Szent István University

Ph.D. School of Management and Business Administration

THE ROLE OF LOCAL CURRENCY IN THE RISK MANAGEMENT OF SMALL AND MEDIUM SIZED ENTERPRISES

THESIS OF DOCTORAL (Ph.D.) DISSERTATION

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Gödöllő

2015

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1. INTRODUCTION

1.1. The actuality and significance of the topic

The Hungarian small – and medium sized enterprise sector (SMEs) is a dominant participant of the domestic economy. Its significant role in the economy is proved as this sector gives more than 99% of the enterprises and in addition to have a significant part in terms of employment, – nearly 2/3 of the active population is employed by them – they contribute significantly to the annual gross value added, and their export sales can not be neglected either. Overall, the success and breakdown of small and medium enterprises have a great impact on the economy trends and affect its operation and performance.

Over the past decade, the Hungarian economic environment was characterized by constant transformation, but in case of the issues of small and medium enterprises, no significant breakthrough has happened. The continuous difficulties and different crises in the period all left their marks on the undertakings that had already been in a difficult situation. Among the liquidity issues, shrinking markets, investments restraints, other factors have also reduced the companies' revenues' and were near bankruptcy from one day to the other. Their survival is further aggravated by the lack of global and efficient economic-support programs and handling the risks in time in addition to the fundamental disadvantages.

The sustainment of the small and medium enterprises, their development, their financing is actual and almost inexhaustible problem in all respects. This topic is just as interesting for experts of the scientific world and politicians, as for average citizens, whose livelihood depends on the success of the enterprises. It has become clear that the problem is complex and economic, regulatory, institutional, educational and infrastructural reforms were needed for the success.

It is important to take into account that many factors affect the enterprises in the aspect of their prosperity, which may bear high risks. Such a risk may be among others, the lack of financing resources, which can affect significantly the future of SME sector.

The purpose of the thesis, after a review of risks, is the examination of an alternativeoption that in my opinion may help in the reduction of the risks of the SME sector, elimination of their liquidity issues and increasing their competitiveness. The below mentioned facts motivated me mostly in selection of the topic of my thesis:

- It can help to stabilize the liquidity problems of the SME sector
- Actual and,
- Not many studies have been carried out in this aspect in Hungary

The choice fell on the examination of the local funds – within this, the Balatoni Korona of Veszprém County. During my research, I have been wondered whether based on several international success stories; the release of the local funds could help to improve the financial situation of the Hungarian SMEs and to reduce their liquidity problems. The fact, that following international samples, the spread of the local currencies has started in Hungary as well, also contributed to the actuality of the topic. In the recent years, we could meet a growing number of initiatives; the effect of these initiatives is part of my dissertation.

After the review of the international and domestic literature, one question among others started to be more serious for me: if many good things are said about the local money system, can they really help to reduce the risks of the Hungarian SMEs and eliminate the problems? If this system was so good, then why would not be started to use it earlier? Why is it needed to create a new „currency" (Korona, taller, franc etc.) in addition to the nationally accepted means of payment? Why can a local currency be more successful than the official one? Can the negative interest rate cause economic growth?
The above mentioned examples also showthat the presence of these alternative funding sources may raise a number of questions.

It should be noted that in order to get a balanced society that involves a larger economy, stable economy is needed, which can only be based on a solid and reliable financial system. (Sárdi, 2011) The economic events and crises of the past years presume an unstable financial system, an urgent examination is needed for the future.
The direction of the local currency may derive from the realization that the global financial systems are quiet unstable and it overshadows the interests of the local economies. The local economy is represented by the Hungarian SME sector, and with the use of the local currencies, the improvement of their competitiveness can be promoted.

1.2. The aim and scope of the study

The purpose of the study for me was to get an answer to the question: how introduction and spread of local financial systems affect the Hungarian SME sector.

Since I have not found specific analyses and surveys to the impact of local currencies on Hungarian enterprises that had already begun to use it, so it has become clear for me that I should have started the research in this direction.

I decided to try to find an answer - through the example of Veszprém County's Balatoni Korona – how local currencies are influencing - now and in the future – the companies using it, Hungarian economy and opportunities provided by the usage generally for the future.

In the secondary research stage of the dissertation, such international and Hungarian literature were used, that contributed to get a transparent and intuitive picture of the evolution, system, usage and results of the local currency. In the literature section, the analysis of the situation of the Hungarian small and medium enterprises, as well as the main risks is presented.

The secondary research provided an excellent basis for carrying out the primary research, in the course of that, survey and in-depth interviews had also been used.

In the course of questionnaire survey, I was interested in how Hungarian customers, citizens were related to the usage of the local currencies and what they thought about the initiative. The results of the questionnaires helped to get an overall picture about the scope of users and to determine the future vision of the spread of the local currencies from the customer, i.e. the user side.

The in-depth interviews – in contrast with questionnaire survey – were carried out not by private people because it was also important to highlight the opportunities, strengths and dangers provided by the local currencies, from the enterprises side. In order to have a wider range of the research, I was looking for companies in fifty-fifty ratio: companies that currently do not accept the Balatoni Korona and undertakings that accept it.

1.3. Objectives

The demarcation of the studied topic in the dissertation requires to examine the following areas and done the following objectives accordingly:

I. Literature related processing tasks and objectives:

1. Examination of the status of the Hungarian SME sector in the current economic environment, completed with the factors and risks affecting the effectiveness of the SME sector.
   Tasks to be undertaken: within the secondary research, to give an overall picture about the status of the SME sector and determine the main risks and influencing factors with using statistical data (CSO and other researches).

2. Quest and brief description of the cash equivalents and other alternative financing resources.
   Tasks to be undertaken: after literature review, a short detour on the importance of other alternative financial resources.

3. The importance of the local currencies and its introduction.
   Tasks to be undertaken: with using Hungarian and international literature, through domestic and international samples, description of the importance, the risks, the benefits and disadvantages of local currencies, which provide an excellent basis for further research.

For the foundation of my research, the examination of Balatoni Korona of Veszprém County provided the basis. During the process of literature and the planning of the study, I thought that the examination of a limited area – because of the local nature of the examined means of currency – could provide more profound results than a larger unit, so national outlook. All this is justified by the fact that the spread of the local currencies is modest in national context, so narrowing to the range of the chosen local currency is reasonable. The Balatoni Korona provided an excellent opportunity to carry out my research and to achieve the following objectives.

II. Objectives and tasks related to own research:
- Carrying out research related to how local currencies influence and affect the Hungarian SME sector and status of the economy.
  Tasks to be undertaken: carrying out questionnaire survey regarding Balatoni Korona among users, in-depth interviews among acceptance points.
- Decoding of the survey results as basis for carrying out other examinations with statistical methods (SPSS). Evaluation of the results of in-depth interviews.

The main questions I am expecting answers for during the consideration of Balatoni Korona:
   a) Does the use of local currencies really promote the development of the Hungarian SME sector?
   b) Can the use of local currencies generate growing of sedentary profit?
   c) How users think about the spread of local currencies?
   d) How companies evaluate the appearance of local currencies?
   e) What are the hindering factors of the spread of the Balatoni Korona?

Following the literature review, using its findings, the research hypotheses will be described in "Materials and Methods" section.

2. MATERIALS AND METHODS

2.1.Hypotheses of the study

Based on the results of the literature's secondary and primary data, the following research hypotheses are taken and examined in my dissertation:

1. Hypothesis (H1)
The most determinant hindering factor is that the customers *are not well informed enough about the target and device system of the local currencies*, their usefulness and conditions of use, so *most of the people are distrustful*to Balatoni Korona.

2. Hypothesis (H2)
The attitude of the people significantly affects the use of the Korona. Currently, mostly local patriot oriented users reinforce the use of Balatoni Korona, who are graduated / brain workers and have higher salaries.

