THE CRITICAL IMPORTANCE OF THE LOAN PROVIDING FUNDS FOR SMALL AND MEDIUM ENTERPRISES DURING THE RECENT FINANCIAL CRISIS

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Abstract

This work attempts to examine the consequences of the crisis on enterprises and on banks, to study enterprises' problems related their access to fundsability, to examine the phenomenon of corruption in Greece especially in state banks, to highlight the problems and inefficacies of local enterprises and finally to focus on the economic lag and underdevelopment in all the local economic sectors in Regional Unity of Serres. As regard as the empirical research, it deals with the data extracted from a questionnaire addressed to local entrepreneurs. The results are analysed with the help of the methods of descriptive statistics and correlations. The research main conclusion is that the reduction of the funds provided by the banks to the market resulted in the deterioration of the recession. It is worth referring to the fact that the statistical data extracted from the empirical research are similar to those deduced from the results of the researches that have been referred to in bibliography.

Keywords: Financial crisis, Loan providing funds, Local entrepreneurship, Regional Unity of Serres
JEL Classification: R0

Introduction

It is common knowledge that today's crisis could be compared to that of the 1929's . The consequences of the turmoil on the banking sector are remarkable.
During the past decades our country has suffered from 4 bankruptcies. An on depth analysis of the consequences' of bankrupts and recessions in Greece helps to study the today's crisis.
The widely extended corruption throughout all the economic activities is one of the main economic problems in Greece as Greece adopts practices from eastern countries (Doole & Lowe 2005). State banks are also considered to be contaminated from corruption. Micro-entrepreneurs' answers in the empirical research confirm that there is a strong belief about the existence of corruption and mistreatment phenomena in state banks as regard as loan providing process.
Apparently the Greek state supported SME's with the implementation of specialised programmes through state guarantees. It is worth mentioning to creation of moral hazards due to state guarantees.
The use of statistical data from the Bank of Greece and the Agricultural Bank of Greece (both state banks up today) communicates the information that banks have drastically diminished loan providing both in individuals and enterprises. Furthermore, the increase on interest rate has deteriorated borrowers' position. As the consequences of the great reduction of loan providing funds to Small and Medium Enterprises (SMEs) are enormous, entrepreneurs have to offer even their own house as collateral when they apply for a loan.

The use of statistical data from Serres Chamber of Commerce and Industry in accordance to our research indicates that in Regional Unity of Serres the economic distress and underdevelopment in all the levels of local economy is obvious. The said findings, are completely verified by the relevant literature. Specifically, according to Samir Amin and to C. Balomenou writings, on turmoil governments schedule programs prefer the criterion of efficiency instead of the criterion of equity (equal and balanced development). Furthermore, as it is well known in Regional Science, in periods of recession, the crisis policy responses, focus on spreading more resources in core regions (Konsolas, 1997) and (Coniglio and Prota, 2011) in order, according to Myrdal theory (cited in Balomenou, 2003, p.132), initially during recession periods, via the procedure of back wash effects (submission of economic resources and mobility of human resources from the periphery to the central / core regions) to straiten the said regions and finally via spread effects (from core/rich central regions to the lagging / poor periphery regions in periods of economical growth to reinforce the lagging areas that are finding it increasingly difficult to cope during economic constructions).

The results of the questionnaire-based research from 74 local entrepreneurs in Regional Unity of Serres are presented in order to indicate the concurrence between the results from the data extracted from local entrepreneurs' answers and the literature. It is worth referring to the fact that we did not use the random sampling method and we focused on these enterprises which received loans in the form of working capital and also we focused on these enterprises which received loans from Greek Guarantee Fund for Small and Very Small Enterprises (TEMPME).The results have been analysing by using descriptive statistical methods, by calculating the mean, the standard deviation and the coefficient of variation. Moreover, the calculation of the statistical moment of distribution, the coefficient correlation was considered necessary for this work.

This work focused on the analysis of the consequences of economical crisis upon SME's. The fact that crisis affected more the new enterprises confirms Porter (1988) writings for new enterprises problems relevant to credit access. In addition, crisis strongly affected also the micro enterprises. Furthermore, the fact that micro entrepreneurs consideration that credit institutions do not support them, confirms Pisaridis cited in Piperopoulos (2007) writings for micro enterprises' defective access to loans.

The main conclusion is that banks decreasing loanable fund providing to the market resulted in the deterioration of the recession.

This paper is organized as follows. In the first part which is the theoretical part are presented the consequences of financial crisis especially upon SME's , corruption in Greece and especially in Greek banks and the statistical data. In the second part which is the empirical one are presented the results of a questionnaire-based research from local entrepreneurs. Finally, the paper ends with the presentation of the research's main conclusions.

Theoretical grounds

Financial crisis and corruption in Greece

Our country, Greece, has suffered from 4 bankruptcies in the past (1827, 1843, 1893, 1932) due to Greece's inability to repay the enormous debt. Global international crisis in the year 1929 was by affected the last bankruptcy (1932).

It is noticeable that ten years ago (2000-2001) a year before Greece's entrance to "Euro zone" Athens's Stock-market collapsed. The so–called "stock-market bladder" affect investor's behavior for the following years.

Today's global credit-finance crisis (2008-2009) has also affected our economy. It is noticeable that international crisis in the year 1929 and today's global crisis both affected credit system and as a consequence many banks were bankrupted.

The Sub-primes may not be the main global-crisis cause, but they were the opportunity for the crisis to appear. Together with the sub-primes, the rising commercial prices, the wide use of derivatives, the lack of transparency on risk apportionment, the fact that credit institutions

have been undertaken too high hazards and hazard's devaluation by rating institutions, the fact that Central banks provided over- liquidity, the decreasing interests, the infected supervisory frame and finally the Hedge funds resulted in the appearance of the recession. Taking under consideration to the above, crisis in United States and in north European Union countries should be characterised as a credit and finance crisis.

On the contrary, crisis in Greece should be characterised as a debt crisis as the main Greece-crisis causes are the failure in fiscal policy which ended in Greece's enormous deficit financing-debt, the lack of plans in production, infrastructure works, education, social security, tourism, agriculture, the increased trade deficit, the incapability of using monetary devaluation and the low effectiveness of Greek economy.

