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Conference Paper

CONSEQUENCES OF FINANCIAL CRISIS ON LOAN PROVIDING FUNDS FOR SMALL & MEDIUM ENTERPRISES FORMER PREFECTURE OF SERRES - GREECE

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CONSEQUENCES OF FINANCIAL CRISIS ON LOAN PROVIDING FUNDS FOR SMALL & MEDIUM ENTERPRISES

FORMER PREFECTURE OF SERRES -GREECE

(Special Session ZZQ SS: The impact of Global Financial Crisis on the Banking Sector, in local – national –international Level)

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ABSTRACT

It is common knowledge that Small and Medium enterprises make up the backbone of the Greek economy. Nowadays during the greatest post war financial crisis, the fund availability critically determines the survival and the development of almost every enterprise.

In the first part of this presentation we will refer to the financial crisis in Greece. Apparently one of the major economic problems in our country is the widely extended corruption throughout all the economic activities including corruption On banks.

In the second part we will present the impact of the recession on the banking sector in local and national level and the consequences of the great reduction of loan providing funds to Small and Medium Enterprises (SMEs). We will present the fact that nowadays, entrepreneurs can not obtain loans based on personal guarantee, and they have to offer their own house as collateral.

In the third part we will refer to Serres, former prefecture of Greece, where the economic inability and underdevelopment to all the levels of local economy is obvious. We will also refer to the fact that while on turmoil governments schedule programs using the criterion of efficiency instead of the criterion of equity. Under these circumstances, the area of Serres will never be developed.

In the forth part we will present the results of the questionnaire-based research from the local entrepreneurs in the Prefecture of Serres. We will focus on the consequences of a economical crisis. It is worth referring to the fact that their answers are similar to those deduced from the results of the researches that have been referred to in bibliography.

Finally we will end this presentation with the main conclusions.

KEYWORDS

- Financial crisis
- Loan providing funds
- Local entrepreneurship
- Former Prefecture of Serres

CONSEQUENCES OF FINANCIAL CRISIS ON LOAN PROVIDING FUNDS FOR SMALL & MEDIUM ENTERPRISES FORMER PREFECTURE OF SERRES -GREECE

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INTRODUCTION

It is common knowledge that today's crisis could only be compared to the 1929 crisis. The consequences of the turmoil on the banking sector are enormous.

In the first part we will refer to the crisis in Greece and we will retrospect bankrupts and recessions in Greece during the last century. We will also refer to corruption in our country and we will present state guarantees towards banks and enterprises.

In the second part we will present some data from "Hellenic Statistical Authority" to indicate the impact of the crisis on banks on national level. Also we will refer to a local example and to a national example.

In the third part we will present some data mainly from "Serres Chamber of Commerce and Industry" which indicates the underdevelopment of our area. In additional we will refer to Serres demographic characteristics.

In the forth part we will present the results of our questionnaire-based research from 74 entrepreneurs in Prefecture of Serres. We will focus on the consequences of the recession.

Finally we will end with the main conclusions.

FIRST PART

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.

In the table below we portray the global-crisis causes:

Table 1: Global-crisis causes

1. **Sub-primes**
2. **Rising commercial prices**
3. **Wide use of derivatives**
4. **Lack of transparency on risks apportionment**
5. **Banks have been undertaken high hazards**
6. **Hazard's devaluation by rating institutions**
7. **Central banks provided over-liquidity**
8. **Decreasing interests**
9. **Infected supervisory frame**
10. **Hedge funds**

In the table 2 below we portray the Greece crisis causes:

Table 2: Greece-crisis causes

1. **Failure in fiscal policy (deficit financing-debt)**
2. **Lack of plans in production, infrastructure works, education, Social security, tourism, agriculture**
3. **Trade deficit**
4. **Incapability of using monetary devaluation**
5. **Low effectiveness**

Coming to a conclusion, tCrisis in Greece should be characterised as a **debt crisis** while Crisis in United States and in north European Union countries should be characterised as a **credit and finance crisis**.

Recession could be avoided if an efficiency risk administration existed.

