

Development of small and medium enterprises in Kosovo and their impact on economic development

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1. Introduction

Development of small and medium enterprises is a important element of economic development in a state, which affects direct in development place. Small and medium enterprises brings a fleksibility for society and economy in general, and facilitate technological innovation. Most privat enterprises in Kosova are individual business, while a small number of enterprises belong to limited liability company, limited partnership, joint stock company etc. SMEs in Kosovo are the biggest makers of Gross Product and at the same time empy a larg proportion of our power workers.

Among of the effects that already incontestable and in which areas the SME sector provides daily evidence are:

- Economic growth,
- Employment,
- Export,
- Economic Opportunity,
- Income and wealth distribution, etc.

SMEs in most countries are generators of new products and technologies. They are sources of new ideas, and advanced management strategies. For integration of

Kosovo's businesses required closer look of developments of international markets.

Statistical data in this document, may be a guide for setting priorities and policy guidance that assist the development of small and medium enterprises in Kosovo.

2. The structure by size of small and medium enterprises

Different authors using the criteria defined in various countries define the business indifferent ways. But even though the evaluation criteria for determining the size of the factors vary by the size and complexity of the enterprise, yet there are general criteria that define or distinguish between small business and medium compared to large enterprises.

In determining the business need to consider more criteria which define what is small business. But the more general criterion for defining SMEs in Kosovo is based on the law to support small and medium Nr.02/L5 and Nr.03/L-031 law to amend the law Nr.02/ L5 for SMEs.

Therefore in the following table is presented the classification of enterprises by number of employees:

Table 1: Classification of enterprises by size

Classification of enterprises	
Micro	1 to 9 employees
Small Enterprise	10 to 49 employees
Medium Enterprise	50 to 249 employees
Great Enterprise	Over 250 employees

3. Structure of enterprises by legal status

Regarding the type of ownership of registration and operation of enterprises in Kosovo, we present the types that the law provides for nr.02/L-123 companies, which provides this facility:

- Individual business:
- General partnership
- Limited partnership
- Limited liability company
- Joint Stock Company
- Foreign companies
- Social Enterprise
- Public enterprise
- Agricultural cooperatives
- Other enterprises under the jurisdiction

of the KPA

4. Structure of enterprises by size of number of employees

Small and medium enterprises, after the war in Kosovo have developed a rapid pace, but now have a slow pace, but still are being developed. SMEs play an important role in the economic development of Kosovo, and also the main source of the creation of new jobs. SMEs from a small number as they were before the war (1999), now up (6/30/2011)107 999 have managed to registered businesses, where most dominant of these are micro (1-9 employees) by 106268 businesses registered small enterprises (10-49employees) with 1452 registered businesses, and as large enterprises (50 - 249) are221 registered

businesses and a small portion are large enterprises.

Table 2: Structure of SMEs by size of number of employees

Classification	Number of employees	Number of businesses	%
Micro	1 - 9 employees	106268	98.4 %
Small Enterprise	10 - 49 employees	1452	1.35 %
Medium Enterprise	50 - 249 employees	221	0.20 %
Great Enterprise	250 - employees	58	0.05 %
Total		107999	100 %

The table is shown the number of registered businesses (until 06.30.2011), with a total of 107 999 businesses, and their separation is shown in the micro enterprise (1 to 9 employees), small (10 to 49 employees), medium (50 to 249 employees) and large enterprises (over 250 employees).

