OPPORTUNITIES, MOTIVATION, ENVIRONMENT

— ENTREPRENEURSHIP IN HUNGARY

GLOBAL ENTREPRENEURSHIP MONITOR NATIONAL REPORT

HUNGARY

2023-2024

GEM Global Entrepreneurship Monitor

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Welcome Message

Máté Lóga

Secretary of State for Economic Strategy, Financial Resources and Macroeconomic Analysis, Ministry for National Economy

Nearly two-thirds of Hungarian workforce is employed by micro, small and medium-sized enterprises (SMEs), which comprise more than 99% of Hungarian businesses. Supporting and developing these almost 900,000 enterprises, which are the backbone of the economy, and promoting entrepreneurship are therefore a priority for the state.

The stability of Hungary's SME sector is a key factor in the economy's recovery and the resumption of economic growth in times of war and economic recession. Stability requires a predictable framework and a flexible operating environment. However, achieving this is impossible without gaining a deeper understanding of domestic businesses. This is where the research conducted by Budapest Business University becomes invaluable. It provides decision makers with a credible foundation for establishing strategic directions and development goals. Furthermore, the research findings from recent years have served as a reliable source of data for the 2023 revision of the SME Strategy (2019-2030), which establishes the framework for domestic business development.

These findings provide a comprehensive perspective on the functioning of domestic business ecosystems and the current state of entrepreneurs. To increase the inclination towards entrepreneurship, it is necessary to enhance the societal recognition of entrepreneurship and promote it as a viable career option. Additionally, efforts should be made to strengthen and disseminate the fundamental skills that are essential for successful entrepreneurship. We live in turbulent times when up-to-date knowledge is invaluable for successfully adapting to challenges and finding a path to progress. The GEM Hungary National Report contains a number of insightful findings that serve as a solid foundation for assessing the Hungarian entrepreneurial ecosystem and comparing domestic companies to their international counterparts. We extend our congratulations to all those involved in conducting the research, and we eagerly anticipate further insights in the future.

Foreword

Prof. Dr. Balázs Heidrich

Rector, Budapest Business University

Budapest Business University (BBU) is the largest business community in Hungary, comprised of current and former students, active business professionals, scholars and business partners. Through our research and education, we aim to create value for our students and community members. With their lifelong BBU community membership, they can utilise the knowledge gained here not only during their studies, but also for the rest of their lives.

As a member of the Global Entrepreneurship Monitor (GEM), which is the world's largest entrepreneurship research community, BBU provides reliable data and insights into entrepreneurial attitudes, plans, ecosystem health, and related trends. This research not only holds scholarly value, but also serves to strengthen the university's commitment to its third mission.

The university aims to share knowledge widely and foster international connections through initiatives such as the GEM. The GEM allows us to collaborate with the business community and policymakers, providing valuable data-driven decision support on various topics. Our partners in Hungary are proud to have contributed to this unique research, incorporating the findings into educational materials, policy development and business context analysis.

We believe in the power of partnerships, and we are committed to making the GEM a source of fresh and reliable data each year and the basis for many more innovative, exciting and useful collaborations, helping to bring scientific results to our community.

Executive Summary

Entrepreneurial activity plays a crucial role in driving economic growth and societal development through proactive and innovative approaches. This impact extends beyond direct economic and labour market outcomes. Therefore, understanding entrepreneurship, including public perception, entrepreneurial mindset, and the overall entrepreneurial environment is important for entrepreneurs, aspiring entrepreneurs, and policymakers. By studying entrepreneurship and exploring entrepreneurial attitudes and plans, valuable insights can be gained that benefit academia and society as a whole.

The Global Entrepreneurship Monitor (GEM) is the largest survey of entrepreneurship in the world. It has been providing reliable data on entrepreneurial activity and the state of the entrepreneurial ecosystem in participating economies since 1999. Budapest Business University has been representing Hungary in this global survey since 2020, joining other renowned universities worldwide. Hungary's data collection is managed by BBU Budapest LAB - Office for Entrepreneurship Development, marking the third year of their involvement. The survey consists of a representative questionnaire administered to 2023 adults aged 18 to 64 and interviews conducted with 36 experts selected based on strict criteria.

This report summarises the Hungarian research results and provides information on the state of the entrepreneurial climate, activity, and ecosystem in Hungary. It also allows for comparisons of the data across Europe and the world.

Stable entrepreneurial climate

Despite a volatile environment similar to that of last year, the perception of the entrepreneurial climate in Hungary remained stable. The entrepreneurial climate is determined by the overall opinions and sentiments towards entrepreneurship, as captured through various survey questions. One in two persons knows someone who started a business in the last two years. Five out of ten people believe that opening a business in Hungary is easy, and four out of ten refuse to start a business due to the possibility of failure. Concerns about economic expectations are reflected in the proportion of those who see a favourable opportunity to start a business in the next six months, stagnating at the low level seen in 2022 (28.2%).

Demographic characteristics also influence perceptions of the entrepreneurial climate. Older individuals tend to think that starting a business in Hungary is easier, while younger people (under 44) know more entrepreneurs, see more favourable opportunities and are more confident in their own knowledge. As in previous years, men generally have a more positive outlook than women on all aspects of the entrepreneurial climate surveyed. However, there is a significant difference in the level of education among those who feel they have the necessary knowledge, skills and experience required to start a business, with higher education being seen as an advantage.

According to recent trends, the percentage of individuals who feel confident in their knowledge, skills, and experience to start a business has slowly risen. However, the current figure of 38.3% in Hungary is still significantly lower compared to the average rates in both the EU (52.0%) and Central Eastern European countries with similar socio-cultural and historical backgrounds (53.6%).

The low rate can be explained by the fact that only 16.2% of the adult population in Hungary has received any form of entrepreneurship education. Furthermore, the majority of this education (52.0%) was obtained outside of the school system. As a result, seven out of ten Hungarian entrepreneurs are running their businesses without having ever participated in entrepreneurship education. This lack of education is likely to have a negative impact on their operational efficiency and competitiveness.

The overall social perception of entrepreneurs remains positive and close to the global and European averages. About half of the population (50.9%) believes that entrepreneurship receives significant media attention, while a similar percentage (48.5%) considers successful entrepreneurs to have a high status. Furthermore, 47.2% of the population sees entrepreneurship as a desirable career option. This positive perception may have a beneficial impact on entrepreneurship in the country, particularly among individuals under the age of 35 who are more likely than the average to view entrepreneurship as an attractive career choice and to perceive entrepreneurs as having a high social standing.

Stable activity with the closure of more businesses

Entrepreneurial activity remains stable among the Hungarian population. According to recent data, 10.4% of individuals between the ages of 18 and 64 plan to start a busi-

ness within the next three years, which is consistent with previous years. Additionally, despite a slightly lower assessment of the entrepreneurial climate in 2022 compared to previous years, and an increase in business closures, there has been no significant change in the percentage of individuals having an intention to start a business or those in the early stages of entrepreneurship. In fact, the percentage of established businesses has even seen a slight increase, although it falls within the margin of error.

Hungary's percentage of early-stage enterprises (9.9%) and established enterprises (7.4%) is lower than the average for the GEM countries participating in the research (14.3% and 8.0% respectively). However, Hungary's percentage of both types of enterprises is similar to the global and European GEM participant rates.

Now, as in previous years, men show higher levels of entrepreneurial activity compared to women in both early-stage and established enterprises. It is worth mentioning that while the start-up rates between men and women are similar, women-owned enterprises tend to have lower long-term survival rates for various reasons. On average, entrepreneurs have higher education levels compared to non-entrepreneurs, regardless of gender or enterprise maturity. However, despite women generally having higher educational attainment, this does not necessarily correlate with higher rates of entrepreneurial activity.

Compared to previous years, the proportion of people who ceased their business has increased significantly to 3.5%. In half of the cases, this was due to some kind of economic factor, while personal and family reasons explained the remaining cases. One in six (17.1%) enterprises continued to operate in some way after the entrepreneur had left, but only one in five (22.0%) of those who had left planned to start a business again in the next three years, the third lowest rate among the GEM countries after Greece and Poland.

Two-thirds (68.4%) of early-stage and four-fifths (78.6%) of established enterprises expect to employ the same number of people in five years' time as now. Furthermore, entrepreneurs plan to sell their already existing products or services familiar to people in their area or using a known technology or process. Compared to previous years, the fact that more than a tenth of entrepreneurs reported that both the products and services marketed, as well as the technologies and processes used to produce them, were new to Hungary is a positive development. However, it should be treated with caution.

In Hungary, most entrepreneurs are active in the domestic market. However, it is primarily early-stage entrepreneurs who are involved in international markets. Among this group, 30.1% of enterprises are active in foreign markets, compared to only 17.8% of established enterprises. This suggests that many enterprises struggle to sustain their activity in foreign markets.

Earning a living has become the primary motivator, but wealth is also appealing

A significant shift emerges when assessing motivations for entrepreneurship. According to the 2023 GEM survey, it is undeniable that the primary and predominant motivation for starting a business is to earn a living.

This was the case for 89.8% of early-stage enterprises and 84.5% of established enterprises, presenting an increase of 23.1 and 12.8 percentage points, respectively, for the two stages of entrepreneurship. Concerns about maintaining financial security are also reflected in the fact that the motivation to accumulate a large amount of assets or to earn a high income has also increased significantly, from a range of 32.5–37.0 % over the last two years for early-stage entrepreneurs to 80.1 %, and from a range of 18.3-19.2 % to 75% for established entrepreneurs.

The GEM research team in Hungary supplemented the core GEM questionnaire with additional possible entrepreneurial motivations based on international literature to gain a deeper understanding of the entrepreneurial motivations of domestic entrepreneurs. Taking these into account, the most important goals for domestic entrepreneurs are to secure a comfortable living, be independent, and achieve self-fulfilment. While independence is equally important for both entrepreneurial phases, early-stage entrepreneurs are more motivated by the goals of comfortable living and self-fulfilment. Only half of the surveyed entrepreneurs were motivated by a drive to implement innovative ideas and solutions to environmental or social problems–of that half, a slightly higher proportion were early-stage entrepreneurs.

Domestic ecosystem in the mid-range

Based on experts' assessments in 2023, the value of the complex indicator measuring the state of the business ecosystem (NECI) for Hungary has decreased from 4.7 to 4.5 compared to the previous year. In the domestic context, the assessment of ecosystem elements such as physical infrastructure, commercial and professional infrastructure, ease of entry into free, open, and growing markets, and government policy: taxes and bureaucracy, has reached or exceeded the satisfactory score of 5.

As in previous years, entrepreneurship education in public education received the lowest rating (2.2). The experts rated the state of business finance slightly lower than that of last year. However, their ratings were still above the global and regional average. The experts also rated ease of access to business finance, as well as government entrepreneurship programmes and government policy. Exploring perceptions of sustainability was a key theme of the 2023 expert data collection. The results show that enterprises' perceptions of the importance of sustainability outweighs its perceived importance in legislation. Hungary has a mid-range NECI score of 4.5. This score is two-tenths of a point below the GEM average of 4.7. However, when compared to other Visegrád countries, Hungary has the most favourable ecosystem assessment. It exceeds Slovakia's score of 4.0 and Poland's score of 4.2.

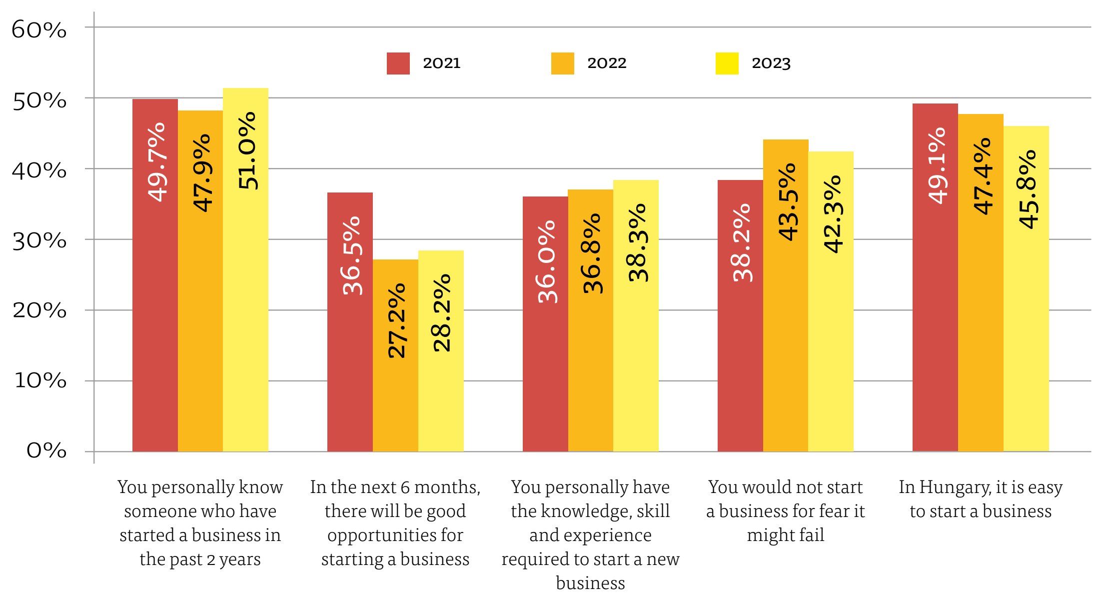
THE GENERAL ENTREPRENEURIAL CLIMATE

The assessment of the entrepreneurial climate can be considered stable compared to data from previous years (Figure 1).

In Hungary, 51.0% of working-age people know someone who started a new business in the last two years, and 45.8% still find it easy to start a business. However, there has been a slight but consistent decline in these numbers since 2021, indicating a need for caution. Economic concerns are also evident in the stagnation of the proportion of people (28.2%) who see a favourable opportunity to start a business in the next six months, which remains at a low level similar to 2022. While there has been a slight decrease, within the margin of error, in the number of adults deterred from starting a business due to the fear of failure, with 42.3% still not taking the leap because of this reason. The survey results suggest that **all three indicators stagnate at lower levels than they were in 2021. Since then, they have remained the same. If this trend continues, it could have a negative impact on entrepreneurship in the medium term.**

Concerns regarding economic expectations are reflected in the proportion of those who see a favourable opportunity to start a business in the next six months stagnating at a low level.

Figure 1. Entrepreneurial climate in Hungary



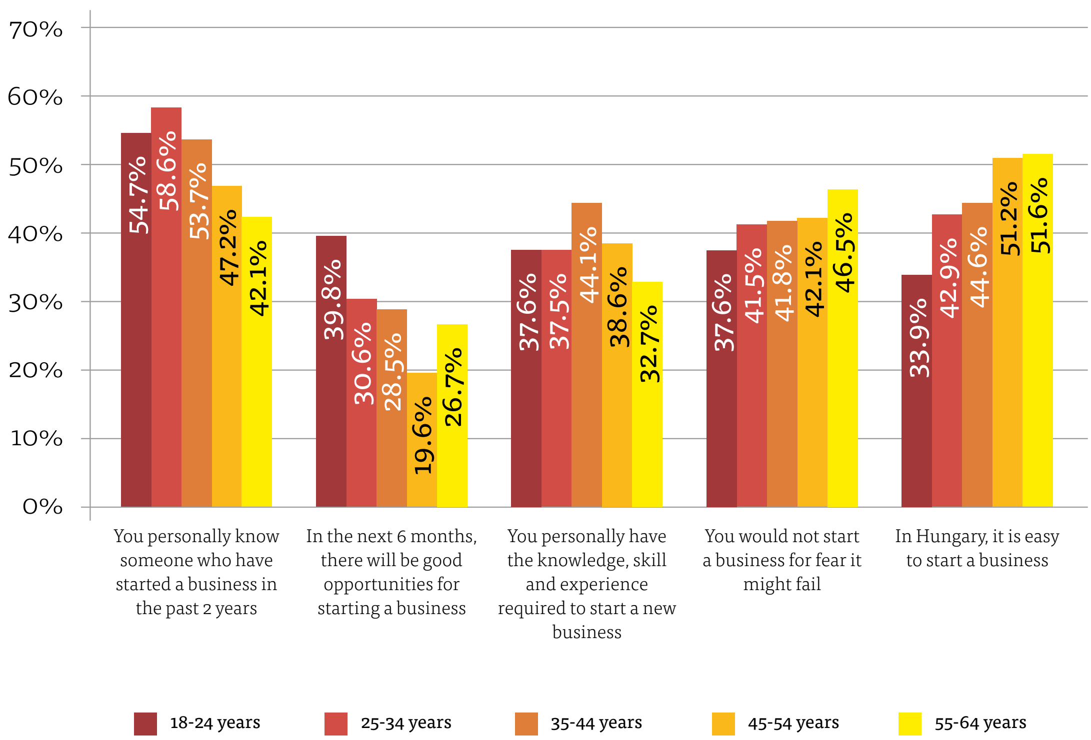
It is a positive result, though, that the increase in the proportion of those reporting that they have the knowledge, skills, and experience to start an enterprise seen in 2022 continues, albeit with some margin for error. Although the rate of increase over two years is 2.3 percentage points, it is a positive turn that, **starting from an extremely low base, four in ten (38.3%) consider themselves to be sufficiently prepared to start a business in 2023.**

The effect of age and gender on the entrepreneurial climate

Due to variations in socialization, experiences, and circumstances, different age groups may perceive the entrepreneurial climate differently (Figure 2). For example, a higher percentage (51.0%) of individuals under the age of 44 know someone who has started a new business in the past two years. Among those aged 25 to 34, there was an even higher likelihood (58.6%) of knowing someone who has recently started a new business.

