Examining the effects of Granted facilities to small and medium enterprises on inequality in Iran: the structural vector autoregression approach (SVAR)

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Abstract

Financing is the most important duty and mission of banks towards the economy, and if the optimal allocation of credit resources does not happen, the stability of the macro economy will be damaged and the economy can experience stagnation or inflation. Nevertheless, the available statistics show that the situation of access to financing in Iran is extremely unequal and unbalanced, and the lack of a systematic and dynamic approach in allocating credit to the needs of enterprises has made the allocated facilities unable to play a useful role in improving financing. financial and production status of enterprises. With this explanation, in this study, using the structural vector auto-regression method, the effect of credit facilities to small and medium enterprises on inequality in Iran during the period of 2000-2022 has been investigated. The results showed that the variable of granted facilities to small and medium enterprises could not have a significant effect on inequality in Iran. This issue can be caused by the amount of providing credit resources, the process of granting credits in terms of selecting economic plans and monitoring the consumption of these credits. Also, according to the obtained results, the existing inequality variable has the greatest effect on inequality in the future periods.

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1. Introduction

The financing of small and medium enterprises as a stabilizing tool for financial development and the granting of microcredits can directly reduce the credit determination problems of the low-income group. Microcredit institutions as a complement to formal financial institutions to provide loans and credit to low-income households and the poor with a lower interest rate for self-employment and empowering them in the field of health and education, etc., so that the poor have the opportunity to receive Loans should be provided from the financial sector and thus improve the distribution of income in the society. Also, the potential of financing programs for small and medium enterprises is not only dependent on increasing the income or reducing the direct poverty of the people participating in these programs.

According to the above explanations, this issue shows the great sensitivity of the central bank to provide appropriate facilities to small and medium enterprises, as well as the greater effectiveness of these facilities in line with the desired goals. However, no research has been done on the effect of this facility on Iran's macroeconomic variables. Also, the review of the existing literature shows that there is a gap in the optimal way of granting bank facilities to small, medium (and large) enterprises on the variable, which will be necessary and important to investigate. Therefore, there are many questions in this field, especially in the context of the effect of this facility on inequality in Iran as one of the main goals.

2. Theoretical framework

Small and medium enterprises help to reduce inequality in several ways. One of the ways of influencing small and medium enterprises on inequality is their role in employment. A high percentage of the workforce of each country works in small and medium enterprises; but what is important about small and medium enterprises is their capacity in creating new job opportunities and employing unemployed workers in countries, which leads to the adjustment of the unemployment rate. Therefore, small and medium enterprises help to reduce inequality by creating employment.

The second way of influencing small and medium enterprises is through their role in directing the informal sector to the productive sector of the economy. One of the important strategies to direct the informal part of the market to the productive part of the economy is the development and support of small and medium enterprises, and the prosperity of these enterprises leads to a decrease in the labor force participation rate in fake and informal jobs, and in The result is to help reduce inequality by creating sustainable employment.

The third path is the role of small and medium enterprises in creating new entrepreneurial ideas in production. For this reason, there is a significant relationship between the prosperity of small and medium enterprises and the development of entrepreneurship. In other words, if we consider entrepreneurship as a process,

small and medium-sized enterprises are its executive tools in different sectors of the economy, and supporting these enterprises will lead to the growth and expansion of entrepreneurship.

3. Methodology

The causal-correlation research method is descriptive, and in order to match economic theories with the realities of society, causal relationships between variables will be investigated using statistics. Early VAR models use Chelsky decomposition to obtain instantaneous response functions. Chelsky's decomposition implies causal order. If the researcher wants to examine the effects of more than one impulse, it may not be acceptable (Elbourne, 2008). Thus, Blanchard and Goa (1993) developed the SVAR model by considering theoretical constraints on the simultaneous effects of impulses, then Clarida and Gali (1994) identified instantaneous response functions by imposing theoretical constraints on the long-term effects of impulses. Impulses In this research, structural vector auto-regression model (SVAR) has been used to investigate the effects of variables affecting inequality.

4. Conclusion and Suggestions

The results showed that the variable of facilities granted to small and medium enterprises could not have a significant effect on inequality in Iran. This issue can be caused by the amount of providing credit sources, the process of granting credits in terms of selecting economic plans and monitoring the consumption of these credits. According to them, reducing the financial restrictions at first can aggravate the inequality. This is because as financial inclusion increases, the rich benefit disproportionately in the short-run, before the poor begin to reap the benefits of increased financial inclusion.

The results of this study showed that the most explanation in the fluctuations of inequality in one period is provided by inequality in previous periods and the positive momentum of inequality has a positive and meaningful effect on inequality. Finally, according to the results, the response of inequality to the positive impulses of government spending, inflation and unemployment is very low and not statistically significant. Therefore, there is a possibility that inequality in Iran is related to other main factors such as the quality of the institutional environment, good economic indicators, etc. Reduce inequality.

The lack of development of the monetary market of the Iranian economy in terms of providing sources of credits, the process of granting credits in terms of selecting economic plans and monitoring its consumption has caused the granting of credits to not have a favorable and sufficient effect on various economic sectors. Considering that the creation of small workshops requires a limited initial investment compared to other economic enterprises, therefore, granting credits in

these areas can increase production and ultimately reduce inequality. On the other hand, in most of the years under review, the banking system of Iran's economy has suffered from financial repression (the real interest rate of loans is negative) and there are queues to receive credits. The low ratio of these facilities and the presence of limited small and medium-sized households and companies qualified to receive loans (the ability to provide guarantor or collateral) has reduced the effectiveness. These factors have caused the granting of microcredits to be diverted from the primary goal of creating employment and reducing inequality. In order to achieve the goal of improving the inequality situation through the credit channel, it is necessary to carry out more detailed investigations in relation to the nature of this type of credit and to specify the source of consumption of the granted credits. Also, according to the problem of providing guarantor and collateral for the applicants, guarantor institutions, investment insurances and micro credit funds can be defined to facilitate the granting of loans. On the other hand, there should be sufficient monitoring of its consumption so that banks do not suffer from losses.

5. Ethical Considerations
5.1. Authors contribution
The authors participated in this research with the same share.

5.2. Conflict of interest
The authors declare that there is no conflict of interest in this research.