5. Structure of enterprises by type of ownership

Economic system reform has made that change the number and structure and the role and position of enterprises in the economy, most are building a market economy system. Therefore the data from the Business Registration Agency in Kosovo. indicate this ownership structure of enterprises registered:

Table 3: Structure of enterprises by type of ownership (2003 - 06/30/2011)

No.	Type of Property	Regjistrimet	
1	Individual busines	96659	89.50%
2	General partnership	3512	3.25 %
3	Limited partnership	90	0.08 %
4	Limited liability company	6718	6.22 %
5	Joint Stock Company	373	0.35 %
6	Foreign companies	518	0.48 %
7	Social Enterprise	16	0.01 %
8	Public Enterprise	12	0.01 %
9	agricultural cooperatives	68	0.06 %
10	Other enterprises under the jurisdiction of the KPA	33	0.03 %
Total		107 999	100 %

Registration as an individual business enterprises in Kosovo is dominant compared to other types of legal status as individual businesses are 96,659 registered businesses or 89.50% expressed as a percentage of total businesses, limited liability company are 6718 businesses as a percentage 6.22%, businesses registered as general partnerships are 3512 businesses with a rate of 3.25%. All other businesses by type of property are businesses with a rate under 1%.

6. Structure of enterprises by economic activity

Structure of enterprises by economic activity and their performance (2003 to 6/30/2011), has resulted in an apparent increase compared to the years that are leaving behind, showing that the number of registrations under the trade activity is 48,833 businesses registered up to 30.06.2011 which results significantly in comparison with

other activities, while the lowest number of registrations have fishing's businesses with 41 businesses, and other economic activities such as family businesses in their houses with personnel employed, are 9 registered businesses, and if we see the international organizations every year we have zero registered businesses.

If we see the difference from 2010 until the first half of 2011, we can say that we have increase of registered businesses, highest number of registrations is in trade with 1528 registered businesses which is greater than other activities. compared with the trade, fisheries have the lowest number of registered businesses with a total of 2 businesses, businesses that are not increased are services activities and international organizations that result with the same number as in the previous year.

Table 4: Structure of enterprises by economic activity - sectors (2003 - 30.06.2011)

Sector	Economic sector activities	Year 2003	Year 2004	Year 2005	Year 2006	Year 2007	Year 2008	Year 2009	Year 2010	Up to 30.06. 11
A	Agriculture, hunting and forestry	687	886	1119	1310	1529	1670	1961	2133	172

B	Fisheries	14	22	26	27	30	33	36	39	2
C	Industry (extraction of coal, minerals)	230	268	289	346	384	441	712	767	31
D	Manufacture of food, beverages and tobacco products	5624	5669	6449	7018	7505	8143	8738	9421	489
E	Supply of electricity, gas and water	15	31	48	57	80	99	114	136	19
F	Construction	3362	3902	5402	4717	5045	5589	6253	6880	420
G	Retail/Wholesale Trade, Auto services	29721	31422	35275	37887	40237	42951	45194	47305	1528
H	Hotels and restaurants	4428	5716	6677	7390	7967	8761	8975	9772	411
I	Transport, storage, traffic	6923	8952	10239	11094	11693	12426	12801	13497	370
J	Semi financial enterprises	78	102	134	191	232	264	535	578	14
K	Real estate, leasing	2320	1736	3228	2650	3210	3836	4475	5024	357
L	Public administration, defense, social security	48	65	83	119	133	158	169	190	8
M	Education	366	493	559	604	652	706	750	829	48
N	Health care	658	865	1057	1197	1323	1456	1575	1698	65
O	Social services	2271	2895	3517	3884	4209	4658	5060	5477	310
P	Home care services	7	8	8	8	8	9	9	9	0
Q	International organisation	0	0	0	0	0	0	0	0	0
	TOTAL	56752	63032	74110	78499	84237	91200	97357	103755	4244

In the above table we present the total registered businesses by the year 2003 to 30.06.2011. Based on the total registered businesses shows that every year we had new registered businesses

In the year 2003 have been registered / re-registered 56 752 businesses, the number of businesses in 2004 increased to 63 032, also had been an increase during 2005, the total reach 74,110, during 2006 the number of businesses reach 78 499, have an increase of business registration, in 2007 the total number of businesses was 84 237 businesses, and in 2008 achieved 91,200 businesses, and until 30.06.2011 was increased to 107 999 businesses.

