



## The topic of discussion is the relationship between entrepreneurship and Kosovo's organizational structure for medium and small enterprises.

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**Citation:** Ilir M Murtezaj (2024), The topic of discussion is the relationship between entrepreneurship and Kosovo's organizational structure for medium and small enterprises. *Educational Administration: Theory And Practice*, 30(4),6084-6095, Doi:10.53555/kuey.v30i4.2342

### ARTICLE INFO

### ABSTRACT

This research paper seeks to conduct a study that specifically examines the role of entrepreneurship as a valuable resource in Kosovo, as well as the growth and progress of small and medium enterprises. This study aims to analyze the overall growth of entrepreneurship, specifically in small and medium-sized enterprises (SMEs) in Kosovo, with the objective of identifying the key factors that have had a significant impact on their level and stability over the past 15 years. This study aims to address objectives related to the analysis of the factors influencing the lack of proper development of SMEs in Kosovo. Based on this analysis, recommendations will be provided to policymakers, enabling them to implement concrete measures aimed at reducing interest rates in the internal credit market, which is identified as the most significant limiting factor.

This study aims to offer a theoretical examination of corporate financing techniques and to assess the challenges faced by Kosovar enterprises in implementing development strategies within the domestic markets. Throughout the project, we will also examine developed nations' expertise in enterprise financing.

In this paper, our aim is to provide a modest contribution by presenting arguments on the essential steps to improve the situation and address the current challenges faced by firms in Kosovo in terms of implementing effective strategies and receiving adequate funding.

The data obtained in this study will provide a foundation for initiating a promising area of research for future investigations.

**Keywords:** SMEs 1; Entrepreneur 2; companies 3

### 1. Introduction

This paper seeks to conduct a study that specifically examines the entrepreneur and the structure of small and medium enterprises in Kosovo. This study examines the factors that have influenced the development of entrepreneurship in medium and small enterprises in Kosovo over the past 15 years. The goal is to identify the

most significant determinants that have impacted the level and stability of entrepreneurship in the region. This study aims to examine the objectives that are relevant to the topic at hand. Based on the analysis, recommendations will be made for policymakers. These recommendations will propose specific actions that could foster the growth of entrepreneurship in Kosovo.

Kosovo is the least developed country in Europe. The gross national product per capita is approximately 2,000 euros, which is the lowest among the countries in the region, being just half of the average value of these countries.

The average annual economic growth over the past few years was approximately 2%. Despite its apparent magnitude, this economic growth is insufficient to tackle the pressing economic challenges that Kosovo faces, including unemployment, poverty, and trade imbalances, given its low degree of development.

According to the existing research, it is expected that Kosovo will see an economic growth rate exceeding 7% in order to address issues like unemployment. However, the current advancements make it unachievable and unlikely for the institutions of the state of Kosovo to accomplish such a goal.

Kosovo has a significant trade deficit, with imports of products exceeding exports by a margin of only 5%. These ratios show a significant imbalance, suggesting an exceptionally large trade deficit. In order to effectively tackle significant economic challenges, we must meet various criteria such as developing a national strategy that aims to achieve economic growth exceeding 7%, enhancing productivity and competitiveness, fostering an environment conducive to investment, implementing policies to boost exports and reduce the trade deficit, and optimizing the utilization of natural, human, and financial resources.

For many years, unemployment has remained Kosovo's primary economic issue. Despite the absence of definitive figures, the unemployment rate persists at a very elevated level. Based on numerous studies conducted by both local and international institutes, the figure is approximately 40%. Given the significant magnitude of the issue, Kosovo's institutions must prioritize the development of policies and methods to promote employment in order to effectively combat poverty.

The structure of the paper includes an introduction, an overview of the issue, five chapters with numerous subchapters, various statistics relevant to the problem the article addresses, a conclusion, and a brief bibliography.

To comprehensively investigate this issue, I have begun the paper by providing fundamental information and concepts pertaining to the definition of entrepreneurship and the individuals who engage in entrepreneurial activities. Next, I delivered a presentation on the creation of the company plan, including its structure, goal setting, and the development of both the financial and marketing strategies. In the third section, I provided a concise overview of the funding sources and financing options available for medium and small enterprises. This study dedicates its fourth section to examining the primary structures and forms of medium and small enterprises.

## 2. Materials and Methods

The focus of our Ministry of Trade and Industry is to analyze policies aimed at promoting employment, particularly those pertaining to labor market policies that have a direct impact on the growth of small and medium-sized enterprises (SMEs) in Kosovo. Hence, the research upon which we have grounded this work exhibits a remarkable range of diversity.

We will provide precise definitions of the fundamental ideas associated with these policies, drawing upon recent studies conducted by various academics to ensure a more precise understanding of these concepts.

We also consulted a variety of government publications from the KOSOVO STATISTICS AGENCY, MINISTRY OF TRADE AND INDUSTRY, and Central Bank.

