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Interaction between bank branches, local entrepreneurship and development on rural and suburban areas Regional Unity of Serres

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Interaction between bank branches, local entrepreneurship and development on rural and suburban areas

Regional Unity of Serres

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ABSTRACT

This paper is divided into two parts, one theoretical and one empirical and attempts to examine the interaction between bank branches, local entrepreneurship and development on rural and suburban areas at Regional Unity of Serres, Central Macedonia, Greece.

More particularly, in the first part of our paper are presented loan providing funds for SMEs in Greece, the new law for local authorities named “Kallikratis” on Regional Unity of Serres, local demographic characteristics and the existing bank branches network on this area. Analyzing the data we conclude to the characterization of the region as rural and underdevelopment.

At the second part are presented the results of our questionnaire-based research from 74 entrepreneurs in Regional Unity of Serres.

It is noticeable that businessmen’s 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 providing that an extensive network of bank branches on rural and suburban areas support local entrepreneurship and contribute to local development.

KEYWORDS

- Bank Branches
- Rural and suburban areas
- Subsidizes
- Loans
- Local entrepreneurship
- Regional Unity of Serres

INTRODUCTION

In the first part we will theoretically refer to loan providing funds for SMEs according to Doole & Low and Piperopoulos writings and also we will present loan providing funds for SMEs in Greece. Additionally, we will analyze the new law for local authorities named “Kallikratis” on Regional Unity of Serres. In addition we will refer to Serres demographic characteristics and we will present statistical data from “Hellenic Statistical Authority” in order to highlight the rural character of the area. Also we will demonstrate data from “Serres Chamber of Commerce and Industry” which indicates the underdevelopment of this area. Furthermore, we will refer to subsidies and this part will be ended by presenting the existing bank branches network at Regional Unity of Serres.

In the second part we will present the results of our questionnaire-based research from 74 entrepreneurs at Regional Unity of Serres. We will analyse the results using descriptive and inference statistical methods. We will focus on the interaction between bank branches, local entrepreneurship and development on rural and suburban areas at Regional Unity of Serres. Finally we will end with the main conclusions.

LOAN PROVIDING FUNDS, SUBSIDIZES, KALLIKRATIS AND BANK BRANCHES AT REGIONAL UNITY OF SERRES

Loan providing funds for SMEs in Greece

Small and Medium Enterprises' (SMEs) significant importance is unanimously obvious, especially in Greece. According to Doole & Lowe (2005) "The SME sector is becoming more important as a creator of wealth and employment because large firms have down-sized by reducing their workforce and concentrated on increasingly outsourcing their non-core components....Employment in the public sector has been decreasing in the same period due to the extensive privatisation on public sector owned utilities and agencies such as gas, electricity water and telephones." (p.144). Although the writers refer to UK 7 years ago,-before worldwide recession- according to the exact references, the significant reduction of employment in public sector in Greece today due to creditors requirements is also a fact. Still, we realize that SMEs in our country remain a creator of employment and development of an utmost importance.

Reading the above, one could believe that both, state and credit foundations provide to the SMEs subsidies and low-interest loans. It also has been argued in other researches (and in the second part of this research), that SMEs confront too many obstacles in applying for subsidies and furthermore have to cope with higher interest rates. According to Piperopoulos (2007) "The access to funds is the main obstacle for the 13% of SMEs" (p.118-121). Five years ago, years before today's depression, banks did not provide the necessary funds to SMEs. Today banks provide no funds to enterprises.

According to Hellenic Statistical Authority the total credit to private sector has decreased during the last two gears and it will be further reduced. At the table below we present some data.

Table 1: CREDIT TO THE DOMESTIC PRIVATE SECTOR

<i>(Outstanding amounts and net flows in EUR millions)</i>	DEC. 2009	OCT. 2010	NOV. 2010	DEC. 2010	SEPT. 2011	OCT. 2011	NOV. 2011
Outstanding amount of credit	253.379	260.992	261.660	257.846	252.947	251.106	249.996
monthly net flow	1.888	-661	-835	244	-1.059	-510	-1.267
(%) 12-month change	4,1%	1,0%	0,4%	0,0%	-2,2%	-2,2%	-2,4%

Source: Bank of Greece- January2012

Taking under consideration to the fact that total credit to domestic private sector has decreased, banks today precede either to debts arrangements or to restructure loans or renew capital and finally credit institutions are not giving new loans.

In case that a businessman is managing to receive finance from a bank, the interest rate has been increased. At the table below we present some data from Agricultural Bank of Greece or ATEbank- a state bank up today (January 2012).

