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Proceedings of the
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International Conference Management, Business and Economics

Edited by
Edmond Hajrizi

October, 2020
Conference Book of Proceedings

International Conference

Pristina, 30-31 October 2020


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Pristina, Kosovo 30-31 October 2020

Editor: Edmond Hajrizi


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Publisher,
UBT
Editor Speech of IC - BTI 2020

International Conference is the 9th international interdisciplinary peer reviewed conference which publishes works of the scientists as well as practitioners in the area where UBT is active in Education, Research and Development. The UBT aims to implement an integrated strategy to establish itself as an internationally competitive, research-intensive institution, committed to the transfer of knowledge and the provision of a world-class education to the most talented students from all backgrounds. It is delivering different courses in science, management and technology. This year we celebrate the 19th Years Anniversary. The main perspective of the conference is to connect scientists and practitioners from different disciplines in the same place and make them be aware of the recent advancements in different research fields, and provide them with a unique forum to share their experiences. It is also the place to support the new academic staff for doing research and publish their work in international standard level. This conference consists of sub conferences in different fields: - Management, Business and Economics - Humanities and Social Sciences (Law, Political Sciences, Media and Communications) - Computer Science and Information Systems - Mechatronics, Robotics, Energy and Systems Engineering - Architecture, Integrated Design, Spatial Planning, Civil Engineering and Infrastructure - Life Sciences and Technologies (Medicine, Nursing, Pharmaceutical Sciences, Physiology, Dentistry, and Food Science),- Art Disciplines (Integrated Design, Music, Fashion, and Art).

This conference is the major scientific event of the UBT. It is organizing annually and always in cooperation with the partner universities from the region and Europe. In this case as partner universities are: University of Tirana – Faculty of Economics, University of Korea. As professional partners in this conference are: Kosova Association for Control, Automation and Systems Engineering (KA – CASE), Kosova Association for Modeling and Simulation (KA – SIM), Quality Kosova, Kosova Association for Management. This conference is sponsored by EUROSIM - The European Association of Simulation. We have to thank all Authors, partners, sponsors and also the conference organizing team making this event a real international scientific event. This year we have more application, participants and publication than last year.

Congratulations!

Edmond Hajrizi,

Rector of UBT and Chair of IC - BTI 2020
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Abstract. Macroeconomic stability was and is one of the most important pillars of every country that seeks empowerment such as investments, increasing efficiency, utilizing natural resources, honing human capital etc. one of the main points that helps the economy and its stable growth is the people themselves, especially that of the workforce also known as Human Capital. This research paper conducted by the above mentioned actors, targets the issue of this very first pillar of the MSO, elaborating the Kosovo Human Capital (workforce), along with the workforce of other countries located within the Western Balkans: Albania, North Macedonia, Bosnia and Herzegovina, Montenegro and Serbia. With the help of SPSS, a software package used for statistical analysis, method One-Way Anova, post hoc tests states that there is indeed a difference between compared means. The hypothesis concluded by Anova states that the compared means between North Macedonia doesn’t differ from BaH but differs from the other group means, Montenegro doesn’t differ from Albania and Serbia but differs from other group means and Albania doesn’t differ from Serbia but differs from other group means.

In conclusion to group the researched and compared means, Serbia, Albania and Montenegro can’t be compared in-between they can be compared with North Macedonia and Bosnia and Herzegovina. North Macedonia and BaH can’t be compared in-between but can be compared with the first group of means (Serbia, Albania and Montenegro) and the third group means Kosovo, which implies that Kosovo is compared with all group means.

Keywords: unemployment.

Macroeconomic stability for Kosovo

According to the publication “A Coordinated Approach to Foster Sustainable Growth and Financial Stability” of Saccomanni and Romano is cited that “Economic sustainability is known as a term to describe a country's financial system that shows small fluctuations in output growth and exhibits a consistently low inflation rate. Sustainability is often seen as a desired state by many countries that is often encouraged by the policies and actions of the state central bank.” (Saccomanni F., & Romano S.)

On the publication the author of “Kosovo as a Turning Point” Gromes, it is elaborated and cited that Kosovo started the process of stabilizing macroeconomic entities, as a result of the status it had until after the war from 1999, when it started the economic transition process, through the support of many countries supporting the new status Kosovo was wielding. One of the most important changes in the economy was fiscal reform. The aim of these reforms was to decentralize fiscal structures and strengthen the incentive of local governments to collect revenue for itself as well as the central government to maintain fiscal redistribution among the provinces. (Gromes, 2019)

According to Overton on his publication that elaborated to subject of the “linkage between economic base, revenue growth, and revenue stability in large Municipal Governments”, it is concluded that the sustainability of a state is also based on very important pillars for economic
well-being such as: human, social, economic and environmental. (Overton, 2017)

1.1 Understanding macroeconomic instability

Before the comprehension of stability in macroeconomic sense, it should be addressed through multiple perspectives which indicates that instability is an occurring state to many countries, prior to that it is more or less understandable throughout the whole research, on why it is important to avoid such situations. It includes instable rate of inflation, instable economic growth, high unemployment rate and uncertainties in economic decisions and processes. Based on the analyst Codersman in his report “The Civil Challenges to Peace in Afghanistan” it is concluded that the main factors that indicate instability are (Cordesman, 2019):

- Inflation
- Credit crisis
- Asset bubbles
- Economic recession
- Balance of payments crisis
- Debt crisis

1.2 Human capital

Most times in a particular way humans are the most important asset and capital the earth holds such is also concluded from one the authors of the publication “Circular Economy and Plastics” written by Akenji & more, “Human capital focuses on the importance of anyone who is directly or indirectly involved in the production of products, the provision of services or the wider actors (Human capital of the organization)”. (Akenji, 2019)

The main constituents of the labor force according to Nemfakos, “In Workforce Planning in the Intelligence Community” are employed persons and unemployed persons, excluding inactive persons. (Nemfakos, 2013) Which we can conclude the important issue at hand which mostly causes the biggest imbalance in economic stability, the human capital, to be more exact the:

- Employed persons
- Unemployed persons
- Inactive persons

The human capital that has been reviewed in this research is unemployment in western Balkan with the hypothesis that there is a difference between the countries with the means of unemployment.

According to statistics obtained by the World Bank for the Western Balkan countries, the following figures are derived:

<table>
<thead>
<tr>
<th>Location</th>
<th>2014</th>
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</table>
1.3 **Methodology**

The analytic part of this research is conducted through the quantitative method, with numerological base, at the meantime the diligent use of economic bibliography, literature and various theories in relation to economic sustainability.

Another help received through this subject was One-way Anova, for presenting, calculating and submitting the results throughout the research. One-way Anova is the analytical method used in one sided analysis of means and variables taken for the comparison purposes. This method can also be used to compare means of two or more in this particular case six means, where these six means represent six Western Balkan countries in a numerical nature.

1.4 **Result analysis**

To keep track of any movement in unemployment rate for the analysis was important to take into consideration and use the past five consecutive years in exact words 2014-19, and to see whether the means can be compared or not. The analysis presents the result of the difference as a difference equal to / less than .05 in which it indicates that the difference is not significant.

As prior stated to the cause of this research paper One-Way Anova with the alternative hypothesis that there is a difference between the compared means will be elaborated with the following bullet points:

- Difference between WB, in unemployment means of comparison towards Kosovo.
- Homogeneous sub-groups of unemployment 2014/19 WB.

The following hypothesis:

- **Alternate hypothesis, Hₐ**, there is indeed a difference between WB and Kosovo in the means of unemployment
- **Null hypothesis, H₀**, there is no difference between WB and Kosovo in the means of unemployment

Compared means Western Balkan
Post Hoc One-Way Anova, Kosovo towards WB unemployment

<table>
<thead>
<tr>
<th>Location</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Kosovo</td>
<td>.003</td>
<td>No difference</td>
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<tr>
<td>BaH</td>
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<td>No difference</td>
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<tr>
<td>Montenegro</td>
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<td>Albania</td>
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<tr>
<td>Serbia</td>
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<td>Differs</td>
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</table>

According to P level as seen P<.05, the shown analysis through post hoc results state that:

- Kosovo in relation with North Macedonia and Bosnia and Herzegovina does not differ, indication that Null hypothesis to be accepted.
- Kosovo in relation with Montenegro, Albania and Serbia does indeed differ, indicating that there is indeed a difference, approving alternate hypothesis and declining the null hypothesis.

Post Hoc One-Way Anova, North Macedonia towards WB unemployment

<table>
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<tr>
<td>Kosovo</td>
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<td>Montenegro</td>
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<td>Serbia</td>
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</table>

According to P value <.05 the results conclude the following:

- In terms of unemployment North Macedonia shows no difference whatsoever with Kosovo, Bosnia and Herzegovina and Montenegro thus accepting Null hypothesis and rejecting alternate Hypothesis.
- North Macedonia has shown indeed difference with Albania and Serbia thus alternate hypothesis is accepted and rejecting the null hypothesis.

Post Hoc One-Way Anova, Bosnia and Herzegovina towards WB-unemployment.

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<tbody>
<tr>
<td>BaH</td>
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<td>Kosovo</td>
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<tr>
<td>Montenegro</td>
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<td>No difference</td>
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<tr>
<td>Albania</td>
<td>.000</td>
<td>Differs</td>
</tr>
<tr>
<td>Serbia</td>
<td>.000</td>
<td>Differs</td>
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</tbody>
</table>

According to P value <.05 the results conclude the following:

- In terms of unemployment Bosnia and Herzegovina shows no difference whatsoever with Kosovo, North Macedonia and Montenegro thus accepting Null hypothesis and rejecting alternate Hypothesis.
• Bosnia and Herzegovina has shown indeed difference with Albania and Serbia thus alternate hypothesis is accepted and rejecting the null hypothesis.

Post Hoc One-Way Anova, Montenegro towards WB-unemployment

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<tr>
<td>Montenegro</td>
<td>Kosovo</td>
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<td>Differs</td>
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<td>.008</td>
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</tr>
<tr>
<td></td>
<td>BaH</td>
<td>.003</td>
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<td></td>
<td>Albania</td>
<td>.867</td>
<td>No difference</td>
</tr>
<tr>
<td></td>
<td>Serbia</td>
<td>.809</td>
<td>No difference</td>
</tr>
</tbody>
</table>

According to P value <.05 the results conclude the following:

• In terms of unemployment Montenegro shows no difference with Kosovo Null hypothesis is accepted thus rejecting alternate Hypothesis.
• Montenegro has shown indeed difference with North Macedonia, Bosnia and Herzegovina, Albania and Serbia thus alternate hypothesis is accepted and rejecting the null hypothesis.

Post Hoc One-Way Anova, Albania towards WB-unemployment

<table>
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<th>(J) Location</th>
<th>Sig.</th>
<th>Difference</th>
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</thead>
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<tr>
<td>Albania</td>
<td>Kosovo</td>
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<td>Differs</td>
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<td>Montenegro</td>
<td>.867</td>
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<tr>
<td></td>
<td>Serbia</td>
<td>1.000</td>
<td>Differs</td>
</tr>
</tbody>
</table>

According to P value <.05 the results conclude the following:

• In terms of unemployment Albania shows no difference towards Montenegro, Null hypothesis is accepted thus rejecting alternate Hypothesis.
• Albania has shown indeed difference with Kosovo, North Macedonia, Bosnia and Herzegovina and Serbia thus alternate hypothesis is accepted and rejecting the null hypothesis.

Post Hoc One-Way Anova, Serbia towards WB-unemployment

<table>
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<th>(I) Location</th>
<th>(J) Location</th>
<th>Sig.</th>
<th>Difference</th>
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</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>Kosovo</td>
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<td>Differs</td>
</tr>
<tr>
<td></td>
<td>N.M</td>
<td>.000</td>
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<td>BaH</td>
<td>.000</td>
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<td></td>
<td>Montenegro</td>
<td>.809</td>
<td>No difference</td>
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<tr>
<td></td>
<td>Albania</td>
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<td>Differs</td>
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According to P value <.05 the results conclude the following:

• In terms of unemployment Serbia shows no difference towards Montenegro, Null hypothesis is accepted thus rejecting alternate Hypothesis.
Serbia has shown indeed difference with Kosovo, North Macedonia, Bosnia and Herzegovina and Albania thus alternate hypothesis is accepted and rejecting the null hypothesis.

Homogenous Sub-group, unemployment means 2014/19 Western Balkans

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<tbody>
<tr>
<td>Serbia</td>
<td>6</td>
<td>15.15</td>
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<tr>
<td>Albania</td>
<td>6</td>
<td>15.35</td>
<td></td>
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</tr>
<tr>
<td>Montenegro</td>
<td>6</td>
<td>17.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Macedonia</td>
<td>6</td>
<td>23.26</td>
<td></td>
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<tr>
<td>BaH</td>
<td>6</td>
<td>23.86</td>
<td></td>
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<td>Kosovo</td>
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<td>29.92</td>
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<td>Sig.</td>
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</table>

In homogeneous subsets the grouped means show that Kosovo has significant difference and can be compared to all measured means.

Bosnia and Herzegovina and North Macedonia can be compared to the first and third group but not between each other, stating that there is a significant difference between Serbia, Albania and Montenegro and third group Kosovo, yet no significant difference between group two North Macedonia and BaH.

Final conclusion based on the elaborated and presented topic on the paper:

- Prior to the subject it was cited that Kosovo contrary other countries of western Balkan, is known as the youngest countries of WB. Taking that into consideration and the analysis conducted through the reports from World Bank it is seen that Kosovo, has no difference on terms of unemployment 2014/19 with North Macedonia and Bosnia and Herzegovina, excluding other countries like: Albania, Montenegro and Serbia.
- Serbia, Albania and Montenegro as presented through the analysis are conducted as the countries with least unemployment rate. To put it in a particular sense of presenting the analysis, Serbia, Albania and Montenegro partake in the same homogenous sub-group such leading in the first group with the ability to be compared with two other sub-groups, the second to lead is North Macedonia and Bosnia and Herzegovina followed by the third group Kosovo.
- By the means compared it shows the sub-grouped means, rang Kosovo in last meaning it has the highest unemployment rate, such indicating the human capital is not at its full capacity leaving room for improvement.

Works Cited


**Bibliography**

World Bank Rising Uncertainties- unemployment rate 2014-2019


**Digital Marketing Trends**

Naim Preniqi¹, Kaltrina Sylaj², Elinda Krasniqi³
Abstract. Regardless of the industry companies may be operating, the digital marketing trends continue to grow rapidly. Adoption of digital marketing tools has never been easy for the businesses in terms of content, audience target, design aspects, streaming videos, sponsoring etc. Selecting the appropriate digital landscape that meet the business needs continues to be a challenge as variety of different platforms are evolved and audience switches platform use, businesses are pushed to adopt new platforms and maintain existing once. Traditional static webpage alone no longer meets the new business needs therefore digital interactive social networks are booming and have become a necessity. The Artificial intelligence role is expected to further shape digital trends and ease the communication between clients and business where routine tasks are thought mostly go away and provide cost efficient methods. The study analyses latest trends and challenges in the area of digital marketing through secondary data analysis to help businesses, professionals and academics with latest trends in digital marketing.

Keywords: Digital, marketing, trends, adoption, business, Artificial, Intelligence, Chabot, social

Introduction

As the digital marketing age is moving forward with the introduction of new platforms so do the users keep changing the platforms. According to (Haughey, 2020), any industry or products you may offer digital marketing trends to closely followed as companies don’t only need nowadays as they used to in the past but also additional marketing tools and strategies to keep up with the current trends. The digital changes are pushing companies to fast adoption of tools so they don’t remain far behind as they will account for a lost costumer. As there more users concentrate of certain platform there seems to be more focus on securing it from cyber-attacks therefore larger platforms becoming more vulnerable to attacks. As younger ages acquire different platforms and abandon traditional platforms, more businesses are focusing to catch large basins within new emerging platforms to connect with their targeted audience and adjust their business needs (Haughey, 2020). Following the fast past due emerging new needs in digital marketing trends, many companies have to still focus delivering excellent content, design and more personalized per target groups and creating significant workload keeping up with different platforms at the same time as some of these providers have different rules in uploading information, content, log-in, rules in displays, different methods overall etc.

Objectives of this research are:

1. Identify trends in digital marketing such as platforms user growth, challenges for companies and opportunities
2. Results of this study to serve business community and individuals involved in digital marketing

Literature review

Keeping up with the costumers has never been easy and often question raises up if how often should you reflect your marketing strategy to adopt new changes and keep up with your competition in digital marketing trends. While there are many channels and many ways of engaging your clients regardless of that you still need to know and understand your clients,
presenting the right image and warming up your audience (Forbes, 2020). Companies are continuously finding new ways through different ways of reaching their clients in combination with technology tools, platforms, influencers etc. As Augmented Reality (AR) and Virtual Reality (VR) are more and more taking over by companies trying to reach more audience hence becoming part of their marketing strategy. On the other hand AI tools are having a great impact in collecting and using data to better improve the way we utilize data for the better video content, sales organizing, future potential and ability to improve client feedback and improvement (Forbes, 2020). In addition, artificial intelligence and different approaches such as data driven for marketing activities are considered innovative and have become the back bone priorities among business (42 Digital Marketing Trends You Can’t Ignore in 2021, 2021). “Each business is a victim of Digital Darwinism, the evolution of consumer behavior when society and technology evolve faster than the ability to exploit it. Digital Darwinism does not discriminate. Every business is threatened.” (42 Digital Marketing Trends You Can’t Ignore in 2021, 2021).