Nevertheless, it is comprehensible that a paper, regardless of its extensive nature, cannot encompass all the studies and research conducted in this sector. Hence, we will mostly rely on the most notable and up-to-date advancements that have garnered the greatest support.

## 3. Results

- Classification of Small and Medium Enterprises in Kosovo
- Currently, there are no precise and specific criteria available for distinguishing between small, medium, and large enterprises. When classifying firms based on size, several countries use three criteria: The requested information includes the balance sheet, gross annual turnover, and average number of employees for the year. We anticipate that small firms will have unique qualifications in this area:
- These businesses are under their owners' direct control and supervision;
- They are tailored to meet the specific needs and preferences of their owners.
- Their financial resources primarily come from within the company itself.

1. Microenterprises have up to nine employees, full-time or part-time.
2. Small enterprises have:
  - The company has up to 49 full-time or part-time employees.
  - one from the other;
  - The yearly turnover should not exceed €7 million.
  - The annual balance should not exceed €5 million.
  - The maximum property owned by one owner or joint owners cannot exceed 25% of the total property.
3. Medium enterprises can be considered enterprises, which include:
  - The company can employ up to 249 full-time or part-time employees.
  - both one and the other;
  - a maximum average annual turnover of no more than €40 million;
  - maintain an annual balance of no more than €27 million;
  - meet the independence criterion, meaning that one or more enterprises collectively do not hold more than 25% of the capital and voting rights.

The source of the definition of small and medium-sized enterprises is the Commission's adoption, as stated in the Official Journals of the European Communities No. L107/8.

Nevertheless, the most often used criterion for categorizing firms as small, medium, or large is based on the number of employees. Based on this condition, one case defines small business as any form of business where the owner or director can recall the names of their employees.

According to statistical data, the annual workforce size of small firms typically varies between 20 and 250 employees. In certain small organizations, particularly in the United States, the workforce often ranges from 500 to 1500 employees or even higher.

The table below displays the classification of enterprises in Germany and Great Britain based on specific criteria:

	SIZE OF ENTERPRISES		CRITERIA	
A	Balance Sheet	Total assets	1.93 €	1.4 €
	Gross turnover	Total revenue	4.0 €	2.3 €
	No. annual average of Workers	No. Annual average of workers	50	50
	<b>Medium enterprises</b>			
B	Balance Sheet	Total assets	7.7 €	5.6 €
	Gross turnover	Total revenue	16 €	11.2 €
	No. annual average of Workers	No. annual average of Workers	250	250
	<b>Large enterprises</b>			
C	Large enterprises in Germany and Great Britain are considered those that exceed the criteria highlighted for medium-sized enterprises.			

**Table 1. Classification of SMEs**

Currently, there are no specific parameters in place for determining the size of firms in Kosovo. In Kosovo, the majority of firms registered until the end of 2002 are microenterprises, accounting for 93% of the total. Small businesses make up 5% of the registered enterprises. This data indicates that we cannot classify firms with more than 50 workers as medium-sized enterprises, as we define them as having up to 250 people. Within the context of micro-firms, the majority of involvement is attributed to enterprises that have a workforce of 1-4 employees, accounting for 93.5%, or 87%, of the total number of enterprises.

In transitional countries like Croatia, small enterprises are defined as having a balance sheet of €1 million, an annual turnover of €2 million, and 50 employees. Medium-sized enterprises, on the other hand, are characterized by a balance sheet of €4 million, an annual turnover of €8 million, and an average of 250 employees throughout the year.

Statistical data reveals that in Kosovo, around 97% of firms fall under the category of microenterprises, while 2% are classified as small enterprises. Only 1% of enterprises in Kosovo have more than 50 employees.

Nevertheless, over 45% of the overall workforce is employed by small firms, while those with more than 50 employees employ around 55%.

### Development stages for medium and small enterprises in Kosovo

Prior to 1989, private firms started to emerge in Kosovo, and there was a significant boom in the development of small and medium-sized enterprises (SMEs) between 1990 and 1993. Following this timeframe, their establishment begins to see a notable decline. The emergence of these firms in Kosovo is not the outcome of the deliberate construction of favorable conditions but rather a response to the years when individuals, forced out of work, sought to secure their survival by establishing their own businesses as an alternative means of employment for themselves and their families.

