

CITIZENS' PERCEPTIONS ON THE ROLE OF SME'S IN LOCAL ECONOMIC DEVELOPMENT OF MUNICIPALITIES IN THE REPUBLIC OF KOSOVO

Shpresa Mehmeti

Abstract - Small and medium sized companies are numerically the most important part of Kosovo's national economy. They have a high impact on the general economic growth and development of the country, living standard, fighting unemployment which is the main burden of the country's general socio-economic systems for the moment etc. This paper strives to provide insides on the perceptions that the general population has when it comes to the role and importance of SME's to economic growth and development, at a local, municipal level.

Index Terms - municipality, SME, economic growth and development.

1 INTRODUCTION

Small enterprise spans the gamut from corner newspaper vending to the development of optical fibers. The owners of small businesses sell gasoline, flowers, and coffee to go. They publish magazines, haul freight, teach languages, and program computers. They make wines, movies, and high-fashion clothes. They build new homes and restore old ones. They fix appliances, recycle metals, and sell used cars. They drive cabs and fly planes. They make us well when we are ill, and they sell us the products of corporate giants [1].

When it comes to choosing a small business, there basically are two types of entrepreneurs. The first is the person who is in love with the idea of starting a very specific business. It may be a gardener who envisions a nursery or a chef who has long dreamed of owning a restaurant. The other potential small businessperson is someone who is also in love, not with a specific idea per se, but with the idea generally of being his or her own boss. As there are both risks and rewards associated with each path, both warrant further discussion [2].

The definition of small business depends on the criteria for determining what is "small" and what qualifies as a "business." The most common criterion used to distinguish between large and small businesses is the number of employees. Other criteria include sales revenue, the total value of assets, and the value of owners' equity, to the final formatting of your paper [3].

- Shpresa Mehmeti is currently pursuing PhD degree program in Department of Marketing, Faculty of Economics, State University of Tetova, North Macedonia. Address: Sut Rectorate-Ilinden No 12 Tetovo, North Macedonia, E-mail: international@unite.edu.mk.
- Emil: shpresa-m@hotmail.com and
- shpresa.mehmeti@universitetiiaab.com

2 ON SMEs IN GENERAL

Aside from quantitative criteria, certain qualitative criteria can also be helpful in determining small business, such as [4]:

- Management is independent, because the manager usually owns the business.
- Capital is supplied and ownership is held by an individual or a few individuals.
- The area of operations is primarily local, although the market is not necessarily local.
- The business is small in comparison with the larger competitors in its industry.

Many benefits derive from starting and operating a small business, such as [5]:

- Independence. Being a small business owner means being your own boss. Many people start their own businesses because they believe they will do better for themselves than they could do by remaining with their current employer or by changing jobs.
- Costs. Small businesses often require less money to start and maintain than do large ones.
- Flexibility. With small size comes the flexibility to adapt to changing market demands. Small businesses usually have only one layer of management—the owners. Decisions therefore can be made and executed quickly.
- Focus. Small firms can focus their efforts on a precisely defined market niche—that is, a specific group of customers.
- Reputation. Reputation, or how a firm is perceived by its various stakeholders, is highly significant to an organization's success. Small firms, because of their capacity to focus on narrow niches, can develop enviable reputations for quality and service.

Little identifies several myth regarding small business [6]:

- Myth 1: Business Owners Have More Independence
- Myth 2: Business Owners Make a Lot of Money
- Myth 3: Business Owners Are Funded by Venture Capital and Angel Investors
- Myth 4: Small Business Creates "All the New Jobs"

- o Myth 5: Slow and Lumbering Big Business Is Vulnerable to Quick and Agile Small Business.

3 RESULTS AND DISCUSSION

On the other hand much can be gained by starting and operating a small business, fig.1.

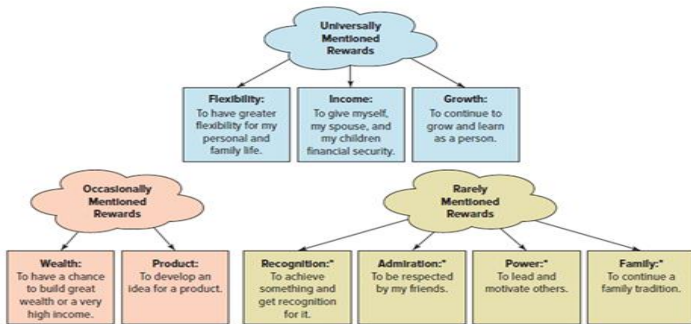


Fig.1. Rewards from starting a small business.

Source: Taken from: Jerome Katz, Richard Green: Entrepreneurial Small Business, McGraw Hill, 2018, 11 [7].

Because of their limited resources, inexperienced management, and lack of financial stability, small businesses suffer relatively high mortality rates [8]. Many other causes for small business failure can be mentioned [9]:

- o Plunging in without first testing the waters on a small scale.
- o Underpricing or overpricing goods or services.
- o Underestimating how much time it will take to build a market.
- o Starting with too little capital.
- o Starting with too much capital and being careless in its use.
- o Going into business with little or no experience and without first learning something about the industry or market.
- o Borrowing money without planning just how and when to pay it back.
- o Attempting to do too much business with too little capital.
- o Not allowing for setbacks and unexpected expenses.
- o Buying too much on credit.
- o Extending credit too freely.
- o Expanding credit too rapidly.
- o Failing to keep complete, accurate records, so that the owners drift into trouble without realizing it.
- o Carrying habits of personal extravagance into the business.
- o Not understanding business cycles.
- o Forgetting about taxes, insurance, and other costs of doing business.
- o Mistaking the freedom of being in business for oneself for the liberty to work or not, according to whim.