The marketing trends have gone beyond only presenting their brand and sales but have focused with the attention to strongly work toward providing excellent marketing experience, earning trust and creating long term experience in employee engagement, content visualizing and client experience (MIS, 2020).

According to (Insight, 2020), maintaining DM as a whole you will need to look at the whole marketing activities with forward way of thinking. Different approaches need to be active by those wishing to maintain their presence and keep with the trends. Some of the trends including:

- Personalization
- Direct messaging
- AR/VR
- Chat-bots
- Social media marketing
- Influencers
- E-mail marketing
- Video marketing trends (long, 360degree etc)
- Pay per click videos across different platforms
- Search engine optimization

Below figure is from pwc what clients value the most in terms of customer experience. Based on the figure below we can see that efficient, convenient, friendly and technology/digital use and tech availability/ability is something the clients are after (Tom Puthiyamadam, 2018).
The client spending in digital marketing adds keeps going higher from year to a year. Based on the trends ad spending will continue to rise in the coming years (Statista, 2020).

Among the top nations spending in adds, US seems to lead and followed by China.

Another key fact is which industries spend the most in digital marketing is worth considering (Marketing Charts, 2020).

**Methodology**

The focus of this study is to analyze digital marketing trends around the world. The cost effective method and ability to get an insight through secondary research is believed to provide best answers to this study. Availability of data by different business and organizations provide adequate knowledge overall to come to a conclusion. Due to the nature of the study, secondary data sources
are referred, obtained from various sources to assist with the conclusion for this study. Secondary method selection was also based that besides it is faster and less costly also it is feasible to see the trends worldwide and compare different data and opinions. Secondary sources are considered data that’s already in existence, therefore an extensive research based was performed by acquiring data at various sources such as:

1. Data from the web: a cost effective way utilizing existing available data makes it most convenient method. A downside is that these sources have to be a trusted with credibility what they provide and users must be careful as that may compromise the study.

2. Digital libraries: while digital marketing is very new there is always a need for updates in trends often presents a challenge in this area since while we are writing this paper there is changes in trends!

3. ICT Tech Institutes: trusted institutes around the world keep monitoring trends changes and often have yearly reports in trends in ICT trends updates.

4. Commercial sources: such as magazines, CEO’s, interviews provide valuable information are excellent resources for the secondary data collection.

The steps in conducting this research has been laid out in the following format:

**Conclusion**

In the day of digital world any business regardless of its size will need to follow up digital marketing trends so it doesn’t get lost in the crowded. Use of platforms and software available tools may not be enough so keeping up the brand, the right content, right audience, right time and right tools and platforms should be the main goal of the companies to make sure they are in the right track with their clients. With the constant changes and new requirements emerging, the need to reflect business strategies seems evident so companies will need to keep up with the latest trends. Maintaining different platforms across different providers is a challenging tasks and requires different approaches and meantime delivering the right message to its audience which may even be more challenging since different platforms have their audience difference in age, gender, orientation etc. While pandemic situation in 2020 due to Covid 19 has slowed down global economies, the trend of increase in digital marketing continues to rise steadily and sectors leading the marketing activities will continue with the same paste therefore adoption to different approaches reaching their clients. In technological aspects and available software tools, maintaining video, voice and other interactive messages may be more viable rather than a longer text as clients will not search for products unless they really need it. Available mix of messages
in different formats companies are creating the need for clients and making them aware of the product availability and quickly connecting with their audience may be something companies should keep in mind with personalized offerings and messaging. Based on the trends in AI/AR and chat bots their use across different industries will continue to find its extensive use and for marketers has brought new era to adopt agile methods and adopt to new forms of marketing and of course dynamics of new changes to reach their clients. The contribution of this research consists in researching and organizing information regarding digital marketing trends and forecasts for the future. In this context, business and individuals may find useful information in this paper giving them an educational material for their use hence we provide some guidance for businesses as a conclusion:

- Analyze the budget they are spending
- Introduce changes to business by adding new ways of digital marketing
- May use similar budget again but testing different platforms and monitoring product performance
- Analyze platforms success rate in terms of time, profit, number of clients and satisfaction

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Kosovo as a strategic awareness of the EU

Ylber Limani¹, Erza Ostrogllava¹
¹ UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo.

ylber.limani@ubt-uni.net eo40173@ubt-uni.net

Abstract: Is Kosovo a strategic interest of the EU in terms of international policy and entrepreneurship? This paper is aiming to rise discussions about the international business with focus on challenges facing a developing country. The qualitative approach of the research is oriented towards clarifying the definition and the purpose of international business, while quantitative approach is directed to investigate the-state-of-the-art regarding international business in a developing country. International business represents all cross-border exchanges of goods, services or resources between two or more nations. These exchanges can go beyond the exchange of money for physical goods including international transfers of other resources, such as people, intellectual property (e.g., patents, copyrights, trademarks and data), and assets or contractual obligations (e.g., the right to use a foreign asset, provide a future service to foreign clients, or execute a complex financial instrument). Entities involved in international business
range from large multinational firms with thousands of employees doing business in many countries around the world, since they found the interest of doing that. This broader definition of international business also includes transactions across profitable borders, as well as transactions motivated by non-financial profits (e.g., the triple line, corporate social responsibility, and political favoritism) that affect the future of a business. Nonetheless, it is hard to find the discussions about the equality of doing business internationally between developing and developed world. In this context this research discusses the case of Kosovo, a developing country within the Europe and still not recognized by all EU country. The purpose of this research is to mirror the prospects that Kosovo offers as a country in terms of international entrepreneurship and to discuss the challenges businesses are facing due to the fragile geopolitical and economic situation the country.

**Keywords**: strategic, Kosovo, EU, entrepreneurship, international business.

**Introduction**

*The purpose of this research*

The main purpose of this research is to reflect on the identification and analyses of the policy and enterprise level challenges that businesses from a developing country faces in terms of international entrepreneurship, despite the many facts that show that things can be different and more favorable for businesses and the country. This determination is based on the information collected from various literature study, case studies, and from survey research within the country. The research assumes that Kosovo has abundant human and natural potential to be incorporated into international business, however, the country is neither sufficiently engaged in international economic activities at a policy nor at enterprise level. The research drives in the direction of finding the answer to this problem by incorporating various research tools and techniques. To elaborate the multiple assumptions, the research techniques and methods used in this paper are mixed from their nature and from their content, and provides with open qualitative and quantitative investigations. Research is directed but not entirely limited to international business aspects, nevertheless, it does take into account other business, economic and policy issues. Research is limited to the period of ten years in qualitative terms of time period, and survey research is quantitatively limited to investigation of enterprises and organizations from main cities within the country in the context of internationalization challenges.

**Research objectives**

International business literature research, case studies and other information sources are intensely utilized in order to create a more critical and accurate view of overall developments in the international market. The survey conducted with businesses is aimed to data collection related to the identified and discussed problem of this research. The main carefully formulated questions and assumptions addressing the problem are from the descriptive and relational nature. The purpose of this research is set to be achieved by a couple of objectives: (I) providing a theoretical and practical overview related to the study topic; (II), demonstrating hypothetically the awareness of businesses from a developing country correlated to the main identified issues affecting their activities towards doing international business; (III) reminding EU policy makers that things and developments in a developing and transition country may also be different from their economic and political point of view.

**Research questions and hypotheses**

It is not in the scope of the paper to investigate into the detailed specifications of the respective factors and indicators that explain international business. In this context, it is decided to comprise the possible problems of businesses from a developing country in the context of international market. The surveyed business representatives provide us with their beliefs, attitudes and views about the countries insufficient policy in leashing the business potential and utilizing that potential at the international market level, and about the obvious EU decision-making and policy
problems in relation to the country of Kosova. A set of questions addressing this problem have been transformed into hypotheses which have been tested by current statistical methods and techniques.

Importance and contribution of the study
The added value of this paper is a positive aimed and bold initiative that will continue further in several other papers with the aim of converging to the main problem: the problems and difficulties related to the inclusion of Kosovar businesses in the international market due to lack of EU proper decision making and unstable country governance. The identified research problem brought up important questions which preferably represent full and important topics of this research and of future research. We believe the results of the research will ensure an more clear outlook about the existing situation in which developed countries become challenged when it comes to doing business on international level.

Research limitations
The time period of conducting this research is known as uncertain time therefore the lack of in-depth interviews with one of the possible samples of the researched population can be considered as a deficiency or limitation that has been taken into consideration. For this reason, the represented results are of a general nature and not fully specified in the synthesis of each hypothesis. The research does not study domestic or EU policies in the context of political content, but investigates the real situation of businesses and the sources that cause complications in terms of doing business internationally.

Literature review

1.1 Defining International Business (IB)

There are a plenty of hypothetical and applied studies related to the international business. In most of the studies international business practically defined represents all commercial transactions including private and public sectors between two or more countries. The business sector usually undertakes such dealings for profits, while governments may do the same or something different in this regard. According to a research, the logical framework of international business is built around the actions of Multinational Enterprises pronounced by the internationalization process (Sinha and Mittal, 2012).

Modern definitions of IB characterize IB as the economic activity concerned with transactions that take place across national borders in order to meet the needs of individuals and organizations. These economic transactions consist of trade, as in the case of exports and imports, and foreign direct investment, as in the case of companies that finance operations in other countries (Collinson, 2006).

IB is defined as a business that engages multiple companies from various countries in international economic activity. Simply defined, IB can also refer to the act of doing business abroad. Other authors define IB as economic activities, which by definition of international business are usually associated with the multinational enterprises, defined as any business that is performing manufacturing and/or sales activities in two or more countries (Verbeke, 2013; Zamborsky, 2019; Ball and Ball, 2013).

Anything related to the production and/or sale of goods or services, logistics, transportation or investment is considered international business if it occurs between two parties based on different countries. Moreover, imports and exports, licensing and franchising or having production, distribution or research and development centers in other countries, all fall under the umbrella of international business (Smyth, 2018).

2.2 International Business in Developing Countries

Exports of emerging economies have become more diverse where now the largest item of exports of goods is manufactured goods, while exports of services are driven by travel and transportation.
The growth of global exports has increased since 2012 and the same is right for emerging economies. In 2018, the total value of exports originating from developing countries was 4.3 times higher than in 2000. The share of developing countries in global exports of goods and services has increased from 29.7 percent in 2000 to 41.5 percent in 2012 and has since been flattened (UN, 2020). Another study finds that Goods exports from developing economies and so named least-developed countries were seriously hit by significantly lower prices for fuels and mining products in 2015. Least-developed countries exports hurt the most by declining for almost 25%, while exports from developing economies decrease by 14%. Least-developed countries share of world exports dropped to below 1 per cent for the first time since 2007 (WTO, 2016).

Controlling as a modern management tool is becoming more and more important internationally. New controlling instruments and modern telecommunications are now making it possible for companies to call up important figures from business transactions worldwide and to check them at any time for their compatibility with the planned key figures.

As an instrument of numbers, controlling sometimes reaches its limits when the intercultural component comes into play. There are mainly differences in three areas: the so-called power distance, the avoidance of uncertainty and the species and way of information processing (Frank, 2020).

While we produce more goods and services today compared with before, a far greater proportion of that production is being traded across national borders than at any time in modern history. Moreover, the knowledge society that we live in has resulted in consumers knowing more than ever about goods and services being produced worldwide. The lowering of trade and investment barriers also allows firms to base production at the optimal location for that activity. Thus, a firm might design a product in one country, produce component parts in two other countries, assemble the product in yet another country, and then export the finished product around the world (Hill and Hult, 2020;)

Despite low growth and established competition, developed markets also attract significantly. For example, there are over 500 million consumers in the European Union (EU), which is evolving around the principle of free movement of goods without hindrance in trade and with a minimum of administrative burden. Although with a slow growth, a Large addressable as the EU can provide the business benefits of lower unit costs, easier access to a wider range of trading partners and greater rewards for innovation (Lynch, 2020). In developed markets, entrants may need to pay special attention to established competition, and may need particularly aggressive marketing and advertising to persuade competing customers to pass. For SMEs, in particular, "engaging at appropriate levels of brand management opens up all the initial channels for negotiating with government regulators and potential business partners - such as supply chain, manufacturing, warehousing solutions, distribution and delivery services - in foreign markets (Lynch, 2020).

### 2.3 Kosovo as a strategic awareness of the EU: resources analysis

Analyzing Figure 1 it can be seen that Kosovo has a lower number of employments in comparison with the selected group of countries. Knowing that Kosovo is the country with the youngest population in Europe with about 53% of the population under the age of 25, respectively the median age of 29.5 (Politico, 2018; European Commission Liaison Office to Kosovo,2018; WB, 2019), Figure 1 displays the statistics that show that human resources are extremely not utilized for the purposes of economic activities. This statistic is worrying and should have been taken seriously by modern EU policy. In this context it can be said that Kosovo's demographic position is very favorable for an international perspective of doing business, and this should become self-evident within the EU executive circles.

Table 1 presents the natural resources of the countries being compared. Here too it is clear that Kosovo has sufficient natural resources which should be exploited legally. Exploitation of natural resources for the benefit of increasing business activities at the international level could be completed if EU regulations and standards would be applicable in Kosovo. Even in this context, the EU has made political delays and postponements in formalizing Kosovo's membership in networks and international communities which enable the internationalization of Kosovar businesses.
Tab. 1 Natural resources- country comparison

<table>
<thead>
<tr>
<th>Country</th>
<th>Natural resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxemburg</td>
<td>Minerals, landscapes, iron ore (no longer exploited), arable land (Sawe, 2019; NationMaster, 2020).</td>
</tr>
<tr>
<td>Germany</td>
<td>Timber, natural gas, coal, lignite, uranium, iron ore, arable land, building materials, potash, nickel, salt and copper (Thomas, 2012; NationMaster, 2020).</td>
</tr>
<tr>
<td>Croatia</td>
<td>Oil, some coal, bauxite, low-grade iron ore, calcium, gypsum, natural asphalt, silica, mica, clays, salt, hydropower (Bada, 2019; NationMaster, 2020).</td>
</tr>
<tr>
<td>Italy</td>
<td>Coal, antimony, mercury, zinc, potassium, marble, grass, asbestos, pumice, fluor spar, feldspar, pyrite (sulfur), natural gas and crude oil reserves, fish, arable land (CIA, 2018).</td>
</tr>
<tr>
<td>Kosovo</td>
<td>Nickel, lead, zinc, magnesium, lignite, kaolin, chrome, bauxite, magnetite, ferronickel, NationMaster, 2020).</td>
</tr>
</tbody>
</table>

It is not in the scope of this research to analyze in detail the amount of each natural resource Kosovo possess, however, it is argued that the country possesses sufficient natural resources to compete to be included in the international business networks. Kosovo industries are oriented in minerals and metals production, lignite utilization, lead, zinc, nickel, chrome, aluminum, magnesium, and a wide variety of construction materials. However, the pillars of industry have declined their economic activities because of aging equipment and insufficient domestic and foreign investment, and by issues exacerbated by rival and unresolved ownership claims of Kosovo’s largest mines (CIA, 2020).
Finally, the Kosova government and business leaders are also responsible for extending of business networking experience, minimizing the diverse and not focused enterprise organisational factors related to business excellence and knowledge, and changing organisational culture factors (Limani and Stapleton, 2016).

Problem statement, research questions and hypothesis

International business includes a large and growing share of total business in the world. Nowadays, almost all companies, large or small, are affected by global competition whether they are manufacturers, product sellers, insurers, or service providers. Different nations around the world are experiencing a fundamental change in the way they offer and trade different items, products and services. Countries with more sustainable economy are currently leading the way for International Business, while developing countries are making their best efforts to connect to international business networks. However, developing countries have great difficulty competing in the international market. Difficulties may arise from within the country or even from abroad. Evidently, businesses form a trading bloc of some developed economies are operating without having internal barriers, and they are actually setting up their particular networks. This networking and interaction approach to internationalization demonstrates the content of being able to influence decisions when one knows how global network actors operate or interact.

Although, a developing country like Kosovo has made progress in the harmonization process of business policy over the past years, the policy insufficiencies and internal and external barriers still exist to a large extent. There are evidences showing Kosovo has great potential and good opportunities to develop in terms of international entrepreneurship. For years, Kosovar businesses have been working towards a change in terms of entrepreneurship, but the limited opportunities from EU countries, and sometimes political and economic barriers from some particular EU countries have negatively impacted the exploitation of potential and access to the international business network as a result of potentially unclear sufficiently political demands. The policy barriers probably not-intended may look passive in their own structure, however, those barriers may manifoldly overcome the financial support a country may receive.

In this context, where research raises hypotheses formulated with arguments related to Kosovo's potential to do business internationally and with potential internal and external barriers that may relate to potential.

The hypotheses raised are tested using statistical test models: Chi Square, One Sample and Kolmogorov-Smirnov. and the results presented in the results section of this research paper.

