Effectiveness of Finance Granted by Banks to Small-to-Medium-Sized Enterprises of Mazandaran Province with Emphasis on Plan's Objectives; Case Study on Bank Melli of Mazandaran

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ABSTRACT

The importance of Small-to-medium-sized enterprises (SMEs) is not just limited to the creation of competition and prevention from monopoly as they can also have an effective role in creation of jobs, equitable distribution of resources, establishment of active industrial parks, training of expert workforce for other units, increase of exports, reduction of imports etc.

This study was carried out to measure the effectiveness of the finance granted by Bank Melli to SMEs in Mazandaran Province. To this end, four variables of creation of jobs, efficiency of bank finance, equitable distribution of resources, and prosperity of industrial parks were examined.

In order to examine employment, the documents available in the Ministry of Labor and Social Affairs belonged to 1231 quick yielding economic plans were used. In order to investigate the efficiency of bank finance, equitable distribution of resources and prosperity of industrial parks, a questionnaire was handed out to 70 managers, experts, branch directors, and involved personnel in such a plan. The results show that the finance granted by Bank Melli to SMEs was not effective in meeting the banking purposes and the equitable distribution of resources as well as being ineffective in creating jobs for new and incomplete plans. Otherwise, it was effective in the creation of jobs for development plans as well as in the prosperity of industrial parks.

KEY WORDS: Finance by Bank Melli, Quick yielding plans, Small-to-medium-sized enterprises, SMEs, Mazandaran province

1. INTRODUCTION

Small-to-Medium-Sized Enterprises (SMEs) involve any small or medium sized enterprise such as industrial, service, business, and agricultural enterprises. Regarding operational area, number of personnel, initial capital, stock, and financial resources such firms are themselves divided into very small, small, and medium enterprises. Today, the effective role of these firms is increasing in developed and developing countries; particular policies and strategies are always adopted in order to ensure the competition in free markets and preventing from the monopoly of larger firms as well as to reinforce small and medium sized industries and to facilitate the participation of entrepreneur companies in economy (Radfar and Khamseh 2008).

The importance of SMEs is not limited to the creation of competition and prevention from monopoly as they can have an effective role in the creation of jobs, equitable distribution of resources in the society, establishment of active industrial parks, training of expert workforce for other units and larger firms, development and growth of market and manufacturing, reduction of imports, increase of exports etc. on the other hand, banks have influenced every aspect of economic life and, considering that a significant portion of money supply is in the form of current banking accounts, they play a noticeable role in economy and smooth the path for business growth and society advancement (Faraji 2007).

With the imposition of Usury-Free Banking Operations Act in Iran, the investment account owners participate in various economic activities through banks and, in order to provide the necessary finance for the expansion of various manufacturing, business, and service sectors, banks can supply a portion of the required capital or resources for such activities on behalf of their clients.

With respect to the experiences of other countries in the training and expansion of SMEs, the reinforcement of SMEs and an accurate planning with its complete enforcement can certainly be a solution for many economic problems of the society such as job creation and, consequently, the enhancement of public welfare. Therefore, considering the fact that in recent years the majority of financial support policies of banks are determined by provinces' employment and investment workforces, and a great portion of banks' spending is allocated in the form of quick yielding plans and SMEs, the importance of measuring the effectiveness of such supports becomes obvious more than ever.

Effectiveness refers to the examination of the degree of the efficiency of the actions taken to achieve the predetermined goals. In a simpler form, in an effectiveness examination, the degree of the fulfillment of goals is measures (Eslamieh 2006).

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In Peter Drucker's mind, effectiveness means doing right things. He believes that effectiveness is the key for the success of any organization (Soltani 2001).

The considered finance was granted for new, incomplete, under-development enterprises and economic plans as well as self-employment projects. Such plans and projects were referred by the related entities to the secretariat of Province's Employment and Investment Workforce; then, with regard to the allocated resources, they were referred through this workforce to the agent banks, such as Bank Melli of Mazandaran Province.