7. Structure of enterprises by number of employees

Considering the importance of structure of employees in Kosovo, particularly employment by category of enterprise (micro, small, medium and large), we extracted the results from the processing of data which are presented in the table:

Table 5: Structure of businesses by number of employees

Categories by number of employees	Number of businesses (30.06.2011)	Number of employees (30.06.2011)
1 – 9	106268	178894
10 – 49	1452	23947
50 – 249	221	22026
250 -	58	55658
Total	107999	280525

Dominant majority of registered businesses are micro-enterprises (1-9 employees), as well as the largest number of employees is in this category of enterprises, where according to the number of workers enrolled in KBRA in this category are 178 894 workers or 63.77%. In small enterprises employed 23 947 workers or 8.54%, the medium employed 22 026 employees or 7.85%.

In large enterprises (over 250 employees) is a special feature, in this sector are registered also sociale and public enterprises (KEK, PTK etc..) With all these, in large enterprises are employed 55 658 workers or 19.84% of employees of all registered businesses.

Kosovo is divided into five regions (region of Pristina, Gilan, Peja, Prizren, Mitrovica) regarding to registration of

businesses.

We will show the number of businesses of regions also the number of businesses in every municipality.

According to the registration of businesses in Kosovo, clearly seen in the table below that Pristina region compared to other regions dominate by the largest number of registered businesses, 1734 total enterprise or in percentage of 40.9% of total registered businesses. From 1734 businesses in the Pristina region, largest number of businesses is in municipality of Prishtina with 1177 businesses, 84 in Podujeva, 158 in Lipjan, Drenas 86, 130 Fushe Kosovo, Shtime 56, 42 Obilic and Gracanica with one business.

Gjilan region is the second (after the Pristina region) that has a total of 894 registered businesses or 21.1% of the total number of registered businesses. In the region of Gjilane most registered businesses has the Ferizaj municipality with 337 businesses, then municipality of Gjilan with 274 businesses, Viti 91, Kacanik 75, Kamenica 62, Strpce 48, Novoberda (Artana) 6 and Hani Elezit with one business.

Prizren region has 676 registered businesses or 15.9% of total registered businesses. In this region the largest number of businesses has the municipality of Prizren with 363 businesses, than Rahovec with 98, Theranda 94, 66 Sharri (Dragash) and Malisheva with 55 Businesses.

Peja region has 540 registered businesses or 12.7% of a total number of businesses. In the region of Peja, municipality of Peja have 206 businesses, Gjakova 188 businesses, Klinë 59, 49 Istog and Decan 38 registered businesses.

Mitrovica Region has the lowest number of registered businesses, with a total of 395 businesses or 9.3% of the total number of registered businesses. In this region the largest number of businesses has the municipality of Mitrovica with a total of 201 businesses, 122 Vushtrria, 54

Skenderaj, Leposavic 11, Zvecan and Zubin Potok 6 businesses.

Conclusion

We can conclude that small and medium enterprises are one of leading indicators foreconomic development. Kosovo SMEs employ a significant number of the country's population, are also quite profitable in domestic revenues, benefiting the Kosovo budget, GDP in the country, etc. Have advantages because they exploit local assets(national) those materials as well as human, to exercise their activities in Kosovo have the advantage that the use of a cheap labor force, as a consequence of the large number of unemployed in the country etc.

Majority of registered businesses in Kosovo are micro, over 98.4%(1 to 9 employees), also businesses are mostly registered as individual businesses over 89.50%. Statistics show that since the beginning of business registration after thewar (1999) most businesses have operated in the trade sector, according to data from KBRA, up to date 30.06.2011 we have about 45.21% in this sector.

Competition between SMEs is raising everyday. Successful managers of SMEs need a powerful strategy to fight an inappropriate environment, quick decisions are needed to cope with rapid and complex changes. To achieve the mission, goals and objectives of the enterprise owner needs a vision to assess advantages and disadvantages of the company and environmental threats.

Business registration procedures are very light, simple and fast (usually within the day). Are also free for registration, it is appropriate to the situation in the country and the ability to open new businesses in Kosovo.

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