3. Hypothesis (H3)
The success of Balatoni Korona would significantly be affected by integrating it into the *cafeteria system*. Granting the Balatoni Korona as fringe benefit would have a significant impact on the development of the local entrepreneurs and on sedentary profit. Due to the pressure, the number of users would increase among the poorer and less educated people.

4.1. Hypothesis (H4.1)
Most businesses would not become Balatoni Korona accepting place, because they do not have adequate information on the Korona (many people have not even heard of it).

4.2. Hypothesis (H4.2)
The number of acceptance points of Balatoni Korona can be considered low, currently they have no financial interest to join the acceptance sites and the low number of acceptance places results that the businesses are not able to rotate the Korona between each other, hence the redemption means the long-term solution to them.

4.3. Hypothesis (H4.3)
Hindering factor of the joining of the businesses that they are not able to take even the minimal costs of redeeming, in addition they feel the conditions of redemption very complicated.

The range of methods used to verify the hypotheses will be described in the following sections.

2.2. Demarcation of data sources, methodological issues

In my dissertation, primary and secondary data sources were used. These units provided an excellent basis for generating my results and for proving my hypotheses. In the next chapter, brief delineation of the secondary and primary data sources will follow.

2.2.1. Secondary researches

The primary aspect of my research was to give an overall picture of the situation of Hungarian small and medium sized businesses, about theiropportunities and risks, and then to introduce the opportunities and risks of the local currency initiatives.
First, I had begun with the secondary data, so reviewed the domestic and international literature, followed by the systematization of the literature and building up and analysis of the necessary databases. During the use of the secondary data, only simply statistical methods were needed (for example average calculation). I managed to establish all other data and comparison with the review of the literature.

The primary literature studies were related to the SME sector.

As the situation of the small and medium sized enterprises have been researched in many cases, I managed to find such domestic and international literature (e.g. Central Statistical Office, Ministry of National Development and Economic Affairs.– representative business survey, European Commission – SBA conference, Hungarian Development Bank – corporate survey, Ministry of National Economy – Strategy of small and medium sized enterprises 2014-2020 etc.) that meant an excellent basis in determination of my results in regards the SME sector.

I started my research in relation to local currencies after mapping of situation of the SME sector,. In the evaluation of my results, the literature materials also helped me. I could use international literature for better understanding, as Hungarian local currency initiative was still in its early stages, so the number of literature materials would increase nowadays. Notwithstanding this, there had been such Hungarian materials that could be used excellently to some conclusions.

Cognition of the secondary data sources provided a great basis to carry out the comparisons of the primary data, and did not require intervention of major statistical methods.

2.2.2. Primary data sources

Data from primary research had an important role while evaluating the results of the dissertation.

In order to determine my conclusion regarding the local currencies, surveys were performed in case of the local currency in Veszprém county, the Balatoni Korona. For territorial limitation, Veszprém county has been chosen as I live here, so I was able to gain personal experience on the subject. Another important factor was that after the SoproniKékfrank, Balatoni Korona is the second largest local currency initiative in Hungary. However, the Balatoni Korona considered to be young in regards its establishment, but it has probably feedbacks, which provide an excellent opportunity for creating the results. This fact confirms me to realize relevant research results in respect of the topic.

In the survey, I considered important to survey both the aspects of the customers and the acceptance places, so the used information while creating the results, had derived from two sampling. As a result, the first round was carried out by questionnaire survey among residents living in Veszprém county, and then in-depth interviews were undertaken with selected representatives of the business sector.

The surveys (both the questionnaire survey and in-depth interviews) were made with random sampling method. Within this, I followed the „snowball method" so the „easy access to subjects" principle.

Criteria had to be established in one aspect, in case of in-depth interviews with the entrepreneurs. Here I had to strive to carry out interviews fifty-fifty with undertakings that are acceptors of Balatoni Korona and with those who did not accept this local currency as payment option. In the selection process, the list of acceptance places gave pivot, from where the interviewees had been also chosen by snowball method.

2.3. The methods used in the studies

2.3.1. Questionnaire survey

The survey was carried out from 14 February 2014 to 20 March 2014, nearly 250 questionnaires were personally but randomly distributed. After the deadline, I had 123 evaluable questionnaires, which is though not a representative survey but they were adequate assistance in proving my hypotheses. After the quantification and decoding, it was possible to determine the casual and other connecting points by the gathered information.

While building up the question structure, the examined topic – so the importance of local currencies – demanded that all three types of questions (closed, opened and semi-opened) should have been used. The closed questions were needed because of the clearly quantifiable data. The other two types of questions (opened and semi-opened) gave feedback about subjective opinion of the surveyed people.

At the time of the handout, I thought that most of the surveyed had never heard about the local currencies before, or about appearance of the Balatoni Korona. I considered it important to inform the surveyed in a brief description about the real role of the local currencies in the middle of the questionnaire. After the description, the surveyed could answer the questions with the knowledge about the aims of the introduction of the local currencies.

The following areas were embraced by the questions in the questionnaire (included but not limited):
- General information about the surveyed (e.g. gender, age, education, income, zip code etc.)
- Questions related to local money (have they heard about it? Where did they hear about it? Have they already used it? Do they follow the news? Have they heard about the Balatoni Korona? Etc.)

- Brief description about the local currencies
- Questions with the aim to get information about their opinion regarding the local currencies and Balatoni Korona after the brief description (Would they gladly invest for the future of their region with using the local currency? Do they think that the initiative of local currency is useful? Etc.)
- The last question of the survey was an elaborative question: How could we assure them about the usefulness of the Balatoni Korona and that it is a good thing for them to use it?

The survey included a number of questions where Likert scale was used. Likert scale gave the opportunity to get results that are more accurate and provided significant help in creating the multivariate results.

2.3.2. Used models and statistical methods

The large-scale data sets to be analyzed in the study required to use one and multivariate statistical methods and models. SPSS software package helped in creating the presented results. The results of the survey – coded into numbers – had been recorded in Microsoft Excel sheet manually, and then the values were converted into the SPSS program. After the clarification of the different variables, such as measurement scale, I got the first results using descriptive statistics method.

For the assessment of the questionnaires, the following models were used in case of multivariate models:
- With the use of the cross-table analysis, I analyzed two nominal, ordinal and categorized metric variable correlations. (Sajtos et al. 2007)
- Using analysis variance (ANOVA) – which belongs to the explanatory models – I analyzed whether there was a difference between average of one or two groups, so how independent variables influenced the evolution of dependent variable.
- Factor analysis (principal component analysis) helped in eliminating multicollinearity in the variables. During the factor analysis, „dependent and independent variables are not predetermined, I aimed to reveal the correlation between the variables". During performing the factor analysis, the examination of the Kaiser-Meyer-Olkin (KMO) value criterion was important, which is one of the most important metrics to assess which variables were suitable for factor analysis.
- In cluster analysis, the fundamental task was to find the variables that had caused the differences between the groups. Occasionally, cluster analysis was carried out with the using the variables that had been got during the factor analysis.

2.3.3. In-depth interviews

In the second phase of my research, the local currencies were examined in term of the businesses, in this case the use of the Balatoni Korona. I have undertaken in-depth interview with five enterprises from Veszprem County that accept the Balatoni Korona:
- Pantani Kft.
- Krisztina Zöldség–Gyümölcs
- Autorepair
- Reider Optika
- Kuti Nyomtatvány

Also looked up five enterprises that are not among the acceptors yet:
- AlmadiART
- Gózon&Gózon Tanácsadó Iroda
- Szabó Kerttechnika
- Regina Tourist
- Oti–Glass Kft.

The selection of businesses was made randomly but the enterprises that had been easily available for me, were brought to the fore. Most of the entrepreneurs have been helpful but there were also companies who rejected the call of interview.

