

Affecting factors in the growth of micro and small businesses in Kosovo

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Abstract

Through this paper we will try to elaborate some of the factors that affect the growth of micro and small businesses. We will also address the importance of efficient management of micro and small businesses (SMB), so that those businesses are competitive in the market but also help reduce unemployment. Through this research we will try to give the results obtained from the SMB surveys in one of the researches done whereas samples are from more than 50 businesses which operate in Kosovo. Small and micro businesses are economic entities, elementary where the organization of works takes place, as a whole of operational functions. In Small Businesses, different products or services are concretely produced. All this is a requirement of the realization of economic principles through concretization and organization in practice of works and tasks where the final goal is the realization of objectives that a business can have. The organization of micro and small businesses is done with certain purposes, to carry out profitable activities which create use and profit values, which serve to meet consumer needs. Every Business is organized based on the necessary analysis, which provides sufficient arguments for the reasonableness and need of the economic entity. Of course, small businesses can organize their own activity, whether productive, circulating, only if it provides and activates the factors of production. During the production process the factors in question are intertwined and harmonized both in size and in time and space, by calculating the expected results.

Keywords: Micro and small businesses, operational functions, results, organization, employment.

1. Introduction

Micro and small businesses in Kosovo continue to be one of the important pillars of development in Kosovo, although they have the burden of developing country, they have challenges and many problems in the exercise of economic activity for which they are defined, and these challenges are naturally influenced by various factors which are identified as internal and external factors and the way SMBs operate in Kosovo. Micro and small businesses are considered as economic instruments which have a great impact on the economic development of the country. The role of small businesses is very important in countries with growing economies such as Kosovo and other countries that are in this phase. Small Businesses accumulate a considerable amount of permanent assets, even working capital, although they change from time to time, are always present. In addition to the union of capital, within the economic entity, the work of individuals is also united, as an element of production and as a creative force, with a special role in the sphere of organization. For every country in the world, but also for Kosovo, Micro and small businesses are businesses that have a special importance in the economic development of a country, so it is important to emphasize that this type of business is the biggest contributor to reducing unemploy-

ment, and when in a country the problem of employment is not in the foreground, then it automatically comes to mind that that country has a developed economy and especially Micro and small businesses have contributed in this direction.

Kosovo's economy since 1999 has been largely driven by international assistance, the public sector and remittances. The role of the private sector, especially small and micro businesses, has been relatively weak. Nevertheless, Kosovo is still in the transition phase where entrepreneurship and the creation of small businesses are expected to play a crucial role on the path to a modern free market economy and consequently to economic development and growth.

Kosovo suffers from a balance of payments where imports significantly dominate exports. This is mainly due to the fact that Small and Medium Businesses are not competitive internationally. Unfavorable business environment and lack of creative entrepreneurial culture, Kosovo lacks innovative fast-growing firms, which are the main contributors to job creation in developed western economies. Over 50% of all small and medium businesses operate in the commercial sector which is characterized by small and unproductive investments. This model, followed by the "me too" copying approach of new businesses, limits the capacity of the small and medium-sized business sector to generate jobs. In terms of policy development, the report "Policy Index for SMEs" shows that Kosovo, for various reasons, is still in the process of completing the basic institutional, legal and regulatory requirements related to the policies of Small and Medium Businesses. When the state helps small businesses but also medium ones he has at the same time helped himself and his budget, because all the help that the state gives to small and medium businesses is sometimes returned by small businesses and secondary after they have taken themselves. (Institute for Research and Development - Rinvest 2008-f20)

2. Establishing a small business

The main purpose of this research project is to diagnose the current situation of small businesses, identify problems, obstacles and barriers that stifle the development of their activities, while identifying the needs and requirements of this community for improving the situation, advancing development processes and developing positive trends in the strategic aspect. The other purpose of this research is to draw important results for the current situation, structure, problems, and difficulties and measure the development trend of micro and small businesses, to determine the criteria and advance the recommendations for the possibility of supporting their development.

A person looking to start a small business should first look for a successful business idea, ask himself if he is capable of dedicating himself to this business and build a business plan.