Apparently one of the major economic problems in Greece is the widely extended corruption throughout all the economic activities. According to Doole & Lowe (2005) "In cultures which view bribery as an acceptable business practice, the communication style is more implicit…….In Japan, for example, gift giving practices are wide spread in the business culture…..By contrast, in Northern Europe and the USA managers relay on explicit contract….In some cultures all business gifts are viewed as illegal bribes" (p. 321). Apparently, although Greece belongs in West, in Europe, Greek practises adopt at eastern ones.

As Greece is considered to be one of the "P.I.(I).G.S" in Euro zone, wide corruption takes place almost everywhere –including corruption in state banks. In the second part of this research, the answers to the relevant question "Banks based only on objective and countable criteria to provide funds for an enterprise" 11 up to 16 of the micro enterprises disagreed with this proposal. It is obvious that micro-entrepreneurs believe that other criteria such as bribe are taken into consideration.

It is noticeable to refer to state providing guarantees to enterprises. Greek state supports Small and medium Enterprises (SMEs) with the application of programmes through guarantees. In Greece, the last two years (1-1-2009 up to 7-4-2010) many enterprises took non-interest (at the first Cycle of the program) or low-interest (at the second Cycle of the program) loans through Greek Guarantee Fund for Small and Very Small Enterprises (TEMPME in Greek language). The main condition of the first Cycle is that every enterprise should have 3 profitable financial years in succession during the last three years of their profit and loss accounts. As a result of the previous strict condition, micro and new enterprises were excluded from the benefit of the non-interest funds. The condition of the second Cycle that every enterprise should succeed in achieving a positive profit mean of their last three financial years in succession, in their profit and loss accounts finally allowed more business to benefit from the low-interest loans.

   We will analyze in the second part of this research that many businessmen who never received other kinds of loans benefit from the non-interest or low-interest loans taking loans from TEMPME. The use of non-interest funds by businessmen who never received other kinds of loan did not help liquidity to be transferred to real economy. As a consequence to the above, the recession in our country has been deteriorated. Taking into consideration the fact that the Greek government is aiming to provide to the Greek banks guarantees up to 30 billion Euros, state should reassign the terms of guarantee funds.

In addition, it is worth noting the moral hazard due to state guarantees. According to the law, banks use the same criteria in order to provide funds for enterprises whether there are guarantees or not. Unfortunately the banks provide state guarantee funds not only to those enterprises which have the ability to repay their debt, (the credible ones) but to almost every enterprise, even those enterprises which are likely to go bankrupt. During the summer of 2010, the Greek government provided state guarantees to tomato-industries in order to repay the tomato-producer farmers for the year 2009 (that is to say tomato-industries owed money to tomato-producer farmers for a period up to a year). In Serres alone, the guarantees raised to 5 million Euros as it was published in local newspapers. According to recent Under-Minister of Finance Decision, due to financial recession, tomato industries have the faculty to regulate these guarantee loans with the term of repaying the loan from the year 2013 up to the

year 2022 including period of grace for the years 2011-2012. Taking into account the terms of repaying the loans to all the Greek Banks, no bank would ever provide loans to industries such as the above described and no bank would ever provide loans with the above terms.

Additionally, the inequalities firstly on the fund access and secondly on the loan terms between guarantee and non guarantee loans boost corruption in Greece and deteriorate the turmoil.

This part ends with the argument of the ex-president of Commercial Union of Serres: "The problem which micro and small enterprises confront is the low consumption from our customers as they become poorer. Without increasing customers' consumption the only real outcome that will occur for the enterprises is the increasing debt. This debt under those circumstances would probably never be paid-off."

Impact of the Crisis on Banking Sector in Local and National Level

It is unanimously agreed that banks provide funds to enterprises and individuals based mainly on the criterion of the level of the undertaken risk. Each borrower has to succeed in persuading a bank that the undertaken risk, from its loan providing, is acceptable. Turmoil has strongly affected bank policy.

The main impact of the crisis on the banking sector is high reduction of the providing loans. Apart from the fact that there is an enormous reduction of the total revenue of enterprises, furthermore entrepreneurs can not obtain loans based on personal guarantee, and they have to offer their own house as collateral.

According to "Bank of Greece" press release (1st February 2011): «The annual growth rate of total credit granted to the domestic private sector decelerated further to -0.2% in December 2010, from 0.4% in November 2010 and 4.1% in December 2009. This development reflects the decrease of the annual growth rate of credit to enterprises as well as to individuals and private non-profit institutions».

In table1 we depict some data.

Table 1: CREDIT (1),(2)TO THE DOMESTIC PRIVATE SECTOR
(Outstanding amounts and net flows in EUR millions)

	DEC. 2009	OCT. 2010	NOV. 2010	DEC. 2010
I. TOTAL				
Outstanding amount of credit	253.379	260.992	261.660	257.127
monthly net flow	1.888	-661	-835	300
(%) 12-month change	4,1%	1,0%	0,4%	-0,2%
II. ENTERPRISES				
Outstanding amount of credit	133.745	126.988	127.588	123.072
monthly net flow	1.182	-387	-533	488
(%) 12-month change	5,1%	2,2%	1,6%	1,0%
1. Agriculture				
Outstanding amount of credit	3.962	2.051	2.052	2.060
(%) 12-month change	3,8%	0,8%	-0,3%	1,1%
2. Industry				
Outstanding amount of credit	23.685	25.542	25.383	24.269
(%) 12-month change	-3,5%	-0,8%	-1,6%	-2,9%
3. Trade				
Outstanding amount of credit	33.519	25.663	25.595	25.356
(%) 12-month change	4,2%	-1,9%	-1,5%	-3,5%
4. Tourism				
Outstanding amount of credit	7.358	7.237	7.292	7.355
(%) 12-month change	7,8%	4,3%	3,8%	2,9%
5. Shipping				
Outstanding amount of credit	10.031	17.141	18.108	17.489