The issue of the in-depth interviews was built up by similar aspects as it had been in case of questionnaires carried out among the population, but specified to entrepreneurs' aspect.

The interviews with entrepreneurs were carried out personally in all ten cases. In most cases, I was allowed to record the conversation so I managed to determine the best possible results during the processing. Veszprem Expo 2014 provided me opportunity, more than 70 entrepreneurs of Veszprem county appearedat one place and presented their businesses. In this event, six undertakings agreed to have an in-depth interview with them. The other four undertaking had been visited in their store in a pre-arranged time.

3.1. Primary research – Results of the questionnaire survey carried out among population

3.1.1. Determination of results examined by descriptive statistics method

Following the decoding of the results of the questionnaire, the following findings could be shown in relation to local currencies (Balatoni Korona):

25,2% of the respondents (31 people) have not even heard about the local currencies and their significance. In contrast, 74,8% of the respondents indicated that they had heard in some form about the local currency initiative.
Most of the respondents have heard about it from the newspapers, this was followed by information acquired on the internet, information acquired among friends, from TV and radio.

2,4% of the respondents (3 people) have used the local currency, 2 out of these on sales site, 1 came to this alternative financing source among friends.

An interesting fact is that most of the respondents have heard about the local currencies but 36,6% were not even aware of the targets of introduction of local currencies, 71,5% of them were not aware of where they could purchase it and 79,7% did not even know what denominations of Balatoni Korona were.

77,3% of the respondents do not monitor the news about local currencies. In addition, 29,3% of them have never even heard of the Balatoni Korona initiative, 39% of them only cursorily, 31,7% has certainly claimed that they had heard about the initiative in some circumstances.

Regarding the success of local currencies abroad, 78,9% have not been aware that local currencies worked abroad successfully.

I considered it important to inform the surveyed in a brief description about the real role of the local currencies and the usage of them. After the brief description, 82,1% indicated that they would like to use the local money, knowing that it supports the local economy and strengthens the use of Hungarian products but only 39,8% indicated that they would really use this opportunity by using the Balatoni Korona. This decision was explained by the followings:

- It is important to them to support local businesses and keep the revenue here
- Using the excellent Hungarian products and market strengthening
- Boost of the economy of the subregion and region, which creates new jobs

48% of the respondents can see fantasy in the Korona, however they do not want to take the opportunity in the future. Respondents explained there distrust among others with the following arguments:

- They do not have enough information regarding the use of the Korona (H1 Hypothesis further fulfillment)
- Costs of redemption
- Purchasing is not easy and the system is not developed enough
- Narrows the opportunities, serves only one destination's interests/benefits
- Smaller retailers do not have such range of products, in hypermarkets, everything can be found in one place
- It is important for them to freely use their own money, they are wary of the topic (H1 Hypothesis partially fulfilled)
- They focus on consuming Hungarian products and increase Hungarian entrepreneurs' revenues independently of the Korona. Regardless that they pay by HUF.

The fulfillment of my first hypothesis (H1) regarding mistrust is further reinforced by the fact that 12,2% think the Balatoni Korona a priori unuseful.

Looking at the consumer aspects, less than half of the people (44,7%) although would prefer and use the Korona as cafeteria benefit form, but the percentage is higher for those who disagrees the initiative.
The people who reject the initiative (55,3%), explained their decision with the followings:

- it can be spent only in particular localities and regions, the territory is very limited
- the Balatoni Korona is not widespread enough, so may not be used as widely as they would like to
- they bring the usual cafeteria elements to the fore because they have already been matured

- the usage is difficult and people are not aware of the circumstances of their use (further confirmation of the fulfillment of H1 hypothesis
- their shopping habits do not make it possible to choose this method of payment
  - because they prefer the electronic form of payment
  - or the products can not be purchased from retailers

I think that giving the Balatoni Korona as a cafeteria element, can only be solved by the cooperation of the issuing local governments and accepting undertakings, which seems to be almost the only option for spreading the Korona.

Independently of the facts above, 68,3% of the respondents thought that the local currencies could help the retailers to increase their revenues.
As to the use of the Balatoni Korona, most of the respondents would prefer the pay with Korona in the catering outlets, food stores, markets and on local cultural programs.

The vast majority of the respondents agreed on that the use of local currencies would promote the growth of the sales of Hungarian products, and discounts offered by the sellers were also attractive.

However, the respondents can see less chance for success regarding their network expansion and job creation, increasing tourism and the growth of local income also judged less positive. However, the sedentary profit value got outstanding average.

I also looked for answer among others, how local currency influences the people's relation to the town. After summing the given value by the respondents I calculated arithmetic average, the value of this was 3,82. This value represents an average on a seven-scalemean, which means neither strong, nor weak relationship.

77% of the respondents would invest in the future of their region by using the local currency. That they do it on theoretical or practical level is another issue, as sharped contrast can be observed between the answers. Earlier only 39,8% indicated that they would use the Balatoni Korona, in the future, so it seems that the initiative is only at theoretical level in people's minds. Nevertheless, it is conceivable that the range of users could be increased in the future as 78,9% of the respondents would get acquainted with benefits of the local currency of their own aspects.

In regards of the future of local currency, 55,3% of the respondents thought that it would have future in the Hungarian economy. This ratio further confirms the fact that almost half of the people feel the use of local currency ambiguous.

According to 57.5% it counts what methods of payment we use, and 74,8% of the respondents would choose HUF based on the current knowledge.
Respondents have given the following arguments:

- HUF is universal, so it can be used widely anywhere, any time and for anything
- Customers are well-informed about it
- There is less likely to cease one day to the next, as opposed to the Balatoni Korona
- HUF reassures, in contrast with the Korona (H1 hypothesis – distrust against Korona – reinforcement)
- It is more appropriate based on the current knowledge, because people do not know the Balatoni Korona so they are mistrustful (H1 hypothesis reinforcement)

People who have voted to the Balatoni Korona (25,2%) decided on this because:

- They would like to support local businesses and thus economic recovery, they hope by that creation of jobs, strengthening the community spirit and the growth of the city's well being
- They can buy with discounts
- They find it interesting, so they would like to try it just as a matter of curiosity

The respondents could imagine 11,34% of their revenue on average and 14,75% of their expenditure in local currency, that rate is very low and in respect of future, it would not lead to outstanding results.

In relation with the spread of the Balatoni Korona, the majority of the respondents could be assured by further information, better advertising activity, and an increase in the number of participating businesses.

The majority of the respondents find the Korona initiative a good idea theoretically, but in regards the practice, the opinions are divided. The fact is contributed to this, that the system is still unknown to them, and obviously, the people in bad financial situation do not dare to take risk in the implementation phase, they are doubtful regarding usage. This layer could be assured regarding the usage of the Korona with discounts.

The results presented in the chapter proved both claims (poorly informed and mistrust) of my first hypothesis (H1) and partially confirmed the fulfillment of my second hypothesis (H2). In regards the confirmation of the third hypothesis (H3), I received only informative information in this chapter.

3.1.2. Multivariate analyzes - Presentation of the results derived from the first analysis of the questionnaire survey

Using cross analysis, I placed in opposition the question „Would you like to use local currency in the future?" – as an independent variable – to other questions in the questionnaire and examined the strength of the relationship between the two issues. After completing the analysis, I found the following results based on the chi-squares and Cramer's coefficient results.

There is a relationship between the questions: „Would you like to use local currency in the future?" and „If you could choose between 100HUF and 100 Korona, which one would you choose?" 22 people of the respondents would choose HUF and would not use local currencyin the future. 101 people would like to use local funds but currently only 31 people would choose Balatoni Korona. The other 70 people would still decide on the HUF. My (H1) hypothesis is fulfilled here partially as well, the respondent are still wary against the Korona.