Table 2: Interest rates on euro-denominated loans at ATEbank

	March 2010	September 2010	January 2012
<i>Housing loans</i>	5,57	6,52	7,52
<i>Consumer credit</i>	6,12	8,10	8,60
<i>Investment loans</i>	7,15	8,10	9,10
<i>short-term loan</i>	6,37	7,62	8,62
<i>working capital</i>	7,15	8,10	9,10
<i>farmer's working capital</i>	6,12	6,52	7,52

Source: Agricultural Bank of Greece- January 2012

It is obvious that interest rate during the last two years has increased up to 2%.

Closing this subunit credit institutions in Greece do not provide the required funds to SMEs.

Demographic data of Regional Unity of Serres and Kallikratis

As it is portrayed at the map below, Regional Unity of Serres is located at the north Greece near the Bulgarian and FYROM borders.

Figure 1: Map of Greece- Regional Unity of Serres



Until the end of 2010, at the first level of local authorities, Greece consisted of 910 municipalities and 124 communities and at the second level of local authorities 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 and 17 sub-counties. From January 2011, Greek government made some serious efforts to shortcut governmental administrative costs, through the new legislation known as “Kallikratis” –the name of Parthenon’s architecture. As a main tool, at the first level of local Authorities, Greek government revoke the majority of the municipalities and all communities and create 325 new municipalities and revoke all prefectures and sub-counties and create 13 administrative regions and named them peripheries.

At the table below we present old and new municipalities at Regional Unity of Serres.

Table 3: Former and new municipalities at Regional Unity of Serres

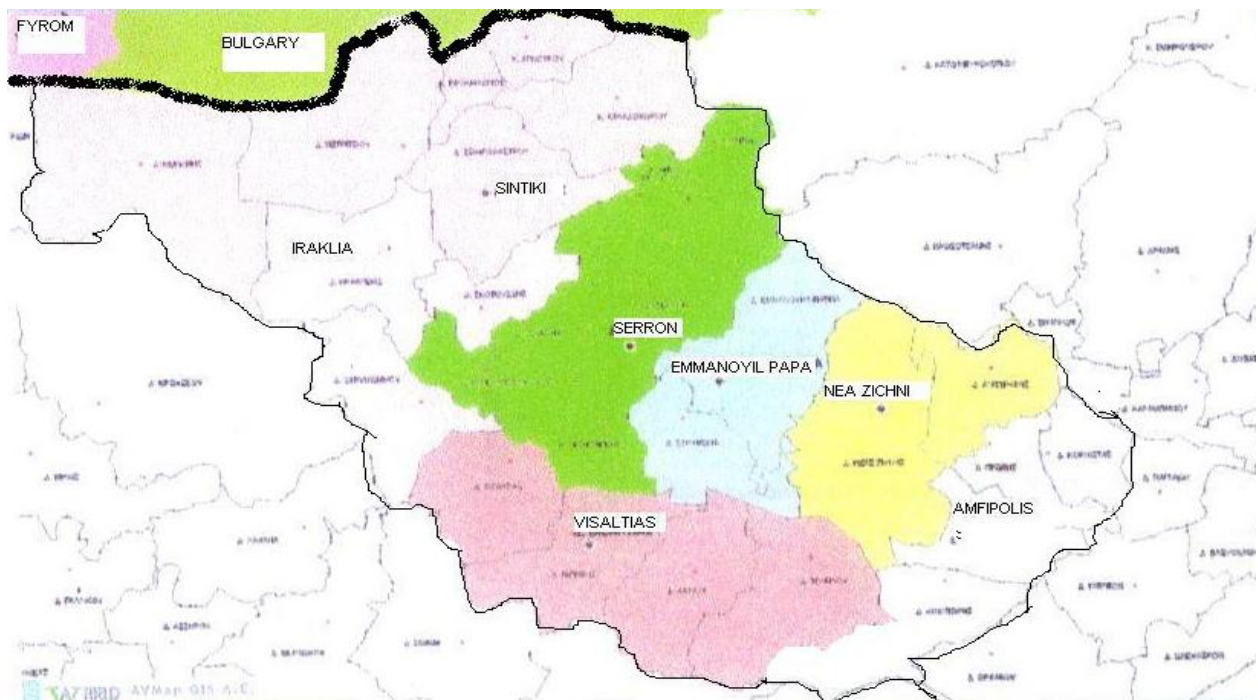
<i>New Municipality</i>	<i>Municipality Headquarters</i>	<i>Former Municipalities</i>
SERRON	SERRES	SERRON KAPETAN MITROUSI LEFKONA SKOYTAREOS COMMUNITY ANO BRONTOU COMMUNITY ORINIS
AMFIPOLIS	RODOLIVOS	AMFIPOLIS KORMISTA PROTI RODOLIVOS
VISALTIAS	NIGRITA	AHINOU VISALTIAS NIGRITHS TRAGILOU
EMMANOUIL PAPA	CHRYSO	EMMANOUIL PAPA STYMONA
IRAKLIA	IRAKLIA	IRAKLIA SKOTOYSSIS STRYMONIKO
NEA ZICHNI	NEA ZICHNI	ALISTRATI NEA ZICHNI