(%) 12-month change	4,1%	7,4%	7,0%	4,1%
6. Other financial institutions				
Outstanding amount of credit	6.125	6.408	6.240	6.604
(%) 12-month change	5,4%	3,7%	-1,1%	7,9%
7. Construction				
Outstanding amount of credit	11.441	11.216	11.227	11.327
(%) 12-month change	2,7%	2,7%	1,4%	1,9%
8. Electricity - Gas - Water				
Outstanding amount of credit	4.021	4.684	4.621	5.155
(%) 12-month change	14,7%	23,7%	20,9%	21,6%
9. Transport services excl. Shipping				
Outstanding amount of credit	5.791	5.383	5.331	1.935
(%) 12-month change	25,5%	-0,5%	-1,4%	-2,7%
10. Remaining branches				
Outstanding amount of credit	27.811	21.663	21.739	21.524
(%) 12-month change	10,3%	4,6%	4,4%	4,2%
III. SOLE PROPRIETORS				
Outstanding amount of credit		16.196	16.152	16.233
monthly net flow		-150	-76	69
(%) 12-month change		0,1%	-1,0%	-0,8%
IV. INDIVIDUALS & PRIVATE NON-PROFIT INSTITUTIONS				
Outstanding amount of credit	119.635	117.808	117.919	117.823
monthly net flow	705	-123	-227	-257
(%) 12-month change	3,1%	-0,1%	-0,6%	-1,4%
1. Housing loans				
Outstanding amount of credit	80.559	79.957	80.226	80.429
monthly net flow	507	-94	-81	-49
(%) 12-month change	3,7%	0,7%	0,3%	-0,4%
2. Consumer credit				
Outstanding amount of credit	36.044	35.609	35.431	35.068
monthly net flow	144	-112	-163	-268
(%) 12-month change	2,0%	-2,3%	-3,1%	-4,2%
3. Other loans				
Outstanding amount of credit	3.032	2.242	2.263	2.325
monthly net flow	54	84	16	60
(%) 12-month change	-1,1%	4,3%	3,8%	3,9%

[1] The outstanding amounts include loans, holdings of corporate bonds, as well as securitised loans and corporate bonds. In December 2010 the outstanding amounts of credit to specific sectors (industry, transport services excl. shipping and remaining branches) have been affected by the reclassification of certain public corporations from the private to the genenal government sector, following a relevant decision of ELSTAT (15 November 2010). This reclassification does not affect the growth rates and the net flows of credit expansion.

[2] As of June 2010, credit to sole proprietors constitutes a separate category and is not included in credit to enterprises in accordance to ESA-95.

Source: Bank of Greece- February2011

It is obvious that banks have reduced the providing funds. For example, the loans in Agriculture sector were reduced from 3.962 million Euros in December 2009 to 2.060 million Euros in December 2010. That is to say a farmer who could take by the form of working capital 5.000 € now he can take only the half (2.500 €).

In addition, due to real estate price devaluation, individuals who applying for a mortgage loan, either they have to have at least the 25% of the home value in cash, or they have to offer and a secondary mortgage (for example land). Thus, young couples face difficulties in getting their own house.

Also, as rubber cheques are increasing due to crisis, entrepreneurs who gave cheques for security, now they have to offer more cheques to get the same amount. For example, before

the crisis businessmen offered a 1.000€ cheque to get a loan of 850€, nowadays, they offer a 1.000€ cheque to get a loan of 750€.

Moreover, two years ago Greek banks gave loans (including working capitals) based only on businessman's personal guarantee. Case in point was the so called "Smart Business" in ATEbank. Businessmen could take up to 50.000 € by making use of this particular product without any security for the debt. Nowadays all these flexible loans have been abandoned. Entrepreneurs ought to offer either cheques (with the above described terms) or mortgages as their own house. Besides that, all overdrafts have been prohibited.

Other impact of the crisis on the banking sector is the increasing interest rates. In tables 2 and 3 we depict some data. It is noticeable that all loans based only on variable interest rates. Due to insecure financial environment, Greek banks have cancelled loan products based on fixed interest rates.

Table 2: Interest rates on new euro-denominated deposits and loans

		October 2010	November 2010	December 2010
DEPOSITS	Overnight from households	0.47	0.49	0.50
	Overnight from non-financial corporations	0.34	0.35	0.36
	From households with an agreed maturity of up to 1 year	3.68	3.65	3.68
LOANS	Consumer without a defined maturity	14.29	14.41	14.40
	Corporate without a defined maturity	6.56	6.62	6.79
	To sole proprietors without a defined maturity	9.43	9.47	9.57
	Corporate with a fixed maturity at a floating rate or with an initial fixation period of up to 1 year rate: -loans up to an amount of EUR 1 million -loans above EUR 1 million	5.94 5.32	6.14 4.91	6.32 4.95
	Housing at a floating rate or with an initial fixation period of up to 1 year	3.72	3.67	3.65
	Housing with an initial fixation period of over one and up to 5 years	3.99	3.95	3.95

Source: Bank of Greece- February2011

Table 3: Average interest rates on outstanding amounts of euro-denominated deposits and loans

		October 2010	November 2010	December 2010
DEPOSITS	From households with an agreed maturity of up to 2 years	3.44	3.46	3.47
	From non-financial corporations with an agreed maturity of up to 2 years	3.67	3.55	3.61
LOANS	Housing with over 5 years' maturity	3.68	3.68	3.67
	Corporate with over 5 years' maturity	4.48	4.68	4.75
	To sole proprietors with over 5 years' maturity	5.35	5.42	5.48

Source: Bank of Greece- February2011

The mentionable interest increasing is also depicted on figure 4 below. ATEbank, a state bank announced the huge interest rate increase (approximately 1% on investment loans and working capitals) last August during summer holidays.

Figure 4: Interest rates on euro-denominated loans at ATEbank

	March 2010	**February 2011**
Housing loans	5,57	6,52
Consumer credit	6,12	6,52
Investment loans	7,62	8,67
short-term loan	7,15	6,67
working capital	6,67%	7,62%
farmer's working capital	6,12%	6,52%

Source: Agricultural Bank of Greece- February2011

Coming to conclusion, the huge interest rate increase which took place the last twelve months have deteriorated turmoil in Greece.