To start a small business, three things must be done before securing the necessary funds and finding a suitable place for the business: determine its interests and capabilities, look for a successful business opportunity and build a plan business. (Prof. Dr. Ali Jakupi "Marketing" -year 2008)

Business Plan - Most people from small businesses usually build a business plan. In fact, most banks decide to lend only to small businesses that have such a formal

plan. The financial part of the plan is more important to creditors because it explains how the owner will ensure business continuity. Although the main reason for the failure of small businesses is poor management, also the lack of money to continue operating.

Light processing and construction - The most common businesses are: light processing, workshops, baking ovens, workshops for the production of cakes, dairy and furniture manufacturers, as well as construction firms (commercial or residential buildings) and other projects.

Trade - Traders are of two types: retailers, who sell products to end customers, and wholesalers, who buy goods to sell to retailers. Retailers outnumber wholesalers

Services - The modern economy includes many small service firms: service industries such as restaurants, dry cleaning, car service and bookkeeping. (Dr. Blerim Ramosaj "Basics of Management". Year 2000)

2.1. Business purpose

Purpose of any business is derived from the philosophy of capital, which means making a profit.

Profit is not a short-term category of capital, because investments cannot be returned in the short term, but in long lines, therefore the economic fate of the business together with the fate of the capital require long life of the business and the product (service). For this reason for effective management of particular importance is the business life cycle or stages of its development. Therefore in this paper in general will be treated 5 stages of business development and the importance of organization and leadership as two main elements in stages of firm transformation. The business from its foundation throughout its life goes through different stages.

Since it is an open system, which is influenced by external factors, especially the economy, politics, government, legislation, technology, competition, etc., on the good creation of the long-term strategy depends the time cycle of its duration.

The stages of development of small and medium businesses are:

- Existence
- Survival
- Success
- Growth and
- Maturity

Each stage has its own specifics in the way of Business life, which are presented in the life curve of Business development, which takes the form of the letter "S". (Prof. Dr. Justina Shiroka-Pula "Challenges and perspectives of SMEs in Kosovo" - year 2003)

3.1. Research "Factors affecting the growth of small businesses"

3.2. Data Results

Given the importance of the topic and its elaboration, worthy research is a necessity. Given the economy and its importance and the role played by "Factors influencing the growth of SB in Kosovo", of course a well-made and properly compiled questionnaire will give us the best answer. During the research we saw some of the main problems to do business in Kosovo are high and unsuitable rates of loans to do business, informal economy, unfair competition, high interest rates, customs barriers in

raw materials and electricity are some of our findings during the survey in this paper but not only. In the following we will present the survey that shows some of the factors that apply SB which can be taken as an indicator of many businesses in Kosovo. Research sample - simple and random, sample number 50 different businesses in terms of activity with a comparative focus on micro and small businesses.

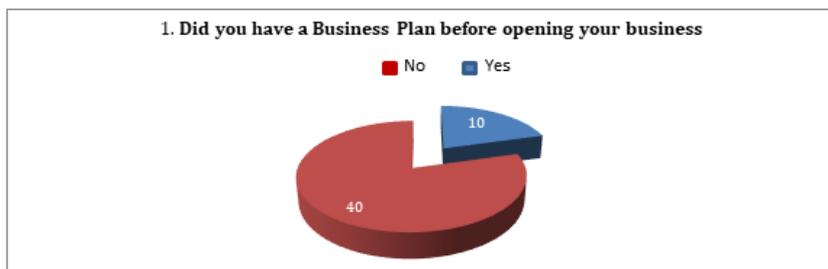
Tab 1: number of smes during 2019

Classification	of employees	Number of busi- nesses	%
Microbusinesses	1 to 9 employees	9.880	98.8%
Small businesses	10-49 employees	114	1.1%
Medium businesses	50-245 employees	8	0.1%
Large businesses	250 and over em- ployees	2	0.0%
Total		10.004	100.00%

Source: Yearbook of the Republic of Kosovo 2020, Kosovo Agency of Statistics The questions asked and the answers given by micro and small businesses are presented in the following tables.