The methodology

The working approach consists into four main stages. Research design represents the first stage, qualitative literature research related to the international business and case studies is conducted during the second stage and problem definition, survey research and statistical analyses are conducted during the third stage of work.

Results, conclusions and discussions are conducted in the fourth stage of this research work. The methodology applied in this study is based on literature research related to the effective many international business variable quantities, and on survey research aimed to find any correlation between international business issues. The primary and secondary data collection and data analyses are accomplished based on quantitative and qualitative methods.
Population and sampling
This study focused on the public and private enterprises consisting a sample of 144 randomly engaged companies from the main cities of Kosovo. Respondent groups within the sample are: operating industry, education, positions/functions within enterprises, among others.

Instruments
The semi-structured questionnaire is used for the data collection. Data analyses is conducted using software applications, and results are presented in the related section.

Results and discussions
One interesting finding from the literature is represented partially in the Figure 3. The estimates display the differences between developing and developed countries in the setting of export/import ratio. Discussing from a critical point of view, the result presented by the WTO, developing countries have more appropriate export/import proportion compared developed countries. However, this statistical data cannot support our research hypotheses as it is not a significant value that can be competitive between developing and developed countries. Nonetheless, we considered this finding is of a particular interest.

![Comparison of export/import of goods between developing and developed economies in 2015 (In billions of US dollars)](chart)

**Fig. 3** Comparison between developed and developing companies in the context of export/import ratio in 2015 (WTO, 2015)

The set of questions related to the problem definition are translated into a set of simple hypotheses with some modifications. The hypothesis testing shows distinguishing results which are probably expected by us having into consideration the general situation related to the study topic.
Table 1a. The suppositions and decisions

<table>
<thead>
<tr>
<th>Simple null hypotheses</th>
<th>The situation/decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosova businesses are not significantly active in international business</td>
<td>Kosova businesses are significantly active in international business</td>
</tr>
<tr>
<td>The Government is assisting sufficiently Kosova businesses in doing International Business</td>
<td>The Government is not sufficiently assisting Kosova businesses in doing International Business</td>
</tr>
<tr>
<td>There is no relationship between difficulty in international access and doing international business for Kosovar companies</td>
<td>There is a strong relationship between difficulty in international access and doing international business for Kosovar companies</td>
</tr>
<tr>
<td>There is no relationship between Kosovo's geopolitical position and doing international business for Kosovar companies</td>
<td>There is a strong relationship between Kosovo's geopolitical position and doing international business for Kosovar companies</td>
</tr>
</tbody>
</table>

Table 1b. The suppositions and decisions

<table>
<thead>
<tr>
<th>Kosovo government has sufficiently promoted international business</th>
<th>Kosovo government has not sufficiently promoted international business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kosovo government delivers adequate policies associated with foreign investors</td>
<td>Kosovo government delivers inadequate policies associated with foreign investors</td>
</tr>
<tr>
<td>There is a strong relationship between the Kosovo government strategy and doing international business for Kosovar companies</td>
<td>There is a no strong relationship between the Kosovo government strategy and doing international business for Kosovar companies</td>
</tr>
<tr>
<td>There is a strong relationship between Kosovo resources utilization and doing international business for Kosovar companies</td>
<td>There is a no strong relationship between Kosovo resources utilization and doing international business for Kosovar companies</td>
</tr>
<tr>
<td>There is no relationship between promoting Kosovo's strategic position and doing international business for Kosovar companies</td>
<td>There is weak relationship between promoting Kosovo's strategic position and doing international business for Kosovar companies</td>
</tr>
</tbody>
</table>

Asymptomatic significances are displayed. The significance level is .05
Ranked variable with monotonic relationship and ranked ordered. (Pallant, J.2011).

The results with greater impact from research are showing various essentials with high significance that affect the process of internationalization in general, especially that in Kosovo as a developing country. We have listed most important findings as follows: low engagement of Kosova businesses in the international market; the need for government engagement in business internationalization; difficulties entering the international market needs to be addressed; Kosovo’s geopolitical position is not conducive to doing international business; insufficient IB promotion by the government; Kosovo’s natural resources are supposedly sufficient but not competitive; Kosovo’s human resources are sufficient to compete internationally.
When it comes to resources, the observation is conducted only in quantitative terms in relationship to human resources, while the questions related to the natural resources are based in the variability terms of natural resources. (EC.2019).

5.1 Discussions and Conclusions
Kosova businesses are significantly active in international business. The surprise in the survey was that in the assumption that Kosovar businesses will show that they are not engaged in economic activity in the international market, which assumption was rejected.

There is an association between Kosovo export/import quote and international business. This means the business and organizations representatives agree that the government should take measures towards changing the import/export quote regulations in order to support domestic businesses.

The Government is not assisting sufficiently Kosova businesses in doing International Business. In this regard the business managers and business leaders mostly agree that there should be more effective implication of the government in promoting and sustaining domestic companies towards their internationalization aspirations.

There is a relationship between difficult international access and doing international business for Kosovar companies. Both qualitative and quantitative studies from this research show that developing countries experience more difficulty accessing the international market than developed countries. Kosovo in this case is considered both a country in transition and a developing country, making even more complex the issue of the business process of internationalization.

There is a relationship between Kosovo's geostrategic position and doing international business for Kosovar companies. This assumption is rejected, taking into account that businesses think that there the geostrategic position is affecting their aspirations and plans towards doing international business.

Kosovo government has not sufficiently promoted international business. The promotion of businesses by the government has almost no meaning or importance as it is likely that this government activity is very vague.

Kosovo government is not delivering adequate policies associated with effective programs and projects for foreign investors. Foreign investment in Kosovo has been steadily declining, so the reaction of respondents to the question on this issue is very understandable.

There is a weak relationship between the Kosovo government strategy and doing international business for Kosovar companies. The current strategies of the government do not clearly define the strategic commitment of the state to help businesses in terms of internationalization of their business operations.

There is no clear relationship between Kosovo's natural resources doing international business for Kosovar companies. Respondents think that Kosovo has sufficient resources, both human and natural, to compete in the international market. But there is no evidence that there is a strategic plan for the exploitation of these resources in order to increase the opportunities to compete internationally.

**Future research**

In the context of international business, the study of equality and the provision of developing countries with added opportunity in the international market could be a research subject for interested individuals and different interest groups.

We are fully aware that this paper is representing an opening phase for the discussion of international business in developing countries, especially in the Kosovo and other developing countries which share similar attributes.

Our extended version of this research topic will include arguments related to the international business in developing countries and will provide with more sights related to the relationship and significance between other specified arguments. An interesting question that requires attention in this regard is about the human resources.
The various demographic movements which are often supported by developed countries make possible the flow of potential labor force from underdeveloped countries to the developed ones and never vice versa. Also, the relocation of multinational companies from countries of origin to different destinations gives the same development spectrum. Companies from developed countries relocate their production arsenal to developing countries after securing multiple economic feasibility. How would it affect an international initiative that would bring about a more equivalent economic order of the globalization process? What would be the initiative that would transform the process of globalization into a sustainable and long-term process? These and other probably many other questions of this nature may be the questions of mutual interest, and potentially finding balanced answers would help develop a more sustainable global economic model.

References

**Abstract.** Decentralized systems give priority to the role of citizens in the government decision-making process, which through various forms, provide better services. This phenomenon motivates policies in the social system, in order to promote democracy, transparency and accountability. The paper gives a short explanation of the Decentralization types, processes as well as Fiscal Decentralization. But the focus is on Fiscal Decentralization in the Republic of North Macedonia (RNM), especially its first two phases and the outcomes of revenues for municipalities through the case study of Gostivar. A short explanation is given on how the signing and ratification of the European Charter of Local Self-Government and the signing of the Ohrid Framework Agreement in 2001 create a legal framework upon which the decentralization system in RNM is based. Lastly, the paper focuses on the Methodology for VAT distribution and its impact as well as a current shortcoming of the model.

**Keywords:** Fiscal decentralization, Local self-governance units, Public finance, Public revenues, VAT, The legal framework

**Introduction**

Decentralization has become a global trend, which has aroused worldwide debates and discussions as well as the interest of many scholars, that define it as a “positive phenomenon.” Some of the main research on decentralization include improving economic efficiency, cost efficiency, increasing accountability and resource mobilization (Prud'homme, 1995). However, some researchers argue that none of the aforementioned can be achieved if the needs and preferences of the citizens do not reflect on the government budget and institutional capacity of government is not meager. From this prism, decentralization can lead to increased costs, reduced efficiency in service delivery, higher inequality, and macroeconomic instability (Prud'homme, 1995).

The process of decentralization in the Republic of North Macedonia (RNM) started with the signing and ratification of the European Charter of Local Self-Government (ECLSG) and the Ohrid Framework Agreement (OFA), which forced the RNM to make constitutional changes and bring forth a legal framework for the process of decentralization. This paper explains the development of the decentralization process as a reform in the Republic of North Macedonia, as
well as the impact and efficiency of decentralization in the local public revenue system. Of particular interest for this paper is the process of fiscal decentralization, especially the model of distribution of value added tax to the local government, which is transferred from the central government to the local units in the form of grants. Achieving economic efficiency, equity and macroeconomic stability can be considered among the key issues of Fiscal Decentralization, which is an important node of decentralization. Hopefully, this paper will aid the further study of the model and give basis on whether the same model could be used in other counties of the region.

**Decentralization and its types**

Decentralization\(^1\) is an antipode of central organization, a process whereby the power in an organization (public or non-public) is disbursed in other parts (in our case in the local government units), in order to reduce the concentration of political, financial and administrative power of the central government.

The term decentralization can be understood and perceived differently depending on the context of use and the goal of the decentralization. Nonetheless, a general description is that decentralization is the transfer of authority and responsibility of public functions from central government to the local level. In a decentralized system, the role of citizens is considered, who through various forms can participate in the decision-making process to provide better public services. In fact, decentralization takes into consideration the right of the citizens of a country to participate in the management and administration of public affairs, and this right is exercised directly and more efficiently at the local level rather than at the central level. This phenomenon motivates policies in the social system, in order to promote democracy, transparency and accountability. Decentralization is also the transfer of authority and responsibility for public functions from the central government to subordinate or almost independent governmental organizations or to the private sector (Litvack & Seddon, 1999). It covers a wide range of concepts and types be it political, administrative, fiscal or market, which have different characteristics, political consequences, and conditions for achieving success.

Political, administrative, fiscal and market decentralization can manifest in different forms in different countries, within the country and even within sectors. All these factors must be carefully considered before deciding whether a project or program should support the reorganization of financial, administrative, and service delivery systems. Differentiation of different types of decentralization is important as it sheds light on its many dimensions and the need for coordination, but on the other hand these concepts overlap with each other. Such reforms for decentralization have been undertaken in both developed and developing countries, whereas in post-communist transition countries, decentralization appears as a direct result of the transition from the socialist economic system to the market economy (Wallich, et al., 1995). This has been influenced by factors including the general economic situation, legal order, economic, political and cultural reforms. According to Kälin, there are four main reasons for strengthening local governance:

- **Accountable and efficient administration** - Central level failures in service delivery often come not due to lack of money, but due to an inefficient use of available resources, where relevant factors can be geographical distance (brings forth the issue of the central level lacking information on local needs and problems) and psychological distance between central level officials and the people they lead.
- **Better Local development** - In many countries the main motive for decentralization is the potential for local development because citizens are encouraged to successfully design and implement their local projects.
- **Democracy and protection of liberty** - The right to elect leaders at the central level is part of democracy, but democracy also includes the ability to influence decisions that directly affect a person's life. Local government can provide those aspects of democracy that the central level cannot provide.

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\(^1\) Etymologically derived from two Latin words (de meaning of/from and central - meaning center)
• **Protection of minorities** - if local constituents think money is theirs, then they are more likely to be vigilant about spending the money and using it more efficiently as they feel it is their own finances in the country; especially when minorities leave some collective zones (Kälin, 2002).

**Principles of decentralization:**

In decentralization theory, the conceptual framework is derived from the theory of “fiscal federalism,” which deliberates on efficiency, fairness, and sustainability of intergovernmental fiscal relations. The following four basic principles are derived from it for “fiscal evolution” to emerge (Musgrave, 1984):

- **Fiscal Equality or Financial Competence** - This principle is based on the right to decide on the level and nature of the necessary expenditures to be taken by that level of government, that is responsible for financing those expenditures. Lower levels of government should be responsible for all assets (tax revenue, non-tax revenue and borrowing, including intergovernmental transfers).

- **Subsidiarity** - Higher levels of government should commit to government functions only when lower levels of government cannot perform their functions effectively. According to this principle, “the exercise of public responsibilities should, in general, belong more to the authorities closest to the citizens” (Musgrave, 1984). Namely, the local governments will provide services that benefit the local jurisdiction and in the prism that gives priority to increasing the efficiency of public services and an efficient allocation of resources in the economy.

- **Justice/Equality** - Fiscal policy should aim to reduce regional “inequalities” in countries where regions/ethnicities with higher tax bases and lower costs coexist with entities with lower tax bases and higher needs for expenses. The level of equalization must maintain appropriate fiscal initiatives to promote its economic development. According to this principle, entities with low tax capacity should be entitled to transfers. The equation should not contradict the previous two principles. This means that grants should only equate revenue with functions performed more efficiently by local authorities.

- **Fiscal Autonomy** - Lower levels of government should be autonomous in establishing and enforcing an appropriate legal framework, which will contain the above principles. Higher autonomy corresponds to full freedom based on tax collection and tax rates, whereas lower autonomy corresponds with conditional grants.

**The decentralization process**

The process of decentralization began at a rapid pace during the 1990s, mainly through financial institutions (International Monetary Fund and the World Bank) and by multilateral and bilateral institutions. In some Western countries, the revision of the existing system of fiscal relations between different levels of government resulted from the demand for greater autonomy for certain regions (i.e., Canada and Germany). In post-communist transition countries, a new system of fiscal federalism has been established, so decentralization in these countries is seen as a key dimension to national transition from a central economy to a market economy. Therefore, reforms in relations between central and local authorities are of particular importance due to their close link to efficient resource mobilization, privatization, social security and stabilization in these countries.

Decentralization as a wave of globalization has affected most countries in the world and is complemented by various reforms according to the needs and strategic goals of each country, that creates its own model. This indicates that in some developing countries (i.e., Argentina, Brazil, India), fiscal federalism was considered especially in terms of its compatibility with macroeconomic and political stabilization (political pressure to democratize society) (Ebel, 2001).

Decentralization modeling is extremely difficult as it can affect many aspects of public sector performance, as well as cause a few other implications of a different nature. Fiscal goals are not
the only aim of decentralization as the latter seeks to enhance national integrity and political stability in order to ensure equality for different people in different countries.

**Decentralization in the Republic of North Macedonia (RNM)**

After gaining independence from Yugoslavia in the 90s, the Republic of North Macedonia started with major reforms in the legal as well as economic system. An important component of the decentralization strategy in RNM was the adoption of a legal framework that allowed different roles and responsibilities at all levels of government. With the signing and ratification of the European Charter of Local Self-Government\(^2\), as well as the signing of the Ohrid Framework Agreement in 2001, the Republic of North Macedonia was obliged to amend the Constitution. In accordance with the Constitution, it was required to form a legal framework for the decentralization system, which stated that local governments must have the right to judicial protection to ensure the free performance of its obligations and duties, as well as compliance with the principles of local self-government set out in the Constitution and other domestic legislation. The Ohrid Agreement obliged RNM to adopt the Law on Local Self-Government Units, which defines the content, goals, organizational structure, and competencies of municipalities. The legal framework of the decentralization system obliges the Macedonian Parliament to adopt the Law on Territorial Organization, the Law on Financing of Local Self-Government Units, and the Law on Property Tax, as well as other laws that are based on delegated competencies. The decentralization process in the Republic of Northern Macedonia started to be implemented in the summer of 2005 and enabled local self-government units to take on greater responsibilities and competencies.

Regardless of the reasons (political, economic, technological), decentralization has occurred everywhere, at different rates and in different ways. This world trend is based on the principle of subsidiarity\(^3\) (where municipalities have the right in their territory to perform tasks of public interest and local importance, which are not excluded from their competencies or are not within the competence of central government bodies) and the understanding that results in improved efficiency in the provision of public services, i.e., with more efficient distribution of resources in the economy.

**Fiscal Decentralization**

Fiscal decentralization includes the transfer of competencies from the central to the local government and at the same time the transfer of funds/monetary assets to realize the competencies transferred from the central to the local government, as well as autonomy in the realization and administration of local revenues (Tommasi, 2004). According to (Tanzi, 2002) et al. "[f]iscal decentralization can be defined as a process of transferring/shifting responsibilities of public revenues and expenditures, between different levels of government, with some autonomy in revenue and expenditure competencies."

Fiscal decentralization encompasses the issuance of certain competencies to the elected bodies at the local level, to determine within certain areas determined by law the possibility to set the taxable level for some specific local taxes, as well as the right to use these revenues, according to the needs of the respective communities (Bahl, 1999).