Finally a different impact of the crisis on the banks is the fact that banks make efforts to reduce their cost. We will present two examples for two Greek banks which face difficulties in passing the stress tests last July-in fact Atebank failed at the stress test. The first bank, Agricultural bank of Greece (ATEbank) which is characterized as a state bank, decided to reduce services in 50 branches in rural areas (3 of them in Former Prefecture of Serres). In order to avoid local villager's reactions, ATEbank announced that during the first stage these bank branches will not provide loans and at the second stage (after a year or so) the bank will reconsider if these branches will finally close or not. As we will see at the forth part according to local entrepreneurs, the companies which situated near a bank branch consider that the existence of a bank branch not only help them but also supports local development. As a consequence of the great depression, a state bank, ATEbank is planning to close 10% of its branches. It is worth referring to one of these branches, the branch of ATEbank at the village Proti Serron. Proti is the homeland of 2 former Prime Ministers, both named Konstantinos Karamanlis. The first K. Karamanlis was also President for 10 years. In order to reduce cost, ATEbank would probably can not even avoid closing even the branch of Proti. Piraeus Bank is facing its financial problems by initiating a sabbatical leave program for its employees in Greece (approximately 5.000) while this program will be extended to the rest 8.000 employees of the group at a later stage. The bank announced last November that each employee will have the option to leave for 1-3 years. The participating employees will receive 40% of their payroll in the first two years and 50% in the third year, while their position is guaranteed post the finalization of the sabbatical. Piraeus, through this program, aims to achieve the reduction of its cost-base, which is dictated by the challenging operating environment. It also avoids layoffs, which would cause reactions from the unions.

Coming to a conclusion, the main consequence of the turmoil at the banks is the high reduction of providing funds either to enterprises or individuals. As banks do not provide the necessary funds to enterprises or individuals, Greece' economy entered to a vicious cycle of underdevelopment and recession.This part ends with the argument of a local businessman who participated in our research last winter. He stated "When sun shined banks gave me an umbrella and all of the sudden when the rain starts, banks took the umbrella away."

Recession on Regional Unity of Serres [1] - Central Macedonia – Greece
As it is portrayed by the map below, Serres is located at the north Greece, specifically at the Bulgarian border.

Map of Greece

The table below depicts the number or enterprises at prefecture of Serres.

Table1

NUMBER OF ENTERPRISES AT THE PREFECTURE OF SERRES	
COMMERCIAL	4.180
SECONDARY INDUSTRY	4.026
SERVICES	5.897
TOTAL	14.103

SOURCE: SERRES CHAMBER /JANUARY 2010

 (1) Until the end of 2010, Greece consisted of 13 administrative regions known as Peripheries of Greece, which are further subdivided into 3 super-prefectures and 54 prefectures or counties or Boroughs such as Borough of Serres. Recently, from January 2011, Greek government made some serious efforts to shortcut governmental administrative costs, through the new legislation known as "Kallikratis". As a main tool revoke all prefectures and create 13 administrative regions and named them peripheries. In additional former Prefectures named Regional Unities.

The number or enterprises in Regional Unity of Serres 7 years ago (2004) was 14.156 and the enterprises total turnover 6 years ago (2004) was amounted to 1.599.745.459 € and it made up the 0.85% of the total revenue in Greece, while the population of Serres is up to 200.000 (2% of the Greek population).
That is to say, years before the depression, Serres suffered from underdevelopment. In communication with the members of the "Serres Chamber of Commerce and Industry" the number of enterprises in former prefecture of Serres has not fluctuated until today (February 2011). Walking in the commercial streets in the city of Serres we meet numerous of closed and abandoned shops. The given explanation was that enterprises have moved to cheaper Streets or businessmen prefer to situate themselves in cheaper floor apartments. More specifically, enterprises which provide services can no longer afford the high rent of a ground shop.
We conducted a study on "Ditikis Trhakis" street, a commercial street at the city of Serres before the crisis. We found 2 neighbouring shops which closed during the last 6 months. Now, both shops are for rent. The first belonged to a company which sold kitchen cupboards and the second shop belonged to a tailor. We interviewed both of the above shop owners.

Those who sold kitchen cupboards claimed that they forced to move to their private property away from the commercial centre in order not to pay rent and the tailor found a better and cheaper place just across the street. Next to the two reffered above shops, we found other 6 closed shops which now are offered for rent.

In addition, it has been formed a status of an abandoned "Industry Zone". These closed enterprises have laid off hundred of employees last year. According to the state of the president of "Labour Centre of the Department of Serres" Alkis Apidopoulos:"Labors Force Employment Organization announced that unemployment rises on 17.5%. We estimate that real unemployment in our prefecture rises on 35%". The president added "Local labours suffer from blackmails and they force to sign new contracts based on lower wages. The older workers will replaced by younger ones who are satisfied by lower salaries. Many enterprises have already hire Bulgarian labors who work uninsured (black work as they called in Greek language), while all but two of the local enterprises either they have reduce the working days, or they have reduce the working hours per day, or they have reduce the wages."

It is mentionable to refer to the demographic characteristics of Serres. According to 2001 census (the last on Greece) the 53.1 % of Serres are farmers. That is to say they will not starve during the crisis as they produce either wheat, or meat, or milk, or fruits as cherries, or vegetables or olive oil. Although micro-farmers do not face starvation, they are in fact out of employment as they work less than 200 hours every year.

Finally, we will end this part with a reference to the connection between crisis and regional development. It is accepted opinion that crisis is deeper at the poor regions of our country. According to Samir Amin (Le Monde-Diplomatique, republished at newspaper "Ta Nea" 1993) "funds and commercials mobility is enormous on capitalism while immigration is restricted. This situation enhances polarity". The same writer supports on Greek American News Agency (25-10-2008) that "Depression is unavoidable". Eventually, according to Balomenou (2003) "While on scheduling programmes for financial development, especially during periods of recession, we should choose the criterion <efficiency>" (p.336). Thus the criterion <equity> comes second. As a result to the above, the underdevelopment area of Serres, regional development will never take place. In the forth part of this research, the answers to the relevant question were that crisis affected more the enterprises situated at towns as New Zihni.

Questionnaire-based Research on local Entrepreneurs

1. Methodology implementation- Descriptive statistics and correlations

We will analyze the results using either the variables 1 for very much, 2 for little and 3 for not at all (at the questions with 3 choices), or 1 for agree absolutely, 2 for agree enough, 3 for agree a little, 4 for disagree a little, 5 for disagree enough and 6 for disagree absolutely (at the questions with 6 choices). Thus we will calculate the main descriptive statistical measures, the mean, the standard deviation and the coefficient of variation. We will also calculate the statistical moment of distribution, the coefficient correlation.