<i>New Municipality</i>	<i>Municipality Headquarters</i>	<i>Former Municipalities</i>
SINTIKI	SIDIROKASTRO	KERKINHS PETRITSIOU SIDIROKASTROU COMMUNITY AGISTROU COMMUNITY ACHLADOXORIOU COMMUNITY PROMACHONAS

Source: Ministry of Interior (www.ypes.gr)

As it is portrayed at the map below some new municipalities are large in size as the distance from east to west is about 100km while others are not.

Figure 2: Map of Regional Unity of Serres



According the last census (2011) the population of Regional Unity of Serres is up to 176.050, while it is was 200.000 people ten years ago. At the table below we present some data.

Table 4: Population at municipalities of Regional Unity of Serres

MUNICIPALITIES	TOTAL POPULATION	MEN	WOMEN
SERRES	76.240	36.990	39.250
AMFIPOLI	9.150	4.390	4.760
VISALTIA	19.980	9.970	10.010
EMMANOUIL PAPAS	14.830	7.370	7.460
IRAKLIA	21.400	10.510	10.890
NEA ZICHNI	12.500	6.020	6.480
SINTIKI	21.950	10.630	11.320
REGIONAL UNITY OF SERRES	176.050	85.880	90.170

Source: www.myserres.gr

It is worth referring to the economically active population in Regional Unity of Serres according 2001 censor. Unfortunately, the data of the last census in 2011 have not yet been processed. The table below presents the main occupational groups.

Table 5: Regional Unity of Serres-Main occupational groups

Regional Unity of Serres	78.897
senior executives of public and private sector	5.159
Persons engaged in scientific, artistic and related occupations	6.213
Technicians and technical assistants	4.299
Office staff	3.572
Service workers and salesmen in shops	7.980
Farmers, forestry workers and fishermen	23.705
Skilled technicians	9.756
industrial workers	4.194
Unskilled workers	5.133
Inadequately or vaguely stated their profession	1.028
New	6.087
With no declared occupation	1.771

Source: Hellenic statistical authorities (www.statistics.gr)

It is obvious that Regional Unity of Serres could be characterized as a rural area as the majority of population is farmers. At the table below we present some data to indicate the fact that at some municipalities farmers are not only the main occupational group, but farmers constitute the absolute majority of the population.

Table 6: Regional Unity of Serres- Economically active population

New Municipality	Old municipality	Economically active population	Farmers	Percentage %
SERRES	SERRES	22.440	861	3,83689
	KAPETAN MITROUSI	3.060	1.376	44,96732
	LEFKONAS	1.721	432	25,10169
	SKOYTARI	2.681	1.033	38,53040
	COMMUNITY ANO BRONTOU	209	138	66,02871
	COMMUNITY ORINIS	346	220	63,58382
AMFIPOLISI	AMFIPOLISI	1.341	418	31,17077
	KORMISTA	1.068	506	47,37828
	PROTI	1.027	343	33,39825
	RODOLIVOS	1.144	393	34,35315
VISALTIA	AHINOS	1.296	759	58,56481
	VISALTIA	3.730	1.685	45,17426
	NIGRITA	3.913	1.301	33,24815
	TRAGILOS	2.031	1.111	54,70212
EMMANOUIL PAPAS	EMMANOUIL PAPAS	4.461	1.469	32,92984
	STYMONAS	3.387	1.660	49,01092
IRAKLIA	IRAKLIA	4.953	1.912	38,60287
	SKOTOYSSA	2.300	1.155	50,21739
	STRYMONIKO	1.885	1.016	53,8992
NEA ZICHNI	ALISTRATI	1.585	644	40,63091
	NEA ZICHNI	4.373	2.026	46,32975
SINTIKI	KERKINH	3.605	1.508	41,83079
	PETRITSI	1.845	651	35,28455
	SIDIROKASTRO	3.790	748	19,73615
	COMMUNITY AGISTROU	153	103	67,32026
	COMMUNITY	409	215	52,56724
	ACHLADOXORIOU COMMUNITY PROMACHONAS	144	22	15,27778

Source: Hellenic Statistical Authority (www.statistics.gr)

At the table below we present some data from Euro stat to indicate the low income of the regional Unity of Serres.