In regards the question, „Do you think that local currency has future in Hungarian economy?" relationship also exists. 22 respondents would not like to use local currency, 21 out of them also think that local currency has not future in Hungarian economy. Among those who would like to use local currencies, the rates are also divided, 34 people out of 101 think that it has not future, 67 respondents think that it has in Hungarian economy.
In the case of the question „Would you like to invest in the region's future with the use of local currency?" it is also possible to explore relations. 19 out of the 22 people who reject local money, would not invest in the region's future with using the local currency, but 3 would so, it is possible that they may even be influenced. 27 people from those who support the local currency, would not support the region's future with the use of that, but 74 would.

In the case of the question „Would you like to know the benefits of the local currency on your own terms" there is also a relation. 14 of the opposing „camp" would like absolutely not know, but 8 would like to know the benefits. While 12 people of the supporter „camp" would not, 89 people would be interested in the benefits of local currency. The first hypothesis (H1) also confirmed here, respondents are characterized by poorly informed and mistrust regarding the use of Korona. However, it is a good direction that they are opened to get to know it and to use it in the future.

Relation can be shown in case cluster analysis carried out in the next chapter and „Would you like to use local currency in the future?" variables. Determination of the 6 groups marked in Table 1 was done during the cluster analysis of 13-14 questions of the questionnaire, which was carried out by the main components created during the factor analysis.

1. table: Cluster analysis results and the "Would you like to use local currency in the future?" results relationship

		6 group (13-14)						Total
		1	2	3	4	5	6	
"Would you like to use local currency in the future?"	No	14	0	3	2	2	1	22
	Yes	13	24	27	35	1	1	101
Total		27	24	30	37	3	2	123

Source: Own compilation based on the results of the questionnaire survey

3.1.3. Multivariate analyzes - Presentation of the results derived from the second analysis of the questionnaire survey

Within factor analysis, principal component analysis was carried out, with the help of it, I was looking for an answer - among others - to what kind of relationship could be found between the cafeteria items and the using areas of the cafeteria elements. During carrying out the analysis, in the first phase, I opposed the 13-14 questions of the questionnaire.

After carrying out the factor analysis, two factors were found. Depending on what kind of variables included in each factors, I tried to find a summary factor name that really characterized the variables.

The first factor got the name „everyday use factor", the other got „recreational factor". The term, everyday use factor was chosen because the variables in the factor could be linked to the ordinary payments and were present in households on daily basis (local taxes, local transport, local services, local businesses, local cultural programs, educational support and payment on markets). Recreational factor term derived from that here it was not about specification of the local things, but wider range of usage could be presumed. Usually the uses in such directions derive from recreational aims (catering, cold food, hot food, groceries, and holiday vouchers).

From the factor analysis carried out, it had been not possible to classify different groups in distinct ways, so I used cluster analysis, which showed where the factors actually located and how they could be grouped. During the cluster analysis, determination of 6 groups was reasonable professionally (see Table 2).

2. table: The cluster groups based on the definition and characteristics of the questionnaire examining issues 13-14

Denomination	Number of the Cluster Groups					
	1	2	3	4	5	6
Number of elements in the cluster (pc)	27	24	30	37	3	2
Ratio of elements in the cluster (%)	21,95	19,51	24,39	30,08	2,44	1,63
Ages	30-45	25-38	27-36	28-36	35-45	40-45
Appropriate test sample (v) or underrepresented * (-)?	√	√	√	√	-	-
Everyday use factor	-	√	√	-	-	√
Recreational factor	-	√	-	√	√	-
Group names	Indifferent people	Open	Practical	Relaxation		
Groups features	neutral for the group of choice, and probably the possibility of local money is spent	sharing group who choose to use any area welcome - open to the possibility of choice regarding	purposeful young ages, especially those who seek to reduce costs, so practical things would spend the	young ages who prioritize the relaxation and socializing	Number of respondents did not reach 5% of the sample	Number of respondents did not reach 5% of the sample

Source: Own compilation based on the results of the questionnaire survey

3.1.4. Multivariate analyzes - Presentation of the results derived from the third analysis of the questionnaire survey

Based on the earlier presented analysis of the 13-14 questions, I made the same analysis in relation of questions 16-17-18. Principal component analysis was performed, which could help me to find an answer to what kind of correlation could be shown between the presence of the local money and private persons, traders and towns.

After the factor analysis, also two factors could be distinguished. I also tried to find a summary factor name, which reflected to the content of the variables. Based on this, one of the groups got the name economic (included elements: economic recovery, new jobs, increasing tourism, expansion of traders, urban income / wealth increase, increasing number of customers, loyal customers, reliable Hungarian product, sedentary profit), the other group got the name private factor (elements included: savings, discounts, community spirit).

From the factor analysis carried out, it had been not possible to classify different groups in distinct ways, so I used cluster analysis, which showed where the factors actually located and how they could be grouped. The cluster analysis was appropriate to determine the lag of nine professional group. The third table summarizes the characteristics and results related to the groups.

3. table: The cluster groups based on the definition and characteristics of the questionnaire examining issues 16-18

Denomination	Number of the Cluster Groups								
	1	2	3	4	5	6	7	8	9
Number of elements in the cluster (pc)	26	12	29	18	17	3	6	10	2
Ratio of elements in the cluster (%)	21,14	9,76	23,58	14,63	13,82	2,44	4,88	8,13	1,63
Appropriate test sample (v) or underrepresented * (-)?	√	√	√	√	√	-	-	√	-
Economic factors favor	≈	-	√	-	√			√	
Private factor prefer	√	√	-	-	≈			√	
Group names	Indifferently	Gatherers	Localpatriots	Skeptics	Mistrustful			Optimists	
Groups features	Members of the group although focussing on the private factors, the economic factor but not overshadow, indifferent to the choice regarding	Members of the group are clearly placed in the private factors to the fore, such as the development of their own well-being is placed at the center, facing the public interest	Local patriot and entrepreneur based in one group of users who prefer local interests as opposed to private interests	None of the members of the group factor prefer neutral on the subject, so it is difficult to influence them	Although the members of the group rather prioritize the economic factor, but do not rule out any possibilities inherent in the private factor. In the background can be that they do not have sufficient information on the subject	Number of respondents did not reach 5% of the sample	Number of respondents did not reach 5% of the sample	Members of the group are optimistic, and happy to answer any factor anal. Members of the team are flexible and easily adaptable.	Number of respondents did not reach 5% of the sample

Source: Own compilation based on the results of the questionnaire survey

Overall, most of the respondents see more progress in respect of the economic recovery during the use of local currencies. Apart from this, opportunity of the private sector – the savings and strengthening of comunity spirit - can not be neglected either .

3.1.5. Multivariate analyzes - Presentation of the results derived from the fourth analysis of the questionnaire survey

With the help of cross analysis, I carried out an interesting study by using the prevoususly present (analysis 2-3) cluster results. During the examination, I was looking for a link between the number of elements and I managed to have the following results.

In first step during the cross analysis, I analyzed the Pearson's Chi-square, which measured the statistical significance of the correlation between the two variables. I was proved that there was a connection between the two previously studied cluster group.

Table 4 presents the results of the study and the connection of the colleraliton between the cluster groups.

