INTRODUCTION
Financial assistance to small and medium sized enterprises (SMEs) provides a significant part of the EU Cohesion Policy, and there is a long debate on the effects of these instruments. Our evaluation focused on the effectiveness of two types of assistance: grants and financial instruments (FI) to SMEs, financed by the European Regional Development Fund (ERDF). We compared two very similar interventions, with similar target groups, objectives, eligible costs and size of assistance (EUR 20 000 – 40 000 on average). The only significant difference was that one of the schemes was a repayable financial instrument; the other was a non-repayable (grant) one. Both types of schemes were available in the more developed Central Hungarian Region and in the less developed (convergence) regions, thus we were able to compare the effectiveness of the instruments in two different types of regions.

WHAT DO WE KNOW ABOUT THE EFFECTS OF FINANCIAL ASSISTANCE?

GENERAL IDEA OF THE PAPER

WHAT does the literature about, what is the current state of knowledge?

The main findings in the literature
Heterogeneous findings based on country specificity: some examples:
- The evaluation by Bondonio and Martin (2012) found that revolving funds can be as effective as grants, under certain circumstances.
- Pellegrini and Centra (2006) found that turnover, employment and fixed assets grew more rapidly in subsidized firms. On the contrary, labor productivity grew slower in these enterprises, which can lead to efficiency problems in the long run.
- In Northern Ireland, sales and training (2005) found that capital subsidies increased the total factor productivity of subsidized enterprises.
- Harris and Robinson (2004) found that financial assistance had no effect on productivity in the UK.
- In Sweden, Bergstrom (2000) found no evidence on the positive effects of capital subsidies on total factor productivity at firm-level.

EXPECTATIONS: Evaluation question: “What effects the financial assistance had on certain economic indicators of the participating enterprises?”

RESEARCH QUESTION
As it has been stated in the Introduction, our evaluation focuses on the effectiveness of two types of assistance. We compare two very similar interventions, targeting the same geographical regions, where target groups, objectives, eligible costs and the size of assistance were also similar. The only significant difference is that one of the schemes was repayable, the other was non-repayable. Both types of schemes were available in the more developed Central Hungary region and also in the less developed convergence regions.

This makes a fourfold comparison of the effects possible (the four categories are based on the repayable/non-repayable and non-convergence categories, as shown in Figure 1) that fills a lacuna in the literature since other studies compared financial assistance forms which were rather different in many other details as well. (These four are similar except for the two differences depicted above in Figure 1).

The question is the following: “What effects the four selected types of financial assistance have on economic indicators of the participating enterprises?”

RESULTS

Less developed (Hungary and Central Hungary) more developed regions (Central Hungary)

More developed regions (Central Hungary)

We discuss our findings on the impact of repayable assistance in Section 5 of the paper.

METHODS

Three-step procedure:

Step 1: Propensity Score Matching

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

Step 2: Difference-in-Differences

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

Step 3: Two-sample t-tests

Figure 1: Main research question

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

Figure 2: Three-steps procedure

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

Figure 3: Three-steps procedure

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

Figure 4: Three-steps procedure

The database used for the analysis has been constructed by combining data on the basic characteristics of the small and medium sized enterprises in Hungary and adding some information about those who successfully applied. (The only additional information was whether they received a subsidy or not, and if yes, which type.)

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