People dismissed from the social sector by the Serbian regime, particularly workers and experts, were the primary creators of these firms. Prior to 1989, Kosovo already had a number of privately owned firms operating in specific sectors of the economy, including handcraft, tourism, small-scale manufacturing, and agriculture. These individual entrepreneurs exploit the legal opportunities available to them by converting their activities into private firms. Despite their inadequacy, these resources played a crucial role in fostering private enterprise. Before the military war in Kosovo intensified, the official record showed approximately 16,500 private enterprises, predominantly small and family-owned businesses. Given the detrimental impact of the institutional environment, it is predicted that just 50–55% of businesses will be able to maintain normal operations. Between the end of the Kosovo war and March 2012, officials officially recorded 114,131 firms. Out of the entire pool of registered firms, 98.4% consist of micro-enterprises that have a workforce of 1–9 employees. Just 1.3% of the total are categorized as small firms, namely those employing a workforce of 10 to 49 individuals. Each year since 2008, an average of approximately 6,500 firms have registered. By 2011, the number of registered firms had risen to 7,835. The region of Pristina has the highest concentration of firms, accounting for 37.1% of the total. Gjilan follows with 20.8%, Peja with 16.5%, Prizren with 15.2%, and Mitrovica with 10.4%.

**Table 2: Business registration in Kosovo by year**

Kosovo SME and Employment data, 2012

Kosovo SME and Employment Data					
Company size	Nr. of emp. at business reg.	Nr. of Companies		Nr. of Employees	
Micro	1 - 9	109,800	98.4%	185,129	64%
Small	10 - 49	1,508	1.4%	24,877	9%
Medium	50 - 249	224	0.2%	22,411	8%
Large	250 +	58	0.1%	55,658	19%
TOTAL		111,590	100	288,075	100%
Source: Agency for Business Registration of Kosovo, Ministry of Trade and Industry					

In terms of ownership, the most common form of ownership in Kosovo is the registration of enterprises as individual businesses, accounting for 89.08%. Limited liability corporations officially register as 6.70% of the entities, while general partnerships register as 3.2%. Typically, the Ministry of Trade and Industry is involved in commercial firms, accounting for approximately 43% of its activities. Service enterprises make up 39% of the company's operations, while manufacturing enterprises make up 18%. The Medium and Small Enterprises sector in Kosovo has a workforce of 232,411 employees, which accounts for around 63% of the total number of employees. Medium and small enterprises contribute 47.6% to the overall exports.

Regarding the legal status of businesses, the survey done by the Ministry of Trade and Industry in 2011 demonstrates that in Kosovo, there is still a lack of distinction between the roles of property ownership and management in medium and small organizations. Among all the studied businesses, owners operate 86.46%, while appointed managers handle just 13.54%.

The spatial distribution of firms demonstrates their presence in both urban and rural locations. Based on the research conducted by the Ministry of Trade and Industry, it may be inferred that 61.4% of firms are situated in urban areas, while 38.6% of them are located in rural areas. Based on this, we may infer that the size of the businesses aligns with the market as well as social and demographic trends.

The age group of business founders is a crucial factor in determining the growth potential of medium and small enterprises, taking into consideration their physical, intellectual, and professional age and expertise in managing such enterprises. Table 6 reveals that the largest proportion of founders of medium and small enterprises, specifically 33.46%, fall within the age range of 36–45. Following this, 29.76% of founders belong to the 26–35 age group, while 22.48% of female founders belong to the 46–55 age group. The remaining founders are distributed throughout the age groups of 18–25 (6.39%), 55–64 (7.02%), and over 65 (0.89%).

Among the 783 companies examined, only 665 disclosed their business expenses. Among them, 20.9% reported initiating their development with less than €200, while 51.4% began with €201 to €500. Additionally, 13.5% started with €501 to €1000, and 14.1% commenced with over €1000.

### **Employee count and strategies for expansion and enhancement**

Every firm aims to increase its workforce in order to facilitate the continued growth of its operations through the implementation of projects that support business expansion. Nevertheless, this is intricately connected to the economic progress of the endeavor. When examining the factors influencing business growth, a significant portion of the participants stated that they do not anticipate hiring more personnel. However, they believe that their firm will follow the same path in 2011 as it did in the previous year. Out of the businesses surveyed, 41.38% expressed their intention to increase their workforce, while 52.11% predicted that the number of employees in 2011 would remain the same as in 2010. Only 6.51% of the businesses planned to decrease their number of employees. It is important to highlight that entrepreneurs in the production sector demonstrate a higher inclination towards growth and development compared to entrepreneurs in other sectors. Specifically, in the production sector, the focus is more on plans for growth than maintaining the current situation. Conversely, in other sectors, the emphasis is more on maintaining the current situation than pursuing growth.

### **Sources of funding**

Financial resources are crucial for facilitating the expansion and advancement of small and medium enterprises. The respondents said that 43.81% of them financed their capital investments with their own funds, while just 11.75% relied on bank loans. Another means of obtaining financial support is through personal connections, such as family members and close friends. Among the surveyed entrepreneurs, 7.54% secured funds for their business ventures from their family members, while 4.34% pooled their shares to raise investment capital. Only 32.06% have sufficient financial resources for capital projects.

The evaluations of different institutions in Kosovo indicate that the banking system, with its independent policies, is not conducive to business advancement in Kosovo. The assessments of medium and small enterprises also reflect this sentiment. Approximately 46.5% of respondents indicated that they abstain from utilizing loans to facilitate the growth of their organization.