Table 7: Regional Unity of Serres- GROSS VALUE ADDED (In million Euros)

SECTORS/YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
Agriculture, forestry, fishing	125	128	132	142	137	152	107	102	88
Industry including energy	47	63	82	87	87	97	115	135	139
Constructions	161	170	120	127	161	120	147	155	136
Wholesale and retail trade, repair of motor vehicles and household goods, hotels and restaurants, transport and communications	365	454	466	547	577	591	557	571	641

SECTORS/YEAR	2000	2001	2002	2003	2004	2005	2006	2007	2008
Financial intermediation, real estate, renting and business activities	177	179	192	209	225	221	239	258	267
Other service activities	201	189	214	240	273	335	343	372	422
TOTAL	1.077	1.181	1.206	1.351	1.460	1.516	1.509	1.593	1.695

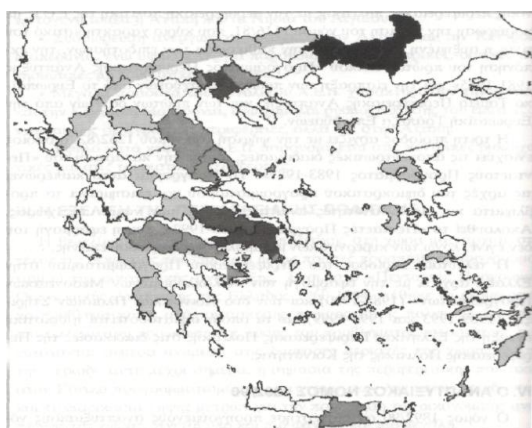
Source: Eurostat (epp.eurostat.ec.europa.eu)

It is worth referring to the fact that Gross Value Added at Agriculture has dramatically decreased up to the year 2006. By the year 2006, subsidies had been connected with agricultural production. Since 2006 it was given an amount to each farmer according to the volume of his production of the previous years. From 2006 to 2013, Greek farmers receive subsidizes even if they have all their fields set aside. As a consequence of disconnection between production and subsidizes, Greek farmers are no longer producing agricultural products. Besides that, cultivated land has been reduced by the installation of photovoltaic systems on fields.

Subsidizes for SMEs in Regional Unity of Serres

Since the end of Second World War, Greece attempts to apply programs with the aim of succeeding in balanced development. We can see at the map below the providing motives for the 5 areas in Greece according to the Law 1982/1990.

Figure: Subsidizes for industries etc. according to the Developmental Law 1982/1990.



Subsidizes for industries etc.

■	ZONE A	ZERO
■	ZONE B	15%
■	ZONE C	25%
■	ZONE D	35%
■	THRACE	45%

Source: Consolas 1997

In accordance with the Law 1982/1990 Serres belonged at the C zone (except the north part of Unity that belongs at the D zone). Thus, there were no motivations for any businessman to invest in Serres. According to the Developmental law 3299/2004 the country is divided in 3 zones:

Subsidizes for industries etc

ZONE A	15-20 %
ZONE B	25-30 %
ZONE C	35-40 %

Source: Consolas 1997

Under the state Developmental law 3299/2004, Regional Unity of Serres has been classified in the region of Central Macedonia (zone B) with the less financial motives.

Finally we present some data from Serres Chamber to prove that due to crisis at the underdevelopment area inequalities are increased.

Table: NUMBER OF ENTERPRISES AT REGIONAL UNITY OF SERRES

	JANUARY 2010	JANUARY 2012
COMMERCIAL	4.180	4.423
SECONDARY INDUSTRY	4.026	1.641
SERVICES	5.897	5.828
TOTAL	14.103	11.892

SOURCE: SERRES CHAMBER / JANUARY 2012

According to Mr Christos Meglas –new elected President of Serres Chamber of commerce and Industry, the real number of enterprises is much lower. The above Table presents the number of the Chamber members. That is to say one enterprise has the possibility to have two or three entrepreneurs-members of the Chamber. Coming to a conclusion R.U. of Serres can be characterised as a rural underdevelopment area.

Bank branches at Regional Unity of Serres

We do not know for sure, whether Kallikratis or crisis was the cause of the fact that banks been reduced their bank branches network.