Self-confidence and the perception of opportunities are also affected by age. Younger individuals tend to have more self-confidence, believing that there will be good opportunities for starting a business in the next 6 months and they also rate their knowledge, skills, and experience for starting a business slightly higher. On the other hand, older individuals tend to view starting a business in Hungary as relatively easy.

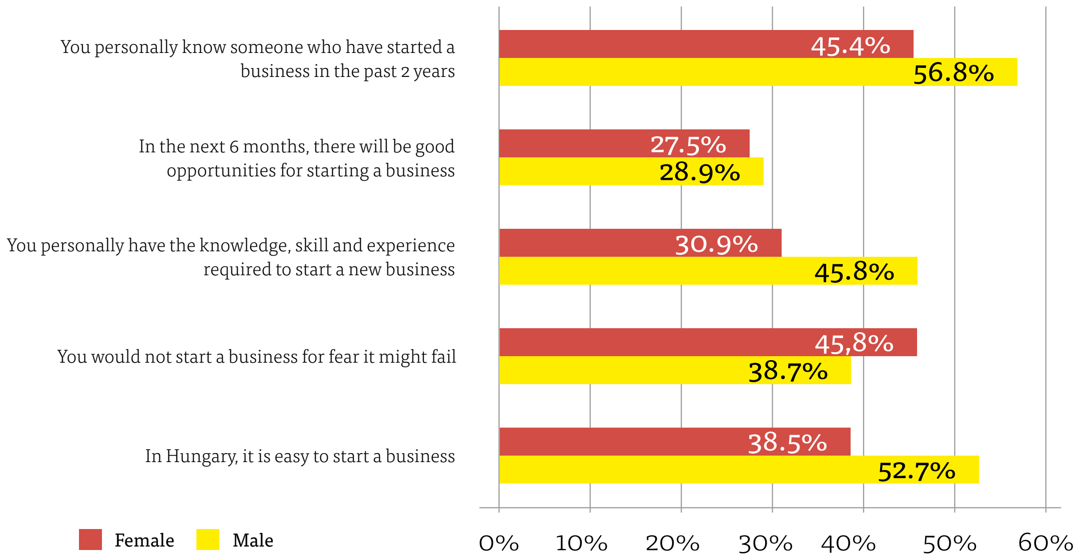
Figure 2. Assessment of the entrepreneurial climate by age



Unlike the results from 2022, the data from 2023 indicate no significant difference in the fear of failure among age groups. In other words, the importance of the possibility of failure as a deterrent to starting a business is slightly lower than average for 18-24-year-olds and slightly higher than average for 55-64-year-olds, but this difference is not statistically significant.

As in previous years, men are consistently more positive than women on all elements of the entrepreneurial climate surveyed. They are more likely to know entrepreneurs, exhibit a higher level of confidence in their understanding of entrepreneurship, experience less influence from the fear of failure, and perceive it as easier to start a business in Hungary (Figure 3). Approximately 27.5% of men and 28.9% of women believe that there may be favourable opportunities to start a business in the next six months, which represents the highest level of agreement between the genders on elements of the entrepreneurial climate.

Figure 3. Assessment of the entrepreneurial climate by gender



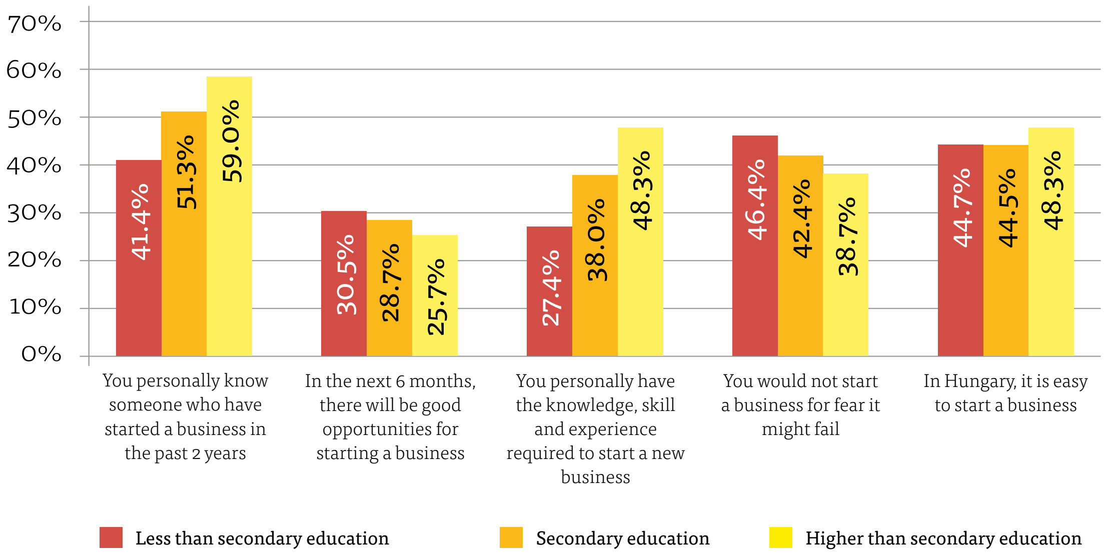
The effect of education on the perception of the entrepreneurial climate

We analysed the impact of educational attainment on perceptions of the entrepreneurial climate (Figure 4). The results indicate that individuals with a higher level of education are more likely to have connections with entrepreneurs and possess the necessary knowledge, skills, and experience to start a business. Specifically, individuals with an educational attainment above secondary level are significantly more likely to know new entrepreneurs compared to those with lower levels of education. This difference becomes even more pronounced when it comes to having the necessary knowledge, skills, and experience to start a business, with the proportion being almost double among individuals with higher educational attainment.

This finding suggests that introducing courses and training focused on entrepreneurship at the primary and secondary education levels could be beneficial in fostering the required skills for starting and managing a business. Additionally, higher educational attainment is associated with a greater entrepreneurial aspiration to avoid failure, as individuals with higher education are less deterred by the possibility of failure.

There is, however, a consensus on the ease of starting a business. Depending on their level of education, 44.7 to 48.3% of the working-age population in Hungary believe that starting a business is easy. Interestingly, individuals with a higher level of education are slightly more pessimistic about the prospects of starting a business in the next six months, but this difference is not statistically significant.

Figure 4. Assessment of entrepreneurial climate by educational attainment



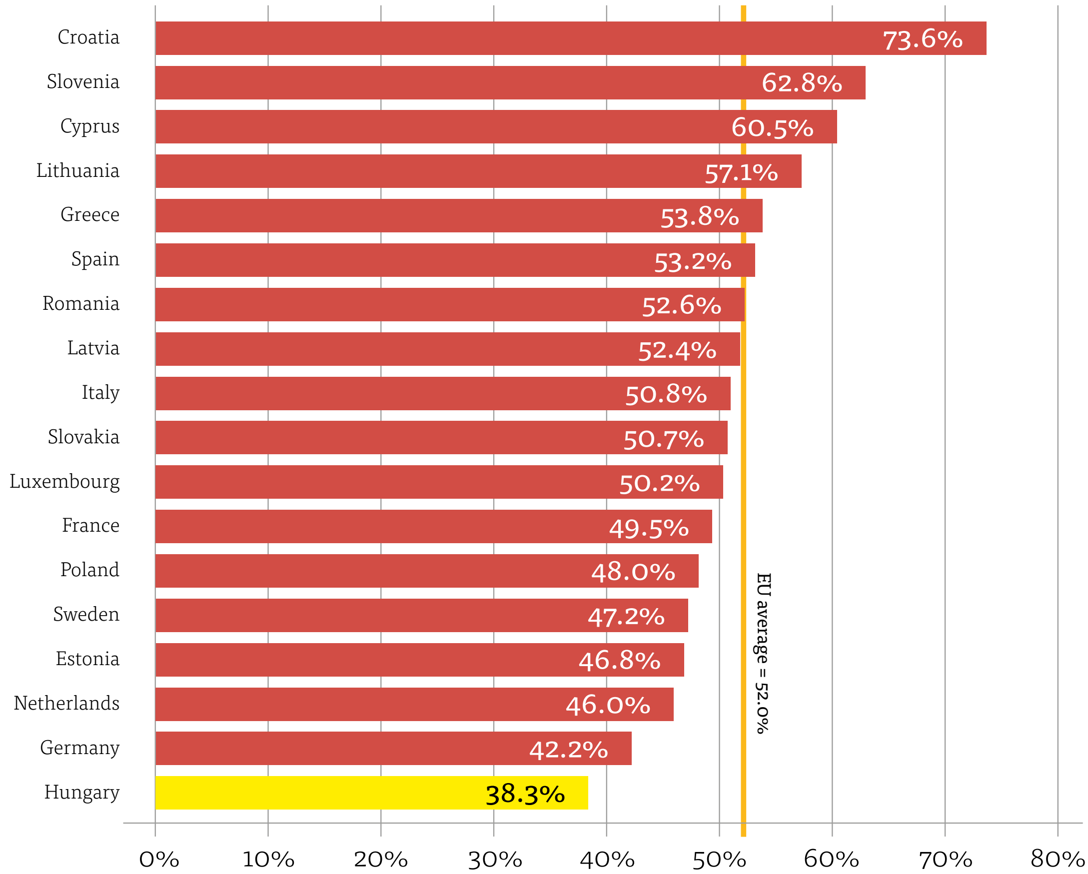
Entrepreneurship education

Although rising, Hungary still has the lowest proportion of people in the EU who feel that they have the necessary skills to start a business.

Entrepreneurship education is one of the leading research areas of BBU Budapest LAB. Therefore, we place significant emphasis on providing an accurate portrayal of the current state of entrepreneurship education and examining the factors that impact it. Throughout the study, we compare the Hungarian results with those of the European Union, taking into account any exceptions that may arise due to the unified regulatory context.

Although the proportion of the Hungarian population aged 18 to 64 claiming to have the knowledge, skills, and experience to start a business has slowly but steadily increased since 2021, it is the lowest among the EU countries participating in GEM (Figure 5). The rate of 38.3% in 2023 is significantly below the average for both the EU (52.0%) and the Central and Eastern European EU member states with similar social, cultural, and historical backgrounds (53.6%). However, data from other countries in the survey show that improvement is possible. Germany, which had a similar figure to Hungary in 2021 and 2022, has seen a significant improvement of 5.1 percentage points over two years. Similarly, Slovakia, which had a low rate in 2021 (33.4%), has improved by 17.3 percentage points. It is important to note that whether this can be considered a reliable trend will be determined by future data.

Figure 5. International comparison – Ratio of people aged 18–64 with sufficient knowledge, skills, and experience to start a business

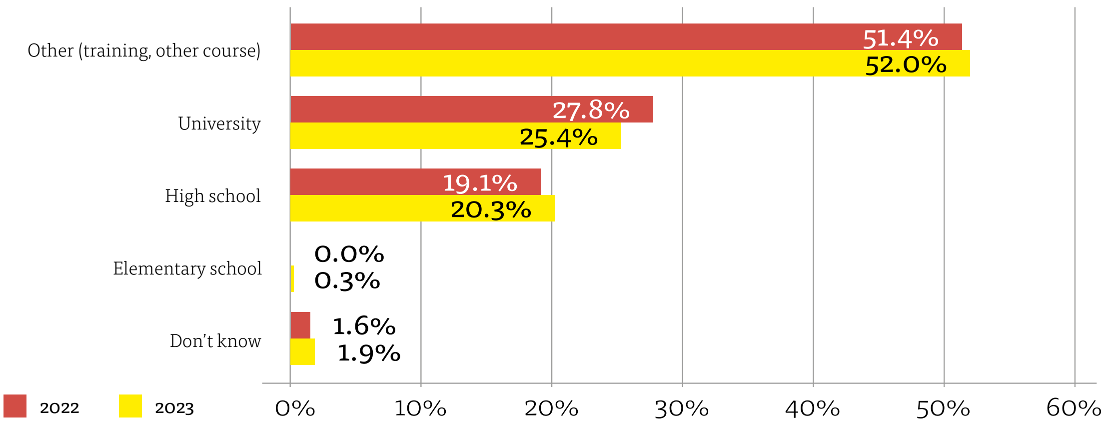


Among the EU member states surveyed, Croatia, Slovenia, and Cyprus have the highest proportions of people who believe they have the necessary skills to start a business, with rates of 73.6%, 62.8%, and 60.5% respectively. In general, across the EU, the majority of countries reported that at least half of their population aged 18 to 64 claimed to have the knowledge and skills to start a business, with the exceptions of Germany and Hungary.

In 2022, the GEM research team in Hungary, with the agreement of the international consortium, decided to incorporate additional questions on entrepreneurship education into the core questionnaire. This was done in order to gain a deeper understanding of the entrepreneurial landscape in Hungary and provide more comprehensive explanations for the research results.

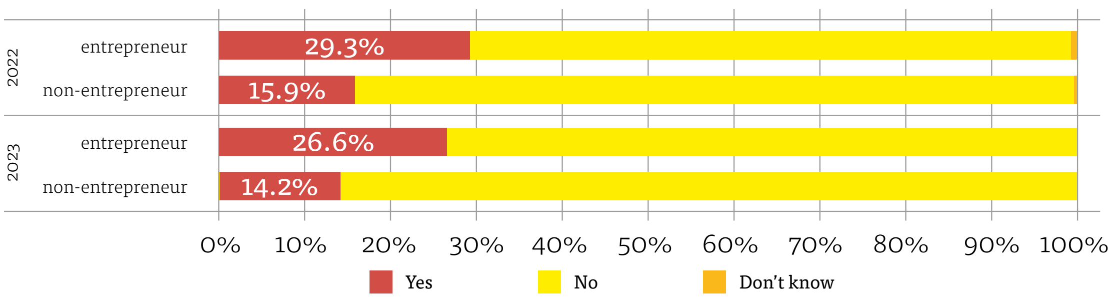
According to our findings, 16.2% of the adult population in Hungary had received some form of entrepreneurship education to prepare or motivate them to become entrepreneurs. This percentage is similar to the 18.1% recorded in the previous year. Additionally, there has been no significant change in the majority (52.0%) acquiring this knowledge through training or courses outside the school system. Furthermore, a quarter (25.4%) of those who received entrepreneurship education did so at university, and a fifth (20.3%) received it at secondary school. In both years, primary education had a negligible role in providing the necessary knowledge for entrepreneurship (Figure 6).

Figure 6. Source of entrepreneurship education
(only if the respondent received any entrepreneurship education)



Seven out of ten respondents are running their businesses without ever having received any form of entrepreneurship education, which is likely to have a negative impact on their business efficiency and competitiveness. **There is a strong correlation between entrepreneurship and participation in entrepreneurship training, with those with a business being almost twice as likely to have participated in entrepreneurship training as those without a business** (Figure 7). However, it is important to stress that this is not a cause-and-effect relationship. Those with genuine entrepreneurial aspirations may consciously seek to acquire the necessary skills to achieve their goals. However, it is also possible that those who have participated in some form of entrepreneurship education are more likely to be entrepreneurs.

Figure 7. Percentage of entrepreneurs and non-entrepreneurs who have received entrepreneurship education

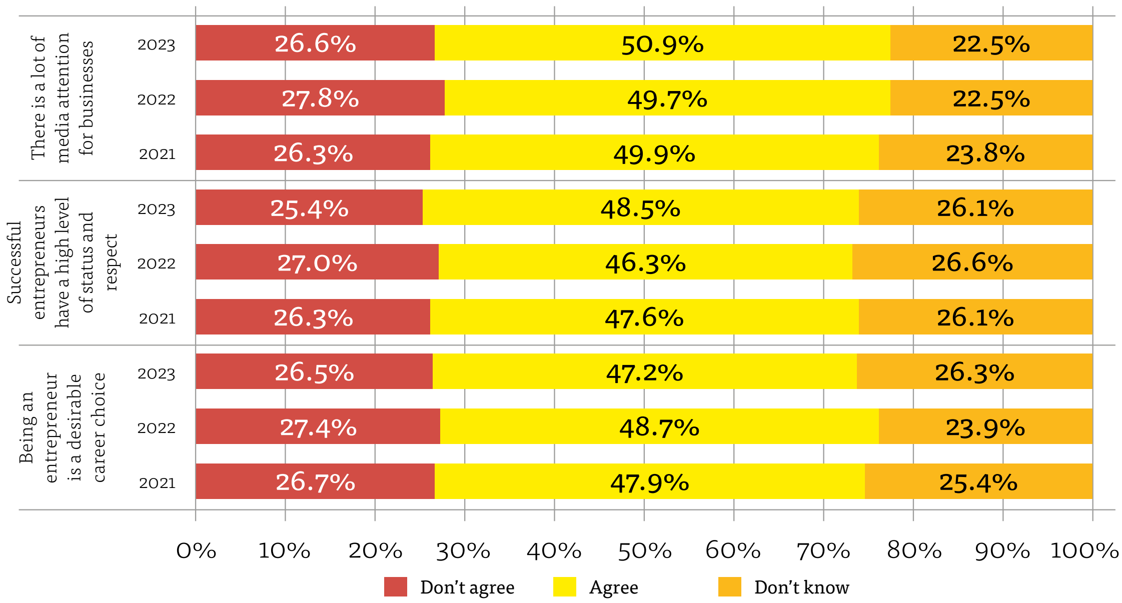


The attractiveness of entrepreneurship

In addition to the entrepreneurial climate, the general social perception of entrepreneurs may also influence the likelihood of starting a business. The GEM examines perceptions of entrepreneurs through three questions (Figure 8) that assess (1) media coverage of entrepreneurs, (2) the social status of successful entrepreneurs, and (3) the appeal of entrepreneurship as a desirable career option. Our findings indicate that, similar to previous years, half of the respondents believe there is a high level of media coverage of entrepreneurship (50.9%), think successful entrepreneurs have a high social status (48.5%), and consider entrepreneurship as a desirable career option (47.2%). However, the proportion of respondents who disagree with these statements is significantly lower but still consistent (26.6%, 25.4%, and 26.5%, respectively). It is worth noting, though, that a significant portion of respondents throughout the years either choose not to provide an opinion or are unable to do so on these questions.