In the Republic of Kosovo, according to the Law on Foreign Investments a micro-enterprise should employ nine (9) employees, a small-enterprise should employ from ten (10) to

forty nine (49) employees; and a medium-enterprise should employ from fifty (50) to two hundred and forty nine (249) employees. As can be noted from the data provided by the Statistical Agency of Kosovo, as presented in chart 1, SMEs are by far the most largely represented business entities in the country's national economy.

Table 1: Business demography indicators in Kosovo



Source: Statistical office of Kosovo, 2018.

As can be noted from the data presented in table 2, there has been an increasing number of SME's in Kosovo over the years, table 2.

Table 2. Number of registered companies in Kosovo by enterprise size and district.

District	Year	Enterprise size, by employment				Total
		0-9	10-49	50-249	250+	
Gjakova	2013	3 275	136	10	0	3 421
	2017	3 408	162	17	2	3 589
Gjilan	2013	3 397	150	20	0	3 567
	2017	3 580	233	20	0	3 833
Mitrovica	2013	2 755	96	14	3	2 868
	2017	3 069	146	23	2	3 240
Peja	2013	2 863	130	29	1	3 023
	2017	3 189	185	23	2	3 399
Prizren	2013	5 310	232	27	5	5 574
	2017	5 625	317	34	3	5 979
Pristina	2013	10 845	789	166	38	11 838
	2017	12 605	1 111	216	47	13 979
Ferizaj	2013	3 683	142	20	1	3 846
	2017	3 898	231	28	1	4 158
Kosovo	2013	32 128	1 675	286	48	34 137
	2017	35 374	2 385	361	57	38 177

Source: Statistical office of Kosovo, 2018

In addition to the direct economic effects of making new services and products available and creating employment, the SME has several equally important effects on the functioning of transitional societies that move through more indirect channels. The development of this sector is essential to create the political and social 'environmental conditions' necessary to allow desirable changes to occur elsewhere in the system. The SME sector must simultaneously absorb resources and workers from the large enterprise sector and at the same time help to create a labour market situation in which the process of re-

orientation and fundamental reorganization of the large enterprise sector can be carried through without threatening social peace. In addition to slowing down the restructuring process, the failure to develop the SME may increase the volume of required transfer payments for unemployment, early retirement and other programmes and (under certain fiscal policy assumptions) crowd-out investment and other employment creating expenditures) [9], [10].

In order to provide insights regarding the opinions of the general population in Kosovo on the role played by SMEs in supporting economic growth and development of municipalities in the Republic of Kosovo, a survey with 419 respondents included has been conducted.

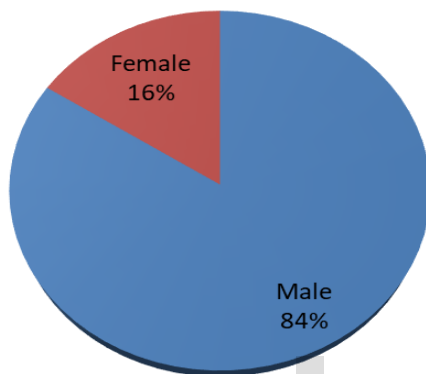


Figure 2: Gender structure of the respondents

As can be noted from the data presented in chart 2, the sample is dominated by male respondents (over 84%) as contrasted to female respondents.

4 CONCLUSION

Although there is a wide body of knowledge supporting practically and theoretically claims of an immense importance of SMEs in fostering economic growth and development, when it comes to the Republic of Kosovo, or at least the sample used for the purpose of preparing this paper the situation is not crystal clear. Beyond any doubt SMEs are the dominant force behind the general development of Kosovo, and the data analysis substantially proves the importance of SMEs for the economic growth of the country from the ordinary citizen's point of view. A limitation of the study is the fact that the respondents were not aware of main issues included in the questionnaire and therefore only three aspects have been included in the paper. But, on the other side, the paper presents a "pioneer" attempt to approach the issue of the role and importance of SMEs in fostering local economic growth and development from another perspective that is from the perspective of the ordinary citizen.

REFERENCES

- [1] William M. Pride, Robert J. Hughes, Jack R. Kapoor: Foundations of Business, Sixth Ed, Cengage, 2019, 132.
- [2] Steven D. Strauss: The Small Business Bible: Everything You Need to Know to Succeed in Your Small Business, John Wiley & Sons Inc.,

- 2005.
- [3] Timothy S. Hatten: Small Business Management: Entrepreneurship and Beyond, Houghton Mifflin Company, 2009.
- [4] Mary Jane Byrd: Small Business Management: An Entrepreneurs Guidebook, McGraw Hill, 2018.
- [5] O.C. Ferrell, Geoffrey A. Hirt, and Linda Ferrell: M: Business, McGraw-Hill Education, 2019.
- [6] Steven S. Little: The Seven Irrefutable Rules of Small Business Growth, John Wiley and Sons, 2005.
- [7] Jerome Katz, Richard Green: Entrepreneurial Small Business, McGraw Hill, 2018.
- [8] Norman M. Scarborough, Jeffrey R. Cornwall: Essentials of Entrepreneurship and Small Business Management, 8th edition, Pearson Education Limited, 2016.
- [9] Rober McIntyre: The Role of Small and Medium Enterprises in Transition: Growth and Entrepreneurship, UNU World Institute for Development Economics Research, 2001, 1-2.
- [10] William G. Nickels, James M. McHugh, Susan M. McHugh: Understanding Business, Twelfth ed., McGraw Hill, 2019.