Furthermore, extending loan repayment periods is an essential factor for business growth. According to 37.16% of enterprise declarations, the most appropriate loan repayment period is over 5 years.

Additionally, 26.05% of enterprises have declared that a suitable repayment period is between 3 and 5 years. Furthermore, 16.6% of medium and small enterprises estimate a suitable repayment period of 1 to 3 years, while 4.09% of them have declared a 1-year period as suitable for loan repayment. It is worth noting that 16.09% of SMEs did not provide a response to this question.

The majority of medium and small enterprises in Kosovo have developed negative perceptions of the banking system due to the combination of high interest rates and very short loan repayment terms. Approximately 50% of enterprises have expressed dissatisfaction with banking services, while only 14.81% have reported being satisfied with these services.

The MINISTRY OF TRADE AND INDUSTRY has also attempted to identify the sources of discontent among MEDIUM AND SMALL ENTERPRISES. As anticipated, a significant majority of enterprises, specifically 87.12% across all sectors, voice their concerns with high interest rates. The remaining respondents express their dissatisfaction with issues such as subpar service, rejection of requests, and cumbersome bureaucratic procedures for loan approval.

The surveys revealed that 60.23% of medium and small enterprises are dissatisfied with the absence of collateral during the loan application process. Furthermore, 12.5% of companies believe that banks express dissatisfaction with a company's performance when applying for loans. Furthermore, 9.09% of businesses express dissatisfaction with insufficient information. Another 12.5% classify the banks' reasons for not approving loans as ambiguity in investment ideas, while 5.68% have cited other reasons.

Enterprises engaged in production, commerce, and service activities, which account for more than 59.09% of the total, believe that banks reject loan applications due to insufficient collateral. Furthermore, bank dissatisfaction is characterized as an additional factor contributing to the discontent of 28.2% of medium and small enterprises. We categorize additional factors contributing to customer discontent with banks as quite insignificant.

It is impossible to effectively analyze a firm's conduct in isolation because its surroundings inherently influence it. Developing countries face significant challenges, primarily due to their lack of dominance in the world market. In this context, dominance signifies an economy's capacity to impact other economies without succumbing to their influence. In the current stage of development, the global distribution of labor has compelled emerging nations to relinquish a portion of their productivity gains to industrialized nations. Whether private or public, the global movement of capital has primarily reinforced the control over emerging nations. The disparities in the dimensions and structures of the economies under examination give rise to dominance. Developing countries' economies are consequently marginalized, assuming a passive role and experiencing the repercussions of the actions of rich countries. However, industrialized countries' level of control is not as complete as one might assume based on a simple analysis of existing powers. Nevertheless, not all developing nations possess the resources to alter the ratio of dominance. They rely on financial, economic, and technical considerations. As a result of these countries' indebtedness, creditors' influence on economic policy grows.



Due to the growing challenge of maintaining a balanced balance of payments, developing nations must seek assistance from foreign countries to decrease their deficits. In contemporary economies, the export sector is the most important. Global market regulations constrain enterprises in emerging nations, limiting their flexibility. Whether the company prioritizes exporting or not, its primary goal is to secure funding to enable expansion in countries with limited financial resources. The absence of sufficient capital presents challenges: although industrialized countries have a wide range of financial options, developing countries can only rely on limited funding sources. To examine the challenges faced by firms in developing nations when it comes to funding their growth, we will initially emphasize the inadequacy of available financing options. Subsequently, we will analyze the institutions and processes that can facilitate the expansion of funding sources for companies operating in these countries.

It is important to differentiate between the status of public and private companies. Government subsidies and long-term borrowing are the primary sources of funding for public corporations.

Private enterprises predominantly depend on internal funding and short-term bank borrowings.

Consequently, companies obtain their capital from three primary sources:

The banking system and other supporting institutions hold private savings.

- Public saving: the government
- Private entities make foreign direct investments.

Underdeveloped nations face two distinct levels of challenges associated with financing private firms.

- Internally, the company's inadequate self-financing, which relies heavily on banks, capital markets, and shareholders, has resulted in sluggish investment growth.
- At the external level, there are several factors that can impact the financial system. These include the financial market, which can be challenging to enter and navigate, as well as the banking system, which offers short-term loans in various forms such as loans, Treasury loans, or guarantees. Additionally, the state plays a role in financing productive investments and projects of general interest. Foreign aid, in the form of equity participation, can also influence the financial system. The evaluation of the significance of each of these sources in financing enterprises in developing nations is based on specific criteria, including numeric importance, cost, convenience of access, and flexibility of use of money. Public assistance primarily adheres to political motivations, while direct investments and equity participation are contingent upon profitability prospects. Repayment ability is the decisive factor for loans. However, the rising proportion of debt makes it increasingly challenging to secure external assistance, restricting the potential for financially viable initiatives.