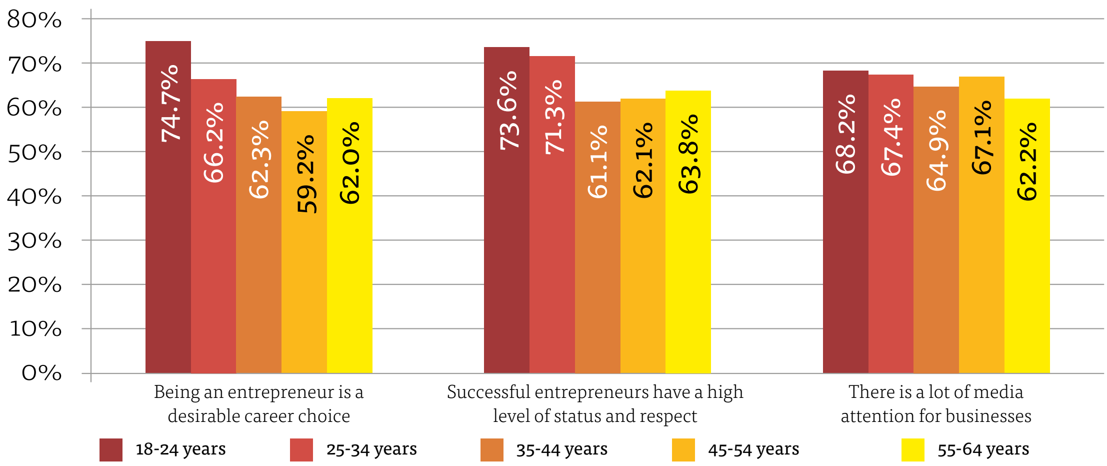
Adult Hungarian perceptions of entrepreneurship remain positive, which may enhance the realisation of entrepreneurial plans.

Figure 8. Evaluation of entrepreneurship



A higher-than-average proportion of people under the age of 35 agree that entrepreneurship is a desirable career option and that entrepreneurs have a high status. However, the 2023 survey shows that the responses of older age groups regarding these two aspects are closely grouped together, indicating a narrower range. This may indicate the emergence of a younger generation with distinct experiences and perspectives on entrepreneurship. However, when it comes to the perception of high media attention given to entrepreneurs, there is no statistically significant difference between the generations, although a slightly lower proportion of individuals aged 55-64 agree with this statement.

Figure 9. Evaluation of entrepreneurship by age

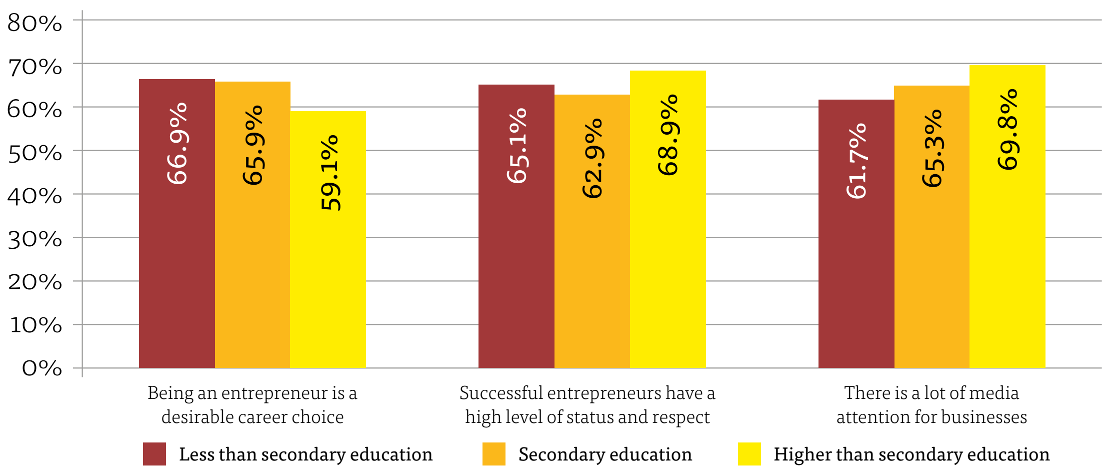


The results show that entrepreneurship is a less desirable career option for those with higher education: two-thirds of those with secondary education or less consider entrepreneurship to be a desirable career option, while only almost three-fifths (59.1%) of those with more than secondary education consider it to be a desirable career option (Figure 10). This may be explained by the tendency in advanced market economies for higher education to lead to high earnings as an employee without the risks associated with entrepreneurship, leading to an inverse relationship between entrepreneurship and economic development.

Interestingly, however, people with a higher level of education are more likely to agree that entrepreneurs receive a significant amount of media attention. This finding might be attributed to the different media consumption habits of individuals with varying educational backgrounds.

Although there seems to be some difference in how people with varying educational backgrounds perceive the social status of entrepreneurs, statistical analyses indicate that these perceptions are not influenced by education level.

Figure 10. Evaluation of entrepreneurship according to educational attainment



Dr. Pálma Piller

Founder, PetWiseCare

PetWiseCare is a university start-up turned successful business. It is a platform on which pet owners can find qualified caretakers for their beloved pets. PetWiseCare is also entering the education market for pet owners. Through dog sitting and dog first aid courses on gazdisuli.hu, PetWiseCare provides pet owners with professionally accurate but accessible knowledge.

In my experience, Hungarians are not brave enough to take risks and start new ventures. If someone does, they are looked up to and appreciated. I think it is exemplary for someone to follow their dreams. Or perhaps, if they really want to, dare to move from a more predictable, multinational environment into an unknown and unpredictable one.

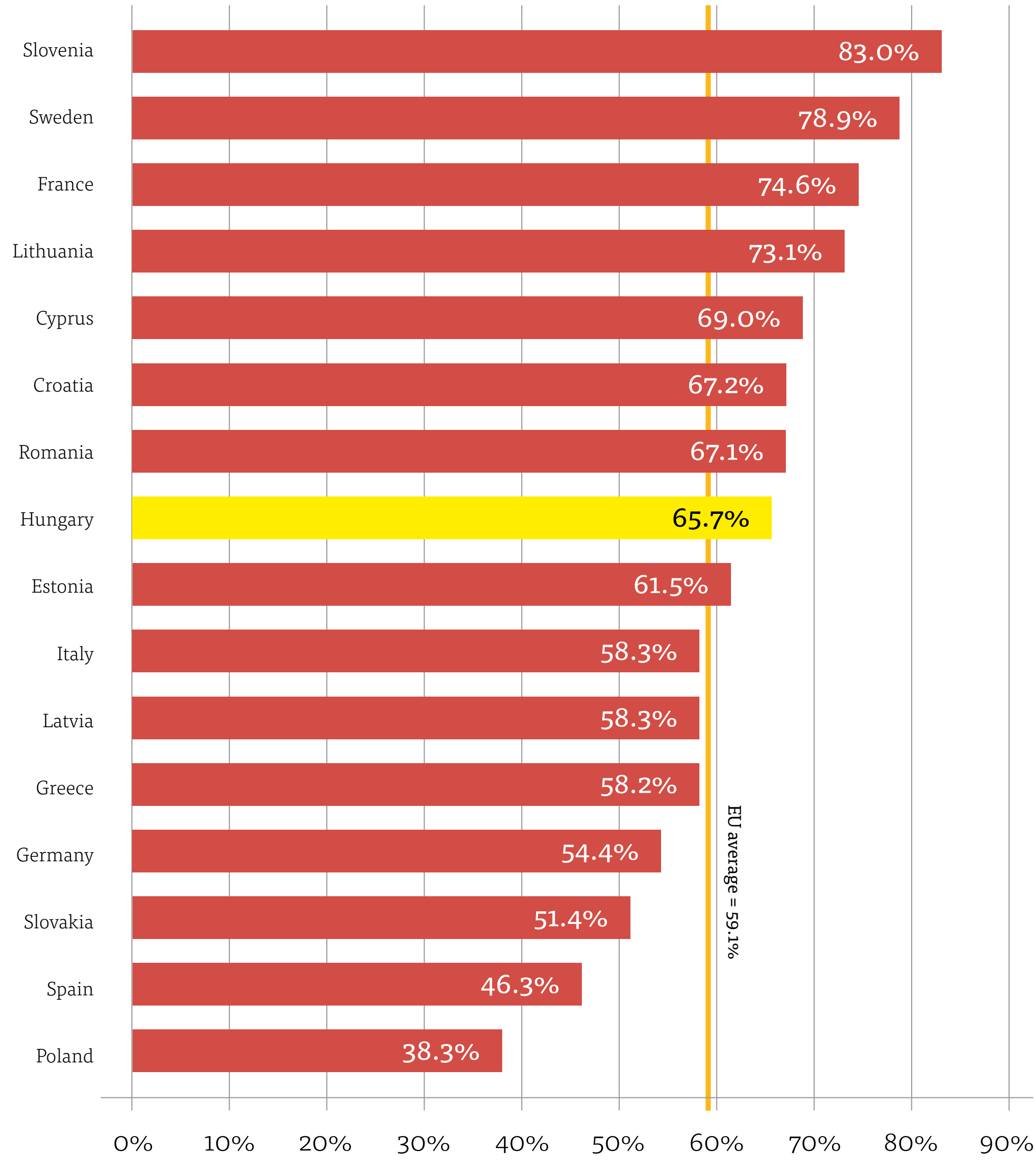
If you can put your heart into it, if you can champion your cause, if you want to make a difference, if your main goal is to 'solve a problem', to 'make things easier for others', entrepreneurship is a beautiful, fulfilling career path. It is also important to create a sustainable business. However, a commitment to the cause, rather than the 'I'm an entrepreneur to get rich' attitude, sends a positive message to both the entrepreneur and their customers and can help them through many difficulties.

I think the social perception of entrepreneurs is twofold. I've often found that people take it for granted that if you're an entrepreneur, you must be very rich (even if you're not at the beginning). But many people don't think about the work and sacrifice that goes into being an entrepreneur. At the same time, a lot of people look up to someone who has 'put something on the table' and who has achieved something with their business. I think people can relate more to the value-creating activities of a B2C business, no matter what sector you're in.

For me – and this is what I strive for in my own business – it is important that a business is for the benefit of society, that it creates value, that it is sustainable in every sense, that it is run responsibly.

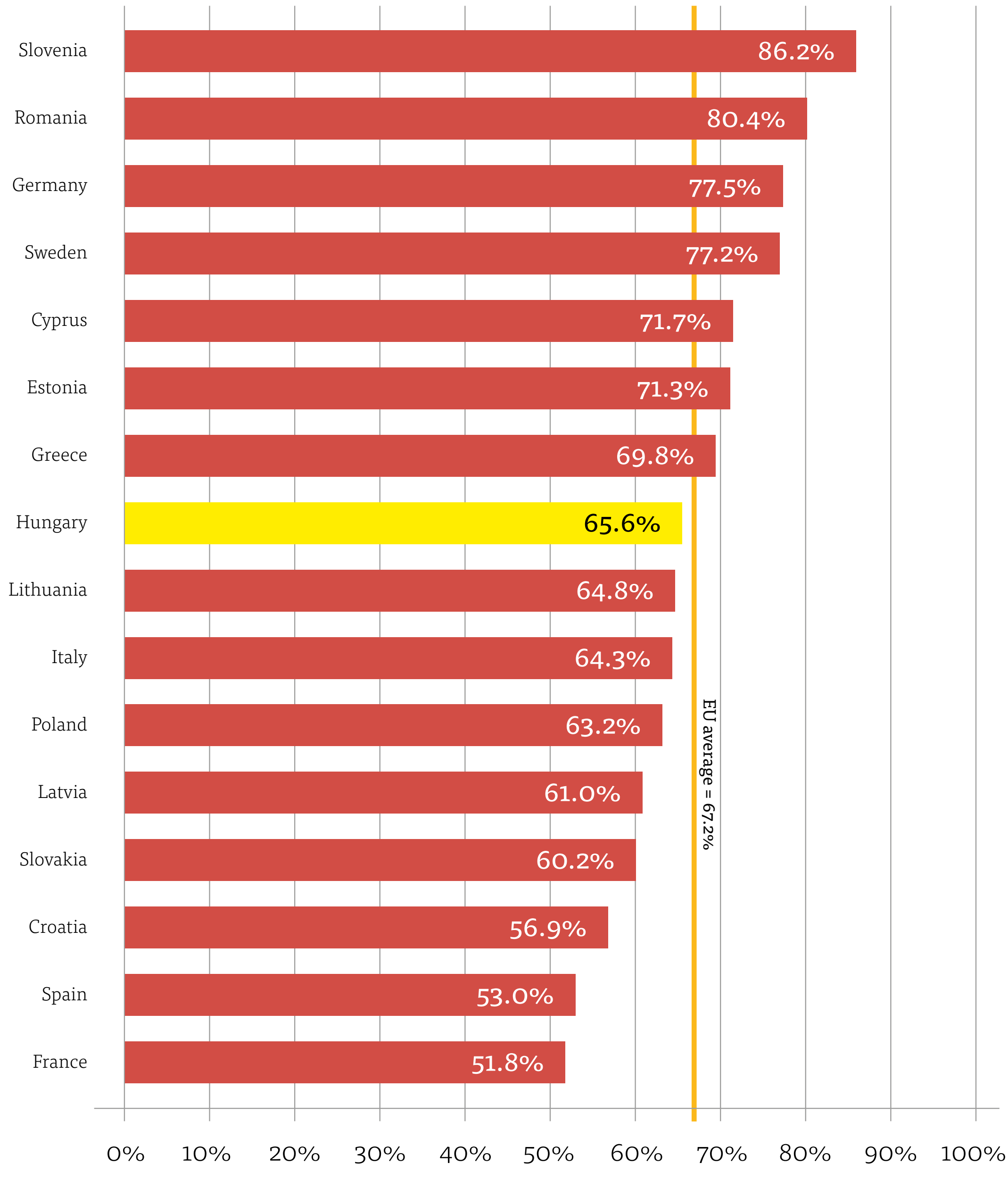
When comparing the data internationally, there is a significant variation in how individuals perceive media attention towards entrepreneurs across EU countries (Figure 11). In Poland, only 38.3% of the population believe that entrepreneurs receive significant media coverage, whereas in Slovenia, this percentage rises to 83.0%. Hungary falls in between with 65.7%, which is slightly higher than both the EU average of 59.1% and the CEE average of 62.8%.

Figure 11. Evaluating entrepreneurship, international comparison – enterprises receive a lot of media attention



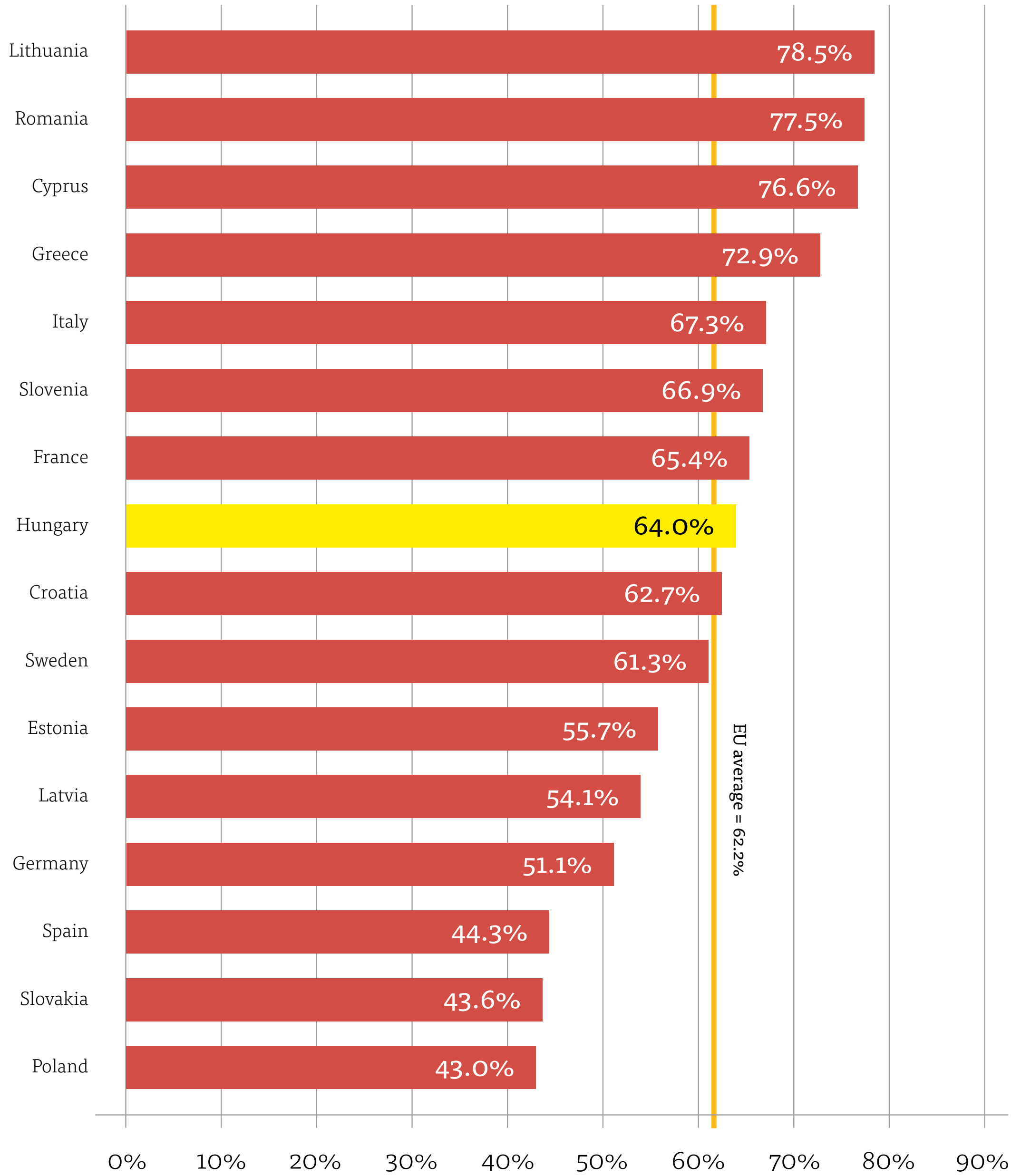
The social perception of successful entrepreneurs varied narrowly, as shown in Figure 12. Among the EU member states, the lowest social status ratings for successful entrepreneurs are found in France, Spain, and Croatia (51.8%, 53.0%, and 56.9% respectively). In comparison, the highest ratings are found in Slovenia and Romania (86.2% and 80.4% respectively). Hungary, at 65.6%, is nearly at the same level, just slightly below the EU average (67.2%) and the Central and Eastern European average (67.7%). It should be noted, however, that this figure is slightly higher than those of the other two Visegrád countries that participate in the GEM research.