Taking under consideration to the fact that ATE bank- a state bank- has already reduced services and it is going to close the branches of Provatas, Alistrati and probably Rodolivos, after the bank had been closed the branch of Proti on November 2011, we come to the conclusion that in towns former seats of the municipalities, banks are aiming to close their branches. At the table below we present bank branches at R.U. of Serres.

Table: BANK BRANCHES AT REGIONAL UNITY OF SERRES

	ATE BANK	NATIO- NAL BANK	EMPO-RIKI BANK ⁽¹⁾	PIRAEUS BANK	EURO BANK	ALFA BANK	SERRES COOP BANK
SERRES	2	2	1	4	3	2	1
SIDIROKASTRO	1	1	2		1	1	
NIGRITA	1	1	1	1	1		
IRAKLIA	1	1	1	1			1
NEA ZICHNI	1	1					
RODOPOLI	1	1					
MAVROTHALASSA	1						
RODOLIVOS	1						
ALISTRATI	1						
PROVATAS	1						
PROTI (CLOSED) ⁽²⁾	1						

⁽¹⁾ (Member of Credit Agricole Group)

⁽²⁾ (Closed on November 2011)

Source: Own research

Also at the city of Serres there are bank branches of Cyprus Bank (2 branches), General bank (Member of Societe General Group), Millenium Bank, Attica bank and Bank of Greece.

We have referred above to the fact that some municipalities as Sintiki and Visaltia are rather large in size and some as municipalities Amphipoli and Emmanouil Papas are smaller. As Banks design their networks based on economic data, the application of the so called law Kallikratis in R.U. of Serres raises the question: Are other factors like political expediency which led to the creation of municipalities as Emmanouil Papas which has no bank branch or Amphipoli where the branch of Proti has closed and the branch of Rodolivos has reduced services? Taking under consideration to the fact that Rodopoli is the seat of two bank branches and Mavrothalassa is the seat of one bank branch, we wonder whether Rodopoli and Mavrothalassa should be the seats of municipalities. At the second part we will prove the interaction between local development and the existence of municipality seat either of a bank branch.

QUESTIONNAIRE-BASED RESEARCH AT REGIONAL UNITY OF SERRES ON LOCAL ENTREPRENEURS

1. Methodology implementation- Descriptive statistics and correlations

We will analyze the results using either variables 1 for yes, 2 for no (at the questions with 2 choices) or the variables 1 for very much, 2 for a little, 3 for so and so and 4 for not at all (at the questions with 4 choices). Thus we will calculate the main descriptive statistical measures, the average, the standard deviation and the coefficient of variation. We will also calculate the statistical moment of distribution, the coefficient correlation.

2. Data ⁽¹⁾

Seventy four (74) entrepreneurs participate in the following research. The research took place from 1-12-2009 to 12-2-2010. Companies administration buildings were situated either in the city of Serres (population 76.000), or in towns located bank branches, or in small towns former seats of the Municipalities as we refer at the first part of this paper or even in small villages (population less than 1.000). In additional there was wide dispersion, according to the size of the enterprises, so there were micro enterprises of self-employed, small enterprises, small-medium enterprises and medium ones. The purposes of our research made us not to use the random sampling method. On the contrary, we focused on these enterprises which either received loans in the form of working capital or subsidizes.