The first question I asked in Micro and Small Businesses part of this research is:

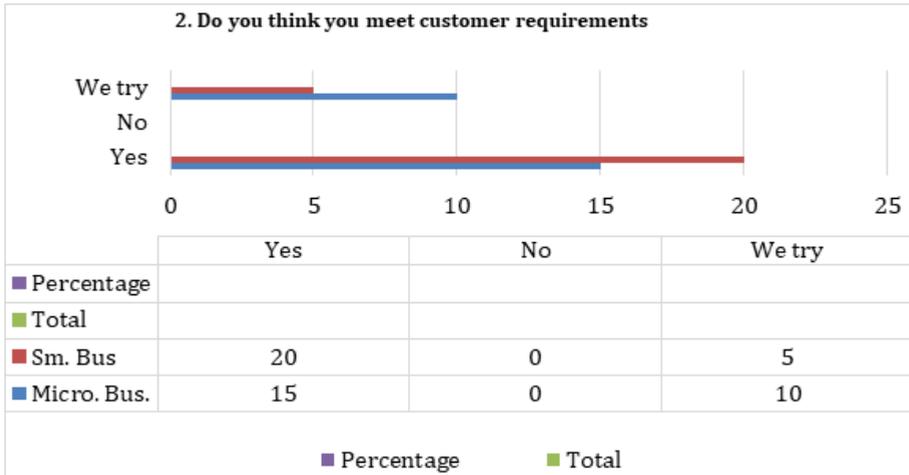
Did you have a Business Plan before opening your business:



To this question, they answered as follows: 40 businesses said (NO) no have had a business plan. The business plan in the previous years has not been implemented enough but with the growth and various advancements, entrepreneurs have realized that there should be a business plan and a work strategy which helps you to grow and develop their business activities. . While about 10 businesses surveyed stated that they had a business plan and that it helped you in the first steps of their businesses such as access to credit and job placement.

While we asked the next Question (2) - Do you think you meet customer requirements as a business?

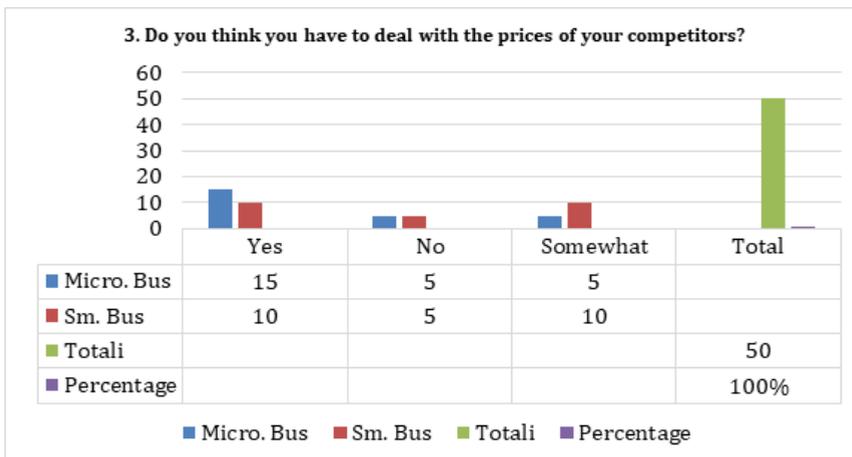
Based on the answers given by the managers and responsible persons of Micro and Small Businesses, it resulted that out of a total of 50 Micro and Small Businesses interviewed, 15 micro businesses stated that they meet the requirements of customers



and gave a positive answer (YES). , while 10 micro Businesses have stated that they try to meet customer requirements, have given answers (We try), and (NO) no answer. In the 25 Small Businesses interviewed, it turned out that 20 Businesses stated that they meet the requirements of customers and gave answers (YES), while 5 other businesses during the interview stated that they try to meet the requirements of customers, and provided answers (We try), and (NO) there was no response from Small Businesses. Presented in the table below

In the third question, *do you think you should face the prices of your competitors?*