Regarding the fact that significant financial resources were spent in Mazandaran for these plans, and Bank Melli of the Province (up to September 2011) has had an excellent position by granting about 3500 Billion IRR from its internal resources, is seems important to examine the effectiveness of such grants in order for the fulfillment of the goals the government and Bank Melli of Iran. Regarding the prediction of the goals such as job creation, export increase, import reduction, resources equitable distribution, and banking system's efficiency in this program, the following conceptual framework was used in this study.
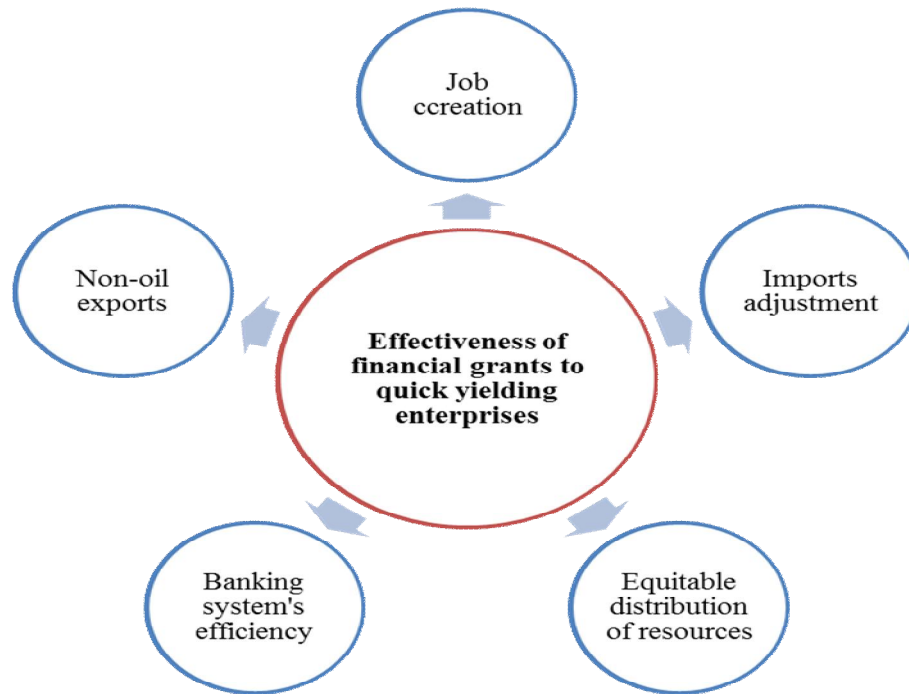

Fig .1 . conceptual framework

Based on this model, this study sets forth the question "to what extent has the allocation of banking finance to quick yielding enterprises of the Province been effective in the creation of jobs, adjustment of imports, non-oil exports, equitable distribution of resources, and efficiency of banking system?"

2- METHODS

Population, Sample, Sampling Method

In this study, in order to conduct field studies on job creation, all of the SMEs in Mazandaran Province that used the financial grants of Bank Melli in the form of quick yielding plans, totally 1231 enterprises, and were in the time and place boundaries of the present study in the period of the grants' enforcement were considered. In addition, in order to complete the questionnaire related to the efficiency of bank grants, equitable distribution of resources and expansion of industrial parks, totally 70 managers, experts, directors of branches of the Bank, and the personnel involved in the quick yielding plans were selected through the simple random sampling method. The collected data were analyzed by the methods of descriptive statistics – mean and standard deviation – and inferential statistics – one-sample T-test and structural equations.

2-1 Instrument

In order to collect required data for the research, a researcher-designed questionnaire was used to measure the effectiveness of the grants supplied by Bank Melli to SMEs of Mazandaran. The questionnaire includes 16 questions on a 10-choice scale of very low to very high. In addition to the demographic specifications, the questionnaire has 7 questions for the efficiency of bank grants, 4 questions for the equitable distribution of resources, and 5 questions for the prosperity of industrial parks. The content validity of the questionnaire was

confirmed by the advisors and supervisors of the study and its reliability was calculated by Cronbach's alpha and was 0.920. in addition, the GFI related to the structural equations was 09.6, which shows the reliability of the questionnaire.

2-2 FINDINGS

Question 1: Have the grants provided by the agent banks to the quick yielding enterprises been effective in meeting the goals of banking system?

At first, in order to analyze the data, the mean score of the responses of the sample participants was calculated; then it was compared with the desired mean. The results are presented in the following table.

Table 1: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	3.98	45.117	54	0.000
Desired	7			
Variation	3.02			

Since the calculate T is significant at 99% level (t = -45.117), the null hypothesis is rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was not effective in meeting the goals of banking system.**

Question 2: Have the grants provided by the agent banks to the quick yielding enterprises been effective in the equitable distribution of resources among various regions and classes of the society?

Table 2: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	3.42	27.200	54	0.000
Desired	7			
Variation	4.57			

Since the calculate T is significant at 99% level (t = -27.200), the null hypothesis is rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was not effective in distributing the resources equitably among regions and classes of the society.**

Questions 3: Have the grants provided by the agent banks to the quick yielding enterprises been effective in the development and prosperity of industrial parks?

Table 3: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	6.15	3.774	54	0.000
Desired	7			
Variation	0.85			

Since the calculate T is significant at 99% level (t = 27.341), the null hypothesis is rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was effective in the development and prosperity of industrial parks.**

Questions 4: Have the grants provided by the agent banks to the quick yielding enterprises been effective in the establishment of new job creative plans?

Table 4: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	4.47	6.289	54	0.000
Desired	7			
Variation	2.56			

Since the calculate T is significant at 99% level (t = 6.289), the null hypothesis is rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was not effective in the establishment of new job creative plans.**

Questions 5: Have the grants provided by the agent banks to the quick yielding enterprises been effective in the establishment of incomplete job creative plans?