2. Data

Seventy four entrepreneurs participate in the following research. The research took place from 1-12-2009 to 12-2-2010. There was wide dispersion, according to the size of the enterprises, so there were micro enterprises of self-employed up to medium industries. In additional companies administration buildings were situated either in the city of Serres (population 100.000), or in smaller towns of the county with population 5.000 to 10.000, or even in very little villages (population less than 1.000). The purposes of our research made us not to use the random sampling method. On the contrary, we focused on these enterprises which received loans in the form of working capital and also we focused on these enterprises which received loans from Greek Guarantee Fund for Small and Very Small Enterprises (TEMPME)
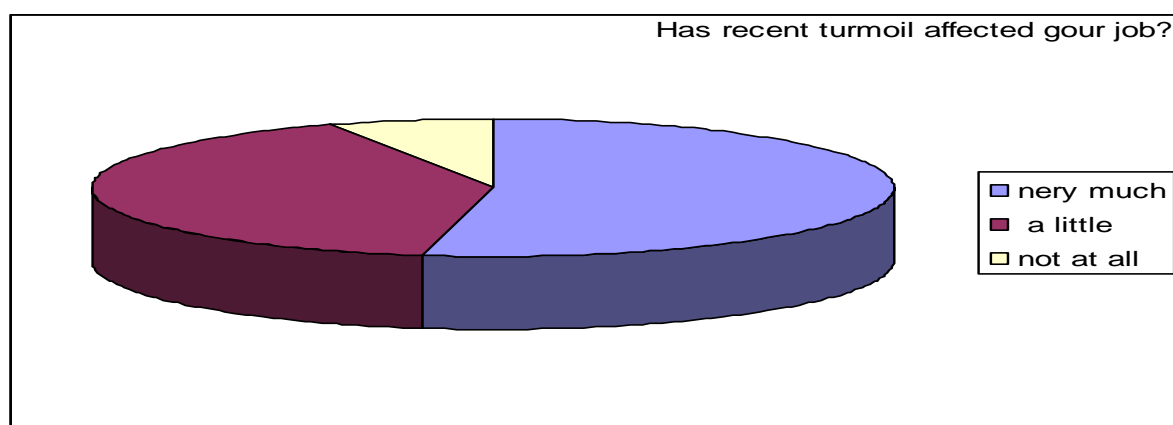
3. Results

3a.Results in relation to the consequences of crisis

Taking under consideration to the fact that the research took place during the winter of 2009-2010, before Greece's referring to the help of International Monetary Fund, the 53% of the businessmen considered that the recent turmoil has severely affected their jobs, the 40% of the businessmen considered that the recent turmoil has affected their jobs and only 7% of the businessmen considered that the recent turmoil has not affected their jobs. Businessmen considered that the crisis has not affected their jobs, either they sell basic foodstuffs, or they provide services as repairing shoes and clothes.
The results are depicted at the figure 1, below.

Figure1: Has recent turmoil affected your job?

| very much	a little	not at all
39	30	5

Analyzing the results the average using the variables 1 for very much, 2 for a little, 3 for not at all, the average is 1,54, standard deviation is 16,69 and the coefficient of variation is 10,83. That is to say recent turmoil affected enough entrepreneurs' job.
Four months ago, a local entrepreneur who participated in this research, went bankrupt. His industry produced yoghurt and a variety of white and yellow cheeses. The entrepreneur commented that "customers buy only 100 grams of cheese while before recession they bought kilos".
It is noticeable that the enterprises which were not affected from the crisis are all at the stage of maturity, while enterprises at the stage of introduction, those at the stage of growth and those at the stage of decline have been affected from the crisis. The results are depicted at the figure 2, below.

Figure 2: Has recent turmoil affected your job according to the stages of the life cycle of enterprises?

	very much	a little	not at all
introduction	4	4	0
growth	7	6	0
maturity	11	8	5
decline	17	12	0
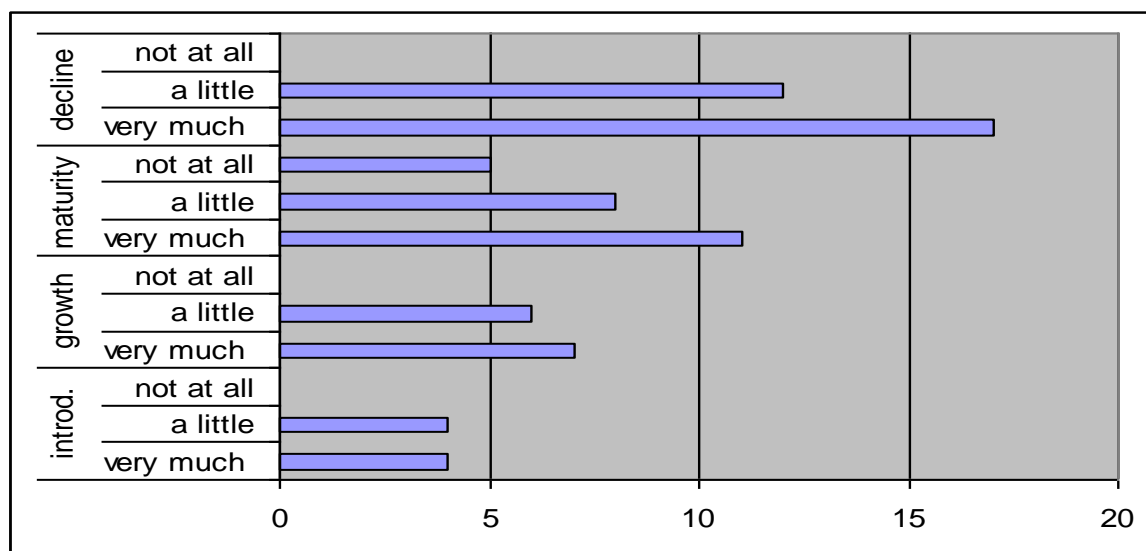
Analyzing the results using the same variables as above 1,2,3, the average at the introduction stage is 1,50, standard deviation is 1,63, the coefficient of variation is 1,08 and coefficient correlation is 0,76, at the growth stage the average is 1,46, standard deviation is 2,77, the coefficient of variation is 1,91 and coefficient correlation is 0,92, at the maturity stage the average is 1,75, standard deviation is 3,85, the coefficient of variation is 2,19 and coefficient correlation is 0,96 and finally at the decline stage the average is 1,41, standard deviation is 6,97, the coefficient of variation is 4,929278 and coefficient correlation is 0,98. It is noteworthy that there is high correlation between the answers given by subgroups of businessmen and the answers given by the whole sample when the sample is of sufficient size. When the sample is too small as the sample of new enterprises (just 8), statistically significant conclusions can not be exported. New entrepreneurs' answers' are just indicative.