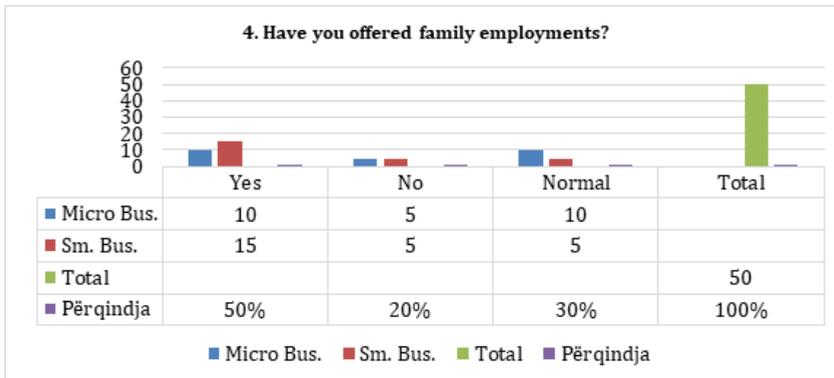
Out of 25 micro Businesses interviewed, 15 micro Businesses stated that we should face the prices of competitors and answered (YES), 5 Businesses answered that we should not face the prices of competitors and 5 Businesses stated that to some extent we have to face the prices of competitors, they answered (Somewhere). In the 25 Small Businesses interviewed, 10 Small Businesses stated that we should face competitors 'prices (YES), 5 of them stated that we should not face competitors' prices (NO) and 10 of them stated that (to some extent) we have to face the prices of competitors.



In the fourth question, *have you provided family employment?*

Out of the total of 25 micro Businesses interviewed, 10 have stated that they have provided family employment, 5 of them have stated (NO) have not provided family employment and 10 other micro Businesses have stated that (normal) have provided family employment.

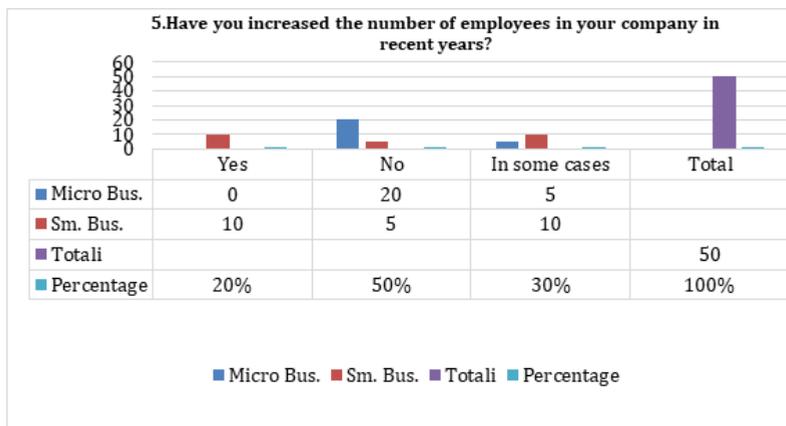
Of the 25 Small Businesses interviewed, 15 Micro Businesses stated that they provided family employment, 5 of them stated (NO) we did not provide family employment and 5 of them stated (normal) we provided family employment.



To the fifth question, *Have you increased the number of employees in your Business in recent years?*

Out of the total of Micro Businesses 25 interviewed, 0 of them did not state that they have increased the number of employees and answered (YES), 20 of them stated that they have not increased the number of employees and answered (NO) and 5 of them have stated (In some cases).

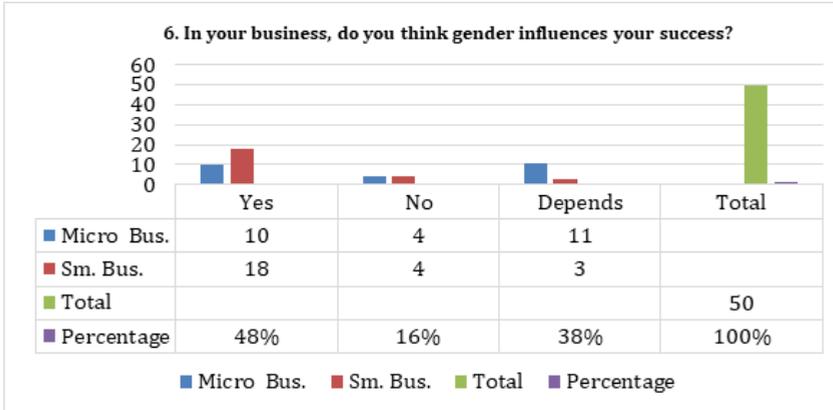
Small businesses in 25 respondents, 10 stated that they have increased the number of employees, 5 Small businesses have not increased the number of employees and 10 stated (In cases) Table as follows:



In the sixth question, *in the activity do you think gender affects your success?*

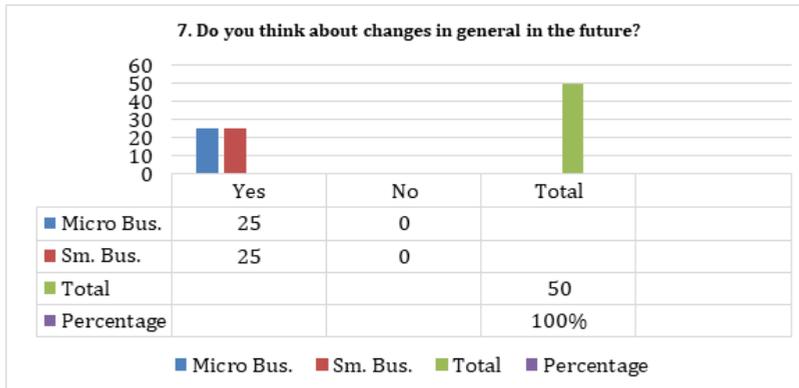
Of the 25 micro Businesses interviewed, 10 of them stated that gender affects success,

4 stated that gender does not affect success, and 11 of them responded (Depends). In 25 Small Businesses interviewed, 18 of them stated that gender affects success, 4 of them stated (no) does not affect and 3 of them stated (depends).



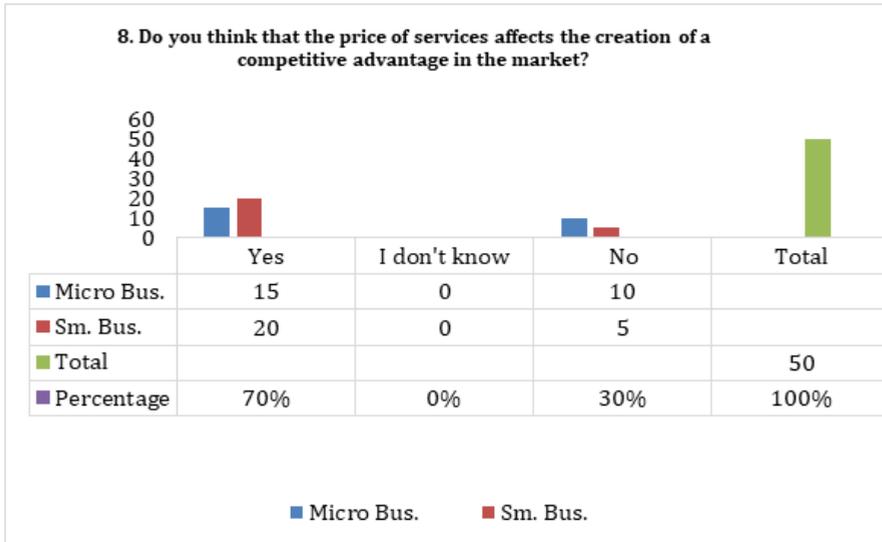
In question seventh, *do you think about changes (in general) in the future?* Out of 25 micro Businesses interviewed, 25 micro Businesses stated that they think about changes in the future and also 25 small Businesses interviewed think about changes in the future.

Table as follows:



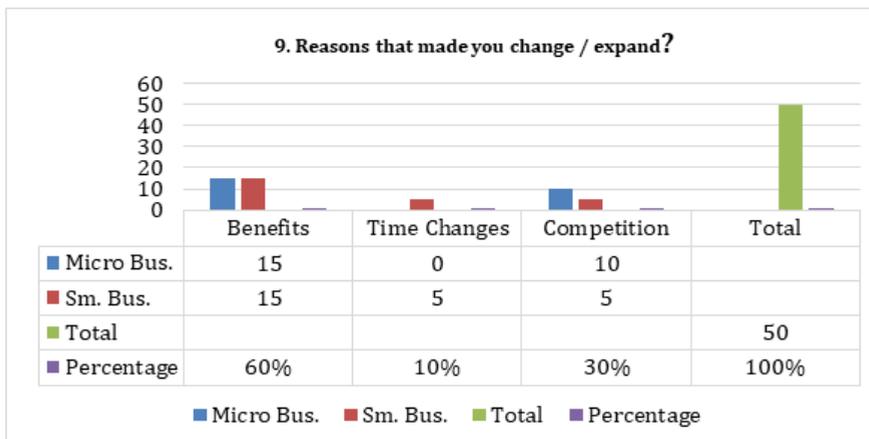
In question eight, *do you think the price of services creates a competitive advantage in the market?*

