Athens: The Economic Crisis And The Collapse Of Bank Industry

The government's heavy spending has led to the Greek debt crisis, and due to the slowdown in global economic growth, the problems have not been solved for many years. The main reason for the Greek government to put this country on the road to debt is its profligate and excessive generosity such as generous pensions and wages. This essay will explore the situation of Athens banks and business shops during the crisis which are two industries that were severely affected by the debt crisis, the banks were facing temporary or permanent closure during the crisis, and more than quarter of the shops were force closed, this has also greatly influenced both citizen's urban life and the Greek economy. The case study area is northwest of the Parthenon in Athens, which looks more like a residential area rather than a commercial area because there has no big commercial blocks and only a few banks or ATMs which probably closed or merged during the crisis. Thus the whole Athens was affected by the economic crisis, and it seriously affected the daily life of Athenians, for the bank, it affected both citizen and national situation, which causes no purchasing power, then directly affect the business shops, purchaser and shop owners, therefore, it could be seen as a chain reaction for the whole country. The situation of banks and shops in Athens can most clearly manifest the state and severity of the debt crisis, they not only show the impact of Athenians' daily life but also illustrate Athens' economic condition.

The closure of banks

The banks of Athens were severely affected by the debt crisis due to the government's heavy expenditure1, in other words, the Greeks spent too much money, borrowed too much, carried debts but had no money to pay off, it was like a vicious circle. Some large Greek banks had to close and were taken over by stronger competitors, which could be seen as a restructuring of the banking industry. The debt crisis was seriously exacerbated by the closure of the Athens banking system, the urban life of millions of Athenians and the Athens economy was also severely damaged.

The majority of Athens banks were facing both permanently and temporally close, the National Bank of Greece, the European Bank, Piraeus, and Alpha Bank are the four largest banks in Greece which may be reduced to only two2 because they were trying to avoid financial collapse by controlling cash withdrawal, which is capital control. The closure of banks doesn't mean completely shut the whole banking system, but still remain the ATMs, strictly control the outflow of funds by controlling withdrawals and transfers, it was a common phenomenon that people are waiting in line for hours at the door of the bank waiting for withdrawing money, the amount of cash withdrawal limit from the 50 euros to 300 euros when the bank was closed during the debt crisis in 20133. More seriously, this also caused fear spreads among the Athens citizens, billions of euros were pulled out by depositors in a few weeks after announcing that the bank will be closed, while the panicked people tried to withdraw money from their accounts while still possible, what follows is that the ATMs is running out of money, which exacerbates that tension, the Athenians will line up in front of ATMs for hours to scrape together cash for their essential supplies. Therefore, this situation directly affected the business shops in Athens, people have

no money to shop anymore, the available cash can only afford their daily supplies, so that the store's sales plummeted. However, for the people with poorer economic conditions, if they cannot withdraw money, they will have no cash at all, only a few euros in their pocket; even the pensioner can no longer receive pensions in banks, there is not enough cash in the closed bank, so they were turned away4.

Large amounts of non-performing loans are the biggest challenge facing banks, the proportion of non-performing loans of Greek banks is as high as 45 percent compared with only 6 percent in Spain, the four largest banks had a bad exposure of 85 billion euros, which almost half of the country's predicted GDP in 20195, thus the bank in Athens still playing a long game on road to the economy recovering.

The closure of shops

The business shops in Athens are another industry that destroyed by the economic crisis, reduced income and frequent strikes drove the Athenians away, which lead to more than one-third of the business stores closed. On the pedestrian street in Athens, a line of shops were closed, once lively shops are now empty and surrounded by abandoned buildings. ESEE head Korkidis states that around 6800 stores have been forced to close since 20116, the main reason for it is that the loss of purchasing power due to the reduced wages, excessive rents, and unavailable pension, especially the difficulty for the companies to obtain funds from banks.

The closure rate of business shops is different in each area. By the data display through ESEE, the total number of closed stores in Greece in September 2015 was 28%, with 26.4% in Athens. While the percentage of closed shops in the tourist centre of Athens is 22.3%, which is the lowest rate among the business districts. Furthermore, it was a more dramatic comparison that the gap between store closure rates between poor and rich areas. The shops' closure percentage in the "lower class" communities such as Kallithea and Peristeri is as high as 43.5% and 29.7%, while the percentages in the wealthy area like Kifissia and Glyfada are only 18.1% and 10.7%7. Therefore, the closure rate of the store is directly linked to the economic situation of the area, the economic crisis and the collapse of the financial system have greatly weakened the purchasing power of the citizen, but the store in the suburb with better economic conditions has a much lower closure rate than other regions which will have more chance to survive during the crisis.

There is another interesting dispute called "Shopping-Sunday in Athens". It is common that keep shops open on Sunday in America, and due to the economic crisis, the international Monetary Fund suggests that allow shopping on Sunday in Athens to recovery its economy, but it becomes a controversial suggestion in Greece. The IMF says that the government allows Shopping- Sunday to kickstart the economy and allow SMEs (small and medium enterprises) to gain an advantage in the market, increase GDP by increasing production, hence store owners are allowed to open Sundays at special times. However, this has no benefit on the trading level8. According to the data published by ESEE in 2017, 75% of businessmen are dissatisfied with this measure and its Sunday turnover; 64% of enterprises found they cannot afford the cost of Sunday transactions, while 40% to 50% of shops cannot afford to keep the shop open; 95% of stores do not intend to hire a shop assistant, not even hourly workers9. The majority of people just go window shop, they don't buy any gifts, it is no exaggeration to say that some of the stores can only sell tens of dollars' commodities a day. This also ushered in the tax problem

for small shop owners, taxes account for almost 60% of their turnover, while the 40% left is unable to support their family business and daily expenses10. As a result, opening on Sunday has no benefits for these small shop owners because they are losing money and they cannot afford employees' wages, rents and even the tax, Sunday's opening will only bring them more spending than normal workdays.

In general, the economic crisis hit the banking system quite hard in Athens, and the collapse of bank industry exacerbated the crisis again, this not only makes the economic situation of Athens even less optimistic but also directly affected the lives of people at all walks of life. The business shops are the industry that directly affected by the collapse of the bank industry, which leads to much less purchasing power, thus the small shop owners can no longer afford the business because the turnover of the store plummeted. Therefore, it is crucial that to speed up the recovering of the banking system, revert to a healthy financial system, otherwise the country would not be able to resume sustainable growth, nor can it eliminate the negative impact on other industries and citizen's daily life.