In the table 3 below we portray some characteristics for achieving efficiency risk administration:

Table 3: Efficiency risk administration

1. **timely risk recognition**
2. **development of evaluation systems**
3. **reliable measurement**
4. **support of efficiency administration practices**
5. **pricing credit products according to the undertaken hazards**
6. **rational division (qualitative and quantitative) of bank's products to corporate and retail**
7. **surrender of aggressive sales and focus on support liquidity and debt arrangements**

By inference, risk administration precedes in imperativeness in order to pass from today's efficiency practises (doing things well) to effectiveness practises (doing the right things).

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 rely 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 forth 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 forth 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."

SECOND PART

IMPACT OF THE CRISIS ON THE 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 table 1 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 general 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- February 2011

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 | 5.94 | 6.14 | 6.32 |
| | -loans above EUR 1 million | 5.32 | 4.91 | 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."

THIRD PART

RECESSION ON FORMER(1) PREFECTURE OF SERRES –CENTRAL MACEDONIA-GREECE

As it is portrayed by the map below, Serres is located at the north Greece, specifically at the Bulgarian border.



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

Table 1

| 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

The number of enterprises in prefecture 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

- (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.

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 referred 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.

FORTH PART

QUESTIONNAIRE-BASED RESEARCH ON LOCAL ENTREPRENEURS

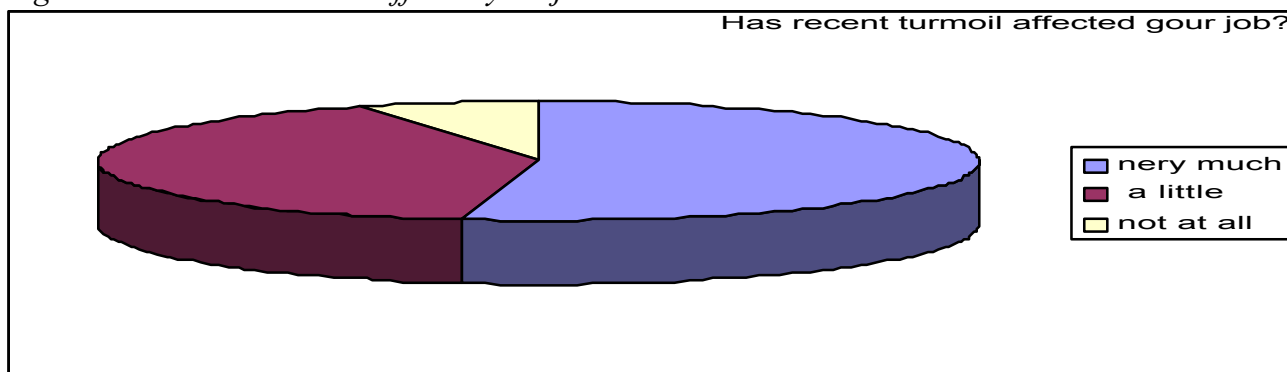
Seventy four entrepreneurs participate in the following research. The research took place from 1-12-2009 to 12-2-2010. There was wide dispersion, according to the size of the enterprises, so there were micro enterprises of self-employed up to medium industries. In additional companies administration 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)

The main extracts are the following:

1) 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.

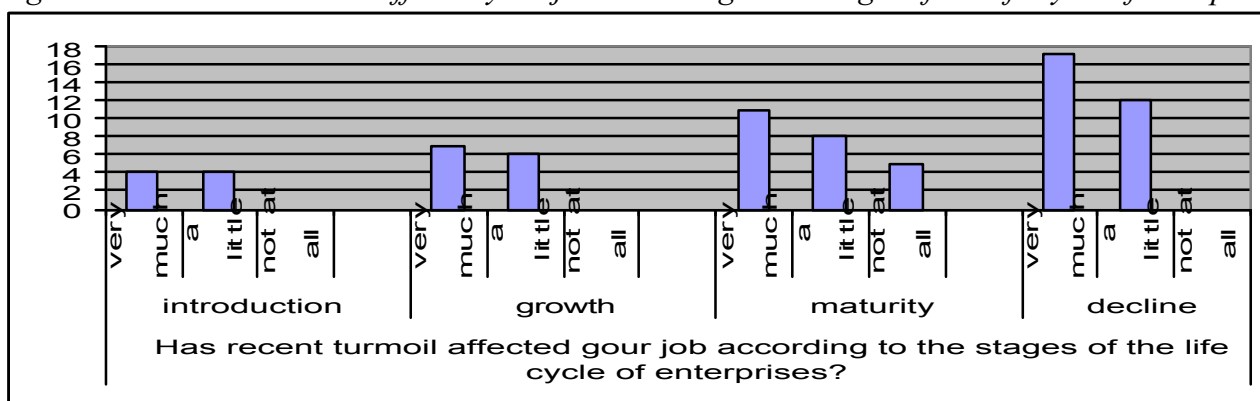
Figure 1: Has recent turmoil affected your job?