*Figure1.Fundingsources*

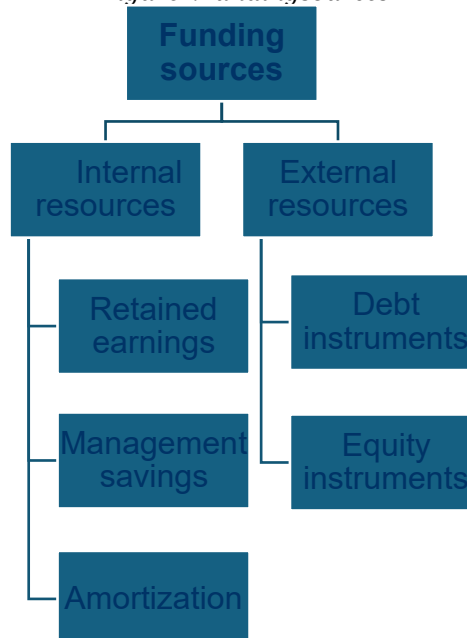
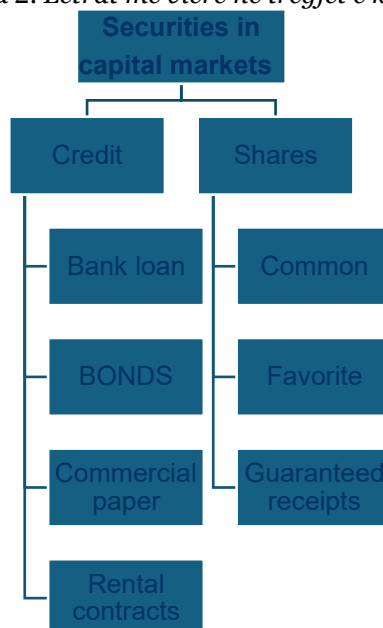


Figura 2. Letrat me vlerë në tregjet e kapitalit



**Financing in Kosovo of small and medium enterprises through securities in the capital markets is not developed, and therefore there is no financing.**

**Currently, there are medium and small enterprises in Kosovo.**

In Kosovo, the establishment and growth of private, small, and medium-sized firms have significantly progressed over the past decade, yielding valuable evidence. Despite facing unfavorable conditions, including discriminatory measures imposed by the Serbian government, many enterprises in Kosovo were able to survive and thrive. This has led to a significant strengthening of private initiative and entrepreneurship in the region. A decade of disregard and insufficient allocation of resources to Kosovo's economy, along with the exclusion of Albanians from employment opportunities, has led to a significant portion of the population falling into poverty. Small and medium-sized firms have demonstrated efficiency not just in conventional industries such as services, trade, tourism, and hospitality, but also in high-tech sectors.

**The defining attributes of small and medium enterprises are as follows:**

- Enhanced resilience to market shocks and economic downturns,
- Rapidly generate employment opportunities,
- Mobilize local resources and capital.
- Can be structured in various configurations,
- Exhibit strong adaptability in transitioning between projects,
- Facilitate the realization of managerial visions.

Similar to Kosovo, several nations in the region are confronted with the difficulties of funding small and medium firms, particularly small firms, to obtain substantial finance from foreign sources.

The provided table shows that in 2000, the private economy, specifically medium and small enterprises, accounted for 65% of Kosovo's GDP. Additionally, medium and small enterprises contributed approximately 31% to employment.

In the United States of America, the employee involvement rate in medium and small enterprises exceeds 54%, although in Western European countries, the proportion of employees in SMEs reaches as high as 65%.

In Great Britain, small and medium firms account for approximately 52% of the whole workforce, while in Italy this figure stands at 73%, in Germany at 38%, and in Croatia at 30%.

In 1991, there were a total of 5,610 privately-owned businesses in Kosovo. By 1994, this number had increased to 16,371 enterprises. Nevertheless, the growth of medium- and small-sized private firms did not exhibit the same pattern. The most significant expansion of these businesses occurred from 1990 to 1993. In addition to the growth in private businesses, there was a significant surge in the number of self-employed individuals.

In 2002, there were a total of 54,412 firms registered in Kosovo, with 31,220 of them classified as small and medium enterprises. Approximately 60% of these firms are now operational, according to estimates.

In 1995, the private economy accounted for 55% of Kosovo's GDP, while medium and small enterprises were estimated to contribute roughly 31% to employment in 2000.<sup>2</sup>

In recent years, SMEs in Croatia have accounted for approximately 30% of the economy's total employment. Poland has achieved significant progress, with over 2,546,405 registered medium and small enterprises, of which around 65%, or 1,508,187, are currently operational.

In 1996, there were a total of 315,441 private firms in Bulgaria. Out of them, 307,708 had less than 10 employees, 6,784 had between 10 and 50 workers, 1,425 had between 50 and 500 workers, and 54 had more than 500 workers.