According to (Nicoletta, et al., 2007) the basic idea that drives fiscal decentralization is "[the] creation of an adequate and stable logical system of local revenues, but without creating additional costs for national finances and that is in line with fiscal and macroeconomic policies." Thus,

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\(^2\) Republic of North Macedonia signed and ratified the European Charter in 1996 and Parliament ratified it in 1997

\(^3\) Subsidiarity principle is best described in the 4\(^{th}\) Article of the European Charter for Local Governance according to which public competencies should be exercised by those authorities which are closest to the citizens
according to (Nicoletta & Anderson, 2008) the system of fiscal decentralization consists of four main pillars, which are:

1. **Determining the sources of source revenue** of the local government and the distribution of revenues between the central and local government - this pillar defines which revenues will be collected by the municipalities themselves, what part of them will be a transfer from the central government and which taxes will be passed entirely as government revenue.

2. **Defining responsibility for expenditures**, which defines the exclusive expenditures of the municipalities, the functions delegated by the central government and the expenditures which will be performed by both joint parties.

3. **Fund transfer system between central and local government** - refers to funding provided to local units by the central government on a conditional (conditional transfer) or for any local government (unconditional) need.

4. **Local borrowing / lending as a financing option** - The local government can also rely on this type of financing, although it seems that the burden of borrowing would fall on the central government again, which means that macroeconomic stability could be weakened if local government structures are allowed to borrow in the market and are unable to repay it. In this case, this effect of decentralization can lead to an increase in the country's debt and destabilize the economy. However, if local authorities are restricted in their freedom to borrow from private capital markets, then decentralization will not pose a challenge to macroeconomic stability.

**Fiscal Decentralization in the Republic of North Macedonia**

Fiscal decentralization in the Republic of Northern Macedonia has been implemented in accordance with these established principles (Republic of North Macedonia, n.d., p. Article 44):

- Gradual transfer of competencies in line with the capacity of municipalities to acquire these competencies.
- Proper and adequate provision of the means for efficient and uninterrupted execution of the transferred competencies, and
- Reduction of funds in the Budget of the Republic of Northern Macedonia for the functions that will be transferred to the competencies of the municipalities.

In the Republic of Northern Macedonia, fiscal decentralization included two phases, which passed through various challenges.

1.1 **The first phase of fiscal decentralization**

The first phase of fiscal decentralization began to be implemented in July 2005, in which, within the legal framework, it is necessary to meet these conditions (Republic of North Macedonia, n.d., p. Article 45):

- Adoption of regulations and methodologies for the transfer of funds from VAT, capital as grants and as intended.
- Settlement of remaining obligations of municipalities.
- In the municipal administration to have at least two employees with adequate qualifications, who will work in the field of financial management.
- In the municipal administration to have at least three employees with adequate qualifications, who will work in determining and collecting taxes.

The first phase of fiscal decentralization involved the acquisition of competencies in financing and managing local government revenues under the Law on Financing of Local Self-Government Units such as (Republic of North Macedonia, n.d., p. Article 4):

- Property Tax as predefines in the (n.d.)
- Local tax
- Local compensations determined by law
- Revenues from self-contributions
- Revenues from fines determined by law
- Other revenues foreseen by law
- Donations
- Grants from the RNM budget and from the budgets of the funds

The fiscal decentralization impact can be seen from one of the case studies, Gostivar (Municipality in Northwest RNM), whose data comes from the financial reports of the Municipality of Gostivar. In the underlying table we will illustrate the realization of the budget for 2004 compared to 2005, 2006 as well as underlying coefficients used for 1st phase of decentralization. The budget comparison takes into consideration the years 2004, 2005, 2006 in order to do a more effective pre-post comparison of the data for the municipality as the fiscal decentralization started in July of 2005.

Table 1. Municipality of Gostivar Pre-Post 1st phase of Fiscal Decentralization

<table>
<thead>
<tr>
<th>Type of Revenue</th>
<th>Budget Realization 2004</th>
<th>Budget Realization 2005</th>
<th>Budget Realization 2006</th>
<th>Coef. for year 1</th>
<th>Coef. for year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>€183,400.00</td>
<td>€433,758.00</td>
<td>€789,108</td>
<td>2.365092694</td>
<td>1.819235611</td>
</tr>
<tr>
<td>Local Tax</td>
<td>€37,300.00</td>
<td>€126,292.00</td>
<td>€146,246</td>
<td>3.385844504</td>
<td>1.157998923</td>
</tr>
<tr>
<td>Communal Charges</td>
<td>€103,880.00</td>
<td>€114,300.00</td>
<td>€121,950</td>
<td>1.100308048</td>
<td>1.066929134</td>
</tr>
<tr>
<td>Revenues from Construction Tax</td>
<td>€385,650.00</td>
<td>€1,106,600.00</td>
<td>€2,267,500</td>
<td>2.869441203</td>
<td>2.049069221</td>
</tr>
<tr>
<td>Non-Tax Revenues</td>
<td>€182,200.00</td>
<td>€66,694.00</td>
<td>€90,450.00</td>
<td>0.366048299</td>
<td>1.35619396</td>
</tr>
<tr>
<td>T. Revenue by Municipality in 1st phase</td>
<td>€892,430.00</td>
<td>€1,847,644.00</td>
<td>€3,415,254.00</td>
<td>2.070351736</td>
<td>1.848437253</td>
</tr>
<tr>
<td>VAT revenues</td>
<td>€225,100.00</td>
<td>€473,100.00</td>
<td></td>
<td>2.101732563</td>
<td></td>
</tr>
<tr>
<td>Income Tax</td>
<td>€44,176.00</td>
<td>€73,400.00</td>
<td></td>
<td>1.661535675</td>
<td></td>
</tr>
<tr>
<td>Conditioned Grant Income</td>
<td>€284,920.00</td>
<td>€821,606.00</td>
<td></td>
<td>2.883635712</td>
<td></td>
</tr>
<tr>
<td>Transfer Revenues for Capital Projects</td>
<td>€338,980.00</td>
<td>€352,799.00</td>
<td>€133,800.00</td>
<td>1.040766417</td>
<td>0.379252776</td>
</tr>
<tr>
<td>Total Revenues collected by Central Gov.</td>
<td>€338,980.00</td>
<td>€906,995.00</td>
<td>€1,501,906.00</td>
<td>2.675659331</td>
<td>1.65591431</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>€1,231,410.00</td>
<td>€2,754,639.00</td>
<td>€4,917,160.00</td>
<td>2.23697956</td>
<td>1.78504697</td>
</tr>
</tbody>
</table>

4 www.gostivari.gov.mk
From the realized budget outcomes and the pre-post outcomes for the municipality we can notice an 82% increase from 2005 to 2006 (an annual year with 1st phase fiscal decentralization and 330% increase from 2004 (pre 1st phase decentralization) and 2006. From analyzing the table above we can conclude that the real indicator for increasing the realization of revenues, respectively higher collection of property tax and compensation, is the good and successful management of local government, which means that the determination and collection of property tax with the beginning of the first phase of decentralization is managed by the local government administration, while the determination and collection of personal income tax and value tax is managed by the central government administration.

Also, from this case study we see that decentralization affects the increase of total revenues of local government because revenues from personal income tax and value added tax for 2006 are in the amount of 563,550 euros and the same are not earmarked funds, whereas revenues from grants to finance running costs (primary, secondary, kindergarten, fire brigades, etc.) and revenues from central level transfers for the implementation of various projects are earmarked funds and they cannot be used for other project than their pre-defined project.

1.2 The second phase of fiscal decentralization

- The second phase of fiscal decentralization started in 2007, where in addition to the acquisition of competencies from the first phase of decentralization, it also includes the acquisition of competencies in the field of financing employees by users of budget funds (primary and secondary education employees, in kindergartens, in culture, fire brigades, etc.) The funds for financing these competencies are provided by the central government, which the central government transfers every month to the current account of the municipalities in the form of block grants. These funds cannot be used for any other purpose by the municipality. However, in order to move to the second phase of decentralization, the municipalities and the local government must meet these conditions: (Republic of North Macedonia, n.d., p. Article 46). Self-Governing conditions from the first phase of fiscal decentralization:
  - Have adequate staffing capacity
  - Show good results in financial performance in a period of at least 24 months.
  - Timely and fairly inform the Ministry of Finance about the financial results,
  - They should not have any remaining liabilities to the obligors that exceed the normal conditions for payment or have a reprogramming of the payment of the remaining liabilities from previous years.

Value Added Tax (VAT) distribution model in local self-government units:

The model of decentralization of public revenues in the form of grants faces large differences or fiscal "inequalities". One of the said ‘inequalities’ is the distribution of value added tax in urban, rural and in the municipalities of Skopje and the city of Skopje, as well as the distribution of grants intended for education according to the authorization provided by law.

According to the Law on Financing of Local Self-Government Units, VAT revenues are revenues of local government, which are transferred from the central government to the local government in the form of grants, to finance the competencies of the municipality, defined by law.

These funds are provided and calculated at a rate determined by the total amount of value added tax collected from the previous fiscal year. The rate set for calculating the amount of value added tax from one July 2005 was set at 3%, while since January 2010 the rate has been determined as 4.5% (Republic of North Macedonia, n.d., p. Article 9). For the distribution of value added tax revenues, there are criteria set out in the Regulation on the methodology for the distribution of value added tax, approved by the Government of the Republic of North Macedonia, on the proposal of the Minister of
Finance and with prior consent of the Commission for monitoring the development for financing of municipalities.

Of the total amount of VAT revenues collected in the last fiscal year, 95% is allocated to the Municipalities and the City of Skopje, while 5% is used to finance municipalities, where the revenues planned in the basic budget of the municipality are lower than 25% of the average revenues planned in the basic budget for the municipality at the level of the Republic of North Macedonia. These funds are distributed linearly to the municipalities designated by the decision of the Minister of Finance twice a year for the fiscal year.

Out of the total amount of 95% value added tax, 90% of the funds are distributed to all municipalities, without the municipalities of Skopje and the city of Skopje, while 10% of the funds are distributed to the municipalities of Skopje and the city of Skopje, of which 40% of the funds are distributed to the city of Skopje and 60% of the funds to other municipalities in the city of Skopje. According to the Regulation and Methodology for the distribution of value added tax revenues, the following criteria are provided:

- Based on the number of inhabitants of the respective municipality at a rate of 65% and cannot be lower than 50%.
- Based on the territorial area of the respective municipality at a rate of 27%.
- Based on the number of settlements of the respective municipality at a rate of 8%.

This form of tax distribution can be changed by a Decision of the Commission for the distribution of value added tax formed by the Government of the RNM. Based on the above criteria, the distribution of VAT revenues to municipalities is done according to the formula:

\[ D_i = \frac{0.65 \cdot E_{fn}}{B_{Zn}} \cdot B_{Zi} + \frac{0.27 \cdot E_{fn}}{P_{n}} \cdot P_{i} + \frac{0.08 \cdot E_{fn}}{B_{N Mn}} \cdot B_{N Mi} \]  \hspace{1cm} (1)

### Table 2. Acronyms and Definitions

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Di</td>
<td>Represents the grant to be distributed to said municipality</td>
</tr>
<tr>
<td>Efn</td>
<td>VAT for previous fiscal year</td>
</tr>
<tr>
<td>BZn</td>
<td>Total number of RNM inhabitants, excluding residents of City of Skopje and Skopje Municipalities based on the last population census</td>
</tr>
<tr>
<td>Bzi</td>
<td>Total number of inhabitants for the said municipality</td>
</tr>
<tr>
<td>Pn</td>
<td>Total territorial surface of RNM without City of Skopje and municipalities of Skopje</td>
</tr>
<tr>
<td>Pi</td>
<td>Territorial surface of municipality</td>
</tr>
<tr>
<td>BNMn</td>
<td>Number of settlements in RNM without Skopje City and Skopje municipalities</td>
</tr>
<tr>
<td>BNMi</td>
<td>Number of settlements in said municipality</td>
</tr>
</tbody>
</table>

In the case study of Gostivar to check the amount of dotation the most recent VAT tax data are taken and based on aforementioned legal framework the amount to be distributed is taken by firstly calculating the following:

\[ Total\ VAT\ for\ previous\ fiscal\ year \cdot 4.5\% \]  \hspace{1cm} (2)

\[ The\ adjusted\ VAT \cdot 0.9 \]  \hspace{1cm} (3)

\[ D_i = \frac{0.65 \cdot 63,913,693}{1,515,621} \cdot 81,042 + \frac{0.27 \cdot 63,913,693}{2,436,849} \cdot 51,396 + \frac{0.08 \cdot 63,913,693}{1,715} \cdot 35 \]  \hspace{1cm} (4)

\[ = 2,689,713.04 \]  \hspace{1cm} (5)

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5 Criteria percentages are based on the Official Gazette of RNM nr.132/2019 (Decree for the methodology for dispersion of VAT revenues, that is approved by the Government of RNM every year that for every year decides on additional criteria.).
The Donations (Grant) distribution for City of Skopje follows the same methodology, with variables defined based on the Skopje city and city of Skopje municipalities based on the division in the (n.d.) as followed:

**Table 3. Acronyms and Definitions for City of Skopje methodology**

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Di</td>
<td>Represents the grant to be distributed in the municipalities of the city of Skopje</td>
</tr>
<tr>
<td>Efso</td>
<td>VAT for previous fiscal year for the city of Skopje</td>
</tr>
<tr>
<td>BZsk</td>
<td>Total number of city of Skopje inhabitants based on the last population census</td>
</tr>
<tr>
<td>Bzi</td>
<td>Total number of inhabitants in the municipality of Skopje, where the donation goes</td>
</tr>
<tr>
<td>PSk</td>
<td>Total territorial area of city of Skopje</td>
</tr>
<tr>
<td>Pi</td>
<td>Territorial surface of municipality in the city of Skopje for which the subsidy is designated</td>
</tr>
<tr>
<td>BN Mn</td>
<td>Number of settlements in the city of Skopje defined by Article 11 of the Law on Territorial Division of RNM</td>
</tr>
<tr>
<td>BN Mi</td>
<td>Number of settlements in designated municipality in the city of Skopje</td>
</tr>
</tbody>
</table>

The transfer of VAT revenues from the Budget of the Republic of Northern Macedonia to the municipal budget is done in 12 installments, which must be transferred no later than the last day of the month for the previous month, except the last installment, which is transferred no later than December 15 of the current fiscal year. The municipality independently decides on the use of value added tax revenues. It is worth noting that the VAT distribution model suffers from old census data. Based on the three criteria mentioned above, the criterion based on the number of inhabitants, which grants VAT revenues of the respective municipality at a rate of 65% or a rate that cannot be less than 50% should not be a constant indicator.

The reasoning behind this is the fact that last census in RNM was in 2002 and the number of inhabitants is a biased and skewed indicator, especially with changes in population trends over the years. We can verify this by comparing the number of the population registered in 2002, which is 2,022,547 inhabitants (Statistical Yearbook of the Republic of Macedonia, 2009), with the number of the population in the Voters List of the Provisional Parliamentary Elections of 2020, where the number of the population with the right to vote is 1,808,131 (State Election Commission, 2019), even without the population number from zero to 17 years. Furthermore, the revenues of municipalities depend on revenue streams that are based on VAT, which are susceptible to worldwide financial crisis, i.e., 2008, or political crisis inside the state as was the case during 2018-2019 in RNM that had visible impact on VAT collection as can be seen in the following cases from three different regions in RNM:

**Table 4. VAT revenues during the RNM political crisis for 3 municipalities**

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Type of revenue</th>
<th>Year 2018</th>
<th>Year 2019</th>
<th>Coef. of realization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gostivar</td>
<td>VAT</td>
<td>2,689,713 €</td>
<td>1,637,032 €</td>
<td>-1.6430</td>
</tr>
<tr>
<td></td>
<td>(Municipality</td>
<td>(Municipality</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>of Gostivar,</td>
<td>of Gostivar,</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>n.d.)</td>
<td>2019)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manastir/Bitola (Kvartal Budget Report, 2019)</td>
<td>VAT</td>
<td>2,198,111 €</td>
<td>1,531,464 €</td>
<td>-1.4353</td>
</tr>
<tr>
<td>Kisela Voda (Municipality</td>
<td>VAT</td>
<td>478,335€</td>
<td>364,765 €</td>
<td>-1.3114</td>
</tr>
</tbody>
</table>
Conclusion and Limitations

Decentralization in RNM started with a socio-economic and political motivations as the country left the communist sphere toward its journey for a more democratic society and free market. A further impetus was given by the Ohrid Framework Agreement for a more equal society among the multicultural society in RNM. The decentralization was initiated with the Constitutional amendments of 2001, the Law on Local Self-Government and other main laws of this corpus that included: The Law on Territorial Division of Municipalities and the Law on Financing of Municipalities. These laws were further supplemented with other legal regulations, which transferred competencies and funds from the central government to the local governments. The paper focused on the 1st phase and explored the 2nd phase of the Fiscal decentralization, the methodology and how the fiscal decentralization stages impacted the revenues of local governments. It also tried to assess the current limitations of the methodology which stems from biased population census information dating back to 2002. Since the beginning of fiscal decentralization in 2005 until now, within the frameworks defined by law, municipalities have generated steadily increasing revenues and are autonomous in implementing their competencies defined by legal norms. However, the current system of local public finances does not create opportunities to provide sufficient financial resources for municipalities, neither in volume nor in structure, which means that municipalities' own revenues are small, VAT transfers, tax on Personal income and funds from the Public Roads Fund are also insufficient for peripheral and rural municipalities. Therefore, it is necessary to introduce or incorporate new sources of financing including concession fees that have commercial purposes. According to the criteria for the distribution of VAT, one can conclude that based on the number of inhabitants of the respective municipality at a rate of 65%, municipalities have a higher realization of VAT. As a result, it is advisable for municipalities in the future to rate increase according to this criterion. Furthermore, during the distribution of VAT, according to the first criterion, obsolete data is used (2002 Census) which understandably is not a good representation of today’s population characteristics in the country. The paper is exploratory in nature, focusing on initial data and there is potential for future research by considering more municipalities, year progression of revenues as well as tweaking the model for better efficiency models by adding new revenues such as concession fees. Another potential further research would entail re-organization of rural-urban municipalities with the global trend of shifting population and consequently the revenues for municipalities would be more realistic to the situation on the ground.