Figure 12. Evaluating entrepreneurship, international comparison – the social status of successful enterprises



The perception of entrepreneurship as a career option varied widely, as shown in Figure 13. Similarly, the ratings for media attention were also diverse, with the lowest ratings being given in Poland (41.9%) and the highest in Romania (81.7%). In terms of perception, the Hungarian population (64.0%) aligns closely with the global GEM, EU, and CEE averages (63.1, 62.2, and 63.5% respectively).

Figure 13. Evaluating entrepreneurship, international comparison – people consider starting a business as a good career option



Overall, perceptions of entrepreneurship in Hungary are close to the global and European averages, with almost one in two people having a positive view of entrepreneurship – although a strikingly high number have no opinion. Positive perceptions are above average among the youth.

CHARACTERISTICS OF ENTREPRENEURS

The GEM survey data provides an opportunity to estimate the proportion of entrepreneurial activity among different segments of the population, compare it internationally, and analyze trends over time.

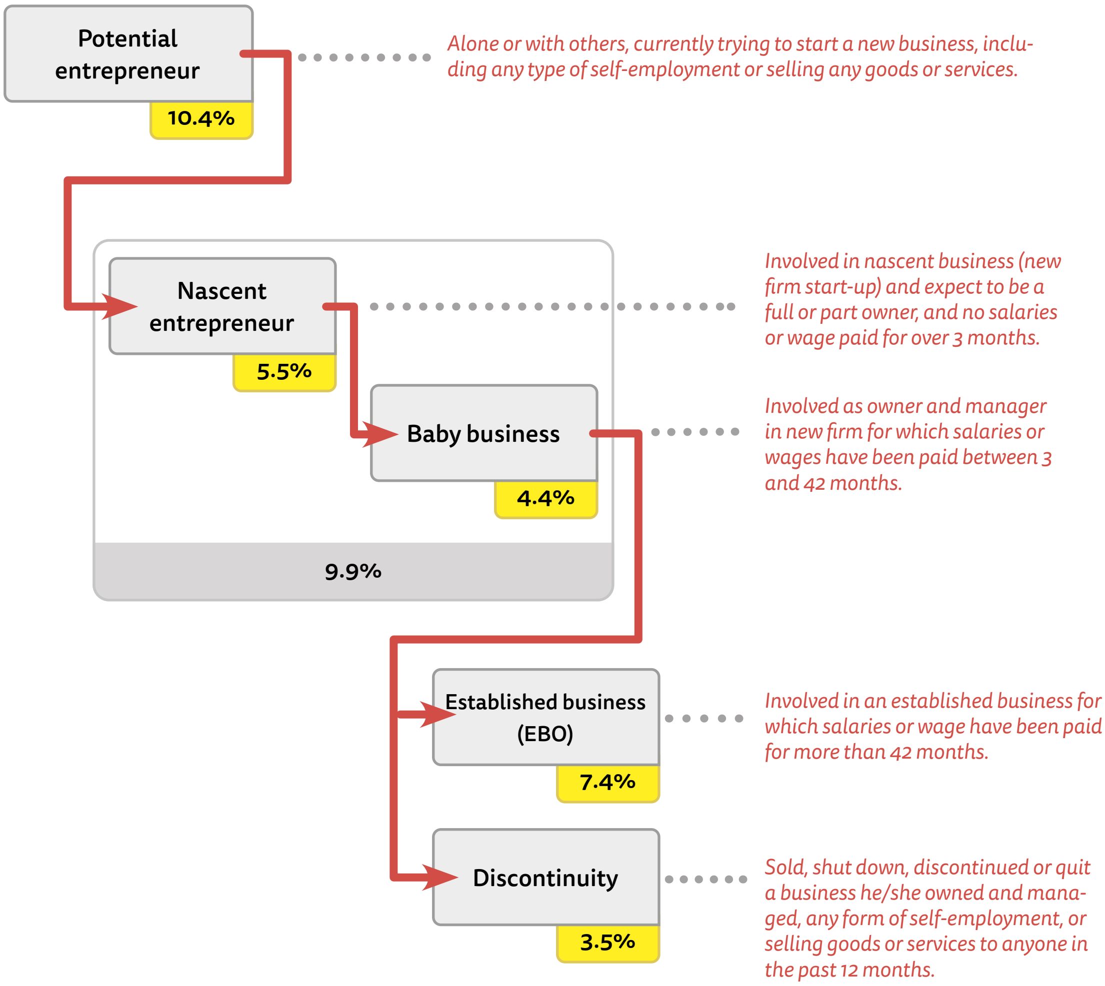
According to the 2023 survey, the level of entrepreneurial activity among the Hungarian population has remained relatively stable compared to the previous year (Figure 14). Around 10.4% of individuals aged 18-64 have expressed their intention to start a business, including self-employment, within the next three years. This percentage is the same as in 2021 (10.4%) and nearly identical to the figure in 2022 (10.7%). Additionally, the rate of Total early-stage Entrepreneurial Activity (TEA) has also remained steady. The 2023 rate of 9.9% is slightly higher, but statistically within the margin of error, than the rates of 9.7% in 2021 and 9.8% in 2022.

However, there has been a slight shift in early-stage enterprises. The percentage of nascent enterprises, which have been paying wages for up to 3 months, decreased from 5.7% in 2022 to 5.5%. On the other hand, the percentage of new enterprises, which have been paying wages for at least 3 months but no more than 3.5 years, increased from 4.2% to 4.4%.

THE GEM METHODOLOGY categorises the entrepreneurial process into three phases. It defines nascent enterprises as initiatives or existing enterprises in the process of being set up where wages and salaries have been paid for a maximum of three months. New enterprises, on the other hand, have been paying wages and salaries for a minimum of three months and a maximum of 42 months (3.5 years). The GEM classifies enterprises that have been operating for over 42 months (3.5 years) with consistent wage and salary payments as established enterprises.

The GEM defines the business activity described by nascent and new as early stage entrepreneurial activity, which is measured by the Total Early Stage Entrepreneurial Activity (TEA) indicator.

Figure 14. Entrepreneurial activity indicators in Hungary



A positive change can be seen in the share of established enterprises that have been in stable operation for at least 3.5 years. In 2022, this share increased from 6.9% to 7.4%, which is approaching the share of 8.4% observed in 2021.

A notable change can be observed in the percentage of businesses that ceased operations within the 12 months preceding the survey. This percentage increased from 2.1% in 2021 and 1.9% in 2022 to 3.5% in 2023. This can be attributed, at least partially, to the economic challenges experienced in recent years.

Our findings indicate that, although the entrepreneurial climate in 2022 has experienced a slight decline compared to previous years, and a notable increase in the number of people discontinuing their businesses, there has been no significant change in the proportion of individuals with intentions to start a business or in the proportion of early-stage entrepreneurs in the population. Interestingly, there has been a slight increase in the proportion of established businesses, though this change falls within the margin of error. These patterns highlight the economic uncertainties that have prevailed in recent years.

Attila Jásdi

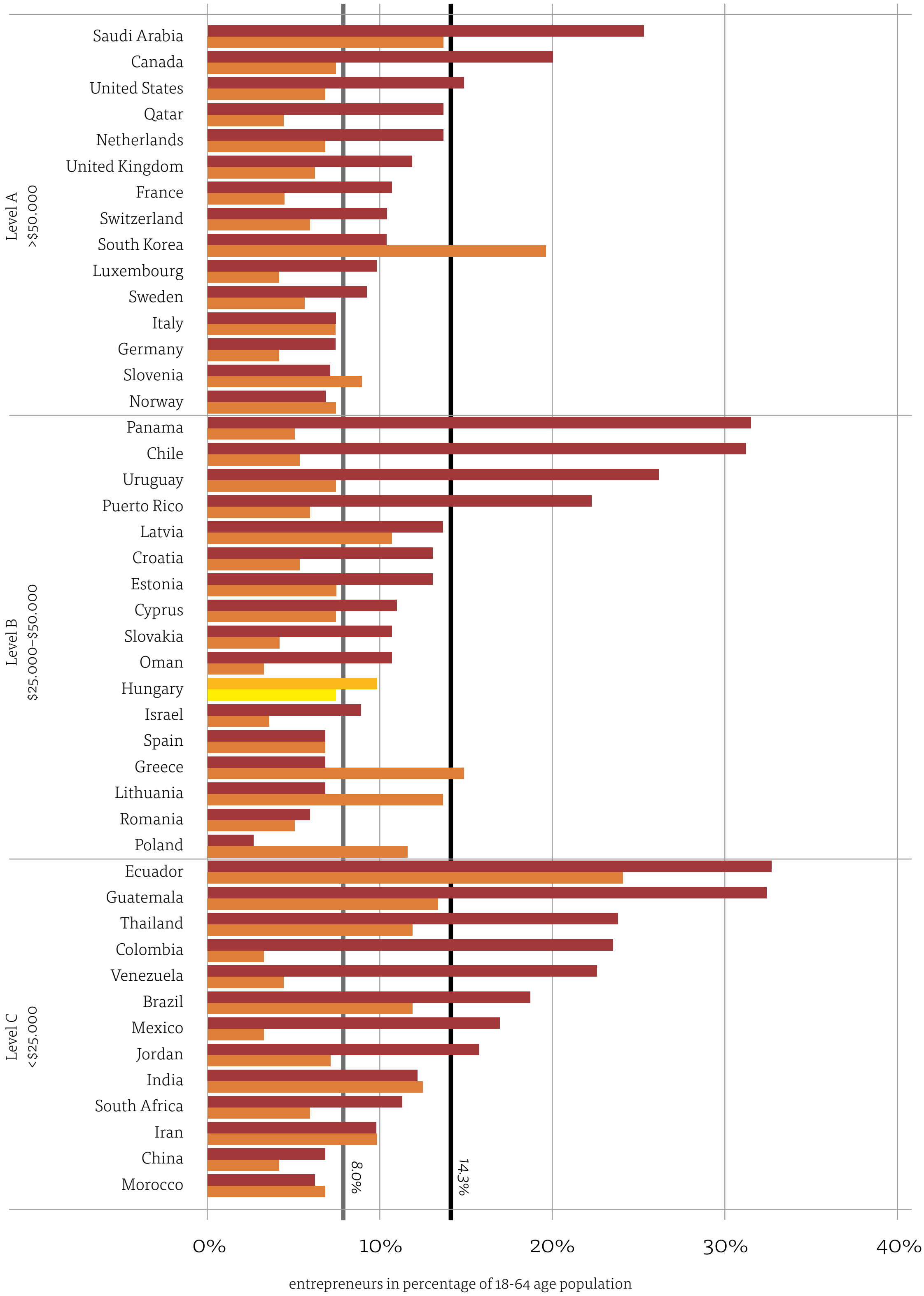
Co-owner, Jásdi Wine Cellar, Csopak

The family winery is located in the Balatonfüred wine region. In addition to the title of 'The Most Beautiful Winery of the Balaton Uplands', they also boast four Gault et Millau stars, a Prestige Award and the Winemaker of the Winemakers Award

When my parents purchased the neglected neoclassical mansion overlooking Lake Balaton and its adjoining cellar 25 years ago, our family had no intentions of entering the winemaking industry. However, after a few years of labor, we realised that the vineyards in this area possess exceptional qualities and that there is a strong market demand for the wines produced here. With the invaluable support of those who have been with us from the start and have gradually become extensions of our family, we have successfully established a business that I am proud to be a part of. Over the past decade, I have assumed an increasing role in managing the estate, all while practising law at one of the country's most esteemed law firms. Furthermore, my wife and I have begun the gradual process of assuming control from my parents in recent years.

We aim to have the estate support our family within a few years. We have made significant progress by establishing a strong presence and a well-known brand in the domestic market. Instead of following the latest trends, we have focused on consistent hard work and adhering to our core principles and values from the very beginning. As the second generation, our goals are twofold. First, we want to preserve and pass on the values that we have created, while also implementing our own unique vision for the business. Additionally, it is crucial for us to adapt to the constantly changing circumstances, such as extreme weather conditions, rapidly evolving market demands, and frequently changing regulations, all while maintaining economic sustainability. This presents a real challenge for us, but it is precisely why it is worth continuing to lead the family business. Furthermore, we have the added benefit of being able to cultivate our vineyards with a picturesque view of Lake Balaton. We find great joy in sharing our wines with friends in one of the most beautiful and culturally inspiring environments in the country.

Figure 15. International comparison of the share of early-stage and established enterprises

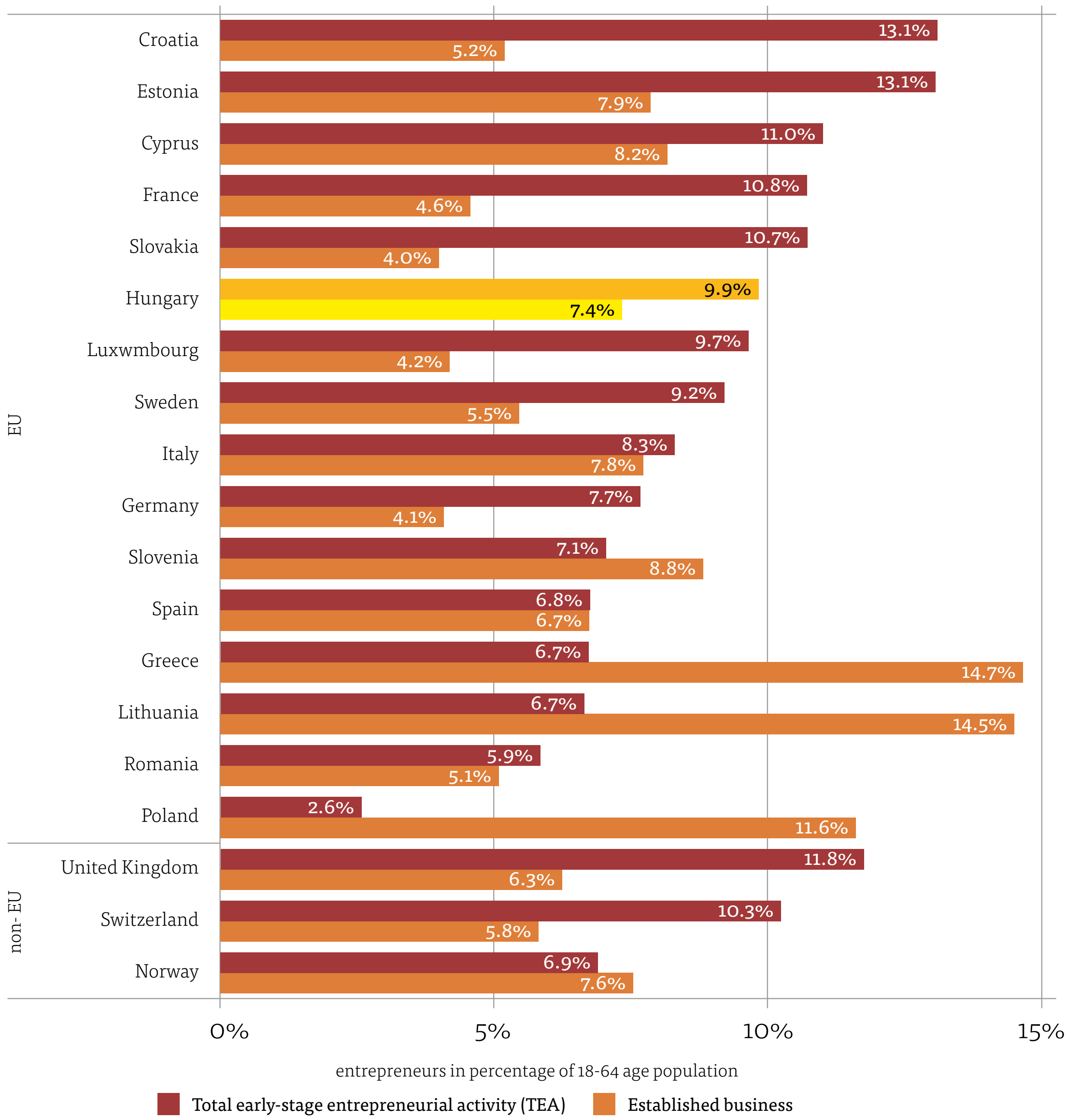


Countries are grouped in the ascending order of total early-stage entrepreneurial activity (TEA) and economic development (GDP per capita)

Early-stage and established entrepreneurial activities are the two main indicators used by the GEM to compare EU countries globally (Figure 15) and within Europe (Figure 16).