We come to the conclusion that crisis affected more intense enterprises at the stage of decline (average 1,41), at the stage of growth and new enterprises (average 1,50). According to Porter (1988,) «As a result of newness, the high level of uncertainty, customer confusion, and erratic quality, the emerging industry's image and credibility with the financial community may be poor»(p. 223). Thus, new enterprises not only face difficulties in accessing to funds but in addition they have been more affected by the crisis than the older ones.

As is has been referred above, it is mentionable that crisis affected more the enterprises situated at towns as New Zihni or city of Serres. Enterprises situated at big villages (population up to 1.000) or small villages (population less than 1.000) have not been affected at the same degree.

The results are depicted at the figure 3, below:

Figure 3: Has recent turmoil affected your job according to where the company's administration buildings situated?

|	*very much*	*a little*	*not at all*
city of Serres	21	23	2
towns	7	2	0
big villages	3	1	1
small villages	8	4	2
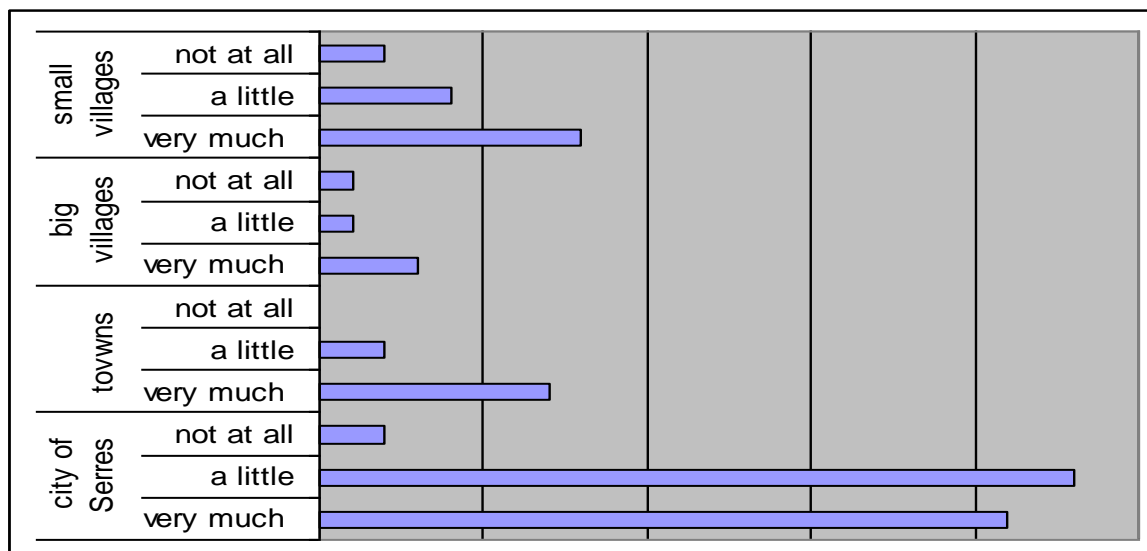
Analyzing the results using the same variables 1,2,3, at city of Serres the average is 1,57, standard deviation is 10,37, the coefficient of variation is 6,53 and coefficient correlation is 0,97, at towns the average is 1,22, standard deviation is 2,43, the coefficient of variation is 1,98 and coefficient correlation is 0,75, at big villages the average is 1,6, standard deviation is 0,98, the coefficient of variation is 0,61 and coefficient correlation is 0,23 (the sample was only 4 enterprises) and finally at small villages the average is 1,57, standard deviation is 2,50, the coefficient of variation is 1,59 and coefficient correlation is 0,91. It is noteworthy that there is high correlation between the answers given by subgroups of businessmen and the answers given by the whole sample when the sample is of sufficient size. When the sample is too small as the sample of enterprises cited on towns (just 9), or big villages (just 4), statistically significant conclusions can not be exported. Those entrepreneurs' answers' are just indicative.

We know that crisis affects more the underdevelopment areas. As it is referred to Bibliography (Samir Amin 1993) crisis affect more the poor regions. The paradox can be explained as there was a lag on crisis' appearance on rural areas (our research took place before Greece's referring to the help of I.M.F.). In additional, Hellenic Statistical Authority announced that 60.000 people returned to their villages last year as in villages they do not face starvation. Unfortunately, in Athens and Thessaloniki, the increasing number of unemployed leads to rapidly increasing poverty. Eventually, only a few enterprises have been remained at the villages. These few enterprises can de outlasted by the recession.

It is noticeable that crisis affected more micro enterprises while small and medium-small enterprises have not been affected at the same degree. On the contrary, medium enterprises either they suffer from the crisis or they became stronger.The results are depicted at the figure 4, below:

Figure 4: Has recent turmoil affected your job according to the size of the enterprise?

	very much	*a little*	*not at all*
micro enterprises	9	7	0
small enterprises	16	12	3
small-medium enterprises	10	9	1
medium enterprises	4	2	1
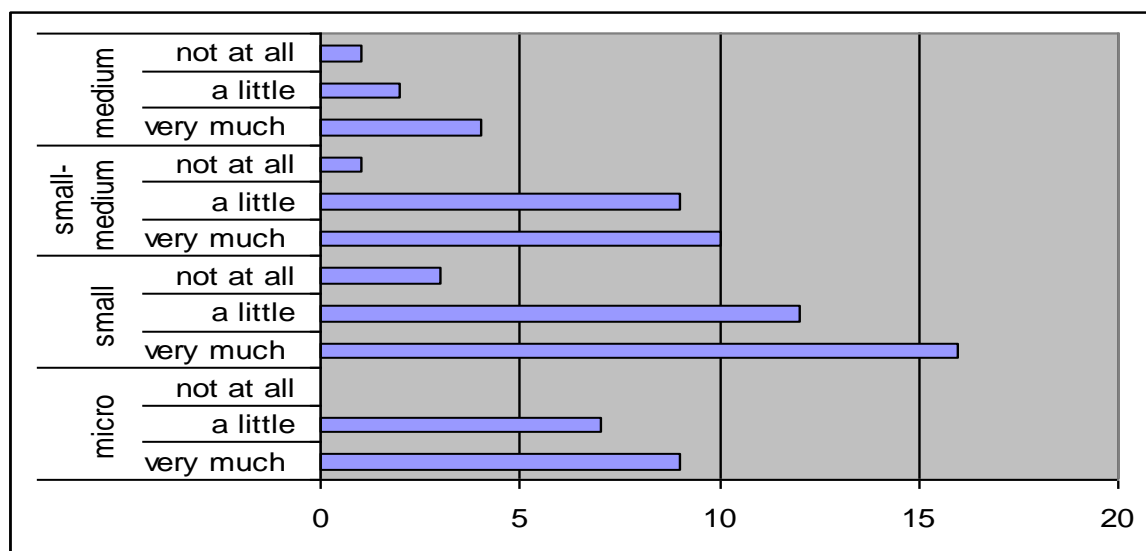
Analyzing the results using the same variables 1,2,3, at micro enterprises the average is 1,43, standard deviation is 3,56, the coefficient of variation is 2.45 and coefficient correlation is 0,94, at small enterprises the average is 1,58, standard deviation is 6,24, the coefficient of variation is 3,50 and coefficient correlation is 0,98, at small-medium enterprises the average is 1,55, standard deviation is 4,08, the coefficient of variation is 2,63 and coefficient correlation is 0,97 and finally at medium enterprises the average is 1,57, standard deviation is 1,17, the coefficient of variation is 0,74 and coefficient correlation is 0,63 (the sample was only 6 enterprises). Again, it is noticeable that there is high correlation between the answers given by subgroups of businessmen and the answers given by the whole sample when the sample is of sufficient size. When the sample is too small as the sample of medium enterprises (just 7), statistically significant conclusions can not be exported. Those entrepreneurs' answers' are just indicative.

