

## INCREASE OF NUMBER OF BUSINESSES AND THEIR IMPACT IN LOCAL DEVELOPMENT LEVEL IN PEJA MUNICIPALITY

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### Abstract:

One of the main segments that characterize the Municipality of Peja is the high number of business companies that operate within this area. It is the tradition in one hand, but on the other hand there are the needs and initiatives of new entrepreneurs to establish new businesses, or to expand their business activities, thus impacting in the increase of various types of businesses in the Municipality of Peja. This paperwork will describe the theoretical aspects of the nature and the main characteristics, by taking specific examples from the existing businesses that operate in market of Peja municipality. The content of this paperwork will provide precise statistical data, which show the exact number of registered businesses during the last three years, as well as the identification of business organization structures that belong to particular economic sectors. The conclusion that derives out of the content of this subject, including the recommendations that may have a positive impact and may be effective for the current stage, will attain the aim of this paperwork.

**Key words:** Local development, Business, Trade Sector, Municipality of Peja,

**JEL Classification:** M13; H70;

### 1. Introduction

The economic sustainability of a country is based on the level business development and their general impact in micro and macro economic factors. The influence of businesses in the society of a country is very high, especially when we think in the aspect of micro and macro factors. In order to prove this affirmation, it is necessary to note several facts:

In view of microeconomics, businesses influence to increase the investment level which is manifested with the increase of quality of goods and services and improvement of infrastructure, additionally level increase of innovations, especially those in technology, enlargement of market offer, etc.. In view of macroeconomics, businesses play a key role, firstly in increasing the employment number, which means decrease of unemployment, increase of currency value of market, and in particular improvement of market balance in national level. Each particular market, especially local markets, are identified based on their business tradition, but also based on opportunities offered by the market, e.g. local market of Municipality of Peja provides possibilities to business community and to new entrepreneurs not only to open businesses in trade or service sector, but also business of the character that can provide touristic services, based on absolute advantages that can be provided in Municipality of Peja.

The difficulties and various problems that were caused to the business environment in the Republic of Kosovo, as well noticed in the recent years based on statistical data, there was lack of real quality economic growth, followed by a moderate increase of the inflation rate, increase of unemployment, etc. All the occurrences noted above have caused difficulties in sense of effective operation, which is manifested in various ways. However one of the most significant ones that is worthy to be mentioned is the decline of sale of goods or services (demand decline). The global financial crisis of year 2007, was the hardest strike for all the institutions and organizations throughout the world, including the Republic of Kosovo.

Regardless of the noted issues and difficulties of political nature, and especially the economical one, in marketplace

of Municipality of Peja during the last 3 years, a considerable number of business were registered and they impacted in local development growth throughout their business activities.

The Municipality of Peja is distinguished in the domination of the trade sector, which is also shown with the data provided below which were obtained from the responsible and competent municipal authorities, showing that tradition still continues as well as it shows that the main role of business activities is still being carried out by the trade sector. The importance of this sector within Municipality of Peja is very significant, since there entrepreneurs are familiarized and possess higher affinity to carry out their activities in various business areas.

### 1. Nature and main characteristics of businesses in Municipality of Peja

The nature of business is to provide goods or services for potential consumers of a particular market; the business through this activity achieves to earn revenues expressed in money<sup>1</sup>. When we as consumers decide to purchase a good or service, our profit out of realization of this activity is the benefit and satisfaction from this good or service purchased, eg. if you buy an insurance for your vehicle, the benefit out of this service is that it will insure coverage of expenses in cases if a potential accident occurs in traffic, or if you decide to buy food in any of the restaurants located in Peja, e.g. restaurant "Tirona", this is as a result to fill your need of hunger.

From the viewpoint of the consumer, usage of product or service differs, but simultaneously it varies from the view point of how the product was produced and served. A product is a tangible good or modified good e.g. a vehicle, a jacket, a book, or a hamburger, while the service is regarded as intangible good, e.g. visits and medical checks, insurance policies, internet, accounting consultancy, etc. In this aspect it is very important to note that businesses exercise their activities in a particular market, and they sell particular products or services. Since all businesses provide

<sup>1</sup> Domniku Sokol (2011): "Principles of Business", page 6

products or services, it is very important to explain the reasons where does the benefit stand in order to do so.

The objective of every single business, regardless of its activity, type, or legal treatment, is to sell products or services and to generate profit<sup>2</sup>. Profit is acquired when achieved, the positive difference of costs of goods sold and the generated income. This means that every single business needs to have higher incomes than the costs of goods sold, e.g. a lap-top is purchased in value of 500€ and is sold in value of 700€, in this case profit is 200€. If business aims to acquire the desired profit, the organization requires to have leaders with organizational skills, in drafting short-term and long-term operational plans, to possess skills to control and manage enterprise activities, etc. Each business is interested to gain as much consumers as possible and to sell its products or services with the highest price possible, aiming to achieve the highest level of revenues.