In 1999, medium and small enterprises contributed 61.5% of Romania's GDP.

In 1998, the number of individuals employed in small and medium-sized private firms in Kosovo exceeded 120,000.

In 1998, Montenegro registered 14,008 medium and small enterprises, of which 38% were actively conducting business. The contribution of small and medium enterprises to the country's GDP was around 33.47%.

#### 4. Discussion

Kosovo inherited a socialist economy characterized by an underdeveloped and inefficient level of productive forces. The period from 1989 to 1999 witnessed a decade of violence, apartheid, and the 1998–99 war, which resulted in the complete destruction of the limited economic potential that had been accumulated during that time.

In 1999, Kosovo experienced significant changes that marked the end of a period characterized by dramatic events. A new era focused on democratization and the shift from a centrally planned to a free market economy also began this year.

This shift pertains to the establishment of a democratic society characterized by a diverse political system as well as the establishment of a market economy that allows for multiple forms of property ownership.

Given the economic, social, and political challenges, achieving these aims has been and is highly intricate.

As previously stated, our region's gross national product is very low, at approximately 2000 euros per capita. This amount is just half of the average gross national product of other countries in the region. In recent years, the average economic growth has been approximately 5%. Despite the general recognition of this economic growth as significant, Kosovo's low level of development prevents it from effectively addressing its pressing economic challenges, such as unemployment, poverty, underdeveloped education, and inadequate healthcare. To address the issues faced by the economy and society in Kosovo, a growth rate of more than 7% is necessary. Nevertheless, considering the trajectory of present economic advancements, regulations, and government projections, achieving such a goal is unrealistic.

Since 1999, Kosovo has maintained a trade balance characterized by an export-import ratio of 95– 5%. This ratio is highly adverse to economic development.

Unemployment has been one of the fundamental economic and social issues since 1999. Despite the absence of definitive figures from many local and international authorities, research indicates that the unemployment rate in Kosovo is approximately 40%.

#### Kosovo's gross national product (GNP)

Gross national product (GDP) is the primary macroeconomic concept. The Gross National Product (GNP) is a measure of the total value of all final products and services produced within a country over a specific time period. This commodity encompasses the worth of tangible items such as houses, machines, and structures, as well as the value of intangible services like travel, accounting services, and economic lectures.

Gross domestic product (GDP), which serves as the primary macroeconomic indicator for measuring and determining a country's economic development, has consistently exhibited low levels in Kosovo throughout its history. During the period of apartheid from 1989 to 1999, as well as the war, Kosovo's economic potential was severely damaged.

The gross national product in Kosovo is approximately 2000 euros, with an average economic growth rate of over 5% in recent years.

In the future, we will provide this information.

**Table 3 displays the macroeconomic indicators.**

<b>BPV at current prices</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2014</b>
Final consumption expenditure	3,212.7	3,367.6	3,466.2	3,810.6	3,344.6	4,279.99
Final consumption expenditures of households	2,487.6	2,638.4	2,770.8	3,145.9	3,646.7	3,584.3
Government final consumption expenditure	701.5	705.5	670.6	641.6	674.4	670.5
Government of Kosovo	355.5	329.2	340.8	327.3	372.6	409.7
Donors	346.0	376.3	329.8	314.3	301.8	260.8
Foreign employees	247.8	258.4	213.8	169.9	196.9	178.7
Local employees	98.2	117.9	116.6	117.4	104.9	82.1



Final consumption expenses of IJPESHESH	23.5	23.7	24.8	23.1	23.6	25.0
Formation of gross capital	701.2	722.2	798.3	892.5	1093.9	1166.5
Formation of gross fixed capital	583.6	592.8	657.1	744.7	937.9	1026.5
Changes in inventory	117.7	129.4	141.2	48.3	156.0	140.0
Net export	-1,001.4	-1,086.9	-1,144.1	-1,309.4	-1,587.1	-1,534.0
Export of goods and services	310.6	332.8	441.4	512.2	569.0	611.8
Export of goods	63.8	67.8	112.5	177.2	217.5	177.2
Export of services	246.8	265.0	319.0	335.0	351.6	334.6
Import of goods and services	1312.0	1419.7	1585.5	1281.7	2156.1	2145.8
Import of goods	1046.9	1146.3	1295.6	1545.2	1885.7	1850.6
Import of services	265.1	273.3	289.9	276.5	270.5	295.1
the population	2041	2070	2100	2130	2153	2180
GDP per capita	1427	2451	1486	1593	1789	1799

Source: MEF, 2014

### The state of joblessness in Kosovo

Unemployment refers to the number of individuals who are without a job and are actively seeking employment within the labor market. It is considered a significant economic ailment, reflecting the stage of economic evaluation. Hence, the theoretical examination of this matter has significant significance as it enables us to accurately identify the "remedies" and the appropriate strategies to treat these ailments.