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?

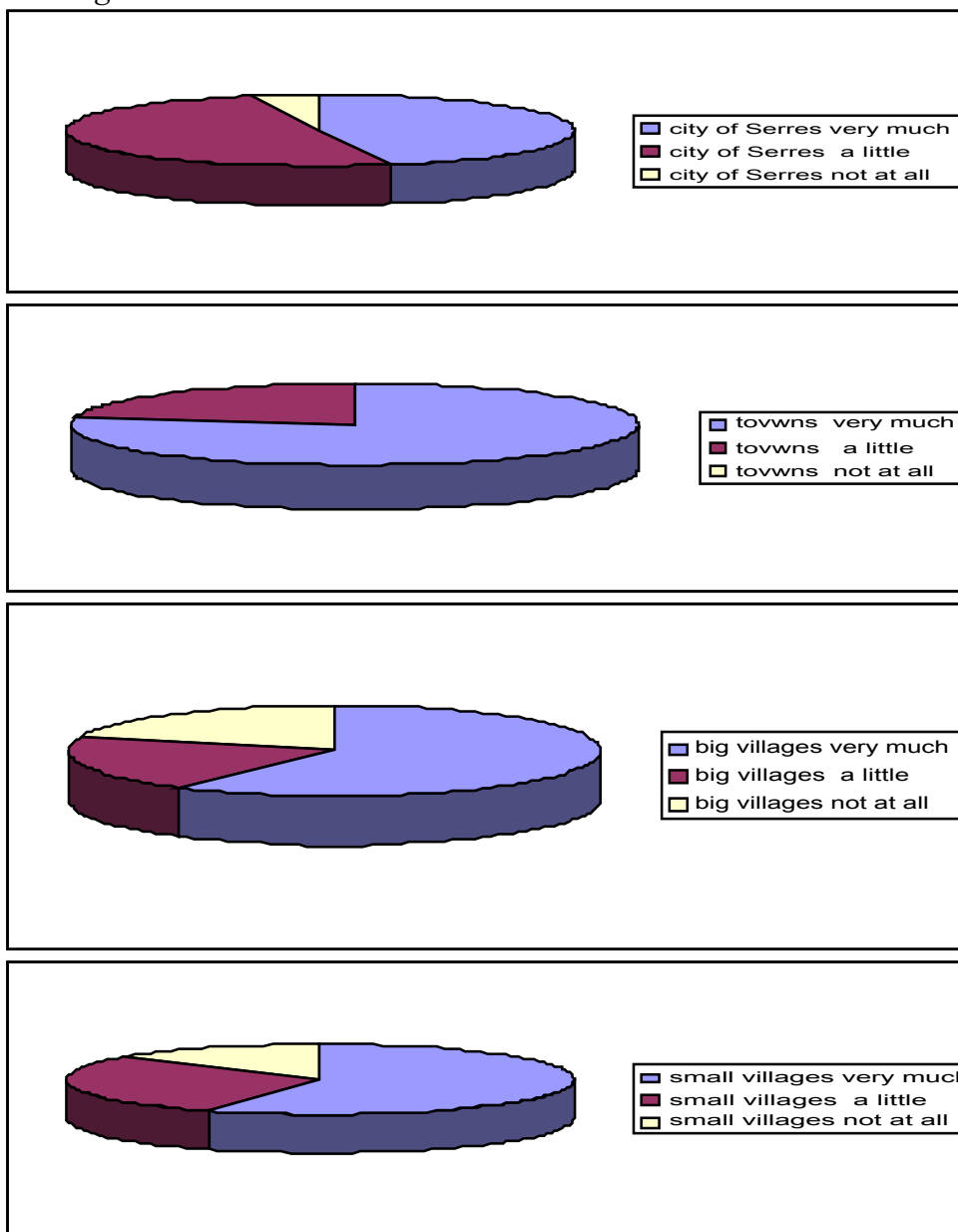


We come to the conclusion that crisis affected more intense enterprises at the stage of decline and new enterprises.