4. table: The results of the two (13-14) and (16-18) issues in cluster table comparing the cross-examination

Denomination	Indifferent people (1. group)	Open (2. group)	Practical (3. group)	Relaxation (4. group)
Indifferently (1. group)	-	√	√	√
Gatherers (2. group)	-	√	-	-
Localpatriots (3. group)	-	√	√	√
Skeptics (4. group)	√	-	-	-
Mistrustful (5. group)	-	-	√	-
Optimists (8. group)	-	√	-	√
Groups features	Belonging to the group completely neutral (indifferent) to make their decisions regarding	This group has been more open than the indifferent group. They consider the development of local businesses and well-being.	Members of the group financial resources are limited, so do not really dare to take risks, and that is rather indifferent by wary about local funds	Members of the group are easily influenced
Comments	The spread of local funds for this target group almost certainly doomed to failure	In order to spread the local currency may be interested in this group, and can be counted worthy ideas	The group will increase the number of users in the local currency when it becomes clear to them that this could result in savings for them by the various discounts	Proper marketing to increase the number of local users money

(√)characteristic factor; (–)not typical factor
Source: Own compilation based on the results of the questionnaire survey

3.2. Primary survey – Main results of the in-depth interviews carried out among undertakings

3.2.1. Results of the general questions of in-depth-interviews

The examined businesses confirmed the results got in the secondary research, based on this, the primary difficulties for the enterprises besides the financial problems are the followings: high taxes and social security, administrative burdens. Further risks of the examined businesses besides the high tax burdens: the unpredictability of the economic regulations as well as shortage of skilled labour. One company indicated that facing the problem of insufficient demand, 1-1 undertakings reported the customer payment delays and difficulties of purchasing. Two companies also listed the complicated administration and granting system as their risks.

3.2.2. Main result of the in-depth interviews with companies do not accept Balatoni Korona

- Out of the five interviewed businesses, one has absolutely has not heard about the Balatoni Korona, while two companies have heard about it but have not immersed in the topic for some reason, or rejected the initiative (confirmation of H4.1 hypothesis)
- Three businesses have not thought about joining to the participating businesses, while two companies are considering the joining, one of these finally has rejected the idea of participation arguing that customers pay by bank transfers to them , therefore, they do not generate cash flow.
- The fact has been confirmed that a significant percentage of the undertakings were not well-informed about the existence of the Balatoni Korona and conditions of use. This can cause the inadequate growth of the number of the participating businesses (confirmation of H4.1 hypothesis)

- Undertakings mentioned that the attitude of the customers had changed a lot and were going to the wrong direction. In their opinion, the customers have bacame too comfortable, the use of the Balatoni Korona could not help on it (confirmation of H2 hypothesis)
- A significant increase in traffic and revenue in case of Balatoni Korona could only occur, if employers gave it as part of the cafeteria system to the employees. Of course, this initiative should be accompanied with the criteria that foreign and large multinational companies would be excluded from the scope of the participating businesses. If these conditions were implemented, they would think Balatoni Korona an excellent opportunity (confirmation of H3 hypothesis)
- In the current economic situation, the difficulty of use of Balatoni Korona for businesses is that they can not rotate the Korona between each other, therefore, redemption would be the only solution for them but they could not afford these costs (confirmation of H4.2 and H4.3)
- Apart from anything else, the surveyed undertakings can see fantasy theoretically in the initiative of Balatoni Korona. However, in regards its spread, they are missing the adequate information and advertisment. Besides these facts, they could see serious issues in the attitude of people. In the first round, they would require more information from the distributor's part. (confirmation of H2 and H4.1 hypotheses)
- Each of the examined undertakings agreed on that the local currency initiatives – and thus the Balatoni Korona -would have future and it could improve the situation of undertakings – theoretically. They would expect the growth of their income, increasing number of customers, sedentary profits, loyal consumers, potential job creation and expansion of their network by the spread of Balatoni Korona.

3.2.3. Main result of the in-depth interviews with Balatoni Korona acceptor companies

- The examined businesses considered Balatoni Korona a good initiative. As a result of their joining, they hoped in better traffic and by this, a higher income, but their primary aim was the sedentary profit and by this, they could also help the situation of Hungarian (in the present study, Veszprém county) enterprises.
- Based on the feedback by examined companies, the Balatoni Korona have not caused traffic and income growth. The sales in Balatoni Korona is such low that their value could not be measured in many cases (1-2,5%). In case of two undertakings, there have never been any customer paying by Balatoni Korona.
- As regards the advantages and disadvantages of the Balatoni Korona, the aim of all of the examined businesses to keep sedentary profit and to promote the situation of the SME sector. This assumes embedding of local-patriot approach, which approach is key to the success (further confirmation of H2 hypothesis). In fact, businesses are welcoming if they manage to keep the profit in place by the Balatoni Korona.
- Several things were stated regarding the disadvantages of the Balatoni Korona. They see the primary problem in the lack of information (confirmation of H4.1 hypothesis). The communication channels, that can forward the appropriate information to the undertakings and as well to the users are missing. Lack of advertisment leads to the low number of acceptors and users. Besides the advertisment, businesses see a serious issue in that they could not pay by Balatoni Korona to their suppliers (fulfillment of H4.2 hypothesis), so the redemption is the only solution for them and they can not afford the costs of that (fulfillment of H4.3 hypothesis). The problems are further heightened by the fact that there are also a fair number of acceptors who are not aware of e.g. discounts by the Balatoni Korona.
- The businesses confirmed that costs only arised by Balatoni Korona if they redeemed it.
- As regards giving discounts, the undertakings give 2-5% discount of the total amount of the purchase to customers if they pay by Balatoni Korona.
- The acceptance of Balatoni Korona is indicated by stickers (mostly on doors) in the stores, but 2 out of the 5 businesses noted that if they could, they informed the customers personally as well about the Balatoni Korona and its acceptance.
- During the examination of the success and failure if Balatoni Korona, the entrepreneurs listed the same arguments as previously (e.g. bad advertisment, attitude of the customers etc.)
- As regards changes of the Balatoni Korona, the undertakings still stand by that the initiative could be helped by appropriate advertisment and increasing the number of acceptors (simultaneous fulfillment of H1 and H4.1 hypotheses). The attitude of the customers can not be changed but they could probably be encouraged by well-targeted advertisments and discounts.
- Regarding the customers, enterprises listed local patriots and collectors on the first places (fulfillment of H2 hypothesis), so in order to futher spread it seems that it should be integrated into cafeteria system (fullfilment of H3 hypothesis).
- None of the companies reported difficulties arised from redemption (besides the costs). Only one out of the five companies has already redeemed Korona, in two cases they could pay by Korona e.g. utility bill (heating, water, garbage collection fee). One company indicated that they can pay in Korona for some of their suppliers.
- The companies highlighted that they thought a good initiative by the local government that in case of utility bills (e.g. water, garbage collection, heating) Balaton Korona was accepted. According to them, if the local taxes could also be paid by Korona, the number of acceptors would increase.

- The majority of businesses want sedentary profit and would imagine increasing number of customers by the spread of the Korona.

Balatoni Korona acceptors involved in the study will make a stand for the use of the local currency and they feel important that the profit remains in place. They do not count with serious traffic and revenue growth in the current operation but hope for future success. Summarized their opinions, these could be problems for the future:

- attitude of customers (fulfillment of H2 hypothesis)
- lack of advertisement (fulfillment of H1and H4.1 hypothesis)
- low number of acceptors (fulfillment of H4.1 hypothesis)
- Korona as method of payment is not rotated between the enterprises (fulfillment of H4.2 hypothesis)

May lead to further growth:
- The enterprises increase the number of discounts
- Employees would get it in the frame of cafeteria(fulfillment of H3 hypothesis)
- favorable lending opportunities to businesses in need, based on the Swiss WIR model

Basically they think that the initiative is a good idea but more factors are influencing the success of implementation simultaneously, the elimination of these is essential for the future.

4. NEW AND NEW-LIKE SCIENTIFIC RESULTS

4.1. During my study, the following new findings were confirmed

1. I proved that the primary hindering factor of the spread of the local currency – in this case the Balatoni Korona – was that people are poorly-informed and distrust. I evaluated the results of questionnaire survey among the users, by descriptive statistics and cross-table analysis method, and I managed to unambiguously prove my hypothesis that consumers were not well-informed enough about the target and device system of the local currencies, thus the Balatoni Korona. That people are poorly-informed results their mistrust of the new initiative, thus of the use of Balatoni Korona. I found in regards the above results that for spread, immediate advertising and marketing activity was needed both for the acceptors and the users.