According to Pisaridis, cited in Piperopoulos (2007) "in every type of economy, smaller enterprises are punished by facing higher interest rates than bigger enterprises" Thus, smaller enterprises not only face higher interest rates but in addition they have been more affected by the crisis than the bigger ones.

2b. General Results

The main extracts of our empirical research are the followings:

1) All but one of the enterprises cooperates with a bank and the great majority appears to be satisfied with this cooperation. Some entrepreneurs comment that their bank choice is made using the criterion of providing to the maximum service. They added that there are numerous of banks in Greece today to choose the most suitable for them.

2) The majority (73%) received bank loan in the form of working capital and they believe that this method of finance strengthen their jobs. As it is mentioned above we did not use the random sampling method as many enterprises in Greece have no access to loans.

3) As it is mentioned above we did not use the random sampling method. Thus 28 up to 74 entrepreneurs received loans through Greek Guarantee Fund for Small and Very Small Enterprises (TEMPME in Greek language). The majority of those who receive loans from TEMPME believe that TEMPME's assistance was of critical importance. The 50% of those who receive loans from TEMPME took loans up to 100.000 €. It has to be pointed out that bigger enterprises (and not the micro ones) were those who took the non-interest or low-interest funds. Also, 8 up to 9 entrepreneurs who did not manage to benefit from the non-interest or low-interest funds had received other loans. On the contrary, 8 up to 28 entrepreneurs who benefit from the non-interest or low-interest funds have never receive any loan at the past. As it is mentioned on the first part, the use of non-interest funds by

businessmen who never received other kinds of loan did not help liquidity to be transferred to real economy. Thus, state should reassign the terms of guarantee funds.

4) The companies which situated near a bank branch consider that the existence of a bank branch help not only them but also supports local development.

5) Enterprises at the stage of growth and maturity are those which received the maximum support, while state applied a common policy with the banks and was indifferent to the increasing financial needs of new enterprises. Thus, as we presented above, enterprises at the stage of maturity have more chances to overcome crisis in comparison to new enterprises.

6) As it already has been referred to the question "Banks based only on objective and countable criteria for provide funds for an enterprise?" micro enterprises rejected the above state, while all medium enterprises approved it. The results are depicted at the figure 2, below.

Figure2: Banks based only on objective and countable criteria for provide funds for an enterprise?

|	*agree*			*disagree*		
	absolutely	*enough*	*little*	*little*	*enough*	*absolutely*
micro enterprises	0	1	4	2	3	6
small enterprises	6	12	5	3	5	0
small-medium enterprises	7	7	3	0	2	2
medium enterprises	2	2	2	0	0	0
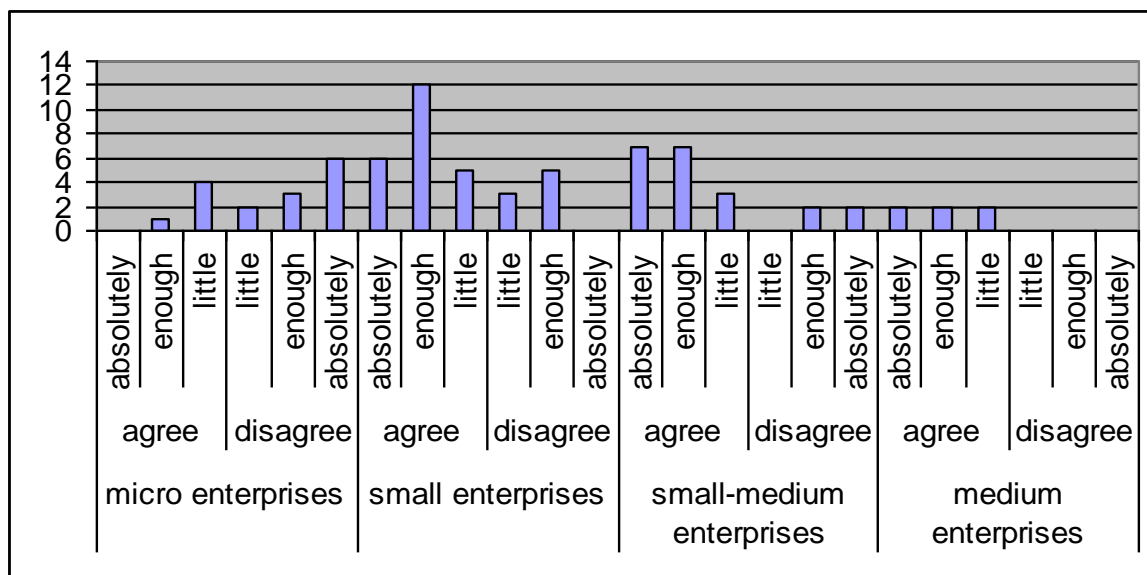
 Analyzing the results using the variables 1 for agree very much, 2 for agree enough,3 for agree a little, 4 for disagree a little, 5 for disagree enough, 6 for disagree very much, at micro enterprises the average is 4,56, standard deviation is 1,97, the coefficient of variation is 0,432926 and coefficient correlation is -,26, at small enterprises the average is 2,64, standard deviation is 3,08, the coefficient of variation is 1,17 and coefficient correlation is 0,79, at small-medium enterprises the average is 2,48, standard deviation is 2,31, the coefficient of variation is 0,93 and coefficient correlation is 0,60 and finally at   medium enterprises the average is 2, standard deviation is 1,96, the coefficient of variation is 0,98 and coefficient correlation is -0,15. It is noticeable to refer to the fact that no correlation exist between answers given by sub groups and answers given by the whole sample.