We calculate the unemployment rate as a percentage by dividing the number of unemployed individuals by the total labor force.

Unemployment incurs both economic and social disadvantages. From an economic perspective, a high unemployment rate is associated with a decrease in gross domestic product (GDP). According to Okun's law, a 1% reduction in employment leads to a 2% decrease in gross national product (GNP), which in turn results in a decline in the overall well-being of the population.

Economic expenses and social losses are closely associated with unemployment. Quantifying the societal ramifications of unemployment in terms of monetary worth is a challenging task. These expenses can manifest in several forms. Unemployment diminishes the value of human skills and knowledge, while the rise in unemployment provides a very conducive environment for an increase in criminal activity, among other negative consequences.

This issue has persisted as one of the primary economic challenges in Kosovo for an extended period of time. Despite the lack of reliable data, the unemployment rate in Kosovo is persistently high.

**Table 4 displays the unemployment reports specifically pertaining to Kosovo.**

Spring		Reference year	Unemployment rate
IOM 05/2000	DHS	2000	50%
STATISTICAL AGENCY OF KOSOVO 03/2004	AFP 2001	2001	57%
UNDP	UNDP KHDR	2001	50-55 %
KOSOVO STATISTICS AGENCY	LFS 2002	2002	55%
Riinvest 01/2003	AFP	2002	39-49 %
STATISTICAL AGENCY OF KOSOVO 03/2004a	DHS	2003	53%
STATISTICAL AGENCY OF KOSOVO 2005	AFP 2003	2003	50%
UNDP 2004	KHDR / HDS 2003	2003	44%
MPMS 03/2004*	Annual report	2003	43%
World Bank	Raporti	2003	23-33 %

FMN 2004	Raporti	2003	30%
MPMS 03/2005*	Annual report	2004	42%
STATISTICAL AGENCY OF KOSOVO 2005a	AFP 2004	2004	40%
MPMS 05/2006*	Annual report	2005	42-44 %
KOSOVO STATISTICAL AGENCY 2006	AFP 2005	2005	41%
MPMS 06/2007*	Annual report	2006	39-42 %
STATISTICAL AGENCY OF KOSOVO 2007	AFP 2006	2006	44,9 %
MPMS 06/2008*	Annual report	2007	39-43%
STATISTICAL AGENCY OF KOSOVO 2008	AFP 2007	2007	43,6 %
MPMS 04/2009*	Annual report	2007	38-41%
MPMS 03/2009*	Annual report	2008	38-41%
MPMS DPP 06/2009	Performance report	2008	39-41%
MPMS DPP 05/2010	Annual report	2009	37-40%

Source: MPMS/DPP performance report, 06/2013

According to the table, the unemployment rate was 53.2% in 2002. In 2003, unemployment increased by approximately 2%. However, in 2004, the unemployment rate decreased to 49%, which is a decrease of 6%. In 2005, the rate decreased to 39.7%, representing a loss of 10%. In 2006, it increased to 41.4%, and currently, it is near 40%.

The significant statistics indicate that unemployment will continue to be the primary obstacle for the economy and society of Kosovo for an extended period. The department of macroeconomics in the Ministry of Economy and Finance conducted a study that suggests a 4.7% actual increase in the gross national product to maintain the current unemployment rate. However, a 7.3% actual increase in the gross national product could potentially reduce unemployment by half by the year 2020.

### The phenomenon of inflation in Kosovo

Inflation refers to the overall rise in price levels.

The inflation rate at time  $t$  is calculated by subtracting the price level at time  $t-1$  from the price level at time  $t$  and then dividing the result by the price level at time  $t-1$ .

Inflation is a significant macroeconomic ailment that is regarded as a concerning issue for the overall economy as well as for businesses and consumers specifically. Because of this rationale, every government regards inflation as a primary policy for macroeconomic stabilization.

Following the 1999 conflict, Kosovo used the German mark as its currency. However, after the euro became the official currency in the eurozone, Kosovo switched to using the euro as its official currency.

Kosovo has adopted the euro as its official currency, making it a euroized economy. This fact has greatly contributed to ensuring overall financial and macroeconomic stability. Following the 1999 war, there has been a prevailing trend of inflation, albeit at a mild level.

**Table 5 displays the inflation rate in Kosovo.**

year	2008	2009	2010	2011	2012	2013	2014
rate	1.3%	-1.1%	-1.3%	0.6%	4.3%	9.4%	-2.4%

Origin: CBK

The table shows that Kosovo experienced 1.3% marginal inflation in 2008, followed by deflation in the next two years. Specifically, in 2009 and 2010, the deflation rates were -1.1% and -1.3%, respectively. In 2011, there was a minimal inflation rate of 0.6%, which then increased to 4.3% in 2012. In terms of inflation, 2013 was a notable year. This year, there was a significant inflation rate of 9.4%. The world food crisis was the cause of such a significant inflation rate.