2. With the help of the questionnaire survey carried out among users and in-depth interviews made with the entrepreneurs, I proved that the attitude of the respondents had serious influence on the use of local currency (see Balatoni Korona). The view to keep the benefits of local government foreground is still missing from the respondents (i.e. the local patriot approach). This claim has been confirmed by the results of questionnaire survey with the help of descriptive statistics and cluster analysis methods, the results of the in-depth interviews with the entrepreneurs also confirmed it. It can be stated as fact, that Balatoni Korona spread among people with local-patriot approach and higher salaries, whose number considered to be low and not enough for a long-term success. To be able to spread in other layers, the introduction of positive samples is essential which could encourage the people for a change.

3. In relation to the spread of Balatoni Korona, I proved with the in-depth interviews carried out among businesses, that Balatoni Korona could only reach considerable success if it had been integrated into the cafeteria system and had given it by the employers to the employees as imposing factor. In order to further success, a close cooperation is needed between the issuing local government and participating businesses. It was found during the systematic analysis of the questionnaire survey by descriptive statistics that the respondents would not choose the Korona with the current conditions – as cafeteria element – but if the number of acceptors could be expanded, a larger portion would support the initiative.

4. I managed to prove by the in-depth interviews carried out among entrepreneurs that the businesses were also not well-informed. This may limit the expansion of the number of acceptors, which can mean high risk in regards spread of the Korona. The low number of participating businesses has also effect on that businesses are not really able to rotate the Korona between each other. As a result of this, the only long-term solution for them is the redemption of Korona. Majority of the businesses indicated that the cost of redemption would be burdensome for them and therefore they would not join to the initiative. It should be noted that the number of acceptors has to be significantly increased for the spread of Korona and by this, the opportunity of rotation of the money between businesses should be promoted, in which local governments have very important role. The success of the Korona depends on the efficiency of the issueing local governments, so they have to support strongly the initiative. It would mean a possibility if the local taxes could be paid by Korona, which could significantly reduce the burden of the businesses.

4.2. Fulfillment of the hypotheses of the study

In the light of my examinations, I summarize below the fulfillment of the previously formulated research hypotheses:

1. Hypothesis (H1)
The most hindering factor of the spread of the local currencies is that the customers *are not well-informed enough about the target and device system of the local currencies*, their usefulness and conditions of use. The fact of that people are poorly-informed results that *most of the people are mistrustful* to he Balatoni Korona. It would mean an adequate alternative for the future, if the issuing authorities of the local currencies carried out a more definite marketing activity to make the local money more attractive, in this case the use of Balatoni Korona. It is essential for the succes to deliver the information to the appropriate layers.

Status: Confirmed hypothesis.

2. Hypothesis(H2)
*The attitude of the people significantly affects the use of Korona.*Currently, mostly local patriot oriented users reinforce the use of Balatoni Korona, who are graduated / brain workers and have higher salaries. With well-targeted advertisement and providing information, those layers could also be encouraged to the use of Korona, who has refused it for financial or other reasons. If the aim is to revive the Korona, changes should be made to change the attitude of people, since the current scope of the users is not sufficient for a long-term success.

Status: Confirmed hypothesis.

3. Hypothesis (H3)
The success of Balatoni Korona would significantly be affected by integrating it into the *cafeteria system*. Granting the Balatoni Korona as fringe benefit would have a significant impact on the development of the local entrepreneurs and on sedentary profit. Due to the pressure, the number of users would increase among the poorer and less educated people.

Status: Partially confirmed hypothesis. (the in-depth interviews with the businesses clearly confirmed the fulfillment of the hypothesis but based on the results of the questionnaire survey with the users, they would not choose the Korona as cafeteria element with the current conditions)

4.1. Hypothesis (H4.1)
Most businesses would not become Balatoni Korona accepting place, because they do not have adequate information on the Korona (many people have not even heard of it).

Status: confirmed hypothesis

4.2. Hypothesis (H4.2)
The number of acceptance points of Balatoni Korona can be considered low, currently they have no financial interest to join the acceptance sites and the low number of acceptance places results that the businesses are not able to rotate the Korona between each other, hence the redemption means – in the current situation - the long-term solution to them. However, this solution is not satisfactory to the end, because it does not encourage other businesses to join, in continuance of time, the initiative could sink into disinterest.

Status: confirmed hypothesis.

4.3. Hypothesis (H4.3)
Hindering factor of the joining of the businesses that they are not able to take even the minimal costs of redeeming (2%+VAT). In addition, they feel the conditions of redemption very complicated. In case of Soproni Kékfrank it was considered, and reduced the costs of redemption to minimal (0,25%), as a result, recovery could be observed. Although long-term success in not guaranteed neither by reducing the cost of redemption, but independently it could promote the expansion of the number of acceptors. If enough businesses joined, the possibility of rotating the currency – as it has been presented in my prior hypothesis - between each other would also mean solution. Therefore, for the success it is essential to increase the number of participating businesses and at the beginning, the reduction of the costs of redemption, which could promote the joining disposition.

Status: confirmed hypothesis.

5. CONCLUSIONS AND SUGGESTIONS

Topics examined in my thesis give possibility to diverse and at the same time complex conclusions. Logically arranged I list the following findings:

Situation of the Hungarian small and medium sized enterprises sector in the current economic situation

The importance of the small and medium sized enterprises (SMEs) is proved as this sector adds more than 99% of the companies, nevertheless their role is considerable in terms of employment, and they contribute significantly to annual gross added value (GDP).

Based on the results of secondary and primary research, I am making the following statement regarding the difficulties and risks of the Hungarian SME sector:

The primary risk factor for SMEs is their liquidity problems. For the survival of a business, the proper financial background is essential, which is a serious contest for the participants in the sector. Improving actions are needed to improve the financial situation of the enterprises. This can be promoted for example with some changes in the government regulations, taking Hungarian products in the foreground by purchases of the citizens.

It should be noted regarding the financial problems, that the most well-known form of financing is the borrowing from credit institutions, which is bound to strict conditions and the scope of the businesses who can get a loan is quite narrow, also used – though rarely – the fundraising from the capital market and borrowing from friends and family members, the number of these is considered low in the current economic situation. (CSO, 2013)

The state is trying to take part in the support of SME sector, with more or less success. They have launched more economic policy programs with the aim of improving the financial situation of the SME sector and increase investments. Grants by European Union also added to these. It is worth to mention the program like Új Széchenyi Hitel, Országos Mikrohitel Program, Növekedési Hitelprogramok. (KSH, 2013)

The financing options mentioned above can not solve the financial problems of SME sector. This is because - among others – the conditions are risk (e.g. in case of banks), the granting system is difficult and often requires high contribution (e.g. governmental and EU grants), added to this, the amount of the loan from friends and family is also limited.

It should be noted that Hungary is lack of alternative financing sources, which have already been operating abroad. As example, venture capital, business angels, C3 or the local currencies can be mentioned, this may mean bridge for the enterprises in their liquidity problems. Studies should be carried out in the future regarding alternative financial sources, and to search for a solution, which can help in the risks of the SME sector and help their financial situation.

I have chosen the development and examination of opportunities in local currencies as primary aim of my study, because I was interested in whether the spread of the local currencies could help the Hungarian SME sector.

In order to start the engines of the SME sector, increase of their performance and competitiveness is essential, which can only be achieved if the hindering factors of growth and risks are eliminated.

Based on the results of my secondary research (representative survey of Ministry of National Development and Economy (2008) and The Ministry of National Economy: Strategy of small and medium sized enterprises 2014-2020 (2013)) the following factors was identified as primary risk factor:

- High taxation and social security burdens
- unpredictability of the economic regulations
- difficult administrative system and granting
- strong and unfair competition

In the questionnaire's surveys of the examined literature, the high public burdens (taxes and social security), unpredictable economic regulations and difficult administrative system and procedures were listed on the first places.