References

Financial statement analysis: Case study of Kamila LLC (2016-2018)

Fidane Spahija Gjikolli¹, Hana Gjurji²
¹ UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,

Abstract: The main source of information for financial analysis is the financial statements. Analyzing financial statements helps in making the best decisions possible by maximizing profit and minimizing costs. This paper analyzes the income statement and balance sheet for the manufacturing company Kamila in Kosovo. A wide variety of techniques can be used to assess the financial viability of an organization. In this paper are included the methodologies of horizontal analysis, vertical analysis and report analysis for three years, respectively for the years 2016, 2017 and 2018. Through the above and comparative analysis over the years, we reach a conclusion by clarifying the status of assets, liabilities, capital and business profits, and answering the research questions of the paper why the business during the three years has had the same sales turnover and different profit and why the company realized higher profit in 2017 and lower profit in 2018. Finally, it is recommended that Kamila LLC will focus on increasing its own production and increasing exports to international markets.

Keywords: Financial Analysis; Financial statement; Kamilla LLC, Kosovo.

Introduction

Financial analysis is the evaluation of a business in order to determine its profitability, liabilities, strengths and potential for future profits. Financial analysis helps companies determine the risks they face, how to grow and expand the business processes that make them work more effectively, and whether organizations’ investments are focused on the right areas. The purpose of this paper is to analyze the financial statements of the company Kamilla for the periods 2016, 2017 and 2018. This paper provides answers to the questions why the business during the three years has an average sales turnover but different profit? Then, why in 2017, the company has a bigger profit and in 2018, has a smaller profit? A wide variety of techniques can be used to assess the financial viability of an organization, including the most common methodologies of horizontal analysis, vertical analysis, and financial report analysis. Most analytical methods include company financial statements and internal or external audits. In this paper, through the above-mentioned analyzes, the two main financial statements have been analyzed, such as: Balance sheet and income statement for the three-year period of the enterprise.
Review of literature

Understanding the notion of Financial Statement Analysis, expresses the totality of procedures and methods used to extract from the financial statements the right information based on which the existing condition of an enterprise can be assessed and the appropriate decisions can be made. By financial analysis we mean the study of the financial condition of the enterprise by analyzing its constituent parts (which reflect the state of the enterprise through various indicators). From a management standpoint, financial analysis is essential to a company's success because it highlights weaknesses and strengths that directly affect competition. (Anon., 2020) Financial analysis can also help companies consider product profitability across different sales channels and customers, which market segments will add more profit to the business, and what may have an impact on the business in the future. (Rouse, 2019) The law requires all public enterprises to have their financial statements audited from outside. (Anon., 2020) The main source of information for financial analysis are the financial statements of a business, which are the output of accounting. Accounting is a system that will provide the reports and information you need. (Gladin, 2003) Simply put, the whole economy relies on keeping accurate and reliable books for internal and external users. (Anon., 2015) Financial statements are often audited by government agencies, accountants, firms, etc. to ensure accuracy and for tax, financing or investment purposes. (Murphy, 2020) Financial statements are the primary source of financial information for most decision makers. This is why accounting and financial reporting place a high emphasis on the accuracy, reliability and relevance of the information in these financial statements. (Anon., 2020). When people perform a financial analysis of a company, they look at the income statement and balance sheet. (Anon., 2020) It is also important that companies submit financial statements once a year. (States, 2020) Financial statements are important to investors because they can provide a wealth of information about a company's income, expenses, profitability, debt burden, and ability to meet its short term and long-term financial obligations. (Maverick, 2020) More specifically, investors and creditors need to know where their money went and where it is now. (Way, 2019) The main analyzes used on the financial statements are: 1) Horizontal analysis, through which you will be able to see two current data for consecutive years and will be able to compare each of them. And based on that, you can predict the future and understand the trend. (Kacie, 2020). 2) Vertical analysis, otherwise called as static analysis. Under this type of analysis, reports are calculated from the balance sheet for one year and/or from the profit and loss account for one year. Used only for short-term analysis. In the balance sheet e.g., total assets are denoted 100% and each asset is presented as a percentage of total assets. (Anon., 2020). As well as 3) Analysis of financial reports, which expresses quantitative methods to obtain knowledge on the liquidity, operational efficiency and profitability of a company by studying its financial statements such as balance sheet and income statement. Financial reports are a cornerstone of fundamental business analysis. Investors and analysts use financial statements to
assess the financial soundness of companies by checking past and present financial statements. Comparative data can demonstrate how a company is performing over time and can be used to assess potential future performance. This data can also compare a company's financial condition with industry averages while measuring how a company clashes with others within the same sector. (Bloomenthal, 2020) The financial reports in more detail are presented in the figure below, which are then applied to the company in question.

![Financial Reports](image)

**Source:** Authorized lectures of Prof. Fidane S. Gjikolli

**Methodology**

The theoretical part of the paper is based on secondary information from books, authors, articles and various publications by domestic and foreign authors. While the analysis of the paper is based on primary data authorized by Kamilla Company in Kosovo, respectively from the financial statements of the company. The data are analyzed from the balance sheet and income statement for the periods 2016, 2017 and 2018. Using the methods of analysis, statistical and comparative through horizontal, vertical analysis and financial reports, we achieve the purpose of the paper. The following ratios have been calculated in the analysis of financial reports: Liquidity ratio through current ratio and acid test or quick ratio; Activity ratio through accounts receivable turnover, merchandise inventory turnover ratio, total assets turnover ratio; Leverage ratio through debt ratio, interest coverage ratio, and debt to equity ratio; Profitability ratio through gross profit margin, net marginal profit, operating profit margin, return on equity (ROA) margin and return on equity (ROE); Market value ratio through earnings per share and price-earnings ratio. Data were calculated by authors with Microsoft Excel ‘10.
Analysis

The analysis was made for the company Kamila in Prizren, Republic of Kosovo, as a limited liability company, registered on 27.12.2007, with NOB: 70464787 and fiscal number: 600108741, which deals with the production of cocoa, chocolate and sweets. The average number of employees in the company during 2018 is 94 employees. Its products are certified by ISO and HACCP, where so far it exports to 35 different countries of the world including the Middle East, Africa, South America and Europe. First, we analyze the horizontal balance sheet (see graph no. 1) and the income statement (see graph no. 2) for the period 2016-2017 and 2017-2018, which are expressed in percentage. Then, we analyze the vertical analysis of the balance sheet (see graph no. 3) and the income statement (see graph no. 4) for the periods 2016, 2017 and 2018, which are presented and expressed in percentage. And at the end, the results of financial reports analysis are calculated and presented (see table no.1).

IV.1. Horizontal Analysis

Graph 1. Horizontal Analysis of the Balance Sheet, 2016-2017 and 2017-2018

Horizontal Balance Sheet Analysis of Kamilla LLC

<table>
<thead>
<tr>
<th></th>
<th>2016-2017</th>
<th>2017-2018</th>
</tr>
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<tr>
<td>Current assets</td>
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<td>50</td>
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<tr>
<td>Fixed assets</td>
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<tr>
<td>Equity -50</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: www.kamilla.chocolate.com, 15.07.2020, Authors' calculations

Graph 2. Horizontal Analysis of Income Statement, 2016-2017 and 2017-2018

Horizontal Income Statement Analysis of Kamilla LLC
IV.2 Vertical analysis

Graph 3. Vertical Analysis of Balance Sheet for 2016, 2017 and 2018

Vertical balance sheet analysis of Kamila LLC

Current assets Fixed assets Short term of liabilities Equity 2016 2017 2018

Source: www.kamillachocolate.com, 15.07.2020, Authors' calculations

Graph 4. Vertical Income Statement Analysis for 2016, 2017 and 2018

Vertical Income Statement Analysis of Kamila LLC

Source: www.kamillachocolate.com, 15.07.2020, Authors' calculations
### IV.3 Financial reports analysis

*Table 1. Financial Reports Analysis for 2016, 2017 and 2018*

<table>
<thead>
<tr>
<th>No</th>
<th>Financial reports Analysis of Kamilla LLC</th>
<th>2016</th>
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<th>2018</th>
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<td>0.60</td>
<td>0.94</td>
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<td>2</td>
<td></td>
<td>0.26</td>
<td>0.65</td>
<td>0.66</td>
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<tr>
<td>3</td>
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<td>3.21</td>
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</table>

Source: [www.kamillachocolate.com](http://www.kamillachocolate.com), 15.07.2020, Authors' calculations
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<th>Column 3</th>
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<td>7.18</td>
<td>2.46</td>
<td>3.06</td>
</tr>
<tr>
<td>5</td>
<td>50.11 days</td>
<td>146.33 days</td>
<td>117.78 days</td>
</tr>
<tr>
<td>6</td>
<td>2.00 €</td>
<td>2.26 €</td>
<td>2.14 €</td>
</tr>
<tr>
<td>7</td>
<td>1.20 €</td>
<td>0.95 €</td>
<td>0.90 €</td>
</tr>
<tr>
<td>8</td>
<td>66%</td>
<td>62%</td>
<td>51%</td>
</tr>
<tr>
<td>9</td>
<td>114.1 days</td>
<td>110.3 days</td>
<td>138.8 days</td>
</tr>
<tr>
<td>10</td>
<td>1.97</td>
<td>1.62</td>
<td>1.05</td>
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</table>
Conclusions

Through this research we came to the conclusion that financial analysis is very important for the state of the enterprise and its future developments. The objective of the paper has been achieved by carefully analyzing the financial statements of Kamilla for the periods 2016, 2017 and 2018. Financial analyzes have been performed through horizontal, vertical analysis and financial reports of the two main financial statements, such as: balance sheet and income statements. In the paper are presented the statements for three years and horizontal and vertical analyzes are performed for all items of the statements expressing in percentage their increase or decrease. Then, the analysis of financial reports was performed, highlighting the financial performance of the company. At the very end we have given answers to the questions raised at the beginning of the work, why the business during the three years has a turnover in sales of the same average but different profit? Then, why in 2017, the company has a bigger profit and in 2018, a smaller profit?

1) Kamila Enterprise during 2016 and 2017 had approximately the same turnover (sales), while in 2018 it is significantly lower by 553,821.71€ less than in 2017 and 2016. This is because in 2018 the cost of goods sold is
much higher compared to products sold, which has reduced gross profit. The company in 2016 and 2017 had approximately the same turnover but the net profit of 2017 is significantly higher than that of 2016, this is because operating expenses are lower in 2017 although gross profit is approximately the same. There were no material expenses in 2017, while in 2016 they were 210,000 and this has affected the increase of net profit in 2017.

2) The most successful year is 2017, because the net profit is higher compared to 2016 and 2018, this is confirmed by the profitability ratios respectively the net marginal profit ratio (10.6%) and operating profit margin (11%). Also, the highest liquidity is in this year because the stocks have circulated 3.31 times within the year and this has affected the revenues or turnover (sales) to be higher compared to the other two years. The faster the stock turnover means the faster the enterprise secures the money and increases its liquidity. In 2017 the company did not make investments, net fixed assets decreased (2.26€), which helped the company to generate higher revenues compared to the other two years. In 2017, the gross marginal profit of the enterprise is 39%, better than in 2018, almost similar to 2016, here it is noticed that the enterprise has produced at a lower cost compared to the price of products sold, thus ensuring raw material with lower cost compared to other years.

3) The most unsuccessful year is 2018, this is because the turnover (sales) are lower compared to 2016 and 2017. Also in this year the company has lost the market in some countries outside Kosovo, where as a result of this there was a reduction of workers, which was observed in the reduction of wages in 2018, then production was reduced and in the meantime the enterprise began to engage in trade (sale and purchase of goods), which has affected the reduction of gross profit, proven to profitability ratios: Gross Marginal Profit (30%) and Net Marginal Profit (7.5%). The liquidity of the enterprise in 2018 has been lower. According to the stock turnover estimate within a year has managed only 2.63 times the stock turnover this year. So, the enterprise has not managed to sell goods or reduce stocks and therefore turnover (sales) are lower compared to the other two years. In 2018, return on investment (ROE) was 14%, much lower compared to the other two years, because net profit has been much lower compared to venture capital.

The Kamila company should focus on increasing its own production, because it has a higher gross profit, and do research on the international market in order to market the produced products. The results of this paper will serve the managers and investors of the company Kamila, and other researchers in this field. If any investor looks at these reports, he can invest equity in this enterprise, as the marginal net profit is over 10% (eg for every 100€ invested, the business earns 10€ net profit which means that the investment returns within 10 years) where this percentage is a good average for enterprises in general.

References


September 2020].


VII. Anexess
### Balance sheet of Kamilla LLC

<table>
<thead>
<tr>
<th>Zërat</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>27,286.17</td>
<td>54,750.58</td>
<td>144,488.00</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>553,805.00</td>
<td>1,686,973.93</td>
<td>1,176,704.75</td>
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<tr>
<td>Stock</td>
<td>742,281.40</td>
<td>769,635.00</td>
<td>957,120.81</td>
</tr>
<tr>
<td>Deductible VAT- Lending</td>
<td>-</td>
<td>26,917.22</td>
<td>39,090.00</td>
</tr>
<tr>
<td><strong>Total of current assets</strong></td>
<td>1,323,372.57</td>
<td>2,538,276.73</td>
<td>2,317,403.56</td>
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<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equipment and machinery</td>
<td>1,466,749.95</td>
<td>806,995.70</td>
<td>806,995.70</td>
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<tr>
<td>Accumulated depreciation</td>
<td>628,762.82</td>
<td>194,028.83</td>
<td>274,728.68</td>
</tr>
<tr>
<td>Net Value of Equipment</td>
<td>837,987.13</td>
<td>612,966.87</td>
<td>532,267.02</td>
</tr>
<tr>
<td>Buildings</td>
<td>1,431,476.99</td>
<td>1,346,884.67</td>
<td>1,346,884.67</td>
</tr>
<tr>
<td>Accumulated depreciation - building</td>
<td>282,716.68</td>
<td>149,653.86</td>
<td>216,999.09</td>
</tr>
<tr>
<td>Net value of building</td>
<td>1,148,760.31</td>
<td>1,197,230.81</td>
<td>1,129,886.58</td>
</tr>
<tr>
<td>Vehicles</td>
<td>-</td>
<td>36,760.30</td>
<td>36,760.30</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>-</td>
<td>7,907.20</td>
<td>20,801</td>
</tr>
<tr>
<td>Net Value of Vehicles</td>
<td>-</td>
<td>28853.10</td>
<td>15,959.30</td>
</tr>
<tr>
<td><strong>Total of fixed assets</strong></td>
<td>1986747.44</td>
<td>1839050.78</td>
<td>1,678,112.90</td>
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<tr>
<td><strong>Total of assets</strong></td>
<td>3310120.01</td>
<td>4,377,327.51</td>
<td>3,995,516.46</td>
</tr>
<tr>
<td><strong>Short-term liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>2,196,254.29</td>
<td>2,704,403.00</td>
<td>2,043,132.16</td>
</tr>
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<td>Description</td>
<td>2016</td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td><strong>Total of short-term liabilities</strong></td>
<td>2,196,254.29</td>
<td>2,704,403.00</td>
<td>2,043,132.16</td>
</tr>
<tr>
<td><strong>Long-term liabilities</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total of Long-term liabilities</strong></td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<tr>
<td><strong>Total of liabilities</strong></td>
<td>2,196,254.29</td>
<td>2,704,403.00</td>
<td>2,043,132.16</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner's equity</td>
<td>393,656.36</td>
<td>549,757.48</td>
<td>560,358.58</td>
</tr>
<tr>
<td>Net profit</td>
<td>365,611.54</td>
<td>439,519.03</td>
<td>268,858.69</td>
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<tr>
<td>Retained Earnings</td>
<td>354,597.82</td>
<td>683,648.00</td>
<td>1,123,167.03</td>
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<tr>
<td><strong>Total of equity</strong></td>
<td>1,113,865.72</td>
<td>1,672,924.51</td>
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<td><strong>Total of liabilities and equity</strong></td>
<td>3,310,120.01</td>
<td>4,377,327.51</td>
<td>3,995,516.46</td>
</tr>
</tbody>
</table>