### Kosovo's trade imbalance

A market-based economy entails strong economic interdependence between the economies of various nations. Commercial and financial means establish these links.

Trade relations between the two countries exist for multiple reasons. Several causes for this include:

1. Varied manufacturing conditions
2. The concept of economies of scale
3. Alterations in gustatory perception, among other things.

The trade balance is a fundamental term that represents the aggregate value of all trade transactions between a country and all other countries.

Kosovo's trade balance is highly unfavorable, making it a major challenge for the country's economy. Analyzing the facts we'll provide below will most effectively demonstrate this.

**Table 6 displays the trade balance for Kosovo.**

<b>BPV at current prices</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Net export	-1,001.4	-1,086.9	-1,144.1	-1,309.4	-1,587.1	-1,534.0
Export of goods and services	310.6	332.8	441.4	512.2	569.0	611.8
Export of goods	63.8	67.8	112.5	177.2	217.5	177.2
Export of services	246.8	265.0	319.0	335.0	351.6	334.6
Import of goods and services	1312.0	1419.7	1585.5	1281.7	2156.1	2145.8
Import of goods	1046.9	1146.3	1295.6	1545.2	1885.7	1850.6
Importi i shërbimeve	265.1	273.3	289.9	276.5	270.5	295.1

Source: MEF, 2009

The provided table clearly demonstrates Kosovo's significant trade imbalance. In 2007, Kosovo's imports amounted to 1.312 billion euros, while its exports barely reached 310 million euros. The significant disparity between imports and exports in this report led to a trade deficit of 1 billion and 1.4 million euros.

In subsequent years, the trade imbalance remained persistently high. It consistently remained above 1 billion euros. However, in 2011, it reached its highest point with a total of 1.5871 billion euros, although in 2012, there was a minor decline to 1.534 billion euros.

### 5. Conclusions

The objective of this study is to elucidate the concept of entrepreneurs and delineate their distinctive characteristics that set them apart from others. The divergence in their perspectives renders them distinct. Instructions on creating a business plan, including its components, defining desired objectives, developing a finance strategy, and formulating a marketing strategy.

This text discusses the structure, classification, primary types, benefits, and limitations of medium and small enterprises. Sources of finance for medium and small enterprises, strategies to ensure business financing, and types of financing available for medium and small enterprises.

To effectively enhance employment rates and ensure prudent government expenditure aligned with Kosovo's needs, we propose the following recommendations:

1. To formulate a comprehensive national plan for economic development, encompassing the presentation of objectives, aims, and ideas pertaining to economic growth. This plan should act as a definitive guide for the development of sector-specific strategies (such as industry strategy, agricultural strategy, etc.) or macroeconomic policies that align with the national strategy.
2. To incentivize the production side.
  - a) The government should refrain from borrowing money from domestic banks and instead borrow from international financial institutions. This is because borrowing internally would have a negative impact on business lending.
  - b) Streamline superfluous regulations, eradicating bureaucratic impediments for businesses.
  - b) Promote investments in human capital.
  - d) Enhance funding for infrastructure development.
3. To revamp fiscal policies in order to provide robust support for businesses, particularly for producers.
  - a) Fiscal policy should be expansionary, characterized by tax reductions and increased investments.
  - b) Remove value-added tax (VAT) and customs duties on imported production machinery.
  - c) The proposal is to eliminate the profit tax for all manufacturing companies. The proposal aims to increase employment and reduce the trade deficit. A reduction in the trade deficit would have an impact on financial concentration, which is necessary for an investment-oriented strategy.
4. To formulate monetary policies that would stimulate lending by offering more advantageous terms for company growth.

- a) To expand the money supply, resulting in a decrease in interest rates, a rise in investment expenditures, and an increase in aggregate demand, ultimately leading to an increase in equilibrium output.
- b) To restore the pension fund and the privatization fund in Kosovo, which would have an impact on monetary supply expansion.
- c) To establish a bank via a public-private partnership that would exclusively provide credit to strategic industries, such as agriculture and the food industry.
5. To enact progressive trade policies that foster economic integration within both the regional and global economies. These strategies should prioritize development rather than focusing primarily on the outcomes of international commerce.
6. The Ministry of Education and Culture should enhance its procedures for executing labor market policies, including: a) enforcing labor legislation, reinforcing the tripartite discussion, and improving the labor inspectorate.
- b) Implementing unemployment benefits while considering budgetary expenditures and their potential consequences.
- c) To provide vocational training for individuals who are unemployed or in need of retraining, while aligning the training programs with the demands of the job market.
7. To centralize the collection of budget revenues within the area rather than primarily relying on border collections as has been done until now. Meanwhile, it is advisable to prioritize capital investments, particularly in initiatives with higher economic viability, when allocating expenses. Furthermore, augment the expenditures allocated to aggressive labor market initiatives.

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