The results of in-depth interviews during my primary research also confirmed the presence of these risk factors. Nine out of the ten respondents listed the high taxes, social security and administrative burdens as primary hindering factor. Following these, they have seen the outstanding problems in unpredictable economic regulations, lack of capital as well as strong and unfair competition.

Regarding these difficulties, the tax burden of the Hungarian corporate sector is significantly above the average of the EU. In regards taxation, the problem is not just the high tax and social security contribution, but the effect of the state redistribution does not change significantly and the tax benefits are for the large companies not the small and medium sized enterprises. Although, progress has been seen in the last years regarding the taxation, the current conditions and tax rates are still making the life of the SME sector more difficult. An intermediate action plan is needed for the future by the state. I think that it would be a great help for the sector if the small and medium sized enterprises got the same

tax benefits as the large companies and the number and rate of the taxes were reduced. During the primary research, more enterprises have reported that they had to concentrate on such many types of taxes and returns were too burdensome for them and they would be happy with simplification of these.

In addition to the high taxes, the unpredictability of economic regulations and difficult administrative system and procedures cause serious issues. The real problem is that in many cases neither the state actors are aware of the modifications of the laws and amendments, and therefore they cannot give more detailed information. During the examination of the in-depth interviews, there has been an undertaking that can serve an example to this.
The Hungarian legal system is characterized by legal over-regulation, internal and external coherence, lack of transparency and clarity, significant parallelism and imbalance of levels of sources of law which significantly set back the SME sector to create a clear picture about the regulatory environment and to go on a way that is known for them regarding regulations. The continuous changes make their situation more difficult. The state actors have to take care not to change the laws and legal backgrounds from one moment to the next in the future. The channels that make the communication easier between the state and businesses have to be found. The „Client Portal" could be an excellent tool but currently it is characterized by lack of maturity but in long-term it can mean some kind of solution.

Progress has been also made in case of the complex administrative system, but reporting obligations for companies should be further reduced in the future. Based on the results of Ten-depth interviews during the primary research, it can be stated that it is burdensome for the companies that they have to report continuously and to more directions, so the number of these should be reduced. My improvement proposal is that some state systems should be connected (e.g. CSO and Client Portal) with each other and the information could flow between systems.

I can state as final conclusion is that the Hungarian SME sector is sentenced to death in the current framework. The primary changes should be done by the state actors (e.g. the reduction of the high tax burdens and to make the economic regulation predictable), but the conscious decision of the customers can not be neglected. People should be encouraged to buy Hungarian products, which may also be promoted with the intervention of the state. What I mean here is to optimize in case of multinational companies the percentage of the products and services (by the SME sector) they have to use.

Comments on the local currencies

During my secondary research, I managed to get to know such alternative financing sources, which may provide an opportunity to improve the financial situation of the Hungarian SME sector. I carried out my deeper, primary research in the topic of local currencies, the main findings are the followings:
After reviewing the relevant literature, it can be stated that the appearance of the local money was typical to ages of war and crises when the price of the products and services were extremely unbalanced, the inflation and unemployment was high and trade relations disjointed.
The need money had proved to be an effective solution in war situation and in that financial system, but today the central banks could serve the economy with adequate provision of cash so the local money could have not operated as complementary money from the 1970s. (Helmeczi-Kóczán, 2011).
It is important to note that the local currencies are not qualified as real money because they do not function as official currencies, just complement those, and try to gain some independence from the global monetary system.

The success of the local currency depends on whether it enjoys the confidence of the economic governance. In case they look at it as „opponent", the initiative is sentenced to failure in spite of all efforts.
Furthercharacteristic of the local money is that it can operate successfully as long as its originators can claim its benefits. As soon as the enthusiasm of the originators dwindles, the local currencies fall in disinterest.

In my opinion, the local currency initiative in Hungary would have a significant and successful role if there managed to build up a system (like in case of WIR) which would provide favorable financing opportunities to the corporate sector and make their operation more balanced.
I think, I must mention in any way about C3 related to the name Bernard Lietaer. This is a new accounting system, this is about favorable financial sources given to companies and elimination of the debts of the businesses.

After secondary studies, I state the following findings regarding the local currencies:
- Added to the initial difficulties, in the implementation phase, only a small portion of the businesses connects to the initiative. This causes the low number of participating businesses, which also makes rotation of the local currency between businesses difficult. In order to consider Balatoni Korona as a success in the future, the issuers should begin an immediate advertising activity both for customers and for businesses.
- Companies should be encouraged to give discounts, which could be inviting.

- Based on the model of Balatoni Korona, acquisition of local currencies is difficult. The number of acceptors is minimal and respondents consider its use complicated. The development of Balatoni Korona distribution system should be promoted in the future. I think it is also a good idea to spread it as part of cafeteria system.
- According to Helmeczi-Kóczán, people spend their money locally without the use of local currency as well. During my primary research, the results of both the questionnaire surveys and in-depth interviews confirmed the fulfillment of this statement. An important question in this case whether the consumers prefer the SMEsor multinational companies. It can be promoted by the use of local currency that consumers would prefer SMEs.
- Another statement of Helmeczi-Kóczán against the local currencies that „none of the countries or towns is able to produce all essential things, so some sources needed to be purchased from anywhere else (outside the local community). During the in-depth interviews, more businesses indicated that they needed to purchase some products from outside the local community, so I managed to prove the statement above partially with my own studies. This statement also strengthens the fact that boosting of the businesses is not necessarily in the spread of the local currencies.

Overall it can be stated that the aims of the local currency initiative (keeping the profit in place, strengthening of community spirit, support of local products and businesses) are in the good direction, but the strength of the initiative is weakened as people are spending most of their income locally also without the use of it and the undertakings are not able to complete their stocks within one community.

As a result of my primary research through the sample of Balatoni Korona, I state the following findings and highlight the improvement suggestions in regards the local currencies and thus Korona:

1. I proved that the primary hindering factor of the spread of the local currency – in this case the Balatoni Korona – was that people are poorly-informed and distrust. I evaluated the results of questionnaire survey among the users, by descriptive statistics and cross-table analysis method, and I managed to unambiguously prove my hypothesis that consumers were not well-informed enough about the target and device system of the local currencies, thus the Balatoni Korona. That people are poorly-informed results their mistrust of the new initiative, thus of the use of Balatoni Korona. I found in regards the above results that for spread, immediate advertising and marketing activity was needed both for the acceptors and the users.

2. With the help of the questionnaire survey carried out among users and in-depth interviews made with the entrepreneurs, I proved that the attitude of the respondents had serious influence on the use of local currency (see Balatoni Korona). The view to keep the benefits of local government foreground is still missing from the respondents (i.e. the local patriot approach). This claim has been confirmed by the results of questionnaire survey with the help of descriptive statistics and cluster analysis methods, the results of the in-depth interviews with the entrepreneurs also confirmed it. It can be stated as fact, that Balatoni Korona spread among people with local-patriot approach and higher salaries, whose number considered to be low and not enough for a long-term success. To be able to spread in other layers, the introduction of positive samples is essential which could encourage the people for a change.

3. In relation to the spread of Balatoni Korona, I proved with the in-depth interviews carried out among businesses, that Balatoni Korona could only reach considerable success if it had been integrated into the cafeteria system and had given it by the employers to the employees as imposing factor. In order to further success, a close cooperation is needed between the issuing local government and participating businesses. It was found during the systematic analysis of the questionnaire survey by descriptive statistics that the respondents would not choose the Korona with the current conditions – as cafeteria element – but if the number of acceptors could be expanded, a larger portion would support the initiative.