Out of 25 micro Businesses interviewed, 15 of them gave a positive answer (YES), they think that the price affects the creation of a competitive advantage in the market. 5 of them stated that they do not know and the other 5 gave negative answers (NO). In 25 small businesses interviewed, 20 of them gave a positive answer (YES), they think that the price affects the creation of a competitive advantage in the market, 0 of them stated that they do not know and 5 others gave a negative answer (NO) . Table as follows:



In question nine, *why did you change / expand?*

Out of the total of Micro Businesses interviewed, 15 micro Businesses stated that the reason for the change or expansion is (Benefits), 0 of them stated (Time changes) and 10 of them stated (Competition). Of the total Small Businesses interviewed, 15 stated that the reasons for the change or expansion are (Benefits), 5 of them stated (Time changes) and the other 5 stated (Competition). Table as follows:



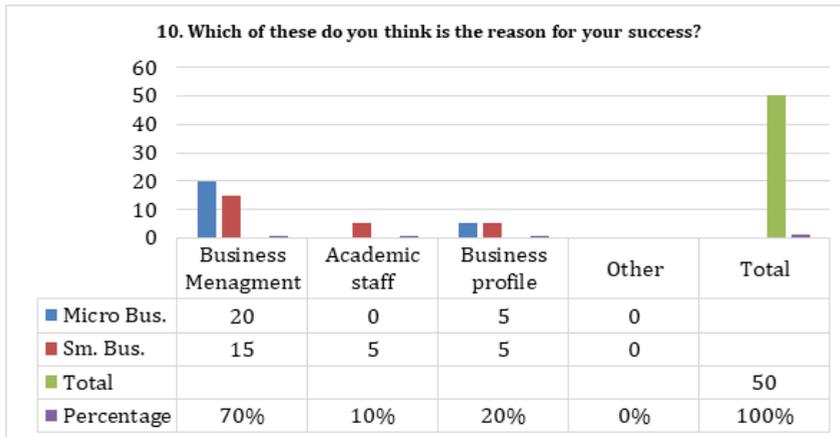
In the tenth question, *Which of these do you think is the reason for your success?*

Out of 25 micro Businesses interviewed, 20 of them stated that business management is the reason for their success, no micro Business has stated adequate staff, 5 others have stated business profile and none of them has responded to the other i.e. 0 answers .

In 25 Small Businesses interviewed, 15 of them stated that business management affects the success of Small Businesses, 5 others stated adequate staff is the reason for their success, 5 of them stated their business profile, others did not have given an-

swers.

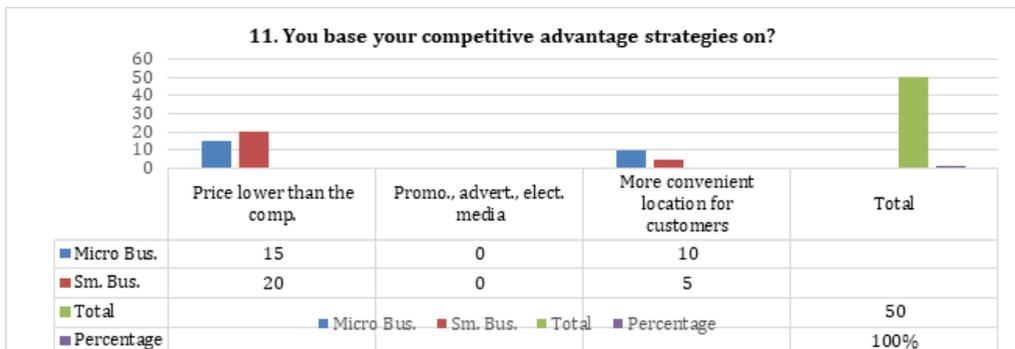
Presented in the table below:



In the eleventh question, *do you base your Competitive Advantage Strategies on?*

Out of the total of Micro Businesses interviewed, 15 micro Businesses stated that they base their competitive strategies on a lower price than the competition, 4 others stated promotion, advertising, electoral medium, 6 of them stated a more convenient location for consumers.