From a global perspective, similar to previous years, Hungary is ranked in the higher portion of the bottom third of countries for early-stage enterprises and in the lower portion of the top third for established enterprises among middle-income GEM countries (Figure 15). **Both the percentage of early-stage enterprises (9.9%) and the percentage of established enterprises (7.4%) in Hungary are lower than the average for GEM countries (14.3% and 8.0% respectively).**

Figure 16. Proportion of early-stage and established entrepreneurial activity in international comparison – Europe



The countries are grouped in the ascending order of early-stage entrepreneurial activity (TEA) and EU membership.

Entrepreneurial activity in high-income GEM countries is slightly below the GEM average. The percentage of early-stage enterprises is 12.0%, compared to the GEM average of 14.3%. For established enterprises, the percentage is 7.6%, slightly below the GEM average of 8.0%. In middle-income countries, early-stage entrepreneurial activity is 13.6%, also below the GEM average but higher than in developed countries. The percentage of established enterprises is slightly lower at 7.4%. Meanwhile, low-income countries have higher entrepreneurial activity compared to both the GEM average and wealthier countries. The percentage of early-stage enterprises is 17.8%, while the percentage of established enterprises is 9.1%.

Domestic early-stage entrepreneurial activity is in the mid-range of the European average.

In Europe, the level of early-stage entrepreneurial activity varies within a narrower range. This may be attributed to a more stable economic environment and a larger number of high-value job opportunities that provide predictable incomes (Figure 17). In a European comparison, Hungary ranks in the middle, taking the 10th position out of 21 European GEM countries for both early-stage and established enterprises. Among the 18 EU Member States surveyed, Hungary ranks in the top third, securing the 8th place. It is worth noting that the percentage of early-stage enterprises in Hungary, at 9.9%, is slightly higher than the EU average of 9.3%. On the other hand, the percentage of established enterprises in Hungary is slightly below the average at 7.4% compared to the EU average of 7.7%. Greece and Lithuania stand out with particularly high percentages of established enterprises at 14.7% and 14.5% respectively. This can be attributed to the fact that these countries lack sufficient job opportunities, which motivates individuals to pursue entrepreneurship.

Hungary still does not significantly differ from the world and European GEM averages regarding enterprise structure, i.e., the ratio of early-stage enterprises (TEAs) to established enterprises (EBs) in GEM terminology.

Demography

A more in-depth analysis of the demographics of entrepreneurs can provide a basis for implementing targeted measures for different groups of enterprises. This, in turn, allows for an effective allocation of available resources (Figure 17).

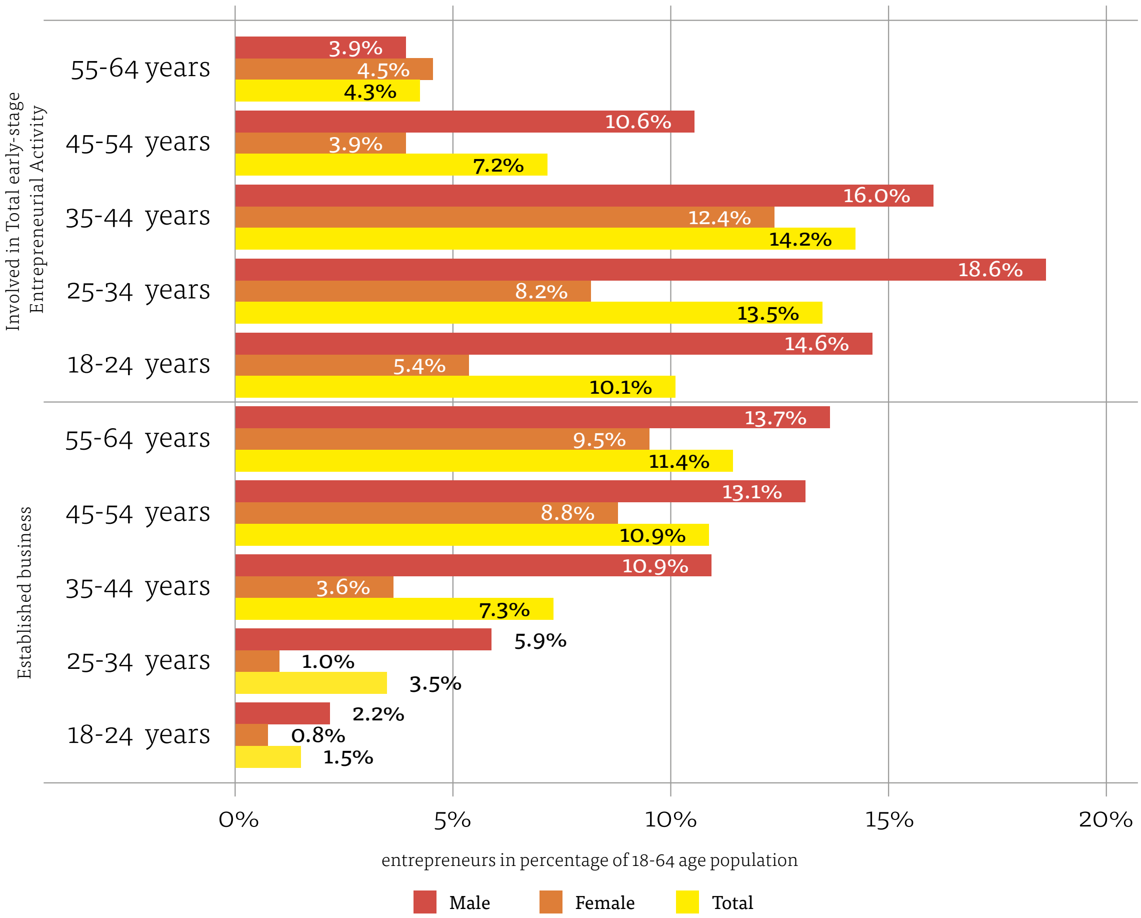
As in previous years, men's entrepreneurial activity is higher than that of women, both for early-stage and established- enterprises.

A statistically significant difference between the entrepreneurial activity of the two genders was observed in four cases:

1. early-stage enterprises in the 18-24 age group,
2. both stages of enterprises in the 25-34 age group,
3. established enterprises in the 35-44 and 45-54 age groups.

This means that for early-stage enterprises that have been paying wages for less than 3.5 years, the predominance of male-run enterprises is no longer evident among entrepreneurs aged 34 and over. However, this difference persists for established enterprises in the 25-54 age group. **These findings suggest that, apart from the younger generations, women's entrepreneurial activity is similar to men's. However, women's businesses are less likely to survive in the long term due to various reasons. It is important to highlight that promoting a higher proportion of women entrepreneurs in the most entrepreneurial age group of 35-54 reaching the established phase would contribute to economic growth and social welfare.**

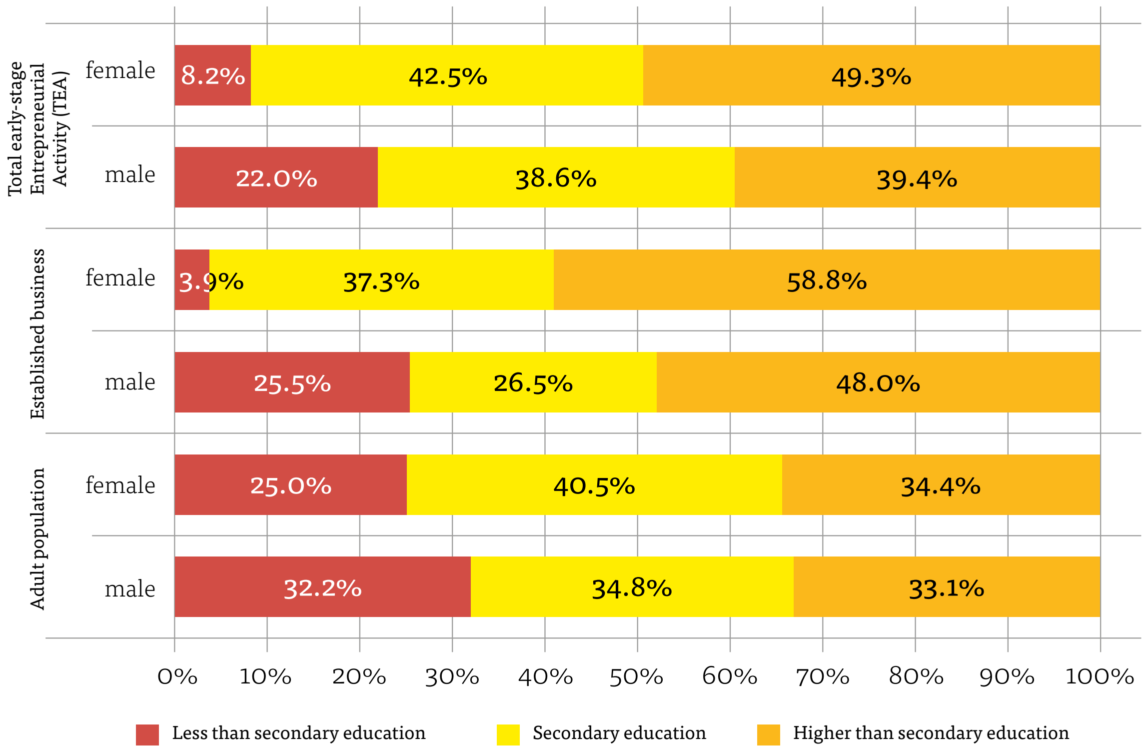
Figure 17. Entrepreneurial activity according to gender and age group in the population aged 18–64



Among early-stage enterprises that have been paying wages for less than 3.5 years, men are more dominant than women as entrepreneurs. However, this trend shifts slightly for women aged 54 and over, where the percentage of female entrepreneurs is slightly higher, although not significantly different from men. Regardless of gender, the age group of 25-44 has the highest number of early-stage entrepreneurs. On the other hand, the older generation consists of established enterprises that have been operating for a minimum of 3.5 years. Generally, men reach this stage at the age of 35 or older, while women tend to reach it after the age of 45.

According to GEM data, both male and female entrepreneurs, whether in the early-stage or established stage, have, on average, a higher level of education compared to non-entrepreneurs. This difference is statistically significant. While slightly more than one-third of women in the total population have an education beyond secondary level, this percentage rises to 49.3% for women with an early-stage enterprise and 58.8% for women with an established enterprise. However, it is important to stress that this generally higher education level does not translate into higher entrepreneurial activity. The trend is similar for men. Only one in three (33.1%) men in the total population has more than secondary education, but this rises to two-fifths (39.4%) among those with an early-stage enterprise and almost half (48.0%) among those with an established enterprise.

Figure 18. Distribution of total early-stage and established entrepreneurial activity and the adult population in the sample by educational attainment

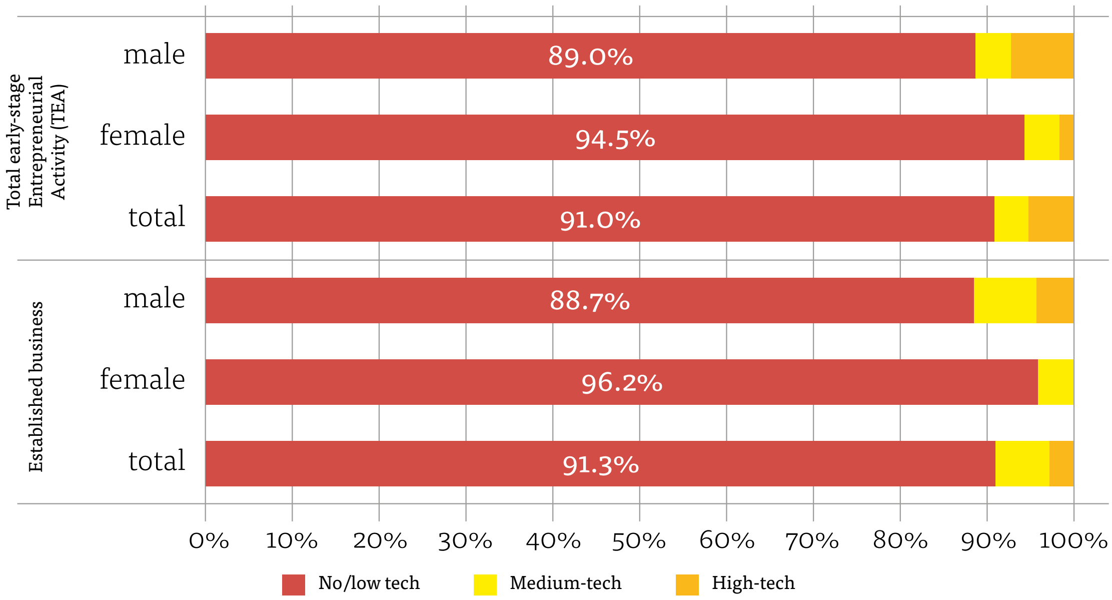


Breakdown by the level of technology

One way to assess the value that enterprises bring is by considering the technological level of their activities. The GEM research divides technological levels into three categories based on sector classification: (1) no/low tech, (2) medium-tech, and (3) high-tech. The high-tech sector includes pharmaceuticals, telecommunications, precision medical instruments, and research and development. The medium-tech sector includes chemical, engineering, and design companies. It is worth noting that while start-ups and companies with recognised expertise in custom engineering often receive more attention and employ more people, the majority of companies operate in traditional industries and still utilise advanced technology.

Our data show that the vast majority of domestic enterprises, irrespective of the gender of the entrepreneur or the stage of the enterprise, are engaged in low or non-technology-intensive activities (Figure 19). Due to the very small number of medium/high-tech enterprises in the sample, a more detailed analysis of medium/high-tech enterprises cannot be meaningfully carried out. Nevertheless, based on the 2021-2023 surveys, it can be said that about one in ten Hungarian enterprises is medium or high-tech intensive.

Figure 19. Distribution of total early-stage and established entrepreneurial activity by gender and technological level of activity

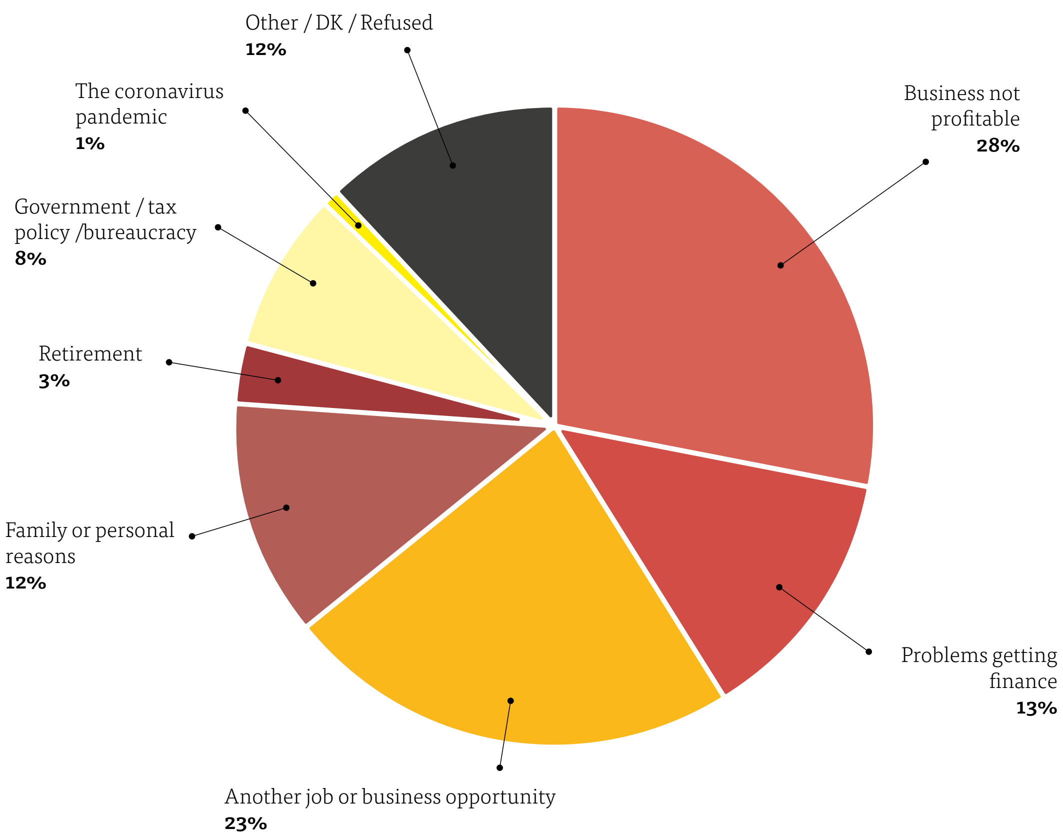


Exiting entrepreneurship

Compared to the results for 2021 and 2022, **the percentage of the working-age population who quit/exited from a business for any reason in the past 12 months has seen a noteworthy increase from 1.9% and 2.1% to 3.5%**. While it's important to note that the difference falls within the margin of error due to the limited sample size, this rate still deserves heightened attention.

In two out of five cases (40.6%), the reasons given for quitting an existing enterprise were business-related, such as the business not being profitable or experiencing problems with financing. Additionally, almost 10% cited external factors like changes in the legal environment, tax changes, red tape, or the aftermath of the pandemic. Approximately 23.5% of exits were attributed to the availability of a new job or business opportunity. Family or personal reasons, including retirement, accounted for 14.7% of closures. In summary, **economic factors were responsible for half of all business closures, with the remaining exits influenced by changes in personal life, new opportunities, or other factors.** It is also noteworthy that 17.1% of enterprises continued to operate even after the respondent entrepreneur's departure.