4. I managed to prove by the in-depth interviews carried out among entrepreneurs that the businesses were also not well-informed. This may limit the expansion of the number of acceptors, which can mean high risk in regards spread of the Korona. The low number of participating businesses has also effect on that businesses are not really able to rotate the Korona between each other. As a result of this, the only long-term solution for them is the redemption of Korona. Majority of the businesses indicated that the cost of redemption would be burdensome for them and therefore they would not join to the initiative. It should be noted that the number of acceptors has to be significantly increased for the spread of Korona and by this, the opportunity of rotation of the money between businesses should be promoted, in which local governments have very important role. The success of the Korona depends on the efficiency of the issueing local governments, so they have to support strongly the initiative. It would mean a possibility if the local taxes could be paid by Korona, which could significantly reduce the burden of the businesses.

Further findings regarding the recovery of the SME sector:
The majority of people – due to the long working hours – can do the shopping in the late afternoon or evening. The representatives of the SME sector are already closed that time which discourages the customers. Currently the shopping habits are characterized by the followings: right price is important, but also the „tight time" and to find all needed products in one place. These facts were inspired the following suggestions:

- Representatives of the SME sector should extend opening hours. I suggest to make examinations as test system (e.g. involving a few SMEs that are willing to test) to see whether the longer opening hours rise to an increase in traffic or not.
- Establishment of Hungarian SME plaza with extended opening hours. This could extract businesses to one location like a market, but their products would be more comfortable and transparent for the consumer society. In the establishment of these plazas, local governments should have an important role, who could also reach income from these. It could be built from grants and city revenue could be increased from the renting fees. Building up such a plaza could cause a significant growth of traffic and income for the SMEs because it is important for the customers to buy excellent Hungarian products for right price, at the right time and everything in one place. This initiative could promote also the spread of local currencies, especially if it is combined with cafeteria element.

My final conclusion regarding the study of the local currencies:

The primary research proved to me that both user and entrepreneur side thought the local currency initiative theoretically a good opportunity. Apart from this, the initiative is still not matured so enterprises in the Hungarian SME sector do not approach to the use of Korona as a savior package for them, which can help them to reduce their payment risks. Although it can cause growth in traffic and revenue, but I think to make radical changes in regards Hungarian SME sector, radical changes are needed to achieve it. The future vision about the Korona is affected – besides the low number of acceptors – by that they do not enjoy the full support of the economic management so this would not be able to change radically neither on regional, nor on national level. The financial problems of the enterprises would be partially helped by the Korona initiative but for a long-term success, the conscious customer decisions and intervention of the state are needed. The situation of the SMEs could be significantly improved by preferential loans and reduction of tax burdens for the enterprises.

In relation the local currencies, I came to the conclusion that it could not help radically in regards the financing situation of the SME sector. Another alternative should be found for the long –term solution of that.

6. SUMMARY

The small and medium sized enterprises (SMEs) have the most determinant role in the Hungarian economy. Their importance is shown as this sector adds more than 99% of the companies and nevertheless their role is considerable regarding employment and among others, they contribute significantly to annual gross added value (GDP).

Keeping, developing, financing of the SME sector is actual and almost endless problem is every aspects, which is just as interesting for experts of the scientific world, as for average citizens. Over the past decade, it has become clear that the Hungarian SME sector is facing serious difficulties and risks, the elimination of issues needs changes and complex reforms.

My research focuses on the recognition of the risks of the Hungarian SME sector, including the analysis of the financing problems. Among others, I analized the possible impact of the introduction of local currency – which has reached great success abroad – on the competetiveness and improvement of the Hungarian enterprises. In the determination of my results, the Balatoni Korona of Veszprem county was my help.

I began my research with studying and processing of the literature. Using the result of research of the Central Statistical Office, I managed to find data regarding the number of the SMEs, their role in employment, their sales revenue, their sales and export activity and their financial situation. These figures helped in localization of the role of the SME sector in the Hungarian economy and the determination of certain statistical results.

Following the recognition of figures, in the next phase of my study, I undertook to discover the risk factors that affect principally the competitiveness and development of the SME sector. Based on the different literature, I managed to identify clearly the main problem areas that influence the development of the sector.

On the basis of the secondary research, I have concluded that the primary hindering factors of the SME sector are the financing (liquidity) issues, high public burden (taxes, social security), and unpredictability of the economic regulations. These risk are as were acknowledged by the depth interviews made with enterprises during my primary study. Besides the above listed risk areas, the companies see further issues like inadequate demand, expansion of the multinational companies, strong and unprincipled competition, out dated existing capacity, as well as lack of skilled man-power.

After delimitation of the risk areas – acquiring additional literature – I carried out investigation regarding alternative financing. I made a short detour on LETS, cafeteria, C3 systems but the focus of my research was the recognition of local currencies. In relation of the local currencies, I tried to review the best-known Hungarian (Soproni Kékfrank; Balatoni Korona; Bocskai Korona) and international samples (Wörgl; Wära; Chiemgauer; WIR; Ithaca Óra etc.)

For local currency, the most frequent benefit is that the local purchasing power is buying the local services and products – so spend their money locally – which promotes the prosperity of the local economy, nevertheless it has a great power on community buliding.

During my primary and secondary studies I have tried to get a more circumscribed picture of the effects of the local currencies regarding the Hungarian SME sector. Beside the study of the related literature, questionnaire survey and depth interviews with the enterprises were made to help me in foundation of my conclusions. I carried out the questionnaire survey among customers, after decoding of the received results, I managed to determine some correlation with using multivariate statistical methods (cross-table analysis, variance analysis, factor analysis, cluster analysis).

Among other things, I managed to find out that altough the three-quarters of the respondents had heard of the local currency initiatives in such form, they are absolutely lack of awareness of target and system device of it. In case of Balatoni Korona, the number of those who had heard about the initiative before, was much lower. I already managed to confirm my first hypothesis (with the first study) that the potential users are not well-informed regarding the target and system devices of the local currencies – like Balatoni Korona – so they are distrustful regarding its usage.

This mistrust had been explained by the few number of participating businesses, the costs of exchange would be burden some for them, so they eliminate the future usage.

Integrating the Balatoni Korona into cafeteria system was a rised form, and survey was carried out regarding this topic. The consumer side would reject those it because of only a few and delimited accepting places, on the other hand, enterprises would support this initiative, their turnover would be increased by this.

Based on the current result, it can be stated that incase of Balatoni Korona, we can face lack of proper advertising and marketing activity. For further expansion, appropriate marketing activity, increasing of the number of participating businesses and encouraging of the people (for example discounts) are necessary steps in relation with local currency, just like Balatoni Korona.

Depth interviews made with enterprises also confirmed that they are not well-informed regarding the Balatoni Korona. The feedbacks of the pollees confirmed that beside the lack of information, usage of the Korona faces issues because in most of the cases they can not pay the costs to their partners with this means of payment and the costs arising from exchange would be burden some for them.

For the spread of the Balatoni Korona, advertising and marketing activity would be strengthened, both customers and enterprises could be aware of it inrelation with its usage and opportunities. In addition, integration into the cafeteria system should be focused which – in my opinion – could promote the expansion of the number of the participating businesses and also the increase of the number of customers. Increase of the number of participating businesses would result that the companies can pay the cost to their partners with Korona.

Another outstanding result would be if the Balatoni Korona – like WIR in Switzerland – helped the local enterprises with preferential loans. A huge take over would be needed of course at first, but I do not think that this an impossible initiative for the future. In case those above listed results would be reached, in my opinion, the local currency initiatives would affect the increase of the local SME sector and the decrease of the risks derived from financing, however the long-term financing problems would not be solved.

The overall conclusion is that, the local currency initatives may provide an excellent opportunity, and could be used to treat certain symptoms, nevertheless the initiative could not help significantly in the competitiveness and growth of the SME sector.

7. LIST OF PUBLICATIONS

I. Scientific articles

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