Out of the total of Small Businesses interviewed, 20 Small Businesses stated that they base their competitive strategies on a lower price than the competition, in promotion, advertising, electoral medium. Small Businesses have not declared, 5 of them have declared a higher location suitable for customers. Presented in the table below.



In question twelve, *do you think that affects the motivation of customers to seek your services?*

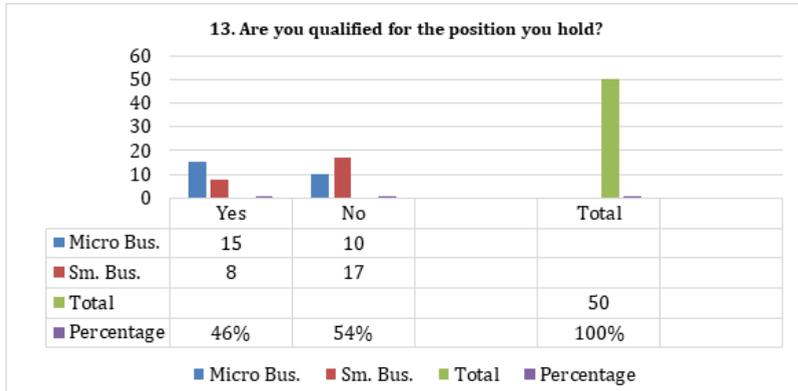
Out of the total micro enterprises interviewed, 10 of them stated that the quality of service affects the motivation of the clients, 15 of them stated the price in the motivation of the clients, and 5 answers A and B.

Out of the total of Small Businesses interviewed, 5 of them stated the quality of service, 15 others stated the price and 5 of them answered A and the EU presented the table below:

In the last question (13): *Are you qualified for the position you hold?*

Out of the total of 25 micro Businesses interviewed and 25 small Businesses, so with positive answers (YES) stated 15 micro Businesses which are qualified for the position, while 10 of them gave negative answers (NO). Out of the total of Small Businesses, 8 Small Businesses have declared (YES), with statement (NO) have declared 17 Small Businesses.

Table below:



5. Conclusion

Finally we can say that micro businesses and small ones are the engine of employment and their expansion or the changes they consider necessary in their enterprises, increase the number of employees and the very existence of tire. Therefore we can rightly say that it is helpful in reducing unemployment.

Micro businesses but also small ones are businesses that mainly start as family businesses and it is normal that even in these cases we have found that there are some of them that function as such. Each Business in the first place provides employment to family members. This is an understandable answer and is something acceptable and real, yes and they are considered employed.

Micro and small businesses have stated that gender plays a special role in some businesses such as manufacturing, crafts, gastronomy, trade which have resulted in successful businesses and nowadays the market demands it.

Today, everywhere in the world, the priority of consumer-oriented businesses is to create consumer trust, through products and services to meet their needs, which result in positivity towards competition.

Every relationship with customers is based on mutual trust and one of the elements to build customer trust is precisely the statement of reality in the provision of their services.

Exactly for this and from the result it seems that businesses have become aware and in essence of customer relations made an accurate reflection of the reality of their businesses.

A positivity in micro and small businesses is their self-confidence that they stimulate

themselves and think that they meet the demands of consumers and from this self-confidence they manage to be motivated and result in a return of success in their businesses.

One of the questions posed to micro businesses and small businesses that in motivating customers to seek your services: *affects the quality of service or price*.

Many answers received in the form of simple conversations have stated the reality of today, that what is required is offered, i.e. the consumer is the one who determines the price.

The globalization of the economy and the creation of micro and small businesses in Kosovo let us understand from this research that the competition has made them stronger, more competent, more reliable, more successful always based on their professional aspect .

The advantage of micro and small businesses compared to state institutions is that it offers employment without certain conditions. It is not the need for a diploma, probation or something specific.

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