Figure 20. Reasons for the cessation of the enterprise



Interestingly, only one-fifth (22.0%) of those who have closed their business have plans to start a new one in the next three years. This rate is the third lowest among the CEE countries, after Greece and Poland. However, it is still significantly higher than the average for the working-age population. This finding may be explained by the fact that individuals who have previously owned a business possess valuable entrepreneurial skills, experience, and contacts that can contribute to the success of a new venture. Therefore, providing support to those who have closed their business and are planning to start a new one can help increase the number of viable enterprises in the future.

Motivations

The GEM methodology places a high emphasis on gaining a deeper understanding of the factors influencing the decision to become an entrepreneur. In addition to considering the overall public perception of the entrepreneurial climate, GEM also investigates the specific motivations that drive individuals to start their own businesses. GEM identifies four primary motivations, and in the case of Hungary, the GEM research team included additional questions to obtain more detailed results.

Our results show **a significant shift in entrepreneurial motivations compared to previous years (Table 1). In the 2023 survey, 89.8% of early-stage enterprises and 84.5% of established enterprises identified earning a living as their primary motive for starting a business.** While this motive was also dominant in the 2021 and 2022 surveys, the increase over 2022 was 23.1 and 12.8 percentage points, respectively, for the two stages of entrepreneurship. The concern for maintaining financial security is further reflected in the rise in the desire to build great wealth or achieve a high income, which increased from a range of 32.5–37.0% for early-stage entrepreneurs to 80.1% in the past two years, and from a range of 18.3–19.2% for established entrepreneurs to 75%. Interestingly, although a significantly higher proportion of men among established entrepreneurs cited great wealth and income as motivating factors for starting a business, this difference is no longer present among those in the early stages of entrepreneurship. The substantial increase compared to previous years is a significant finding, and further data and analysis beyond the scope of this report are warranted to gain a deeper understanding of the underlying causes, which could be attributed to methodological and socio-economic factors.

The emergence of high income and wealth as important motivators for early-stage entrepreneurs reflects concerns about financial security.

Compared to previous years, the motive of ‚making a difference in the world' increased slightly among established businesses, but decreased significantly among early-stage entrepreneurs, by 15.9 percentage points. On the other hand, the motive of ‚earning a living' increased by 23.1 percentage points. One notable shift is the increase in the motivation to continue the family tradition among early-stage entrepreneurs, rising from 21.0 and 21.6 percent respectively in 2021-2022 to 30.3 percent. It is worth mentioning that the family motive is considerably higher for male early-stage entrepreneurs. However, the stability observed in previous years remains for established entrepreneurs, with a quarter of them (27.8%) still motivated by family tradition.

Table 1. Motivations for starting an enterprise

	Total early-stage Entrepreneurial Activity (TEA)			Established business (EB)		
	male	female	total	male	female	total
To make a difference in the world	42.9%	51.1%	**45.8%**	60.5%	54.3%	**58.3%**
To build greath wealth or a very high income	80.9%	78.7%	**80.1%**	80.3%	65.3%	**75.0%**
To continue a family tradition	34.8%	22.4%	**30.3%**	31.2%	21.6%	**27.8%**
To earn a living because jobs are scarce	89.1%	91.2%	**89.8%**	84.5%	84.6%	**84.5%**

The GEM research team in Hungary included additional questions in the questionnaire to further explore the entrepreneurial motivations of local entrepreneurs. These questions were derived from international literature to provide a more comprehensive understanding. It should be noted that these questions were only included in the Hungarian questionnaire, so there is no data available for international comparison.

The introduction of seven new motivational elements can provide a more comprehensive understanding of the reasons behind starting a business. These elements include earning a comfortable living, which has been added to the existing constraints of limited job opportunities and high income potential. Additionally, the elements of self-fulfillment and achieving independence offer a more detailed understanding of personal aspirations. The consideration of flexible working hours allows for a deeper exploration of individual life circumstances. Furthermore, the inclusion of the pursuit of innovative ideas as an entrepreneurial motive reflects the ongoing societal discourse surrounding rapid growth, scalability, and innovation in businesses. It is important to acknowledge the role that entrepreneurs play in driving these advancements. Moreover, we cannot overlook the significance of social and environmental sustainability, as companies have the potential to actively contribute to sustainability goals through their operations and innovative approaches.

The GEM central items and the Hungarian-specific items have been combined into a single block in the survey.

Andrea Kozma, Péter Balogh

Chief portfolio officer, CEO – STRT Holding Nyrt.

STRT Holding Zrt. invests in early-stage start-ups. Its extensive incubation and acceleration activities have made it a key player in the Hungarian start-up ecosystem.

A.K.: Why I am starting a business is a critical element of success. Why is it important for me to solve a particular problem? Why am I the best person to do it? How much am I prepared to sacrifice for my dreams? Successful entrepreneurs strongly desire independence to decide what they want to work on. An entrepreneur is an explorer and an adventurer. But our education system and upbringing teach us to be rule followers, not independent but embedded.

P.B.: Financial motivation is crucial to a successful business, but there's a difference between wanting to create wealth and earning your daily bread. If the latter is the goal, we are, in fact, responding to potential unemployment. This is evidenced by the fact that early-stage entrepreneurial activity tends to be very high in countries with low job opportunities. The room for manoeuvre narrows when self-fulfilment, the motivation to change the world, is replaced by the need to earn a living. Significant challenges and ground-breaking solutions often take a lot of time and money, and it takes a lot of commitment to see them through. And a good team. Always.

A.K.: I see the lack of ambition as the main problem with new businesses in Hungary. Only a few founders have the hunger to succeed or the passion to be successful in business. We try it, and if the success doesn't come soon enough, we go back to the ballet to 'jump around'.

P.B.: Increasing numbers of young people recognise that success is about taking control of their lives and finding their own solutions. Success will come to those who do not look outside for solutions, who do not lament that government support for start-ups has dried up, but who recognise that the other resources at their disposal – their learning ability, their network of contacts, their willingness to work, their perseverance – offer them a wealth of opportunities. And who dare to act.

Table 2. Motivations for starting an enterprise

	Total early-stage Entrepreneurial Activity (TEA)			Established business (EB)		
	male	female	total	male	female	total
To ensure a comfortable living	73.8%	85.9%	**78.2%**	64.9%	76.5%	**69.0%**
To be independent	75.4%	90.1%	**80.8%**	75.3%	80.8%	**77.2%**
To realise yourself	73.8%	82.9%	**77.1%**	65.6%	58.8%	**63.3%**
To be able to work in a flexible schedule	19.5%	15.7%	**18.1%**	25.3%	15.4%	**21.8%**
To turn your innovative ideas into reality	68.3%	57.1%	**64.2%**	51.6%	55.8%	**53.1%**
To contribute to solving social problems	50.4%	54.2%	**51.8%**	46.9%	42.3%	**45.3%**
To contribute to solving environmental problems	46.2%	42.3%	**44.7%**	51.0%	38.5%	**46.6%**

Our results show that **(1) a comfortable livelihood, (2) independence, and (3) self-fulfilment are the primary goals for domestic entrepreneurs. Independence is equally essential for both entrepreneurial stages. However, a comfortable livelihood and self-fulfilment are more important motivators for early-stage entrepreneurs** (Table 3). Notably, independence is significantly more important for female entrepreneurs in early-stage enterprises. Self-fulfilment is also mentioned significantly more often by men who are managers/owners of established enterprises.

About half of the entrepreneurs are motivated by solving social and environmental problems. Similarly, almost two-thirds of early-stage entrepreneurs cite implementing innovative ideas as a motivation. While there may appear to be significant gender differences in these motivations, none of them are statistically significant.

Interestingly, only a fifth of both early-stage and established businesses consider flexible working as a motivating factor. However, it is worth noting that flexible working is significantly more important to male early-stage entrepreneurs compared to their female counterparts.

Therefore, financial security and independence are the primary motivations for starting a business. This is complemented by the need for self-fulfilment, especially for nascent businesses. Implementing innovative new ideas and solving environmental or social problems is also an important motivator, although only half of the entrepreneurs are driven by this motivation. Still, a slightly larger proportion of early-stage enterprises are driven by innovation.

Employment

The role of entrepreneurs in employment is unquestionable. For this reason, the GEM examines both the current number of people employed by entrepreneurs and the projected number expected to be employed by entrepreneurs in five years (Table 3).

Four out of ten (41.1%) early-stage enterprises do not have any employees at present, and 59.0% of them do not have plans to expand their workforce in the next five years. On the other hand, half of early-stage entrepreneurs currently have a workforce consisting of 1 to 5 individuals, and around 13.1% of them anticipate expanding their employee count in the next five years. Given the limited number of early-stage enterprises in the sample that employ six or more people, it is difficult to assess their specific expansion plans. However, our findings suggest that they are more inclined to have plans for future growth.

Among the established enterprises, approximately 53.2% have a workforce consisting of 1 to 5 individuals. However, within this group, 31.0% of them are self-employed. It is worth noting that established enterprises with employees are more likely to anticipate reducing their workforce in the next five years, indicating concern about the economic situation.

Table 3. Distribution of total early-stage and established enterprises by the number of current and planned future employees

	Current number of jobs	Expected number of jobs				Total
		No job	1-5 jobs	6–19 jobs	20+ jobs	
Total early-stage Entrepreneurial Activity (TEA)	No job	**59.0%**	38.5%	2.6%	0.0%	**41.1%**
	1–5 jobs	6.5%	**80.4%**	10.9%	2.2%	**48.4%**
	6–19 jobs	0.0%	22.2%	**44.5%**	33.3%	**9.5%**
	20+ jobs	0.0%	0.0%	0.0%	**100.0%**	**1.1%**
	Total	**27.4%**	**56.8%**	**10.5%**	**5.3%**	**100.0%**
Established business	0 jobs	**79.5%**	20.5%	0.0%	0.0%	**31.0%**
	1–5 jobs	10.4%	**82.1%**	6.0%	1.5%	**53.2%**
	6–19 jobs	6.3%	18.8%	**62.5%**	12.5%	**12.7%**
	20+ jobs	0.0%	25.0%	0.0%	**75.0%**	**3.2%**
	Total	**31.0%**	**53.2%**	**11.1%**	**4.8%**	**100.0%**

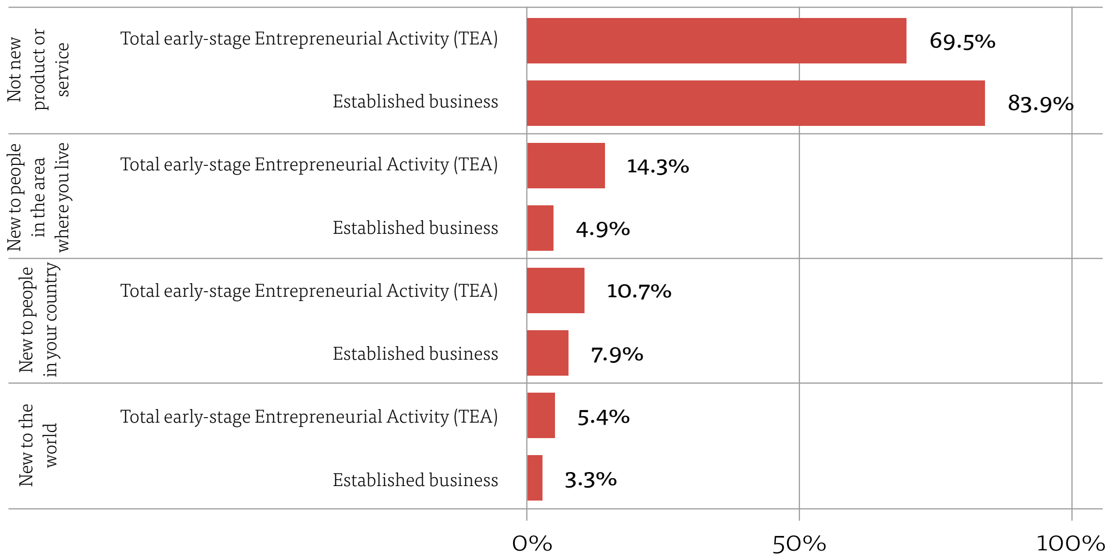
Two-thirds (68.4 %) of the early-stage entrepreneurs and four-fifths (78.6 %) of the established entrepreneurs expect to have the same number of employees in five years. This can be interpreted the entrepreneurs' attempt to maintain the jobs they have..

Innovation

GEM examines entrepreneurial innovation in two ways: the product or service itself and the novelty of the technology or process used to create it. This solution not only has simplicity but also showcases entrepreneurs' capability to identify and seize market opportunities in a user-friendly manner.

Seven out of ten (69.5%) early-stage entrepreneurs and more than four-fifths (83.9%) of established entrepreneurs are selling a product or service that already exists on the market (Figure 21), which is slightly better than in 2022 (78.8% and 91.6% respectively). However, it is noteworthy that 16.1% of early-stage entrepreneurs and 11.2% of established entrepreneurs are introducing a novel product or service, at least on a national level, which is a positive outcome.

Figure 21. Percentage of enterprises with a product or service considered new



Enterprises typically use established technologies or processes to produce the products or services they sell. Seven out of ten (71.2 %) of early-stage enterprises and three-quarters (75.2 %) of established enterprises do not use any new technologies or processes (Figure 22). However, it is also notable that one out of seven of both early-stage enterprises and established enterprises (14.9 % and 14.1 %, respectively) use a technology or process considered new, at least at the national level.

It is important to note that **enterprises that market new products or services often use new technologies or processes to produce them**. For both early-stage and established enterprises, there is a medium correlation between enterprises that sell a new product or service and enterprises that use a new technology or process to produce it.

Márk Schiller

Strategic & Marketing Director, Schiller Autó Család Zrt.

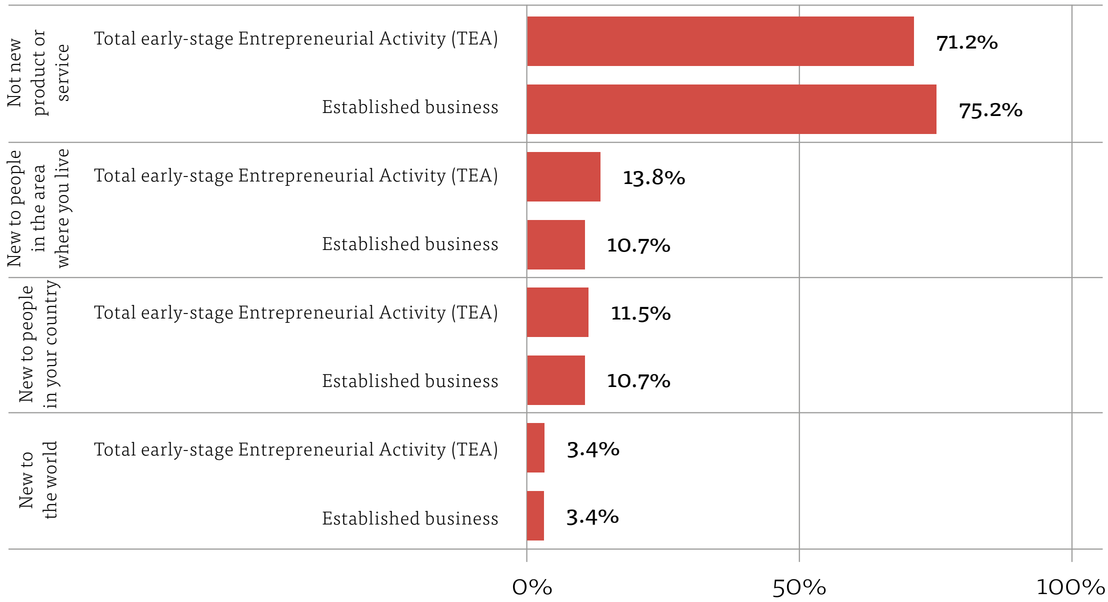
The family business, which started as a tyre repair shop more than forty years ago, is now in its third generation of management. Today, the company group offers all car-related activities 'within the family' on seven sites.

As a commercial company, innovation plays a key role in enhancing the quality and value of our services. The exceptional quality of our services sets us apart from others in the industry. Furthermore, our company is continually evolving and expanding, necessitating regular process evaluations to ensure efficiency. As a multi-generational family business, our core value resides in customer satisfaction.

Optimising internal processes often involves implementing new digital innovations. Our ERP system functions as a digital representation of these processes. Through recent improvements, we have been able to reduce our reliance on paper through automation in our day-to-day operations. By the end of the year, our entire Group will transition to managing invoices and supporting documents digitally.

Additionally, we continuously strive to introduce customer-focused innovations that add value. This has been exemplified by our '0-24 smart key locker' system, which was implemented at our Schiller Rent office at Liszt Ferenc International Airport and Schiller Autó Család headquarters on Váci Street. With this system, customers can now access a self-service car rental service by retrieving the keys to their rental car from a 0-24 machine, without the need for any direct interaction. Another example of our commitment to innovation is the implementation of tablets in most of our service centers, allowing for efficient completion of work documentation. These improvements collectively contribute to providing a modern, seamless customer experience. Our new headquarters, which opened in 2021, fully aligns with this innovative approach.

Figure 22. Percentage of enterprises using new technology or process for their product or service



Regardless of the stage of their business, most entrepreneurs in Hungary continue to sell an existing product or service that the people in their locality are familiar with or use a technology or process that is already known. Compared to the 2021 and 2022 results, the fact that more than a tenth of entrepreneurs reported that both the product or service they sell and the technology or process they use to produce it are at least nationally new is a positive development. However, this should be treated with caution due to the small number of items.