**Income statement of Kamilla LLC**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
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<tbody>
<tr>
<td>Revenues</td>
<td>3,978,301.58</td>
<td>4,150,374.54</td>
<td>3,596,553.29</td>
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<tr>
<td>The cost of goods sold</td>
<td>2,382,380.25</td>
<td>2,548,028.35</td>
<td>2,519,954.27</td>
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<tr>
<td><strong>Gross profit</strong></td>
<td>1,595,921.33</td>
<td>1,602,346.19</td>
<td>1,076,599.02</td>
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<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage expenses</td>
<td>315,430.00</td>
<td>333,200.00</td>
<td>288,059.02</td>
</tr>
<tr>
<td>Depreciation expenses</td>
<td>173,294.29</td>
<td>175,298.21</td>
<td>176,214.23</td>
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<td>Operating expenses</td>
<td>1,860.61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hygiene expenses</td>
<td>6,623.22</td>
<td>7,478.35</td>
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</tr>
<tr>
<td>Expense Description</td>
<td>Jan 21</td>
<td>Feb 21</td>
<td>Mar 21</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>--------</td>
<td>--------</td>
<td>--------</td>
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<tr>
<td>Sanitary Expenses</td>
<td>415.00</td>
<td>396.67</td>
<td>2,395.35</td>
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<tr>
<td>Oil expenses</td>
<td>43,630.92</td>
<td>34,975.72</td>
<td>38,679.03</td>
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<td>Electricity expenses</td>
<td>77,507.54</td>
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<td>Maintenance expenses - Vehicle repairs.</td>
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<td>546.68</td>
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<td>Banking Expenses</td>
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<td>Postage expenses</td>
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<td>Rental Expenses</td>
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Stock insurance expenses 165.50
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<td>Internet expenses</td>
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<td>Export transport expenses</td>
<td>132,002.30</td>
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<td>84,649.62</td>
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<td>Charity Contribution expenses - Donation</td>
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<td></td>
</tr>
<tr>
<td>Material expenses</td>
<td>210,000.00</td>
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<tr>
<td>Auxiliary material expenses</td>
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<tr>
<td>Rehabilitation-medical expenses</td>
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<td>24.04</td>
<td></td>
</tr>
<tr>
<td>Expenditures of participants in seminars</td>
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<tr>
<td>Expenses of standards</td>
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<tr>
<td>Software and computer maintenance expenses</td>
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</tr>
<tr>
<td>Telephone expenses</td>
<td>2,875.22</td>
<td>1,029.08</td>
<td>389.14</td>
</tr>
<tr>
<td>Vehicle insurance expenses</td>
<td>502.14</td>
<td>462.60</td>
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<tr>
<td>Vehicle registration expenses</td>
<td>260.43</td>
<td>714.70</td>
<td>1,454.29</td>
</tr>
<tr>
<td>Veterinary expenses</td>
<td></td>
<td></td>
<td>8,067.70</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td></td>
<td>932.20</td>
<td></td>
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<tr>
<td>Utilities</td>
<td>261.97</td>
<td>821.87</td>
<td>1,079.54</td>
</tr>
<tr>
<td>Category</td>
<td>2020</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>----------------------------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Expenses for tools and machinery</td>
<td></td>
<td></td>
<td>295.83</td>
</tr>
<tr>
<td>Workers’ food expenses</td>
<td>1,003.50</td>
<td></td>
<td>2,920.23</td>
</tr>
<tr>
<td>Expenses for security of the facility</td>
<td></td>
<td></td>
<td>6,779.66</td>
</tr>
<tr>
<td>Costs for purchasing the program</td>
<td></td>
<td>6,649.42</td>
<td></td>
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<tr>
<td><strong>Total operating expenses</strong></td>
<td>1,230,309.79</td>
<td>1,113,991.71</td>
<td>777,867.14</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>365,611.54</td>
<td>448,354.48</td>
<td>298,731.88</td>
</tr>
<tr>
<td>Tax on profit</td>
<td>36,561.15</td>
<td>48,835.45</td>
<td>29,873.19</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td>329,050.39</td>
<td>439,519.03</td>
<td>268,858.69</td>
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</tbody>
</table>
The relationship between government debt and economic growth in North Macedonia

Amir Imeri, Gresa Mjaku, Egzona Roci
1 UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,
Faculty of Business and Economics, South East European University, North Macedonia

Abstract: This paper empirically investigates the long run relation between domestic and external general government debt and economic growth in North Macedonia. We analyze how the government debt at a certain point in time is correlated with the GDP growth rate. The study employs a regression model in order to investigate the relationship between government debt and growth rate of GDP using annual data for the time period 2005 – 2019. Additionally in the estimation of growth equation are included control variables such as; gross savings as a percentage of GDP and growth rates of imports and exports. The limits of the study are that covers only the period 2005-2019 and is only related to the data for North Macedonia. We find strong evidence for a significantly negative relation between external general government debt and GDP growth and positive relation between internal general government debt and GDP growth.

Keywords: domestic general government debt, external general government debt, economic growth

JEL Classification codes: E62, H63

Introduction
Government debt is a key economic concept that has been one of the main economic topics of interest in the past decade, following the recent global financial crisis. It represents how much a country owes to lenders outside of itself. These can include individuals, businesses and even other governments. The term “Government debt” is often used interchangeably with the term sovereign debt. Government debt usually refers only to national debt. Some countries also include debt owed to states, provinces and municipalities. Therefore, we must be careful when comparing government debt between countries to make sure the definitions are the same. Despite what it is called, government debt is the accumulation of the annual budget deficit. It is the result of government leaders spending for a period of time more than they receive through tax revenues (Amadeo, 2020). According to Irons & Bivens (2010) there are currently many warning conversations in policy-making circles about the risks to the sound economy in the future presented by crossing a specific threshold in the ratio between government debt and gross domestic product.

Today, policy discussions in the 1960s are usually accompanied by the idea of a long-term combination between inflation and unemployment given by a stable Phillips curve - a belief that was widely studied by Phelps (1967) and Friedman (1968). Adjusting the level of aggregate demand not only aimed to achieve the target of high growth rates, but also to balance the level of
inflation against the unemployment rate (Fellner, 1960). These theories enable us to further investigate whether there is a correlation between government debt and economic growth, in fact what kind of correlation exists, positive or negative in public growth economic debt in North Macedonia.

Regardless of the importance of the topic there is limited empirical literature for the North Macedonia that examines the relationship between government debt and economic growth. This is in particular the motivation of this paper: we aim to investigate the average impact of government debt on GDP growth using data from North Macedonia for the period 2005 - 2019. Additionally in the estimation of growth equation are included control variables such as: gross savings as a percentage of GDP and growth rates of imports and exports of North Macedonia. The study has own limits that are covering only the period from 2005 until 2019 and is related only to the data for North Macedonia, so other countries are not taken into consideration. The incentive for this research is to find the relationship between government debt and economic growth of North Macedonia, because of the huge public debate that North Macedonia is highly indebted and that the effect is very low towards the economic growth. The findings of this research will play a substantial role to government regulatory authorities for considering the recommendations from this study to improve the economic growth of North Macedonia. The investigation provided below is spread across these points: literature review, methodology, definition of variables, hypotheses, empirical findings, conclusions and suggestions.

1. Literature review

There are many questions raised by academics, economists, researchers and others about the factors that influence economic growth. Many research studies have been done to assess the factors influencing economic growth dedicated to different countries. Economic growth has continued to be the main goal of economic policy, from which it is assumed that other objectives will be derived (Ramos & Hynes, 2019). The impact of rising public debt on economic growth in the European Union (EU) is also a sensitive issue that has been extensively studied by Mencinger et al. (2014) who examine and assess the direct effect of higher debt on economic growth for EU countries which are at the epicenter of the recent sovereign debt crisis which occurred in 2007-08. The empirical analysis mainly includes a summary of panel data with 25 sovereign EU member states. The results in all models show a statistically significant non-linear impact of public debt ratios on annual per capita growth rates. Further, the point of calculation of debt to GDP, where the positive effect of accumulated public debt turns into a negative effect, is approximately between 80% and 94% for the old "member" countries. However, for the new "member" countries, the debt-to-GDP ratio is lower, at between 53% and 54%, respectively. Therefore, the authors conclude that the threshold value for new "member" countries is lower than for "old" member countries.

Government debt has also been a concern for the Republic of Northern Macedonia for the past decade. Although compared to other countries, Northern Macedonia was considered to be recovering well from the global financial crisis; public debt had accumulated rapidly in recent years. Debt levels escalated, and more than doubled in less than ten years: from a debt-to-GDP ratio of 23% in 2008 to a debt-to-GDP ratio of 50.1% in the last quarter of 2016 (Ministry of Finance of the Republic of Macedonia, 2017). Although this relative level of debt to GDP may seem to be much lower compared to other debt countries within Europe, for a country and economy like Northern Macedonia, this can be considered to reach the highest level of stable debt. The rapid and continuous growth of debt sparked much discussion and diversity of opinion among Macedonian economic experts, and made government debt and its sustainability the main topic of interest in the country.

Empirical evidence shows that beyond a certain threshold higher government debt reduces potential growth, which may indicate a non-linear and concave (inverted U-shaped) relationship between government debt and economic growth (Cecchetti, Mohanty and Zampolli, 2010; Checherita and Rother, 2010; Clements, Bhattacharya and Nguyen, 2003; Kumar and Woo 2010; Reinhart and Rogoff 2010a; etc). This means that low levels of government debt affect and at the same time increase economic growth. When debt reaches a certain level, an additional increase of its impact on economic growth may mean that it turns into negative. Pegkas (2018) investigates the relationship between economic growth and several factors (investment, private and
government consumption, trade openness, population growth and government debt) in Greece, where imbalances persist several years after the financial crisis. The results reveal a long-run relationship between variables. Investment as private and government consumption and trade openness affect positively growth. On the other hand, there is a negative long-run effect of government debt and population growth on growth. Hsing (2020) examined the impact of the government debt ratio on the growth rate of real GDP for Bulgaria using an extended production function. The results show that the turning point is estimated to be 45.2631%. The growth rate and the debt ratio have a positive relationship when the debt ratio is up to 45.2631% whereas they have a negative relationship when the debt ratio is greater than 45.2631%. The On the relationship between economic growth and government debt for Bulgaria 193 government debt ratio in 2019 was 19.156%, indicating that there would be room for the Bulgarian government to engage in fiscal expansion to raise the debt ratio slightly to stimulate its economy due to the worldwide pandemic crisis. The lower turning point for Bulgaria also indicates that a criterion which is applicable to advanced countries may not apply to emerging or developing countries. Hence, Bulgaria’s efforts to maintain fiscal discipline are appropriate.

Another set of empirical studies that examine in more detail the impact of different levels of public debt on economic growth exist and find that this negative relationship exists only after a certain debt-to-GDP ratio. Pattillo, Poirson, and Ricci (2002) confirmed a nonlinear, Laffer-type relationship between external debt levels and economic growth using a large panel data set of 93 developing countries during the period 1969-1998. The findings suggest that the main channel through which excess debt depresses growth through reduced investment effectiveness rather than the level of investment. This is consistent with other empirical studies showing that total factor productivity explains most of the variations in output (Checherita and Rother, 2010; Clements, Bhattacharya and Nguyen, 2003). Moreover, Pattillo, Poirson and Ricci (2004) estimated that the critical value when external debt has a detrimental growth effect is between 35-40% of GDP for the considered panel of developing countries. Among recent studies, Clements, Bhattacharya, and Nguyen (2003) find support for a non-linear relationship between external debt and economic growth using a panel data set from 55 low-income countries during the period 1970-1999. The authors estimated that the point of return to the critical threshold in the net present value of external debt is in the range of 20% - 30% of GDP (given the nominal value of external debt, the critical value is higher at about 50%) Velichkov (2016) evaluates the effect of government debt on economic growth for Bulgaria. He reveals that more government debt promotes economic growth in the short run but has a negative impact on economic growth in the long run. He does not present the threshold for the debt ratio beyond which more debt would affect economic growth negatively. Lechtenberg (2017) studies the subject based on a sample for 10 individual countries. Australia, Canada, Chile, Germany and New Zealand have had low and declining debt ratios, and a higher debt ratio would not cause the growth rate of real GDP to decline. On the other hand, debt thresholds are found for France, Greece, Italy, the UK and the US. Beyond the debt thresholds, a higher debt ratio reduces the growth rate in Greece, Italy, the UK and the US but increases the growth rate for France. Shahor (2018) studies the relationship between growth and government debt for Israel during 1983-2013. The relationship exhibits an inverted U-shape. The threshold or the turning point of the debt ratio is 130% and greater. Jacobs, Ogawa, Sterken and Tokutsu (2020) examine the relationship between economic growth and public debt for 27 EU members and 4 OECD countries during 1995-2013. They find that more public debt does not Granger cause economic growth. Instead, economic growth Granger causes public debt. Slow economic growth causes more public debt. In high-debt economies, slow economic growth increases public debt, which causes a higher long-term interest rate, dampens interest-rate sensitive private spending, and increases public debt. In addition, they show that the effect of economic growth on the debt ratio is greater for high-debt economies and that the effect of the debt ratio on economic growth is greater for low-debt countries.

Methodology, definition of variables and hypotheses

2.1 Methodology
In order to verify the validity of the hypotheses, the research is based on the source of data published by relevant government institutions of the North Macedonia as well as international financial institutions, including the Ministry of Finance of the North Macedonia, the National Bank of the North Macedonia, World Bank, UNCTAD, etc. The study used annual time series data for the period 2005-2019. In this study, the researcher has used a quantitative investigation.

The conceptual framework is based on independent and dependent variables. The dependent variable is the growth rate of gross domestic product expressed on percentage, while independent variables are: The external and internal debts are expressed in euro amount, the gross savings are given in percentage of GDP, and the growth rate of imports and exports are given in percentage.

The data is mainly analyzed according to the autocorrelation method, but modern methods are also applied to study the presented variables in order to achieve the research objectives and to validate the hypotheses put forward. SPSS statistical software is used as an application part in order to access the output of the data and analyze the collected data, according to which the hypotheses presented in this research, are verified. The researcher analyzed that data through the following linear regression model:

\[ Y_{it} = a + \sum BX_{it} + \epsilon_{it}, \quad (1) \]

\[ i = 1, \ldots, n \]

\[ t = 1, \ldots, t \]

Where \( y_i \) is the real Growth Rate of GDP at time \( t \), \( X_{it} \) is the value of external and internal debt at time \( t \) and \( \epsilon_{it} \) is the unobserved overall remainder. In the third chapter the data are analyzed and the data is discussed using the linear regression model. Certain models have their own explanations in order to be better commented and understood by readers.

### 1.2 Definition of variables

The growth rate of gross domestic product (GRGDP) - it measures how fast the economy is growing. The rate compares the most recent year of the country’s economic output to the previous year. The external debt (ExDebt) - is the general government gross external debt owed to foreign lenders. The internal debt (DoDebt) - ExDt is the general government gross internal debt owed to lenders within the country. The gross savings as percentage of GDP (SAVINGS_GDP) - expresses the highest amount that the economy disposes in order to invest without having to borrow, it represents GDP minus final consumption expenditure and it is expressed as a percentage of GDP. The growth rate of imports (GRIM) - is the annual growth rate of imports of goods and services based on euro currency. The growth rate of exports (GREX) - is the annual growth rate of exports of goods and services based on euro currency.

### 2.3 Hypotheses

In order to research the aims of the paper the following hypotheses are investigated:

- **H1**: there is no relationship between internal and external government gross debt and the growth rate of the GDP of North Macedonia
- **H2**: there is no relationship between gross savings as percentage of GDP and the growth rate of the GDP of North Macedonia
- **H3**: there is no relationship between growth rate of imports and exports and the growth rate of the GDP of North Macedonia

#### Empirical Findings

In the table 1 is given a descriptive statistics of the variables that are used in our research. As we can see from this table, the average GRGDP is 3.14 with a standard deviation of 1.99. The average External Debt is 1708 million euro, a value that is higher than the average of Domestic Debt of 992 million euro. The average of SAVINGS_GDP, GRIM and GREX have value of 25.47, 9.41 and 11.81 respectively (see Appendix).

| Table 1. Descriptive statistics of variables |
The results of the estimation of equation (1) above are presented in Table 2. The model is significant to explain bearing in mind that the independent variables explain a high portion of the variability of the dependent variable (70%). The results show that the independent variables such as external and internal debt do represent important determinants of the growth rate of the gross domestic product. From testing ANOVA table the overall regression analysis was statistically significant. By taking the five predictors together as a group, they predict growth rate of the GDP of North Macedonia significantly.

\[
F (5, 9) = 4.177, p<.031, R^2=.70
\]

The main question of our analysis of whether the growth rate of the gross domestic product is affected by the different levels of government debt is upheld by the data. The results also show that other independent variable such as gross savings as a percentage of GDP and growth rates of exports and imports have significant impact on the determination of the dependent variable. While the Durbin-Watson statistic always has a value between 0 and 4 and that values from 0 to less than 2 indicate positive autocorrelation and values from 2 to 4 indicate negative autocorrelation, the result in our model is 1.730 which means there is a positive correlation between dependent variable and independent variables.