3. Results

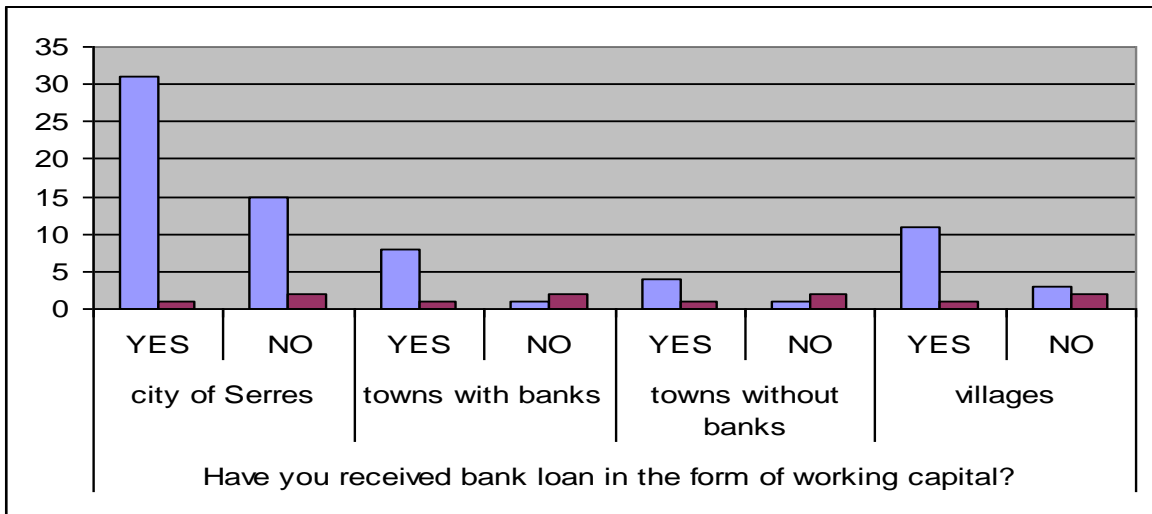
3a.Results

The 73% of those entrepreneurs who participated on this research had taken bank loans in the form of working capital. The results are depicted at the figure 1, below.

Figure1: Have you received bank loan in the form of working capital?

city of Serres		towns with bank branches		towns without bank branches		villages	
YES	NO	YES	NO	YES	NO	YES	NO
31	15	8	1	4	1	11	3
1	2	1	2	1	2	1	2

⁽¹⁾An other part of the same research published last year in ERSA CONGRESS

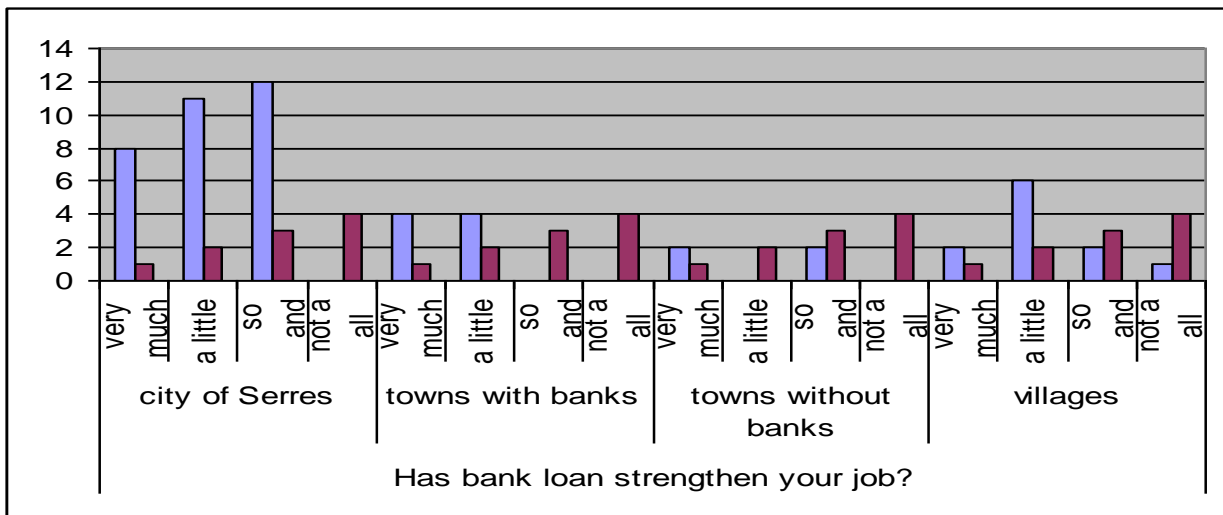


Analyzing the results using the variables 1 for yes, 2 for no, at city of Serres the average is 1,32, standard deviation is 14,03, coefficient of variation is 10,58 and coefficient correlation is 0,99, at towns with bank branches the average is 1,11, standard deviation is 3,36, coefficient of variation is 3,03 and coefficient correlation is 0,90, at towns without bank branches the average is 1,2, standard deviation is 1,41, coefficient of variation is 1,18 and coefficient correlation is 0,83 (the sample was only 4 enterprises) and finally at villages the average is 1,21, standard deviation is 4,57, coefficient of variation is 3,77 and coefficient correlation is 0,97. Taking for granted that we did not use the random sampling method, it is noteworthy the fact that the average at towns with bank branches is lower comparing to the average of the other groups as the great majority of the participants had receipt a loan. Thus the existence of a bank branch provides better access to funds to local enterprises.

In additional the great majority of the participants consider that the loans strengthened their jods.

Figure 2: Has bank loan strengthened your job?