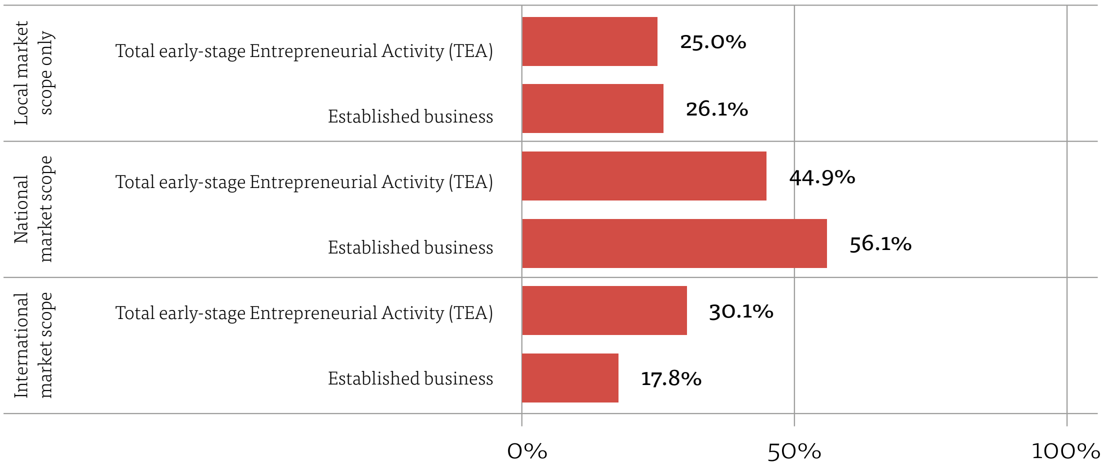
Locality and export activity

The GEM measures the market reach of companies based on their activity and turnover in foreign markets. The benefits of export activity are twofold. On the one hand, increased competition leads to streamlined operations and continuous product or service improvement. On the other hand, a larger market can mean higher revenues. This increases the economies of scale of the activity. However, it is important to note that some activities, notably personal services or some forms of catering, are location-dependent. Thus, having a market reach close to where one lives is not necessarily a negative phenomenon.

Our results show that only a quarter of enterprises rely exclusively on the local market. Most domestic entrepreneurs are active in the Hungarian market (Figure 23). This means that 44.9 % of early-stage entrepreneurs and 56.1 % of established entrepreneurs have a national market reach. **As in previous years, the majority of internationally active**

enterprises are in the early-stage phase: 30.1% of them are active in foreign markets. In comparison, the corresponding figure for established enterprises is just 17.8%. The stability of this phenomenon indicates that enterprises cannot sustain their activity in foreign markets in the long term.

Figure 23. Market reach of early-stage and established enterprises

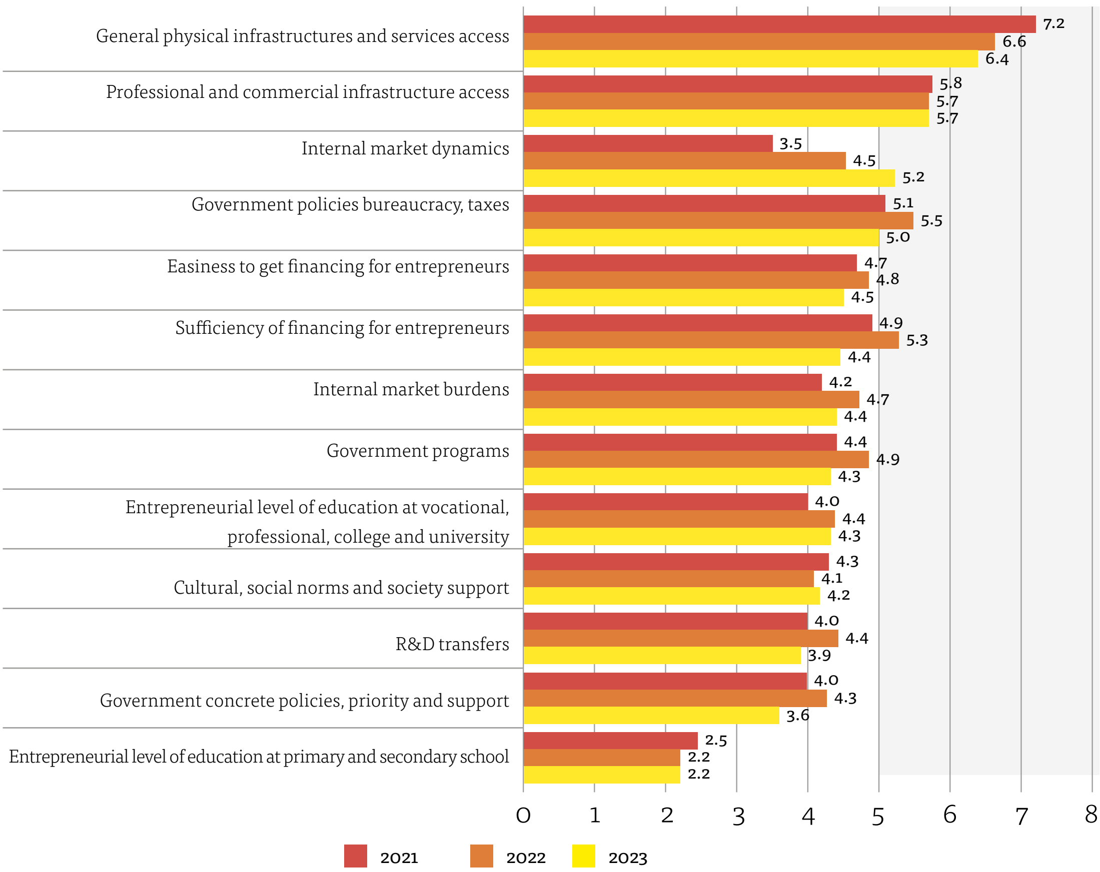


The vast majority of entrepreneurs are active in national or local markets. Three in ten early-stage and one in six established enterprises also operate abroad.

ENTREPRENEURIAL ECOSYSTEM

The GEM National Expert Survey (NES) provides a comprehensive picture of the business environment in each country. The experts' assessments are used to determine the scores that define the framework conditions for entrepreneurship. These scores are then averaged to produce the National Entrepreneurship Context Index (NECI) for each economy. International comparisons of entrepreneurship ecosystems can be made by aggregating the experts' assessments into a single indicator[1].
Figure 24 shows the elements that make up the index.

Figure 24. Assessment of the elements of the entrepreneurial ecosystem



[1]Entrepreneurship or entrepreneurial ecosystem refer to the independent actors and relationships that directly or indirectly support the creation and growth of new businesses. Isenberg's is one of the best-known categorisations. (Isenberg, D. J. (2010). How to start an entrepreneurial revolution. Harvard Business Review, 88(6), 40–50.)

The business environment is rated on a scale of 0 to 10. A score of 5 indicates that the area is acceptable and has a satisfactory level of development.

Based on the 2023 expert assessment, **Hungary's NECI was reduced to 4.5 from 4.7 in the previous year. Domestically, four framework conditions, (1) physical infrastructure, (2) commercial and services infrastructure, (3) ease of entry: free, open, growing markets and (4) government policy: tax and bureaucracy ecosystem elements, are rated at or above a satisfactory score of 5**. The yearly improvement in the experts' assessment of the ecosystem element ‚ease of entry': free, open, growing markets may be due to the transformative effects of turbulent socio-economic processes that may have opened up new market opportunities as circumstances have changed. Entrepreneurship education in public education (2.2) received the lowest score, as in previous years. Compared with the previous year, the element of the sufficiency of business finance was rated above satisfactory (5.3) in 2022. In contrast, it fell below this level in 2023 (4.4), which is even lower than the results in 2021 (4.9). The experts' assessment of the ease of access to business financing (4.5) is more negative than in previous years. In 2023, the experts' assessment of the ecosystem elements of government programmes for entrepreneurship (4.3) and government policy: support and relevance (3.6) were also more negative than in the past.

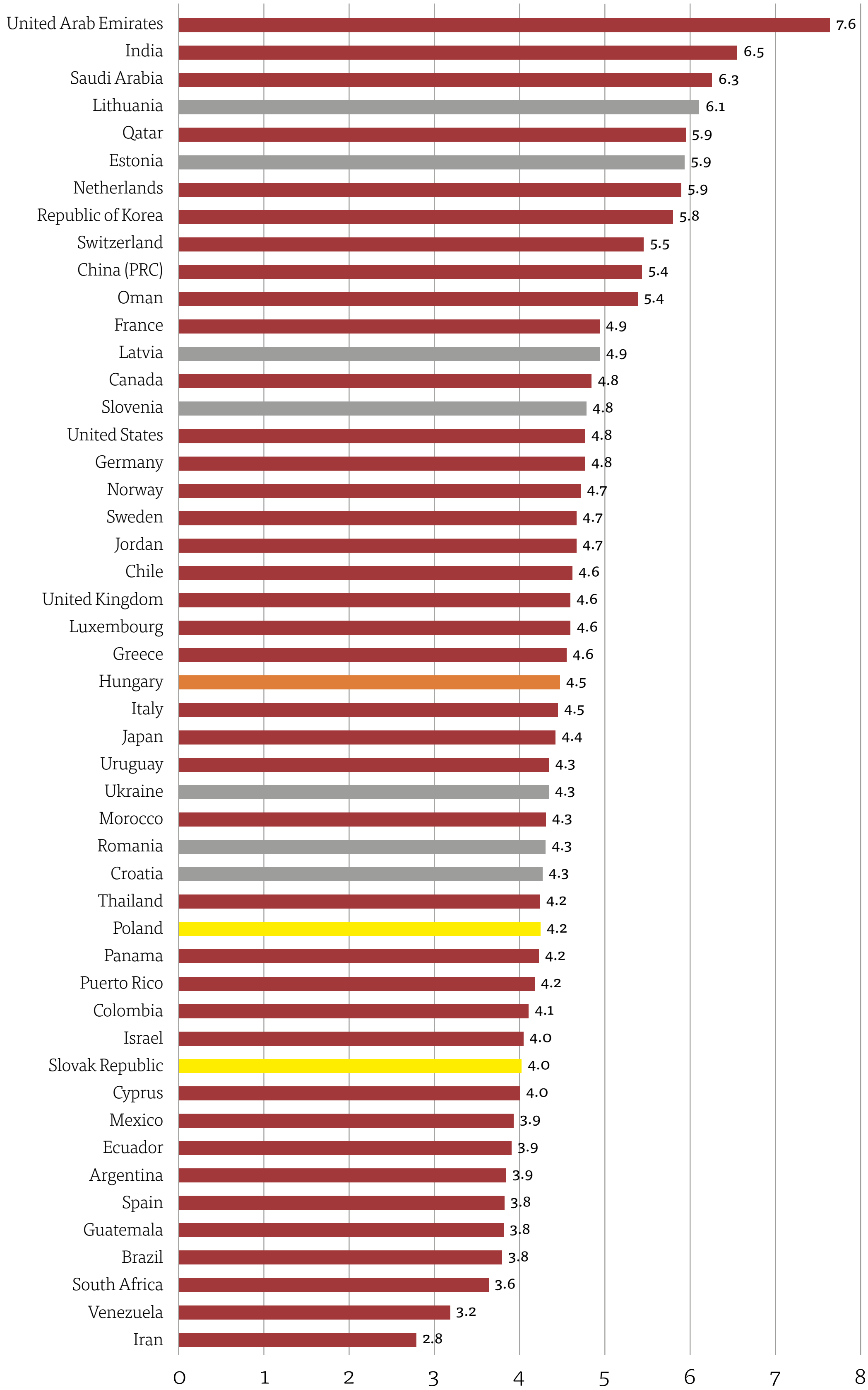
Among the ecosystem elements, entrepreneurship education in public education again received the lowest rating from experts.

Figure 25 shows the NECI ranking of the 49 countries participating in the expert assessment based on 2023 data.

In global terms, Hungary's NECI of 4.5 is considered average and is two-tenths of a point lower than the GEM average of 4.7. Among the Visegrád countries, however, Hungary has the highest rating for its ecosystem, surpassing the scores of 4.0 in Slovakia and 4.2 in Poland. Experts gave the highest score to the business environment in the United Arab Emirates, while Iran was at the bottom of the list.

It is also worth examining the business environment in Hungary within the larger regional context. Among the ten Central and Eastern European countries surveyed (Lithuania, Estonia, Latvia, Slovenia, Hungary, Ukraine, Romania, Croatia, Poland, and Slovakia), the average NECI score is 4.7, which is the same as the global average. However, when compared to other countries in the region, Lithuania, Estonia, Latvia, and Slovenia have more favourable ecosystem ratings than Hungary. On the other hand, experts rate the entrepreneurial ecosystems of Ukraine, Romania, Croatia, Poland, and Slovakia lower than Hungary's. This suggests that there is a division within the region, with Lithuania and Estonia ranking in the top third globally, while Poland and Slovakia rank in the bottom third.

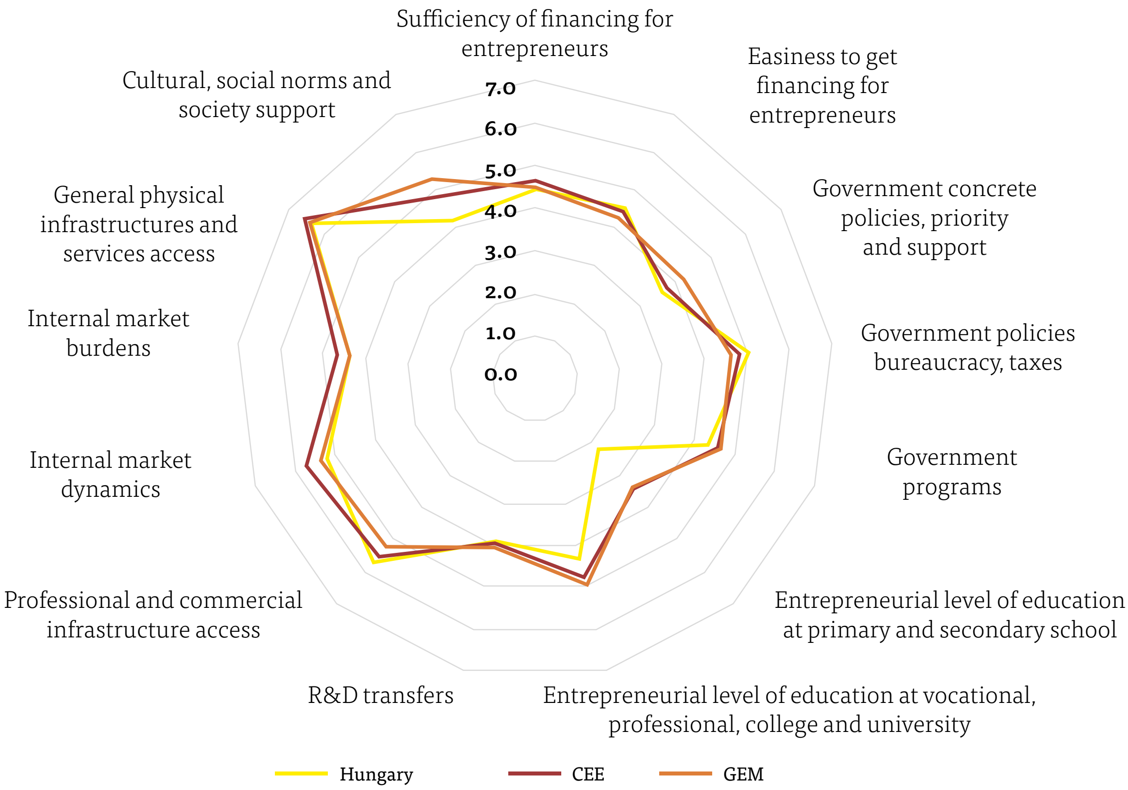
Figure 25. NECI ranking of countries participating in the NES survey



The Central and Eastern European countries are highlighted in gray, the Visegrád countries are highlighted in yellow, and Hungary is represented in orange.

A comprehensive business environment assessment can be achieved by thoroughly examining the framework indicators (Figure 26).

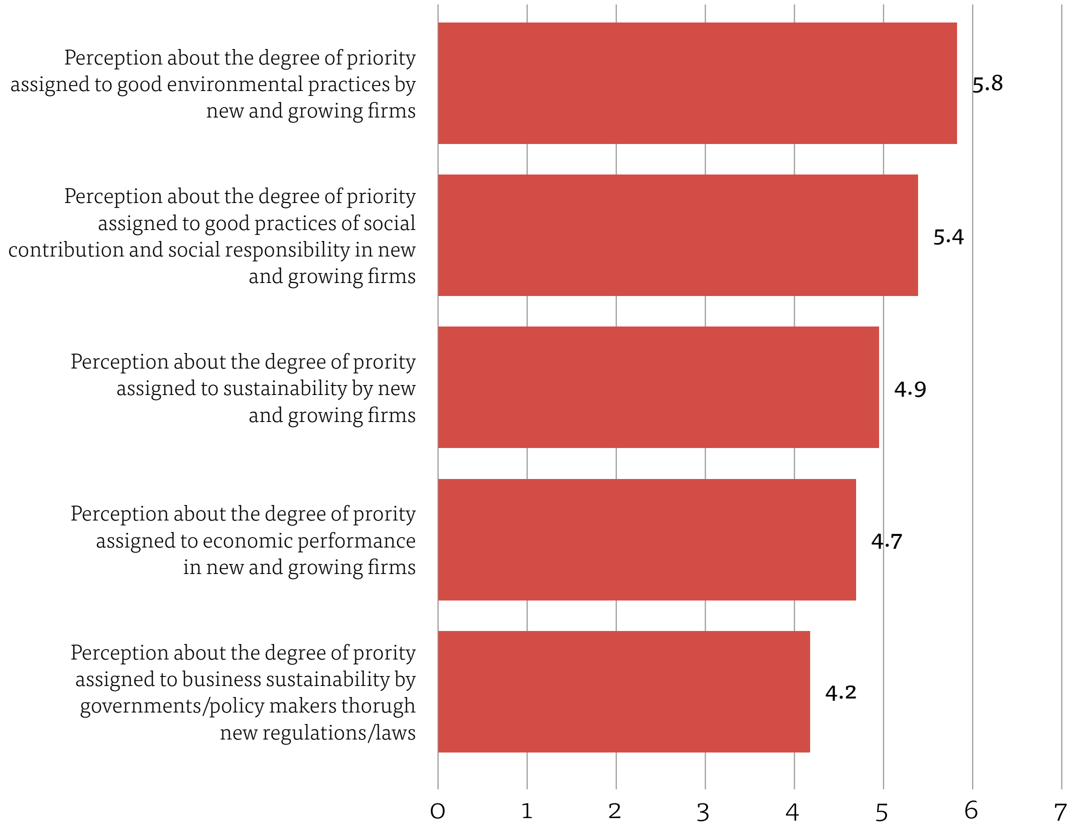
Figure 26. Comparison of business framework indicators (Hungary, Central and Eastern Europe, GEM)



According to experts, Hungary's business environment is generally in line with international trends. According to experts, the Hungarian ecosystem surpasses regional and global averages in terms of (1) professional and commercial (2) government policies on taxes and bureaucracy, and (3) ease of access to business finance. However, the performance of the domestic ecosystem is well below the Central and Eastern Europe (CEE) and Global Entrepreneurship Monitor (GEM) averages in terms of (1) entrepreneurship education available in public education, (2) social and cultural norms, and (3) entrepreneurship education available in higher education and vocational training.