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. We know that crisis affects more the underdevelopment areas. 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.

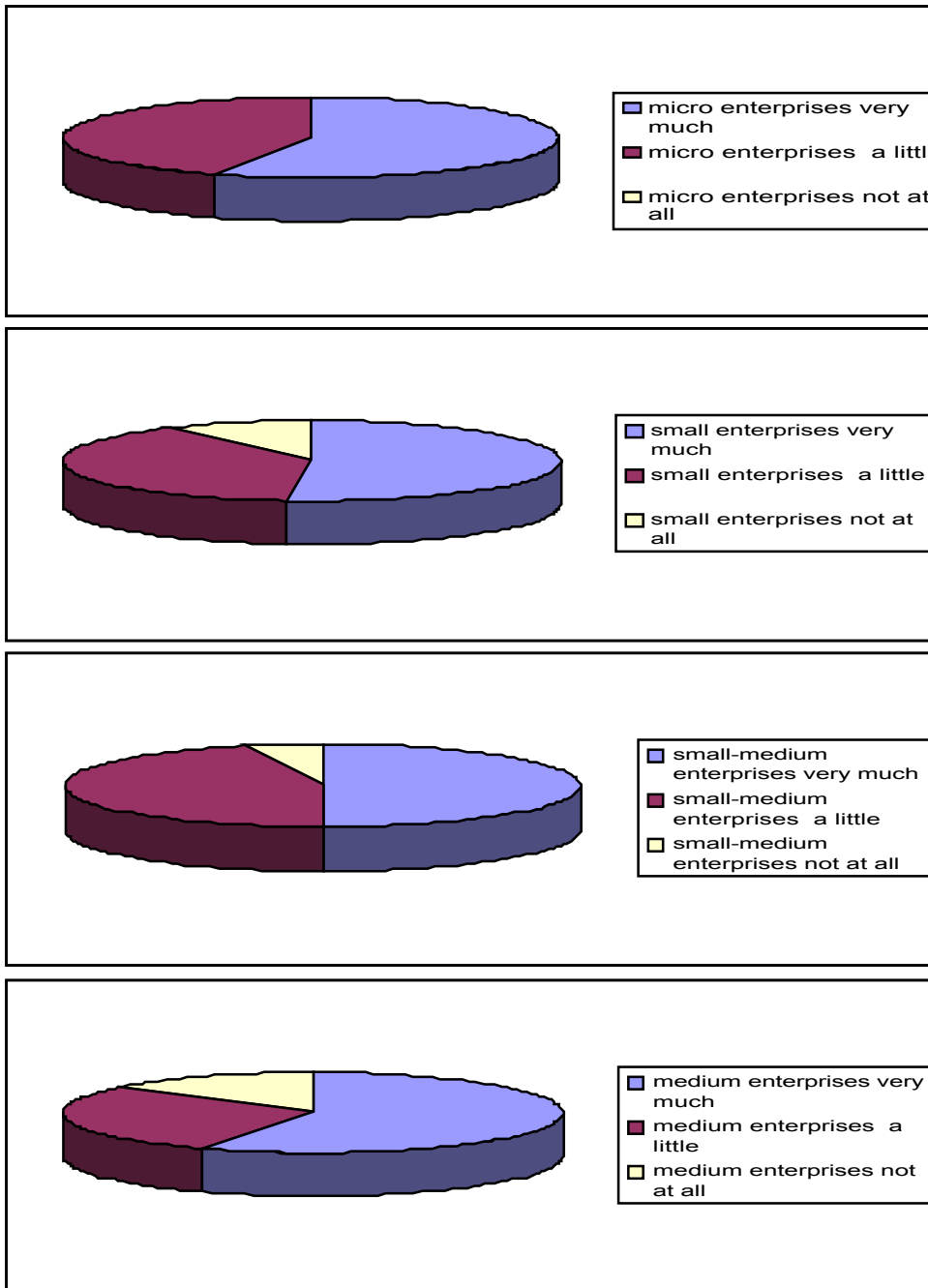
The results are depicted at the figure 3, below:

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



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?



2) 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.

3) 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.