In order to achieve their objectives, executives of every single business have to base their activities in accordance with the following principles:

- Each business shall provide quality products or services.
- Each business shall provide products or services with reasonable and rational prices in accordance with average market value.
- Each business shall provide products or services in accordance with demands and needs of their consumers, etc.

## 2. Some of the main sectors of business

Regardless of all business being called organizations, they differ from each other based on the economic sector where they operate, as well as from their type and economic activity. As in all other world markets, the statistics of content of the total number of businesses that operate in the market are different; however in the following we will present some of the main sectors that operate in the local market of Peja Municipality which also is similar in the national market in Kosovo.

Some of the most important sectors:

a) *trade sector* includes all those businesses that deal with sale of products or services available, e.g. shoes, interior, technology, etc. b) *trade-service sector* includes all those businesses that deal with the sale of products and services, but here there are also included businesses that provide only services, e.g. repairs, consulting, Internet, catering services, etc.

c) *manufacturing sector* includes all enterprises engaged in producing products or services that are mainly intended for business firms of commercial type, e.g. in Municipality of Peja we have such industries as dairy industry "VITA", the beer industry "BIRRA PEJA" (Peja Beer) water industry "Uje Rugove" (Water of Rugova), etc.

Within this division it is very important to note the difference amongst businesses that operate with commercial activities

and those that conduct industrial activity. Businesses are divided or classified in two main categories, which are<sup>3</sup>:

- *Industrial business*
- *Commercial business*

The industrial business handles with manufacturing of the goods that are used by other companies for production or sale of certain products/services. Examples of such companies are construction companies that construct different business buildings where different business centers are opened with various business activities. There are several of them in Municipality of Peja, especially in the city of Peja<sup>4</sup>.

Also, farmers are considered as industrial producers because they breed and grow cattle and from the goods produced by cattle they produce different products which are used for food such as dairy products (e.g. Dairy industry VITA), eggs, meat, e.g. Meat industry "ABI" in Prizren), etc. Automobile industry is a good example of industrial business since in this business there is conducted the designing process, mounting, and final assembly of vehicles, etc.

*Commercial business* sells products or certain services, e.g. sale of meat products produced in a particular industry, sales of certain services in a shopping center building, etc. Commercial business activities rely mainly on the function of sales and finance.

## 3. Presentation of statistical data in relation to exact number of registered businesses in Municipality of Peja during the last 3 years, and their classification in terms of their economic activity.

In Peja municipality during the last 3 years, respectively throughout the years 2008, 2009 and 2010, a considerable number of businesses have applied to be registered. Based on official data issued by the Directorate for Economic Development of the Municipal Assembly of Peja, the exact number of registered businesses is 913 new companies<sup>5</sup>. In the following there are shown approximate statistical data of main sectors that constitute the structure of the newly opened enterprises during the last 3 years. In 2008, 290 work permits were issued in total for the newly opened enterprises which are shown in figures as following:

- Approximately, 55% are commercial businesses
- Approximately, 20% are trade-service enterprises
- Approximately, 25% are manufacturing enterprises

<sup>3</sup> Burrow, Kleindl, Everard (2006): "Business Principles and Management", page 54

<sup>4</sup> Domniku Sokol (2011): "Key Characteristics of SME in Peja Region", *Journal of Business Administration* 2, 201

<sup>5</sup> Directorate for Economic Development, Municipal Assembly- Peja, and List of work permits issued throughout the years 2008, 2009, and 2010".

<sup>2</sup> Ferrell O. C., Hirt G., Ferrell L (2008). "Business Changing the World", page. 74

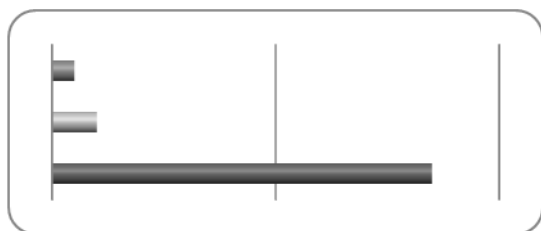


Chart 1. The business structure registered in Municipality of Peja for year 2008

In 2009, 424 work permits were issued in total for the newly opened enterprises which are shown in figures as following<sup>6</sup>:

- Approximately, 65% are commercial businesses
- Approximately, 25% are trade-service enterprises
- Approximately, 10% are manufacturing enterprises

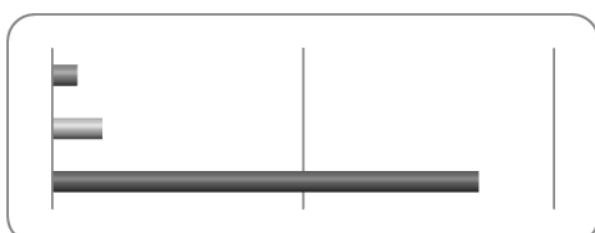


Chart 2. The business structure registered in Municipality of Peja for year 2009

Meanwhile in 2010 192 work permits were issued in total for the newly opened enterprises which is shown in figures as following<sup>7</sup>:

- Approximately, 85% are commercial businesses
- Approximately, 10% are trade-service enterprises
- Approximately, 5% are manufacturing enterprises

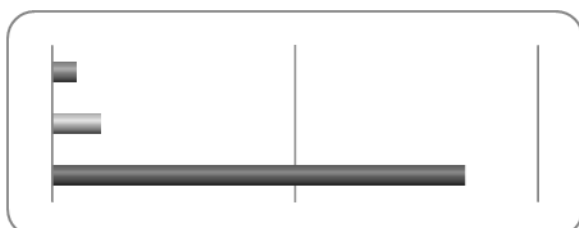


Chart 3. The business structure registered in Municipality of Peja for year 2010

Based upon the data presented above we may notice that there is a various quantity in terms of year comparison in which businesses were registered. However, another change can be remarkably noticed as far as the enterprise structure is concerned that the commercial sector continues to dominate above all other business structures while comparing the three years, especially during the last 2 years (2009/2010), whereby the number of the registered businesses in this sector is quite high.

#### 4. Discussions and analysis

The importance of the newly registered businesses in Municipality of Peja plays a very significant role in the

stability and local development of this municipality. The number of businesses is around 912, which proves that the private sector in Municipality of Peja shows an initiative in terms of domination as well as contributing in improving the life conditions and local development as a whole.

Firstly, each particular business is liable to prove that it is providing goods or services with the best quality possible for its consumers and this is not an easy task for none of the entrepreneurs. In order to prove itself, the business has to ensure sustainable capital and operational investments, aiming to match its standards with the contemporary standards and international values. In order to act as this, it requires considerable financial means, in order to make such investments, especially investments pertaining to real means are to be effective, in sense of possession of means, on the other hand in sense of their effectiveness to contribute in claiming back the realized investments.

Investments play the main role in a certain business in order to achieve the targeted success, in terms of investments, in particular investments that cover real means such as space, etc. They enable to the social community of a Municipality for instance to use and experience satisfactorily all the offers provided by the business community, including the manner of distribution of products, quality, its infrastructure, etc.

Employment in such businesses is found as important for registration and business development in this Municipality. The higher the number of businesses, as higher the number of employees would be, which requires to be based on their needs for employees of various profiles, starting with the employees that provide services as well as provision of skills and knowledge.

The offer increase in market also covers another occurrence, given the various activities of businesses in various sectors. This makes the market offer to be broader and it automatically means a development in this area, since viewing issues from this point of view enables to protect the interests of the citizens of this Municipality.

The importance of businesses for a local development can be interpreted in different direct and indirect forms, starting with the increase of municipal revenues, increase of productivity of local self-government institutions, meaning increase of employment in public sector as a result of increase of work productivity. Citizens themselves benefit from business development which affects them directly, especially those who share a common interest to cooperate with such businesses, for example provision of raw material, services, etc.

#### 5. Conclusions and recommendations

In accordance to theoretical content of the empirical data gathered from the official sources, discussions and brief analysis, we may come to several conclusions and recommendations:

- The importance of business development for a local environment as a very significant role since with their development many other important segments mentioned will be developed.
- The support for businesses from the municipal bodies, as well as from the central authorities has to be very

<sup>6</sup> From the same source

<sup>7</sup> From the same source

constructive since companies are the main economic development generator of a country, especially for increase of employment.

- The development of businesses helps different categories of citizens, ranging from those who need employment, those who deal with artisans and need to sell their products somewhere, those who deal with cultivation of fruits and vegetables, those who deal with farming and cattle, those who provide professional services, and many other categories that live in a particular locality.
- The business development impacts based on their effective level of productivity to consume the goods produced by businesses themselves which directly impacts in improvement of market balance as well as in decrease of high deficit gap of productivity in the country.
- Business development increases life quality in the country, since the new spaces established derive as a result of the genuine investments and make life better and the locality look more beautiful.
- In particular, the Municipality of Peja has to plan in its development policies, the local market opportunities, aiming

to support and exempt from municipal fees those businesses that make use of potentials and unused opportunities in Peja, by using and creating genuine businesses. A specific case to be noted is provision of public property for use without a compensation, opening of a sport business in the hills (alb. Maja e zezë – black peak) of Peja (Peja Motorcyclist Center).

- Organization of rounded tables or seminars aiming to support business development. It's a possibility and a great idea where opportunities and weaknesses of local market can be discussed.
- Cooperation of business community with higher education institutions in Municipality of Peja would be an appropriate way to liaise theory and practice as a result of the agreement experiences, thus student knowledge will be used and applied in favor of efficiency increase of business companies, as well as new ideas will come out which will affect the increase of business diversity operating in the local market of Peja, rather than following imitation manners.

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