The 2023 experts' data collection had a key focus on mapping perceptions of sustainability. Figure 27 presents the results of this analysis.

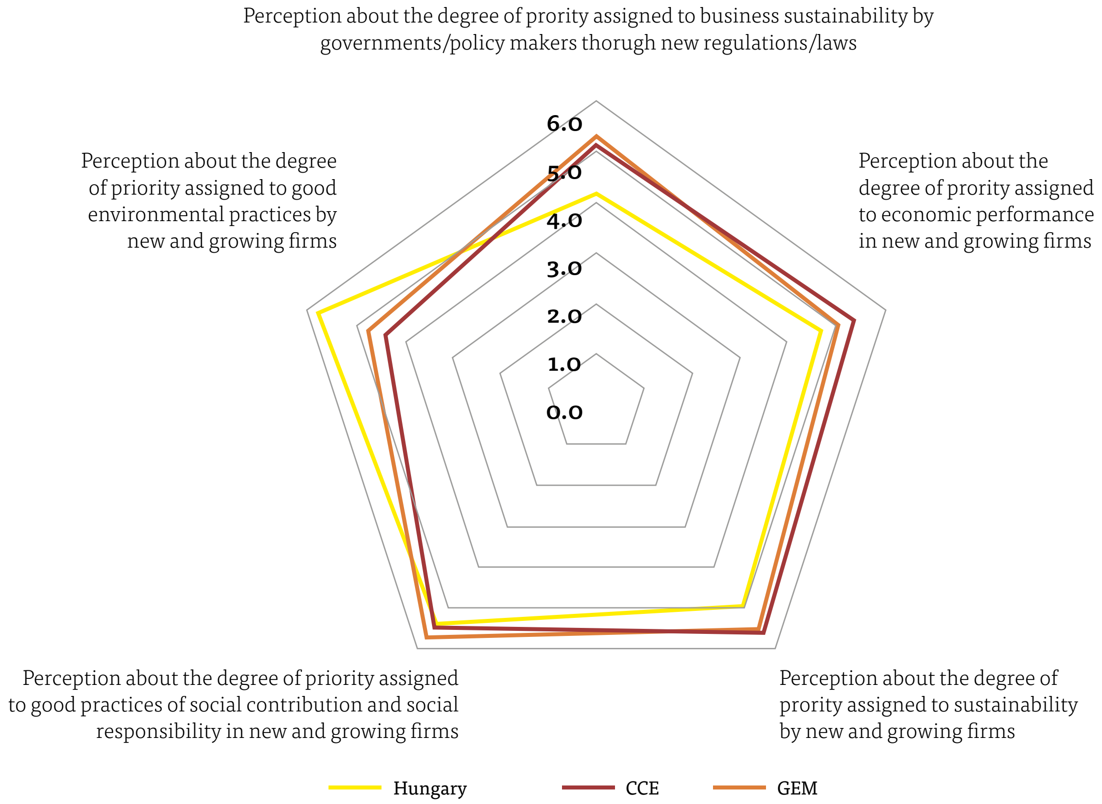
Figure 27. Experts' assessment of sustainability



According to the experts' assessment, Hungarian businesses consider environmental sustainability to be the most important factor, but social responsibility is also important to them and the scores for these factors are above the acceptable level. The lowest rating was given to the implementation of sustainability in the policy-making process and in the introduction of new regulations and laws. **According to the experts, the perceived importance of sustainability for businesses exceeds its perceived importance in legislation.**

Figure 28 shows an international comparison of experts' assessments of sustainability.

Figure 28. Experts' assessment of sustainability in international comparison (Hungary, Central and Eastern Europe, GEM)



In an international comparison of the results, the experts found that environmental sustainability is a higher priority for Hungarian companies than the average for the region and all the countries surveyed. Given that the experts generally consider the perceived importance of sustainability and economic performance to be below the regional and global averages, it may be interesting to further investigate the reasons for the high perceived sensitivity of Hungarian companies to environmental sustainability. The importance of the enforcement of sustainability principles through legislation is significantly below what we see at the international level.

According to the experts, Hungary's business ecosystem is positioned in the middle range compared to other countries in the region and globally. In terms of ease of access to business finance, professional and commercial infrastructure, and government policies on taxes and bureaucracy, the country outperforms both globally and regionally. A deficit in entrepreneurship education in public education and higher education, as well as in the social and cultural norms of the ecosystem elements, is perceived at both the global and the regional level.

Bernadett Engler Dancsné

OTP Bank – Head of the Micro- and MSE segment

OTP Bank Plc. is the largest commercial bank in Hungary.

The OTP Group serves approximately 17 million customers in 12 countries through its 1,750 branches in Central and Eastern Europe. Besides Hungary, OTP is the leading bank in four other countries, Bulgaria, Slovenia, Serbia and Montenegro, based on outstanding loans.*

Several factors significantly impact domestic companies' business success, among which I would like to highlight the role of conscious planning. After years of economic challenges, the SME sector remains cautious, although its outlook is expected to improve this year. This is also reflected in the demand for finance, with flexible overdraft and working capital loans being the most popular with businesses in the first few months of 2024, as was the case last year. The previous turbulent phase also highlighted the need for many companies to have reliable business partners they can count on for the long term, including their account-holding banks. Reinforcing the relationship between businesses and the bank providing finance should be seen as an asset, as several factors need to be considered for finance to be seen as a real help. Entrepreneurs are increasingly looking for their own personal banker who understands their business, its challenges, goals and opportunities. We are committed to providing trusted and experienced advisors to our clients to meet this demand. It is important to note that the bank is now a partner not only in the traditional financial services sector, but also in digital solutions that are increasingly becoming available. Companies can gain a sustainable competitive advantage by exploiting these opportunities.

*Hungary, total assets, 31 Dec 2022; Montenegro, total assets, 30 June 2023; Bulgaria, loan, 30 June 2023; Serbia, loan, 30 September 2022; Slovenia, loan, 30 June 2023

GEM TERMINOLOGY

APS (Adult Population Survey): The GEM's annual representative survey of at least 2,000 adults selected from among the domestic adult population aged between 18–64 years.

GEM (Global Entrepreneurship Monitor): The world's largest annual survey of entrepreneurial dynamics since 1999; a rich and reliable source of data describing entrepreneurial activity and ecosystems.

NES (National Expert Survey): The GEM's annual survey of at least 36 experts who assess the entrepreneurial ecosystem against nine Entrepreneurial Framework Conditions. Fear of Failure Rate: The percentage of the adult population aged 18–64 who see good business opportunities but do not start a business for fear of failure.

Nascent Entrepreneurship Rate: The percentage of the adult population aged 18–64 who are nascent entrepreneurs, i.e., actively involved in starting a business that they will own or co-own and that has not paid wages or made other types of payments to its owners for more than three months.

New Business Ownership Rate: The percentage of the adult population aged 18–64 who are owner-managers of a new business that has been paying wages and other types of payments to its owners for more than 3 months but less than 42 months (3.5 years).

TEA (Total Early-Stage Entrepreneurial Activity): The percentage of the adult population aged 18–64 who are nascent or new entrepreneurs starting or running a new business.

EBO (Established Business Ownership Rate): The percentage of the adult population aged 18–64 who are currently owner-managers of an established business that has been paying wages, salaries and other types of payments to its owners for more than 42 months (3.5 years).

EFCs (Entrepreneurial Framework Conditions): Conditions identified by the GEM that enhance (or inhibit) the creation of new businesses in an economy. These conditions form the framework of the NES (National Expert Survey) and are as follows:

A1. Entrepreneurial Finance
A2. Ease of Access to Entrepreneurial Finance
B1. Government Policy: Support and Relevance
B2. Government Policy: Taxes and Bureaucracy
C. Government Entrepreneurial Programs
D1. Entrepreneurial Education in Public Schools
D2. Entrepreneurial Education in Higher Education and Vocational Training
E. Research and Development Transfers
F. Commercial and Professional Infrastructure
G1. Ease of Entry: free, open, growing markets
G2. Ease of Entry – Obstacles and Regulations
H. Physical Infrastructure
I. Social and Cultural Norms

NECI (National Entrepreneurship Context Index): An indicator that aggregates and calculates the average state of the entrepreneurial environment in economies. This index is based on NES data and combines the 13 national entrepreneurship framework conditions that were identified by GEM researchers as the most reliable determinants of a favourable environment for entrepreneurship. It is calculated by taking a simple arithmetic average of the 13 variables representing the business framework conditions. These conditions are measured by experts who rate items on an 11-point Likert scale, with responses then aggregated using principal component analysis.

GEM conceptual framework and data collection methodology

The GEM is the world's most comprehensive survey of entrepreneurial activity, with a solid methodological basis and the participation of many countries around the world collecting data every year since 1999. In 2023, a total of 49 countries participated in the survey, with representative population surveys conducted in 46 countries and expert interviews in 49 countries.

GEM countries have constantly helped us to understand the link between entrepreneurship and national economic development by answering the following questions:

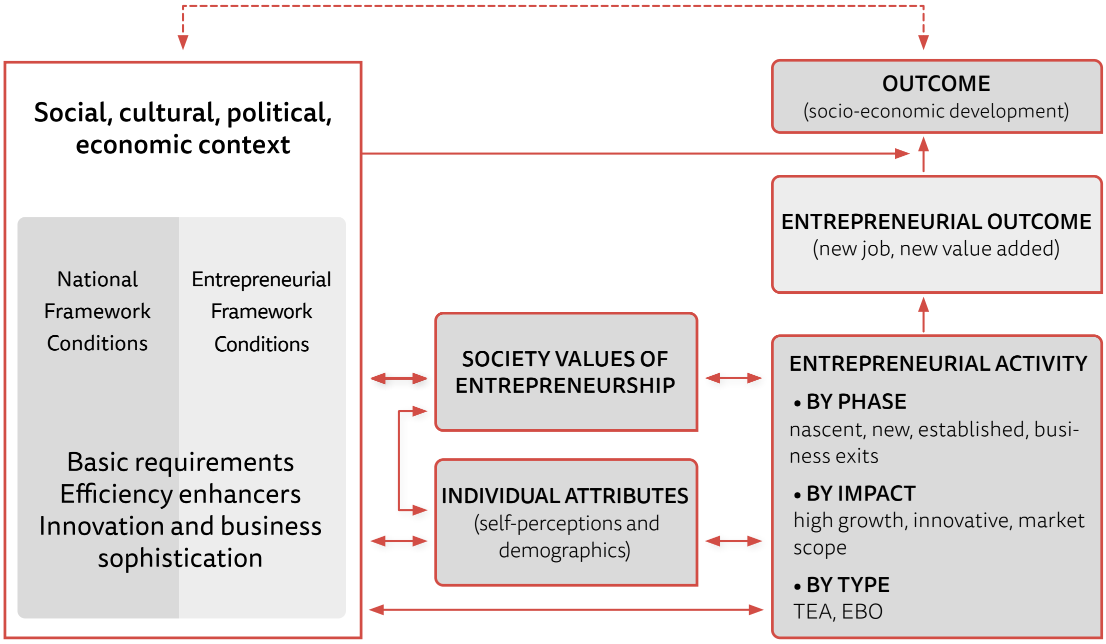
- Does the level of entrepreneurial activity differ between countries, and if so, to what extent?
- Does the level of entrepreneurial activity affect a country's rate of economic growth and prosperity?
- What makes a country entrepreneurial and what factors influence entrepreneurial activity?

To uncover the link between entrepreneurship and national economic development, the GEM has developed a conceptual framework along the following objectives (Figure 29.): The model should achieve the following:

- enable comparisons of the level of entrepreneurial activity among countries, geographical regions, and levels of economic development;
- make it possible to determine the extent to which entrepreneurial activity influences economic growth within each economy;
- help identify the factors that encourage and/or discourage entrepreneurship (in particular, the links among the national framework conditions for entrepreneurship, social values, personal characteristics, and entrepreneurial activity);
- monitor entrepreneurial attitudes, activities and aspirations within countries and provide the basis for the annual national assessment of the entrepreneurial sector; and
- support the development of effective and targeted policies to build the entrepreneurial capacity of countries.

The GEM conceptual framework is based on the premise that economic growth is a consequence of an individual's capacity to identify and exploit business prospects. Apart from personal skills and knowledge, an individual's choice to embark on an entrepreneurial endeavour is shaped by various environmental factors. The determinants of entrepreneurial initiation include the individual's perception of opportunity, their ability to seize that opportunity (motivation and skills), and the surrounding environment. In the GEM framework, the entrepreneurial ecosystem refers to the environment that impacts entrepreneurial activity, which, in turn, has an influence on the environment through social values and economic development (Source: https://gemuae.uaeu.ac.ae/en/framework.shtml).

Figure 29. GEM conceptual framework (Source: GEM Global Report 2023/24)



The GEM framework offers a precise and consistent definition of entrepreneurship and utilizes a well-established methodology to measure and evaluate entrepreneurial activity. The responsibility for data collection and analysis rests with the National Team in each participating country. To gather data, two surveys are conducted in tandem. The Adult Population Survey (APS) investigates the traits, motivations, aspirations, and societal attitudes towards entrepreneurship among individuals who have initiated a business. The National Expert Survey (NES), meanwhile, solicits evaluations from a minimum of 36 experts, who are endorsed by the GEM Data Team, regarding the contextual factors influencing entrepreneurship.

Countries participating in the GEM survey and their categorisation

Countries in the GEM data collection are categorised according to World Bank data, based on the income thresholds defined by the GEM (Table 5):

- **low-income countries with a GDP per capita of less than USD 25 000,**
- **middle-income countries with a GDP per capita between USD 25 000 and USD 50 000, and,**
- **high-income countries with a GDP per capita higher than USD 50 000.**

Table 4. Categorisation of countries in the GEM survey (Source: GEM Global Report 2023/24)

Low income countries < 25 000 USD	Middle income countries > 25 000 USD < 50 000 USD	High income countries > 50 000 USD
Brazil	Argentina	United States
South Africa	Chile	United Arab Emirates
Ecuador	Cyprus	United Kingdom
Guatemala	Estonia	France
India	Greece	Netherlands
Iran	Croatia	Canada
Jordan	Israel	Qatar
China	Japan	Republic of Korea
Colombia	Poland	Luxembourg
Mexico	Latvia	Germany
Morocco	Lithuania	Norway
Thailand	**Hungary**	Italy
Ukraine	Oman	Switzerland
Venezuela	Panama	Sweden
	Puerto Rico	Saudi-Arabia
	Romania	Slovenia
	Spain	
	Slovak Republic	
	Uruguay	

Technical details

The Hungarian GEM National Report was based on a representative survey conducted among the Hungarian adult population (APS) and interviews with Hungarian experts (NES).

The technical details of the data collection are set out in the table below.

Table 5. Technical details of data collection

Sampling features	Information
APS	
Target population	Hungarian adult (18–64 age range) population
Target population size	6.465.545
Sample size	2.023
Sample design	Multiple strata—each sampled at identical rate
Type of sample	Random
Sampling period	02. 05.2023.–31.05. 2023.
Interview method	Telephone
Sampling methodology	Random dial from list
Fieldwork carried out by	TÁRKI Social Research Institute
Data recording and SPSS database creation	TÁRKI Social Research Institute
Monitoring, quality control, and final verification	GEM Hungary National Team
NES	
Target population	Experts in entrepreneurship
Sample	36 experts
Type of sample	Convenience sample
Sampling period	16.03.2023.–22.05.2023.
Interview method	Telephone interview
Fieldwork carried out by	Budapest Business University
Data recording and SPSS database creation	GEM Hungary National Team

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The research was conducted by the BBU Budapest LAB Entrepreneurship Office. The Centre of Excellence for Entrepreneurship at Budapest Business University conducts applied research and participates in international research projects that aim to answer key questions facing the Hungarian business community. In addition to the GEM project, its research focuses on family businesses, start-ups, freelancers, and entrepreneurship education and mentoring. To support the development of entrepreneurial skills and the acquisition of entrepreneurial knowledge, Budapest LAB develops and delivers training courses, workshops, and programs. It shares its accumulated entrepreneurship knowledge in an interesting and consumable way, inspiring entrepreneurs and business owners through its own platforms and collaborations.
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