Table 5: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	5.04	4.845	54	0.000
Desired	7			
Variation	1.96			

Since the calculate T is significant at 99% level (t = 4.845), the null hypothesis is rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was effective in the establishment of incomplete job creative plans.**

Questions 6: Have the grants provided by the agent banks to the quick yielding enterprises been effective in the creation of development job creative plans?

Table 6: Results of T-test for comparing responses of sample with desired score

Situation	Mean	T	d.f.	P
Current	7.04	0.101	54	0.919
Desired	7			
Variation	0.04			

Since the calculate T is significant at 99% level (t = 0.101), the null hypothesis is not rejected. Thus, we can conclude that **the finance granted by the agent banks to the quick yielding enterprises was effective in the creation of development job creative plans.**

Question 7: Is the generality of the model confirmable?
In order to investigate the above questions, the structural equations test was utilized, and the obtained results are presented in the fig. 2.
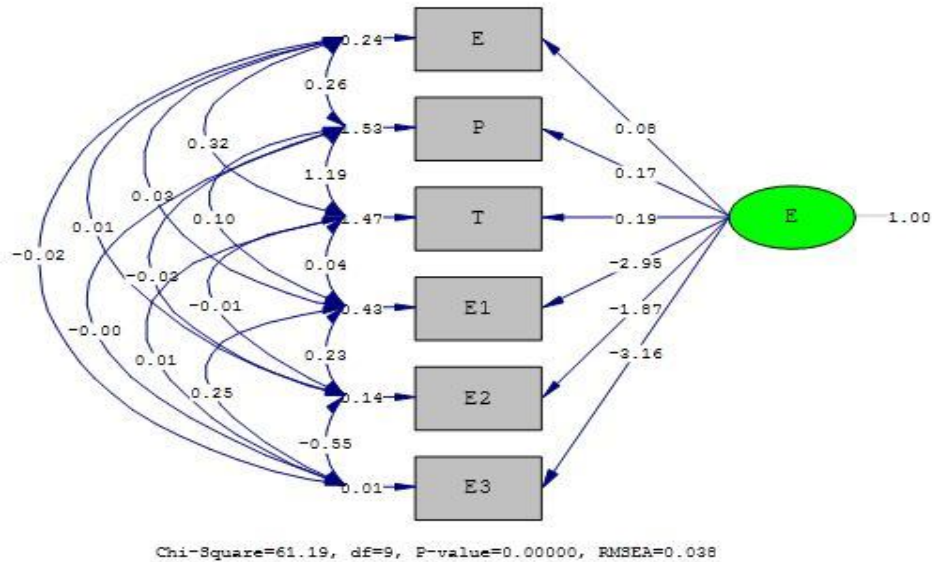

Chi-Square=61.19, df=9, P-value=0.00000, RMSEA=0.038

Fig.2: Estimated model of structural equations

Having a look at the above graph, we can suggest that the index of RMSEA[1] is lower than 10% (RMSEA = 0.03), and the GFI[2] is higher than 0.9 (GFI = 0.96); therefore, we can conclude that the above model had a good fit with the real world data (Hooman 2005, p. 245); in other words, the generality of the structural equations model is confirmed.

3-Conclusion and discussion

The results of the analyses indicate the **ineffectiveness** of the finance granted by the agent banks to the quick yielding enterprises in 1) meeting the goals of banking system, 2) equitable distribution of the resources among regions and various classes of the society, 3) creation of job creative plans, and 4) establishment of the incomplete job creative plans. However, such grants were effective in the development and prosperity of industrial parks and the creation of the development job creative plans. These findings are consistent with the studies of Mostofi and Abbasi (2010). The findings of this study indicate that managers should be more attentive in granting finance to the quick yielding enterprises as SMEs are the representatives of a noticeable part of every country's economy. This part provides the necessary basis for economic development and strengthens the

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1 - Root Mean Square Error of Approximation
2 - Goodness of Fit Index

foundations of economy. In addition, these enterprises can provide many employment opportunities in the country and ultimately increase the country's national income. It seems that the follow-up actions after granting finance to these enterprises can be effective for the fulfillment of banks' goals. Furthermore, the relevant authorities must find information in every possible way about the equitable distribution of resources in the deprived regions and among the deprived classed of the society and attempt to direct such resources accurately. With a more strict supervision at the beginning, during the executional stages, and at the end of the projects, managers can play a significant role making these grants more efficient and, ultimately, improving and enhancing the society. Training the entrepreneurs on preventing from the loss of resources can be very effective in the efficiency of banking grants.

One of the other important issues is the identification of the financial capacity of finance applicants and the relevance of their plans with their occupation. Such an attention can be very helpful in the accurate enforcement of these plans and, as a result, the return of the granted finance as well as their interest and the postponed installments. The political pressures from the top organizations of banks can also be a noticeable factor in this matter. If this finance is granted to the deserved real and legal persons, banks will certainly benefit from such grants and recipients can use them in the desired way.

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