4) 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

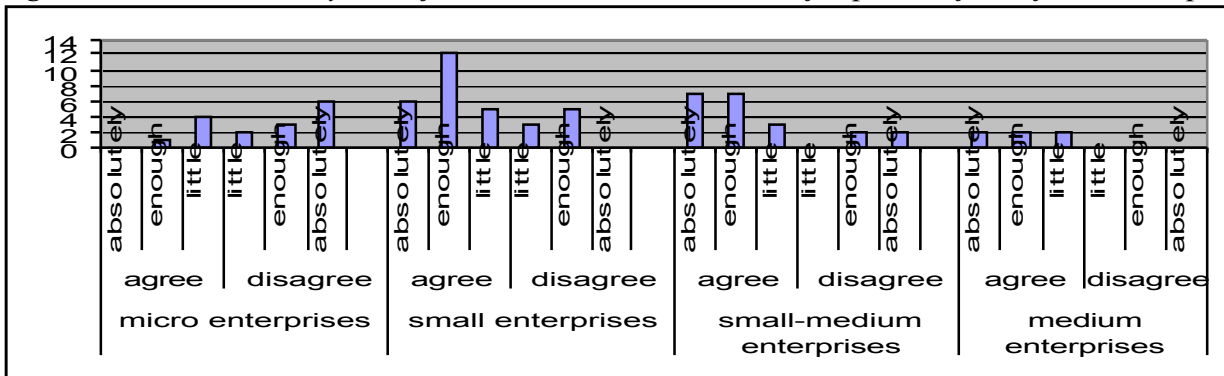
the contrary, 8 up to 28 entrepreneurs who benefit from the non-interest or low-interest funds have never receive any loan at the past. As it is mentioned on the first part, the use of non-interest funds by businessmen who never received other kinds of loan did not help liquidity to be transferred to real economy. Thus, state should reassign the terms of guarantee funds.

5) 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.

6) 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.

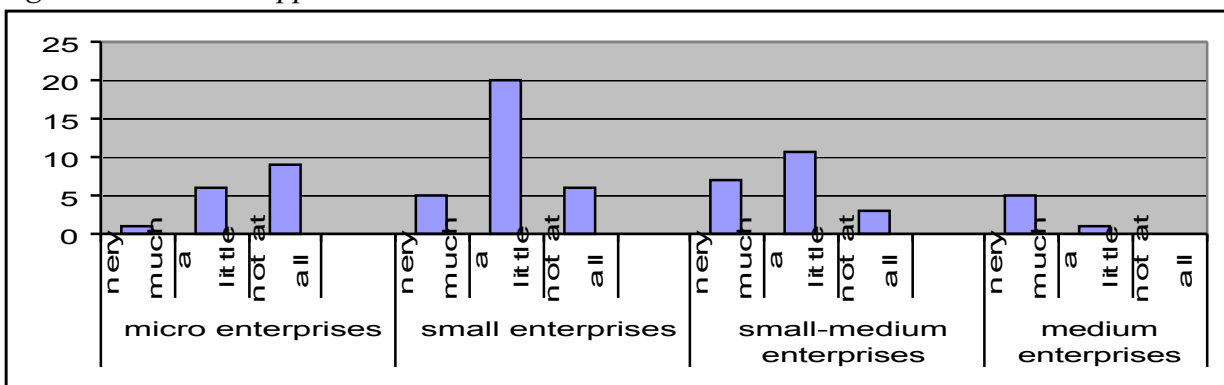
7) As it already has been referred to the question “Banks based only on objective and countable criteria for provide funds for an enterprise?” micro enterprises rejected the above state, while all medium enterprises approved it. The results are depicted at the figure 2, below.

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



8) 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?



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, banks decreasing the fund providing to the market resulted in the deterioration of the recession.

Taking under consideration to 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 loanable funds to more firms. 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. Taking under consideration the moral risk, state should reassign the terms of guarantee funds.

Crisis is deeper at the poor regions of our Country. As motives while on crisis can not be more essential, the underdevelopment area of Serres will never be development.

It is common sense that the existing wide network of bank branches contributes to the supporting of SMEs and simultaneously contributes to regional development. Taking under consideration to the fact that banks aim to reduce the existing wide network of bank branches we suppose that banks contribution to regional development will come to an end.

Coming to an end it is to be deducted that for decades, banks contribution on the fostering of SMEs was significant. Nowadays, it is doubtful whether banks continue to support SMEs and play their social role in Greece.

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