7) In the question "Do banks support SMEs?" the bigger the enterprises are the more they consider that banks support SMEs. At figure 3 below we portray the results.

Figure3: Do banks support SMEs?

	very much	*a little*	*not at all*
micro enterprises	1	6	9
small enterprises	5	20	6
small-medium enterprises	7	11	3
medium enterprises	5	1	0
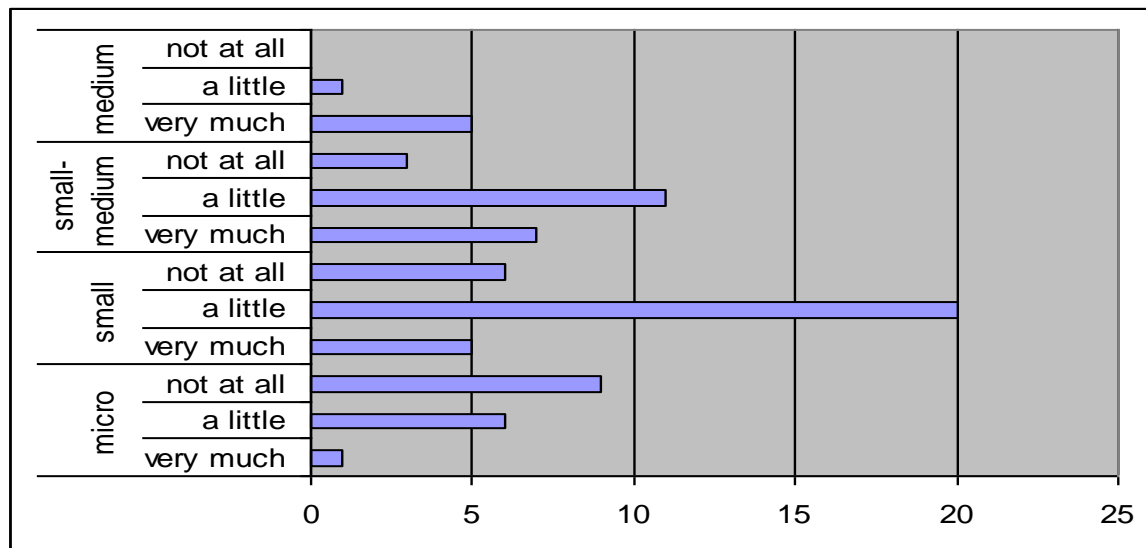
Analyzing the results using the variables 1,2,3 at micro enterprises the average is 2,5, standard deviation is 3,20, the coefficient of variation is 1,28 and coefficient correlation is 0,55, at small enterprises the average is 2,03, standard deviation is 7,03, the coefficient of variation is 3,46 and coefficient correlation is 0,95, at small-medium enterprises the average is 1,81, standard deviation is 3,78, the coefficient of variation is 2,09 and coefficient correlation is 0,92 and finally at medium enterprises the average is 1,17, standard deviation is 1,78, the coefficient of variation is 1,53 and coefficient correlation is -0,14. It is noticeable to refer to the fact that no correlation exist between answers given by sub groups and answers given by the whole sample.

CONCLUSIONS

It is common sense that Greece is in the middle of the greatest post-war financial recession. While the awful crisis, banks do not foster enough to enterprises.

Credit institutions having totally adopted the policy to reduce risks, cooperate mainly with those enterprises which are very credible. In connection with the fact that financial turmoil had severely affected SMEs, as it is deducted from our empirical research and data extracted from Hellenic Statistical Authority, banks decreasing the fund providing to the market resulted in the deterioration of the recession.

Taking under consideration the fact that Greek government provides guarantee funds to enterprises and it is going to provide more 30 billion Euros, there has to be existed a system consisting of lower barriers towards loan able funds to more firms. As it is deducted from our empirical research evidence and the relevant literature, at the recent past, the use of non-interest funds by businessmen who never received other kinds of loan did not help liquidity to be transferred to real economy. So, it is high priority to emphasize the crucial role of industrial policy, and more specifically the necessity of reviewing / reassigning the terms of guarantee funding funds and generally the whole procedure of evaluation and assessment of the investment plans in order to reduce or completely avoid the smouldering moral hazard. It is by definition true that, whenever whoever (entrepreneurs, commercial banks, depositors etc)/in our occasion entrepreneurs, do not need to bear the full consequences of their actions, will behave irresponsibly, in the sense that they take more risk than they would do otherwise. Whereas, the point is that, if the entrepreneurs know that their companies will be bailed out

by the government in case of not being conformed to the terms of the signed guarantees, this fact does not give them much comfort and in this case, guarantees will not create moral hazart on the part of entrepreneurs (Ha-Joon Chang,2000).

Regarding our case study, we observe that crisis is deeper at the poor regions of our Country. Something that is in reliance to the relevant literature (Konsolas, N. 1997), Balomenou. C (2003), (in recession periods, at the great dilemma of regional science << efficiency versus equity>> policy makers prefer the criterion of efficiency). In other words the supporting of core regions). In this view, the underdeveloped area of Serres will not be expected to be reinforced, at least during the next 3 years.

Coming to an end, we would like to underline that, as it is well known, for decades, banks contribution to the supporting of SMEs and consequently to local entrepreneurship and endogenous regional growth was significant. Whereas, nowadays, as it is deducted from our empirical research and the relevant bibliography, due to the economic crisis, the current strategic business plans of the banks, focuses on reducing, via their branches mercers, the existing wide branches' network. Thus, we suppose that banks contribution to regional development is strongly deteriorated. Therefore,

it is doubtful whether banks continue to reinforce SMEs and play their social role in Greece or not, However, we hope that finally banks, after their recapitalization, will come up to the expectations of the society .

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