	<i>very much</i>	<i>a little</i>	<i>so and so</i>	<i>Not at all</i>
	1	2	3	4
city of Serres	8	11	12	0
towns with bank branches	4	4	0	0
towns without bank branches	2	0	2	0
villages	2	6	2	1

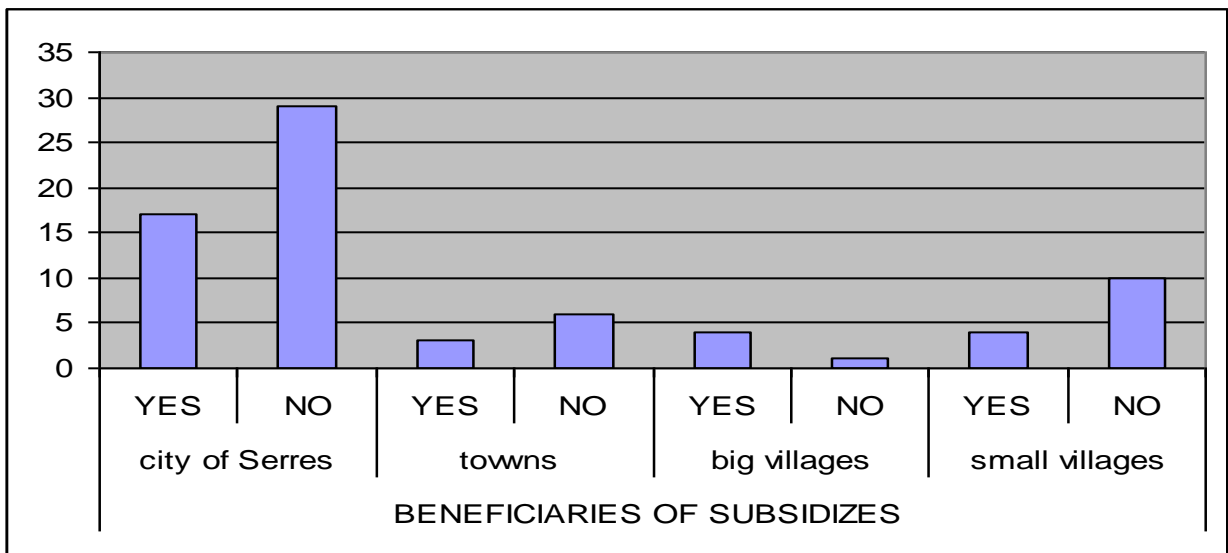


Analyzing the results using the variables 1 for very much, 2 for a little, 3 for so and so and 4 for not a all at city of Serres the average is 2,13, standard deviation is 5,44, coefficient of variation is 2,55 and coefficient correlation is 0,94, at towns with bank branches the average is 1,5, standard deviation is 2,31, coefficient of variation is 1,54 and coefficient correlation is 0,937, at towns without bank branches at the average is 2, standard deviation is 1,15, coefficient of variation is 0,57 and coefficient correlation is -0,25 (the sample was only 4 enterprises) and finally at villages the average is 1,81, standard deviation is 2,52, coefficient of variation is 1,38 and coefficient correlation is 0,58. It is noteworthy that at towns with bank branches the average is lower. Thus businessmen at those towns consider that loans provide important assistance on their business.

Although there are conflicting views about the role of subsidies, balanced development can not be achieved without grants. Thus, subsidies' significant importance has been recognized by local entrepreneurs. At the question: "Have you been benefit from subsidizes?", the 34% have given a positive answer.

Figure 3: Have you been benefit from subsidizes?

city of Serres		towns		big villages		small villages	
YES	NO	YES	NO	YES	NO	YES	NO
17	29	3	6	4	1	4	10
1	2	1	2	1	2	1	2



