

GOVERNMENT LOANS TO SMALL INDUSTRY

Object : The object is to promote small industry, to enable them to produce more products of better quality at a lower cost price.

Points to be considered.

I. A banking institute is required for the handling and administration of these loans.

I.I. This banking institute must fulfil two requirements

- a. It must have branch offices all over the country
- b. The managers of these branch offices must be accustomed to handle the financial business of small industries who in many cases have no trustworthy bookkeeping system.

I have the impression that the Agricultural Bank will be able to undertake this work.

2. There must be an organisation able to advise the Bank ^{and the entrepreneur} on several important points which are outside the banking sphere as follows:

- a. Technical ability of the entrepreneur
- b. Managerial ability of the entrepreneur
- c. Rentability of the equipment he wants to buy.
- d. Value of buildings and equipment
- e. Desirability of the investment. (Necessary)

In Holland this work is done by the field engineers of the Government Technical Service and after more than 25 years experience I can say that the Bank as well as the Government are very satisfied with ~~such~~ this solution.

In annex I is given a list of points of interest for giving a certain credit. A division is made between subjects solely to be considered by the bank, by the field engineer or by both of them.

I am convinced that the field engineers of the Technical Information Service of the Greek Productivity Center will be able to undertake this work.-

3. Types of loans -

In my opinion it would be the most suitable way to start with loans to smaller firms for buying equipment necessary for maintaining or enlarging the production, for producing more efficiently, for obtaining a higher quality or for starting the productivity of new products.

To the amount of money needed for the investment a sum should be added as working capital. It is the field engineers job to estimate the necessary amount.

After a few years experience with this type of credits, new possibilities may be opened.

money capital also if

4. Rate of interest -

The rate of interest to be charged is a matter of policy of the Government. If the need of improvement of the productivity of small industry is considered high, (and I am of the opinion this is the case) the interest should be low.

In the report of H. Karool Brismé the following rates of interest for equipment credits for agricultural enterprises are mentioned :

Private firms	4%
Cooperative Societies	2 1/2%
Union of Cooperatives	2%

Perhaps these figures can form a base for establishing the rate of interest for small industries.

(disaster loans) no interest and perhaps 5% fund funds

5. Limit of loans -

In Holland we started in 1938 with a limit of afl. 5,000- which can be compared to afl 25,000 at present because of the devaluation of the guilder. This has been raised to afl 40,000 and in March of this year the limit was raised still further to over afl 100,000.

It is not for me to propose a limit to the credits given in Greece but I have the opinion that this limit should not be below 300,000 Dr.

6. Control of credits

In Holland we have found it necessary to keep a control on the use of credits. The bill for the equipment, wherefore the loan is

*divided
Lyon 1000000
Strasbourg 4 to 18 miles*

given, is paid by the bank only after it has been counter signed by the field officer of the Government Technical Service. This is the same field engineer who has given advice in the loan to the bank. Afterwards the field engineer will keep in touch with the entrepreneur.

Follow-up:



Committee

In my opinion it would be advisable to appoint a committee to supervise the giving of loans to small industry.

The task of this committee should be:

1. To take the decision if a certain loan is to be given or not. The committee decides after receiving a report of the bank manager and of the field engineer. *(Very heavy for equipment)*
Because that they could be worked without any interference from any other source of loan.
2. Give directives to the bank and to the Technical Information Service on the contents of their reports *could more (see annex).*
3. The committee should meet once a month or as often as is considered necessary *and according to the needs of the credit scheme.*
4. The committee can advise the Minister of Industry on eventual improvements of the rules for these loans as changing the upper limit, changing the rate of interest, enlarging the field etc, etc.

Task

Participate in the decision making about the loan and

Participating

Function

This committee should be kept as small as possible. In my opinion there should however be the following members.

- 1. ~~one~~ *and from the members.* Member appointed by the Ministry of Industry as president
- 2. Director of the bank *(holding the loan)*

The Chief of the Technical Information Service *(A.G.P.C.)*

One or two members representing organizations of small industry *one member from the country because they are the main source.*

Notes :

In Holland we started with a similar committee. In many cases the field engineers in question was present at the committee meeting on the credits where in he had made a report. This enabled the committee to come to a better understanding and was at the same time very instructive for the field engineer.

In 1950 when sufficient experience had been gained the committee was abolished and the Board of the Bank was permitted to take the decisions.

We have found this a satisfactory solution, which saves time.-

Scheme for evaluating applications of industrial credits

	Engineering by Technical Consulting Service *	Economical by Economic Institute or Bank
Type of industry	Branch of industry Historical growth Products manufactured Quality of product	Type of consumers Market description
Entrepreneur	Vocational ability Vocational ability of staff	Commercial ability Commercial ability of staff
Management	Internal organisational set-up	External commercial set-up
Personnel	Vocational ability	Availability of personnel
Equipment	Buildings Machines and tools Lay-out Workmethods	
Machines and capital wanted	Specification Prices	
Opinion as to	Capacity of plant Capacity of wanted machines Quality improvement Savings Development possibili- ties	Market Development
Financial position	Evaluation of buildings, machines, products, etc. 1. value as running con- cern 2. value in case of liquidation	Opinion on balance position liquidity, earning capacity, etc.
Final opinion	Seen from a technical point of view	Seen from a business point of view

The technical consultant is not expected to report nor responsible for the economical aspects or the bankability of the credit applications. If, however, he has a certain opinion or knowledge on these matters it will be appreciated if he makes mention of them.