The total domestic debt is 0.004, which means with the increase of the total domestic debt by one million Euros, since we have expressed the debt in the amount of one million Euros, the real GDP growth rate in North Macedonia can increase by an average of 0.004%. Also, the total external debt is -0.001, which means with the increase of the total external debt by one million Euros, the real GDP growth rate in North Macedonia can decrease by 0.001%. The p-value is 0.031 (less than alpha level of 0.05), by which we can reject the null hypotheses and confirm that there is significant relationship between growth rate of the GDP of North Macedonia and internal and external government gross debt and other control variables such as gross savings as percentage of GDP, growth rate of exports and imports of North Macedonia (see Appendix).

### Table 2. Estimation of the model

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>9.501</td>
</tr>
<tr>
<td>ExDebt</td>
<td>-0.001</td>
</tr>
<tr>
<td>DoDebt</td>
<td>0.004</td>
</tr>
<tr>
<td>SAVINGS_GDP</td>
<td>-0.416</td>
</tr>
<tr>
<td>GRIM</td>
<td>-0.024</td>
</tr>
<tr>
<td>GREX</td>
<td>0.086</td>
</tr>
<tr>
<td>R Square</td>
<td>0.699</td>
</tr>
<tr>
<td>p-value</td>
<td>0.031</td>
</tr>
<tr>
<td>F statistic</td>
<td>4.177</td>
</tr>
<tr>
<td>Durbin-Watson statistic</td>
<td>1.730</td>
</tr>
</tbody>
</table>

**Conclusions and suggestions**

The objective of this paper is to investigate the average impact of government debt on GDP growth in the North Macedonia, by using data of about 15 years starting in 2005 until 2019. In our estimation of the growth equation we include as dependent variable the growth rate of GDP of North Macedonia and as independent variable the general government gross external and...
internal debt. The other control variables that we examined are gross savings as percentage of GDP, growth rate of exports and imports of North Macedonia. The empirical results show that the model is highly significant bearing in mind that the independent variables explain a high portion of the variability of the dependent variable (70%). The results suggest that the independent variables such as External and Internal debt and other control variables do represent important determinants of the growth rate of the gross domestic product in North Macedonia. Additionally external debt represents negative relationship, while internal debt represents positive relationship with GDP growth rate of North Macedonia. The government of North Macedonia should decrease borrowing from external debt due to its negative impact to economic growth and increase the borrowing from internal debt due to its positive impact to economic growth of North Macedonia. These empirical findings are consistent with the results of the previous empirical literature which examines the impact of public debt on GDP growth suggesting that debt develops the economic activity. The results support the existence of a positive and statistically significant relationship between government debt and GDP growth. In comparison, the findings in this paper are similar to some of previous studies, that the growth rate and debt ratio have positive relationship, whereas in this paper, there is a difference in internal and external debt, see for example, Mencinger at al. (2014), Cecchetti, Mohanty and Zampolli, (2011); Checherita and Rother, 2010; Clements, Bhattacharya and Nguyen, 2003; Kumar and Woo 2010; Reinhart and Rogoff 2010a, Pattillo, Poiron dhe Ricci (2004); Pegkas (2018); Hsing (2020); Velichkov (2016); Lechtenberg (2017); Shahor (2018) and Jacobs, Ogawa, Sterken and Tokutsu (2020).

References


Appendix

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>real_growth_rates</td>
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<tr>
<td>Domestic_general_government_debt_in_EUR_million</td>
</tr>
<tr>
<td>External_general_government_debt_in_EUR_million</td>
</tr>
<tr>
<td>Gross_savings_percent_GDP</td>
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<tr>
<td>Growth_rate_of_exports</td>
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### Coefficients

<table>
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<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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</thead>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>9.501</td>
<td>2.957</td>
<td>3.213</td>
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<tr>
<td></td>
<td>Domestic_general_government_debt_in_EUR_million</td>
<td>.004</td>
<td>.002</td>
<td>1.081</td>
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<td></td>
<td>Gross_savings_percentage_GDP</td>
<td>-.416</td>
<td>.207</td>
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<tr>
<td></td>
<td>Growth_rate_of_exports</td>
<td>-.024</td>
<td>.067</td>
<td>-.201</td>
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<tr>
<td></td>
<td>Growth_rate_of_exports</td>
<td>.086</td>
<td>.059</td>
<td>.805</td>
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a. Dependent Variable: real_growth_rates

### ANOVA

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<th>Model</th>
<th>Sum of Squares</th>
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<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
<tbody>
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<td>1</td>
<td>Regression</td>
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<td>7.718</td>
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<td></td>
<td>Residual</td>
<td>16.629</td>
<td>9</td>
<td>1.848</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>55.217</td>
<td>14</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Growth_rate_of_exports, External_general_government_debt_in_EUR_million, Gross_savings_percentage_GDP, Growth_rate_of_imports, Domestic_general_government_debt_in_EUR_million

b. Dependent Variable: real_growth_rates

### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.836^a</td>
<td>.699</td>
<td>.532</td>
<td>1.3593</td>
<td>1.730</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Growth_rate_of_exports, External_general_government_debt_in_EUR_million, Gross_savings_percentage_GDP, Growth_rate_of_imports, Domestic_general_government_debt_in_EUR_million

b. Dependent Variable: real_growth_rates
B2B or B2C, this is the question: A case study over implementation of B2B(2C) and B2C models in the same sector and an evaluation of a cross-company e-business model

Besim Abdullai, Bashkim Nuredini
1 UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo, University of Vienna, Universität ring 1, 1010 Wien, Austria

Abstract: E-commerce as an interdisciplinary field was represented in literature, in two major aspects: Technological and Managerial. In this paper, we are going to closely investigate and analyze both mentioned aspects. B2B and B2C as transactional types of e-commerce will be discussed. There is no plausible conclusion among scholars on proclaiming one of the models better than the other since it depends on many other environmental business factors and business functions. In this case study, we face two major manufacturers in the construction industry. Based on e-Business model analysis, we explain different aspects of the B2B model implemented from the company “Fischer™ Group” on one side, and the B2C model implemented from the Hilti Group on the other side. The conclusion of this paper is that there is no clear division between the two models, bringing as a result, the birth of new and more complicated e-commerce models like B2B2C. Even Though B2B2C models are known in the literature, a closer look inside their actual technical implementation and management of such kinds of e-commerce models is absent or very rare in the scholarly databases. We tend to provide to this community and to the scholars in the field of e-commerce in general, a deeper insight into B2B2C implementations and a modest contribution to cross model evaluation and analysis methods.

Keywords: e-commerce business models, cross-model analysis, B2B2C, e-commerce strategy

INTRODUCTION

This work aims to provide in-depth information about the way how different e-commerce business models developers operate in practice. Many authors have interpreted different business models, and especially e-business transactions, by analyzing case studies. [1][2][3][4][5]. Some of them use the technique of cross-model evaluation, based on what they pose, like FAQs and trying to answer them, sometimes by adding recommendations and opinions on how things should be done, through the so-called best-practice scenarios. We are using similar techniques within this work too, by adding a few other own approaches, such as side-by-side market value data analysis, social media activity analysis, service implementation analysis, marketplace presence analysis, online shop analysis, e-business strategy analysis, etc.
Motivation and the Research Question

The reason for our interest in e-commerce or e-Business in general, is that this technology according to many authors [7][8][9][10][11], is different and much more powerful than any of the other technologies we have seen for the last centuries. E-business or more narrowly e-commerce, brought many unprecedented shifts in commerce, and enabled fundamental transactions and processes within organizations, involving information systems. E-business transaction types evolved from the standard B2C - Business-to-customer, B2B - Business-to-business into” mobile commerce”, and recently “voice commerce”.

E-commerce transactions achieved unprecedented growth since the first widespread use of the Web in 1995 and onwards. This rapid growth was fueled by over $125 billion in U.S venture capital [11]. B2C Retail e-commerce sales worldwide for the year 2020, according to statista.com, will achieve $3,53 Trillion, whereas the total share of e-commerce in retail sales shall reach 22%. The country with the highest retail e-commerce Growth Rate (CAGR) is Turkey with 20,2% from Global (8.1%), and the most popular retail website worldwide, amazon.com has planned to achieve a turnover of $970,7 billion. Even higher turnover growth is forecasted for B2B transactions worldwide. According to the same source, gross merchandise volume (GMV) of B2B e-commerce worldwide in 2019 was $12.2 Trillion.

The previous predictions mentioned by authors in the previous years witnessed that any possible forecast in e-commerce is difficult since all the predictions can turn wrong in absolute terms. In one case we can agree that the growing trend of e-commerce is unprecedented and that the online marketplaces are not the only form of B2B business. Also, we agree, that private industrial network has a very dominant role in B2B e-commerce, both now and in the future, and that non-EDI, B2B e-commerce is the most rapidly growing type of B2B and is considered as a workhorse of B2B commerce.

Research methods

1.1 The Case Study

In the theory of scientific research in business and economics, different author used an explained in details different research methods. Within this paper we will focus on the method of answering a research question through Case Studies, where we compare the e-business models of the two Companies, fischer and Hilti. This Method will be used to answer the Research Question: Which business Model is better for doing Business online, the B2B(2C) or the B2C Model? From the Case Study, we will also derive conclusions about the advantages and the disadvantages of the B2B (2C) and B2C e-business models, backing this up with an “Cross-Model Analysis” by comparing all the characteristics of these Models (Section 6).

1.2 The Questionnaire

Within the scope of our research we organized an online survey with 20 Participants, after an online Seminar on the same topic. The Seminar and the Survey was held on 7th of October 2020, at the ICAN organization (a resource network of SEEU, in Northern Macedonia). At the end of the Seminar all Participants received a Certificate in the topic of e-Business Models. From 20 participants, 13 fully answered the questionnaire. Of those that answered, 76,9% were employed in different institutions (mainly Universities), and 23,1% were Students of different disciplines. All the participants were interested to soon engage in any form of business online. The Age Range of the participants was from 18 to 45, thus representing almost all Ages, whereas 69% were under 35 years old.

What was interesting to see, is the fact that from all the respondents, in the question: "Do you know what B2B2C transactions are"?
Only 23.1% said: "Yes", whereas 76.9% said: "No" similarly they answered for B2B (53.8% No), and B2C (69.2% No).

The survey shows that the e-commerce transactions that we mainly explain within this paper, are almost unknown for some of the young professionals and students, especially in the Southeast European countries (which we should agree, is not much different from other EU regions). These results support even more the topic of our analysis, especially if we bear in mind that, all participants (100%) have committed any of the given online transactions like buying, or selling, and 100% of the respondents own at least one of the following payment instruments (Credit Card, PayPal, Net banking, or other), whereas 53.8% own all of the above-mentioned payment instruments.

In the question: “Do you think it’s time to open an online business”? 92.3% of the respondents said it’s the right time to do so. This is for us another argument, that we need to work harder as a community to bring forward more information, projects, and generate content in the field of e-commerce, and e-business in general.

Case Study Company 1: The Case of Fischer™ Group

1.3 Company Profile

The "Fischer™ Holding GmbH & Co. KG" (founded in 1948) with its headquarters in Waldachtal, Germany, owns the fischerwerke "Artur Fischer™ GmbH & Co. KG", the "Upat GmbH & Co" (Emmendingen), "ROCCA Bauchemie GmbH & Co. KG", "Automotive Systems GmbH & Co. KG", "Fischer™ Deutschland Vertriebs GmbH", "Fischer™ Consulting GmbH", and "LNT Automation GmbH", all located in Germany. The owner and head of the holding is Professor E.H. Senator E.H. Dipl.-Ing. (FH) Klaus Fischer™. Fischer™ has its own production capacities in Argentina, Brazil, China, Germany (Waldachtal, Horb, Freiburg, Denzlingen), Italy, the Czech Republic, and the USA. There are 49 national companies in 37 countries, with a distribution network in more than 100 countries worldwide. By the end of 2019, there were 5200 employees working for Fischer™, generating gross a revenue of 887 Mio Euro. The main business activity of “Fischer™ Group of Companies” is focused on fastening technology. Fischer™ is the market leader in Europe in the production of tie rods and plugs. It is also active in the fields of automotive systems – storage components for vehicle interiors, automation (production robots, electronic systems), Consulting (Business Processes), and model construction sets (“fischer™ technik”).

1.4 The IT software solutions adopted by Fischer™

Fischer™ is one of the first companies to use SAP APO (Advanced Planning & Optimizations) software, by investing approximately $2.6 million [5]. The main objective of introducing this kind of software was, to use earlier and more exact forecasts to provide a better basis for scheduling. Before introducing this system, the customers of Fischer™ needed to reorder the products on a regular basis, thus resulting in a high level of local stock reserves. After introducing SAP APO, the sales of Fischer™ products to the end-customers are recorded and a forecast for the complete supply chain is made from the start. The forecast methods base provided in the APO led to a significant improvement. In 1999, Fischer™ was running two R/3 Systems and one R/2 System. The R/2 System was used for sales administration, T/3 is applied for production, and R/3 for parts of sales, purchasing, controlling, and inventory management. Since its introduction, SAP was continuously updated, achieving the actual state of the modules such as ERP 6.0 (Enterprise Resource Planning), BW (Business Warehouse), CRM (Customer Relationships Management), E-Recruiting, etc. EDI is used in the B2B field, for example in communication with car manufacturers and large do-
it-yourself retail chains. [5]

In the B2C relationships, and in the relationships between industry and retail companies, major Internet-based software solutions were and are planned; both as an ordering medium between retailers and industry, and to allow networking of users (craftsmen), retailers, and suppliers. Fischer™ is known as one of the early adopters of new technologies. In this spirit was the newly introduced SAP cloud-based solution C4C (Cloud for Customer), which is an SAP Cloud-based CRM based management solution, different from the traditional SAP CRM systems. This cloud-based software provides the best CRM-based Sales, Service, and Marketing practices including the remote access possibility from the customer mobile devices (like smartphones and tablets). The collaboration between Fischer™ sister companies and their employees, and concerning representative customers, was previously done by using WebEx Cisco software.

To modernize and to further integrate its solutions, Fischer™ introduced Microsoft Teams as a collaboration and communication tool. Microsoft Teams from Microsoft is a platform that combines workplace chat, meetings, notes, and attachments. This platform is integrated into the Office 365 Office Suite with Microsoft Office and Skype / Skype for Business, providing Help and FAQ content in 37 languages. Another reason why Fischer™ introduced this solution is the availability of apps in different mobile operating systems like Android, iOS, Windows, macOS, and Linux.

1.5 Business strategies and the generation of e-business models

The basis of all business models (consequently, all e-business models) stands the revenue. Everyone is yet familiar with the saying of Tim Berners-Lee, one of the founders of the Web, that “what is not on the web does not exist”. All the companies in the world, consequently Fischer™, Hilti, Würth, and all other manufacturers in the fixing solutions sector took this seriously too.

Information Technology, and especially Web technology as a business enabler, in recent years, played a crucial role in the evolution of business models especially in aspects of the digitalization of business processes. As we previously saw, Fischer™ already digitized its own core business processes through SAP ERP and CRM modules, and it was one of the pioneers introducing SAP.

To fully utilize the potential of new technologies, it is necessary to pursue a strategic approach when planning and implementing e-business. One of the central questions is which competitive goals a company wants to achieve in the future by using new technologies and media. In this aspect, almost all companies take into consideration the effect of social media as a marketing tool and even a revenue generator. According to a study from ESCH, in respect to the driver of respective contact point targets, 46% of the pillar “Increase awareness” was achieved through online advertising, 49% of the pillar “sharpen image” was achieved through a company website, 65% of the pillar “promote sale” was achieved through Trade Platforms or Online-Shops, whereas 49% of the pillar “retain customers”, was achieved through e-mail marketing/newsletters.
However, it is necessary that not only operational business areas deal with these technologies, but that top management also deals with the possibilities, opportunities, and dangers of these new developments. Because, the technology is no longer a pure means to an end, but also enables new strategies and processes in the digital economy that were previously not possible.

In the foundations of every business strategy, besides revenues, is the customer expectation that plays a crucial role in decision making. According to a study from ESCH, in the first three places of top ten customer expectations, the first three were: quick feedback, transparent information, and better convenience, followed by targeted communication, customized offers, interaction and dialogue, lower online price and promotion offers, etc.

The question is no more about whether or not, or when, or how to start your online “Sales Activities”, the questions nowadays are as simple as what channels are you in? and “What is your turnover share in online selling”?

Recently one of the main competitors of Fischer™, Hilti in their financial reports stated, that since 2016, “...online sales have gone beyond the CHF 1 billion mark for the first time”, which corresponds to 21% of the revenue share. Many companies, fascinated by the success of Hilti (B2C online Brand Shop), started the run for new customers online, for example, Würth, which also implemented their online Brand Shop and started selling their products online.