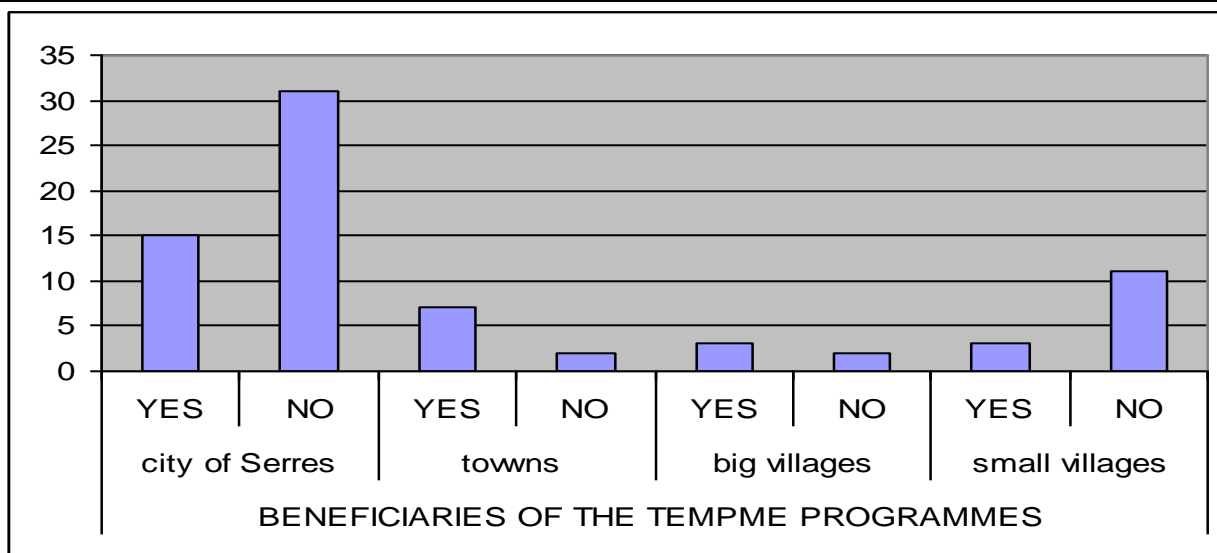
Analyzing the results using the variables 1 for yes, 2 for no, at city of Serres the average is 1,63, standard deviation is 13,35, coefficient of variation is 8,19 and coefficient correlation is 1,00, at towns the average is 1,63, standard deviation is 2,16, coefficient of variation is 1,30 and coefficient correlation is 0,95, at big villages the average is 1,2, standard deviation is 1,41, coefficient of variation is 1,18 and coefficient correlation is 0,09 (the sample was only 5 enterprises) and finally at small villages the average is 1,71, standard deviation is 4, coefficient of variation is 2,35 and coefficient correlation is 0,94. 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 big villages (just 5), statistically significant conclusions can not be exported. Those entrepreneurs' answers' are just indicative. Beyond that, it is obvious the fact that entrepreneurs at small towns had better access to subsidies. The presence of municipalities and the provided public services at the big villages (or small towns) which were former seats of the municipalities at the past contributed to local development.

The Greek Guarantee Fund for Small and Very Small Enterprises (TEMPME in Greek language) provided to enterprises non interest or low interest loans. Since February 2011, TEMPME has been substituted by the National Fund for Entrepreneurship and Development (ETEAN SA in Greek language). As our research took place before ETEAN SA substitute TEMPME we will use the previous name.

The results are depicted at the figure 2, below.

Figure 4: Have you been benefit from non interest or low interest loans from TEMPME?

city of Serres		towns		big villages		small villages	
YES	NO	YES	NO	YES	NO	YES	NO
15	31	7	2	3	2	3	11
1	2	1	2	1	2	1	2
NOT REQUESTED	REJECTED	NOT REQUESTED	REJECTED	NOT REQUESTED	REJECTED	NOT REQUESTED	REJECTED
25	6	1	1	2	0	8	3



Analyzing the results using the variables 1 for yes, 2 for no, at city of Serres the average is 1,67, standard deviation is 14,03, coefficient of variation is 8,38 and coefficient correlation is 0,99, at towns with the presence of a bank branch the average is 1,22, standard deviation is 2,71, coefficient of variation is 2,21 and coefficient correlation is 0,35, at big villages the average is 1,40, standard deviation is 0,81, coefficient of variation is 0,58 and coefficient correlation is 0,50 (the sample was only 5 enterprises) and finally at small villages the average is 1,78, standard deviation is 4,57, coefficient of variation is 2,56 and coefficient correlation is 0,90. 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 founded in towns (just 9), or on big villages (just 5), statistically significant conclusions can not be exported. Those entrepreneurs' answers' are just indicative. Beyond that, it is obvious the fact that enterprises founded in towns with the presence of a bank branch have better access to non – interest or low interest funds. The presence of bank branches at towns at the past contributed to local development.

CONCLUSIONS

As Greece suffers from depression and it faces potential bankruptcy, banks in their effort to save their shareholders reduce drastically the providing funds and they raise interest rates.

Under these circumstances the underdevelopment Regional Unity of Serres sited at north Greece has the challenge of the new law for local authorities named “Kallikratis”. Nowadays, local entrepreneurs face more difficulties in applying for subsidizes, as the decision-making centers have been transferred to impersonal large municipalities. Taking as a granted that Serres is characterized as a rural area, crisis has resulted in further reduction of the remaining local firms. In additional the existing network of bank branches has been declined. Thus local businessmen face more difficulties in applying for loans.

Local entrepreneurs consider that the presence both of a municipality and a bank branch at a small town contributes to the supporting of SMEs and contributes to local development.

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