee in the preferential period. Transfers are most expensive in CIB's Bázis Üzleti Plusz package, accounting for some 35 per cent of the costs. The proportion of fixed fees relative to total costs after expiry of the preferential period is the highest in MKB and OTP.

On the whole it can be established that start-up enterprises are offered lower fixed monthly charges, meaning that the majority of costs are incurred in transactions. The cheapest account for enterprises that conduct their finances online is still K&H's Start+ package. OTP's Kisvállalkozói Start package offers the best conditions for companies that prefer cash transactions. Also, Raiffeisen's Aktív 1 package has no fixed fees, due to the fact that the bank pegs the monthly account fees to the number of completed transactions. It should also be borne in mind that

transaction fees account for the majority of banking costs for first-time enterprises.

2.2. Second type of client: medium-sized micro-enterprises

Compared to the first type of clients these enterprises have a larger (roughly double) annual turnover, have 3 employees and do most of their financial transactions online. As *Table 3* suggests, the majority of banks slightly reduced their fees. Erste and K&H offer the best conditions to this type of client.

Table 3
Banking fees for medium-sized micro-enterprises

Medium-sized micro-enterprise				
January 2016	June 2016	Account package	January 2016 (HUF)	June 2016 (HUF)
1	1	Erste Válogatás Plusz	11 811	11 811
2	2	K&H dinamikus+	12 009	11 999
3	3	Raiffeisen Vállalkozói Aktív Számla 2	12 825	12 704
4	4	OTP E-számlacsomag	13 160	13 153
5	5	BB Budapest E-csomag	14 565	14 565
7	6	MKB 1×1 Elektronikus Szolgáltatáscsomag	15 711	15 464
8	7	UniCredit A la carte Plusz	15 750	15 750
6	8	CIB Mikro Üzleti Számla Plusz	15 711	16 026

Source: compiled by the author

Only CIB's Mikro Üzleti Számla Plusz account shows an increase, due to the fact that the bank slightly raised its account handling fees compared to January, which moved it from sixth to eighth place. The decrease of fees of K&H's dinamikus+ package is due to the bank's reduction of minimum transfer charges. Raiffeisen reduced the account handling fees of its Vállalkozói Aktív Számla 2 package by HUF 5. The reduction of fees in OTP's E-számlacsomag is due to a lowering of bankcard charges. MKB's 1×1 electronic package fees also slightly decreased, as the table reveals.

It can be established that banks charge higher fixed monthly rates for medium-sized micro-enterprises; however, only in OTP's E-számlacsomag, K&H's dinamikus+, UniCredit's A la carte Plusz and MKB's 1×1 electronic package do these account for a sizeable proportion of monthly banking costs. These are nevertheless offset by somewhat cheaper transfer fees in comparison with rival banks. In Budapest Bank's Budapest E-package fixed monthly charges are minimal (approximately 5 per cent); however transfer charges are higher, accounting for some 35% of monthly costs. The proportion of cash and bankcard transactions to the total of charges is the lowest in K&H's and OTP's above-mentioned packages. On average, transaction charges account for 40% of monthly banking costs.

2.3. Third type of client: micro-enterprises with larger turnover

This client category is characterised by an annual turnover of HUF 60 million and 2–5 employees. Similarly to the other categories, they chiefly engage in electronic banking.

Table 4
Banking costs of micro-enterprise with larger turnover

Micro-enterprise with larger turnover				
January 2016	June 2016	Account package	January 2016 (HUF)	June 2016 (HUF)
1	1	K&H aktív+	28 015	27 990
2	2	Erste Válogatás Plusz Számlacsomag	28 516	28 516
3	3	OTP E-számlacsomag	28 589	28 581
4	4	Raiffeisen Vállalkozói Aktív Számla 2	29 994	29 843
7	5	MKB 1×1 Elektronikus Szolgáltatáscsomag	34 454	32 247
5	6	CIB Mikro Üzleti Számla Plusz	33 587	33 881
6	7	UniCredit A la carte Plusz	34 408	34 408
8	8	BB Budapest E-csomag	34 528	34 528

Source: compiled by the author

Monthly account handling fees saw a slight decrease in many banks, but continue to range between HUF 28 000 and HUF 35 000, without too much movement on

the market on this front. Like back in January, K&H, Erste, OTP and Raiffeisen Bank offered the best conditions, with little difference in the fees included. There are some differences with the other banks. Through a reduction in certain fees, MKB's 1×1 Electronic package moved to the fifth place from seventh in January. CIB raised the fixed charges of its Mikro Üzleti Számla Plusz, moving it back a place, to sixth.

On the whole it can be established that approximately two thirds of the banks slightly altered their fees, but not to the extent that it would significantly alter prior market rankings.

Monthly account handling fees are the highest in K&H's aktív+ package, representing up to 20–25% of all charges. The proportion of transfer fees is the lowest in OTP's E-számlacsomag and K&H aktív+. The proportion of cash and bankcard charges is the lowest in the same K&H and OTP account packages, but CIB's MikroÜzleti Számla Plusz and MKB's Elektronikus Szolgáltatáscsomag account also offer good rates. It can be furthermore established that up to 50–60 per cent of monthly costs are transaction fees, owing to a large volume of transfer transactions.

3 SUMMARY

In summary it can be established that banks offer all three types of clients cheaper rates compared to January, which suggests increased competition for micro, small and medium-sized enterprises.

This survey examined the preferential and non-preferential periods for all start-up enterprises. Banking fees can look very good based on preferential rates, but after the period has elapsed, fees can substantially increase. Since changing banks is a time and money-consuming matter, it is worth thinking in the long term when choosing a bank.

It can be established that for every type of client transaction fees – a percentage of the transaction amount, which in bank transfers can run to as much as HUF 2 million – meant a 50 per cent increase in banking charges for all types of enterprises.

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