1.6 Fischer™ e-business model and strategy

In the e-business literature there are few business models often explained in connotation to the sales channels and their representative demand touchpoint, i.e. Pure Player (selling only online, or more than 75% of the sales is done online), Multi-Channel Retail (Traditional POS, offline, Craftsman on site, but having online shops and eProcurement in place), Marketplace (online shops, and e-Procurement), Direct Sales (selling in traditional channels offline, but also through online Brand Shop, eProcurement, and using Craftsman as sales contact point). Finally, we mention the concept of Mommas (companies that sell online indirectly through their partners, without direct online Brand Shops, but with Craftsman that operate in direct sales through contact points).

The model MoMaS represents one of the pillars of the Fischer™ e-Business strategy and will be used in relation to a multi-channel Mobile Material Service (MoMaS). The meaning of this term is known to us, as the fastest and easiest way for mobile replenishment. Three services are characteristically for MoMaS: 1. Craftsman at the construction site (Fischer™ Craftsman are
collecting orders with the help of an App that is provided from the company’s service provider Nexmart (see further: Nexmart Craftsman App), they sometimes deliver some orders, present new products, provide giveaways, conduct training on how Fischer™ products can be used, etc.), 2. **Craftsman Storage, Stock** (Fischer™ Craftsman have their small stock always with, so they can react quickly to short orders or to provide sample boxes for testing at Retail Stores, Warehouses, or construction sites), 3. **Craftsman Vehicle/VAN** (Fischer™ Craftsman have their own vehicle provided from the company, with the task to commit scheduled and ad-hoc visits to Fischer™ Partners be they in physical stores/sales locations or at construction sites.

Not only Fischer™ introduces this concept, but also well-known companies like Daimler, Sortimo, etc. belong to this list. Referring to the e-business literature or more specifically to the e-commerce literature, one could specify the MoMaS concept as part of a B2B2C business model.

### 1.7 The B2B2C model of Fischer™

To break down the B2B2C model of Fischer™ (incl. MoMaS), we are going to explain in detail the strategic thinking behind this decision. The basic strategic thinking of Fischer™ is based on four pillars of e-commerce: "Online Marketing Reach, Guidance, Multi-Channel Sales, and After Sales". To support this strategy, online marketing plays a crucial role.

Geared toward to gain maximum interested persons, through its online marketing strategy, Fischer™ strives to expand the reach, via guidance wants to switch interested persons to potential buyers, through multi-channel sales strives high conversion rates, and via After-Sales Services strives to turn buyers in permanent re-Purchaser.

### 1.8 Online Marketing Reach

As we can see from the greatest online players, be they, retailers, DIY online shops, pure players, marketplaces, the Fischer™ products remain everywhere available. One of the first strategies was to have the best presentation of its products online, with description, product images, certifications, and any other relevant data for the sales process. Fischer™ products nowadays are present in Amazon, eBay, and all relevant online shops and retailers like Bauhaus, Obi, Conrad, Mercateo, Manomano, let's do it, in national and international domains.

As we previously explained, Fischer™ has national representatives in 37 countries, many of which have a Fischer™ website in the representative local language, whereas countries without one, refer to the international one (www.fischer™-international.com).

Another way of reaching out to their customers, Fischer™ introduced email marketing which works through a central database of interested customers ready to accept periodical newsletters.

SEO (search engine optimization) is one of the technologies that play crucial importance to the online customer reach of all websites of Fischer™.

As part of the Fischer™ website infrastructure, one can also find a Blog with topics that help four different categories of professionals, to further read about best practices from the fixing solutions or products of Fischer™.

To deliver all this amount of information, surely it is needed a powerful server infrastructure and an outstanding product information management software and related to social media publishing tools such as Facelift play the same role.
1.9 Customer guidance

To help its customers, find the right Fischer™ solution for their fixing problems, Fischer™ developed a few web-applications and apps.

The DIY Product finder App is available in more than 7 countries, planned to be available in all countries where Fischer™ has its national subsidiaries. The Product Finder can be used as an App in Smartphones, Fischer™ Websites in form of an iFrame, and in online shops also integrated with the assortment listed in these shops. It has integrated features like retail Connect (explained down in this text).

The Fischer™ Professional App, it is another smartphone App from Fischer™ available on Android and iOS devices. This app was developed as a joint project of the International Project Management Team and the e-commerce Department of “fischerwerke” in Germany. It provides the best mobile Guide for professionals on the topic of fixing solutions. It assists the users in finding the best solution to the problem, by calculating the fix points, the mortar needed, and recommends combined solutions for heavyweight fixings, etc. Within this app, one has access to the product online catalog of 35 countries, in approximately as much Languages. The App integrates the retail Connect service to find listed articles in online shops, and offline shops of Fischer™ Partners. Furthermore, it has the geo-location search technology, which allows the allocation of the local Partners within the App map, where Fischer™ Products are available. The Professional App has a barcode scanner that helps the client to quickly identify some product if they already have a Fischer™ product i.e. barcode in hand. This allows them, quick reordering of the item, and access to more detailed information, video materials, technical drawings, certificates, and much more. From this perspective, one can say that the Fischer™ Professional App is a representation of a Fischer Website in the form of a smartphone app, with few more powerful services.

The Mortar-Fix App, it helps professional users in the construction industry in determining the injection mortar requirements for chemical anchors. It is a highly professional solution and a very powerful tool which is broadly used, since, like all Fischer™ apps, it is free of charge in all App Stores (android and iOS).

Customer guidance is also done through MoMaS, i.e. all Fischer™ Craftsmen are trained to use all Fischer™ e-services, offer onsite product training, and collect orders through Fischer™ Craftsman Sales App provided from NexMart. For a more detailed explanation of Nexmart services please consult Appendix A.

1.10 The Fischer™ Website infrastructure

Fischer™ developed an official Website for all its national subsidiaries, whereas, for other export countries, there is the Fischer™ International Website providing all the needed information in English. Each of these National Websites has the same supporting infrastructure in the background, which is centrally managed. For each of the countries, there is a product online catalog, web content management software, and PIM (product information management) software.

Within each of the websites, there is a “retail-connect” integration, partner search map, and the DIY Product Finder App in the form of an I Frame (look: Customer guidance).

Fischer™ Chat channel, it is also available on a few of the Fischer™ websites, which enables direct communication of the customers with the Fischer™ technical support team in “fischerwerke” - Germany. There is a plan on integrating this communication channel through WhatsApp and in all Fischer™ smartphone Apps.
Retailer Search is an integrated part of the Fischer™ website and allows allocation of all local retailers, online shops, construction supply companies, and marketplaces that sell Fischer™ products, in both sales channels, online and offline. The user can filter them according to the distance from their geo-location, or according to the type of company that they are looking for, i.e., Retailer, Wholesaler, online shop, or Premium Partner. Also, there is a possibility to filter the Partners by Country (for example in the fischer™.at Website).

The Fischer™ Blog is also part of the Fischer™ Website, and it is managed by the social media department of “fischerwerke” and their national social media colleagues. It publishes regular helpful articles in storytelling form, for different key topics, allowing the users to learn about the Fischer™ engagements in the world of fixing solutions (www.fischer™blog.com).

1.11 Multi-Channel Sales

Under the motto “we go where the Customer is!” Fischer™ is fueling its Multi-Channel approach to sell its products online via the best online selling platform in the online market, be they shops, marketplaces, or some other. If one looks closer to the business processes of Fischer™ will recognize a few revenue channels at Fischer™. Fischer™ generates sales through retailer’s online shops, marketplaces, MoMaS, own Fischer™ shop, and online pure players.

Providing the best digital presence of its products, Fischer™ easily and in fast fashion can be present physically and digitally at retail shops worldwide (or at least where there is a Fischer™ representative). Retail stores or PoS are the places where Fischer™ generates revenues through MoMaS.

The new era of e-commerce brought in stage huge companies that solely operate online, the so-called “Pure Players”. Since Fischer™ it’s one of the leaders when it goes for digital presence online, all its products together with high-quality images, descriptions, certificates, and other documents are one mouse click away from the pure player online shops or marketplaces. Almost all known pure players in the online market, with headquarters in the countries where Fischer™ operates, have already listed online Fischer™ products, starting from Amazon, eBay, and also local, Pure Players like: “Mercateo”, “Manomano” (marketplace), “Toolnation”, “Zoro”, “Zamro”, “Contorion”, “Id”, “Bol”, “Cdiscount”, etc. Also “Pure Players” are on the list of priorities of Fischer™ concerning future revenue generation.

The Fischer™ Shop, as a B2B online shop, provides the best user experience and service, combined with a short customer journey. The idea behind this online shop was to create a user-friendly online shop for all Partners and potential Partners of Fischer™ to purchase Fischer™ products directly from the producer. This online shop is launched in few test versions in different countries, and provides a possibility to all local Partners to Register and then be able to directly order from Fischer™ since this online shop is directly connected to the SAP System of Fischer™, which makes possible to show the right prices and conditions in a personalized fashion for each visitor.

The revenue channel MoMaS of Fischer™ or how craftsmen support the sales process. The physical shops are maintained through the Mommas (mentioned above), which also means digital presence. The Fischer™ craftsmen are fully supported with laptops, and iPads that provide digital content for the customer, be that for advertisement purposes like flyers and co. or placing orders on behalf of the customer through the Sales App (Craftsman App).

Marketplaces are providing a Platform for any retailer to sell. Some Marketplace-Providers are hybrid i.e., Marketplace providers and online Pure Players on their own Platform. In both of the channels, Fischer™ generates revenue by fully supporting these sales channels with digital content, directly or through its service providers (like Nexmart).
Fischer™ 24, is a service that makes possible the drop shipment of purchased product directly to the end-customers. If a private person purchases a Fischer™ Product at one of Fischer™ Partner online Stores, and the product is not in the stock, the Fischer™ Partner can share the Client Data so the Fischer™ delivers the product directly to the private client. This concept works in Germany, and partly in a few other countries with Fischer™ Subsidiaries and Stock Management Systems in place.

1.12 After Sales Services

Maybe all will think that the most important after-sales service of Fischer™ is the classical messenger or WhatsApp channel that provides feedback and support to the end-customers, but for Fischer™ it is something more than that. Lately, Fischer™ introduced a brand-new PIM (Product Information Management) System, which is very powerful when it comes to providing content and product information. If a customer asks from a Fischer™ representative a piece of very specific information or a list of specific products with specific details, this can be obtained per mouse click from the new PIM system of Fischer™. This eases the work and access to information for the service lines of Fischer™.

Another after-sales activity is the Support Website of Fischer™ in all countries where it has a representative or subsidiary. Through these sites, Fischer™ promotes (directly or indirectly) a few other important concepts of after-sales, such as “word of mouth”, “customer helps customer”, “complaint management”, etc.

Other after-sales services that Fischer™ uses (not in detail explained here), are e-Mail Marketing, and Ratings.

Case Study Company 2: The Hilti Company and their Business Model

The Hilti Company it is a Swiss Manufacturer from the Fixings Industry and Construction Tool Producer. On contrary to fischer Group, which is a synonym for plugs, the Hilti Company it is synonym for Tools. In most of the segments they pose direct competition to fischer Group, even though in general both Companies have a broad diversification of their product range. Hilti is a Family Company, founded from the brothers Eugen and Martin Hilti in 1941 in Lichtenstein. This Company it is spread with its subsidiaries Worldwide in all Continents and as of today, it has 30.000 employees from which 15.000 in direct sales. The turnover of the Hilti Company in year 2019 was 5.9 billion Swiss francs.

1.13 The traditional B2C Business Model of Hilti

The B2C online shop of Hilti is one of the best of its kind worldwide, and for most of the companies it is serving as a best practice implementation. Even though, the business model of Hilti is well established, from year to year it is evolving by embracing new models and technologies. Like fischer Group, the Hilti Group has also a very broad base of applications, software for homeworkers, engineers, and professionals. There are a huge number of Apps and tools, mostly free of charge.

Now that we are writing this paper, Hilti Group owns more than 75 online shops worldwide. From which 8 are managed with Spryker. The huge Marketing budget it is also spread in the Social Media channels and online marketing.

Since the B2C online shop models are broadly studied, for the sake of space we are not going to elaborate this kind of implementations in details within this paper.
Besides its traditional B2C online shop, Hilti developed the so called “E-marketplaces”, as a central contact point’s for B2B buyers. Where the buyers can access products and suppliers, compare prices, and place orders with multiple suppliers from a single platform, just like the B2C equivalent. E-Marketplaces hosts the individual product and price catalogs of the buyers and maintains user-specific profiles. This means that regular customers can access their personalized product lists and prices anytime, anywhere, and on any device. Compliance with specifications is also easier, as approved products are very easy to find.

**Cross-Model Analysis (Comparison)**

In the previous sections, we explained thoroughly the e-business models of Fischer™ Group and Hilti Group. Further, we are going to evaluate both e-Business models and try to draw conclusions based on the Research Questions we mentioned in the first section.

Business models are nothing more than the way of doing business, or the method that Management uses to make a profit, thus enabling the organization to exist in the medium or longer term. Each of the types of e-commerce mentioned above is executed in one or more business models. For example, in B2B we can sell from catalogs, auctions, etc. [7]

We all agree that organizations decide to sell their products online mainly for the following reasons: sales growth, reduction of sales and advertising costs, increase the speed of deliveries (distribution), and reduction of administrative costs.[7]

Business models in the 'new economy' require four management solutions including specifics, such as:

1. A value proposition for potential consumers,
2. A market offer, which can be a product, a service, information, or all three together,
3. A unique justified resource system, and
4. A financial Model.

The first step towards articulating a business model is to clarify or clearly specify the value proposition for the business. Creating a value proposition requires Management to specify the following three components:

   a). Determination of the target segment,
   b). Determining customer benefits, and
   c). Reasoning why the firm will offer a much better benefits package than competitors in the same field. [9]

On the other hand, most managers find it difficult to answer the question ‘What is your business model?’ This is especially true in cases where companies have adopted one of the many models of doing business online, e.g., portals, or service providers applications (ASP providers). But, after focusing in a little more detail on the activity of firms such as, who are the customers of the firm?! From which suppliers is the firm supplied? Which are the channels of supply? Who are the competitors? What is the financial model of the company? (Including cost and revenue structure), etc., we will see that all these components define a firm's business model. According to Lynda Applegate [8] The components of a business model are:

- Concept - describes business opportunities and strategy
- Value - measures benefits for other investors and shareholders and
- Opportunities - define the resources needed to implement the strategy.

In the table below we will present a few of the characteristics of these components for both organizations, Fischer™, and Hilti, based on a personal study and partly based on the study from EAC.

<table>
<thead>
<tr>
<th>Company</th>
<th>Fischer™</th>
<th>Hilti</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>---------------</td>
<td>--------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Value</td>
<td>Building, Infrastructure, OEM (Product offering, Quality, Price, Pre-Sales service, After-sales service, Relationship, Time, Brand, Sales channel)</td>
<td>Building, Infrastructure, OEM (Product offering, Quality, Price, Pre-Sales service, After-sales service, Relationship, Time, Brand, Sales channel)</td>
<td>Building - brand awareness, Infrastructure - strong communication with principals and design institutions, Prof. recommendations, etc., OEM - enhanced CRM/ODM cooperation with OEM’S global HQ</td>
</tr>
<tr>
<td>Opportunities</td>
<td>Product quality requirements, Fischer™ application know-how, Fischer™ fulfillment price-performance ratio, customer relationship/access. Sectors: Automation, Utility Tunnel, BIM, Wastewater Treatment, Elevator, Residential Building, Petro &amp; Chemical, Elevator, etc.</td>
<td>Wastewater Treatment, Tunnel Construction, Rail &amp; Metro, Industry Facility, Tunnel Construction, BIM, Wastewater Treatment, Road &amp; Bridge, Airports, Nuclear and Hydro Power, Public &amp; Commercial Building, Petro &amp; Chemical, etc.</td>
<td>Fischer™ Priority: Renovation Building, Steel, metal &amp; facade construction, Electro Installations, Industry Facility, Road &amp; Bridge, Airport, Rail &amp; Metro, Nuclear and Hydro Power, Renovation Infrastructure, BIM, etc. Hilti Priority: Renovation Building, Steel, metal &amp; facade construction, Industry Facility, Electro Installations, Road &amp; Bridges, Rail &amp; Metro, Nuclear and Hydro Power, Airports, Tunnels, Public &amp; Commercial Building, etc.</td>
</tr>
</tbody>
</table>

Table 1. Comparing Concept, Values, and Opportunities

If we compare the revenues of the two players, we will see that Hilti leads in almost all sectors. This was expected since Hilti started its e-commerce journey much earlier than Fischer™ Group. If we can see the development of Hilti in the last few years one can see that now Hilti is situated in the maturity phase of its e-Business Model, whereas Fischer™ Group is in the advanced initial phase. From the revenue perspective one can see a huge difference too if Fischer™ Group was generating gross revenue of 887 Mio Euro in the year 2019, the Hilti Group achieved 5,9 billion CHF in
2019, whereas 2.9 billion CHF only in Europe. If Hilti employs more than 30Tsd Employees Worldwide, Fischer™ Group has only 5200 till the end of 2019.

<table>
<thead>
<tr>
<th>Company/Values</th>
<th>Turnover 2019</th>
<th>Employees</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fischer™</td>
<td>887 Mio €</td>
<td>5,200</td>
<td>Family Company, Run by Family Fischer™ (Germany)</td>
</tr>
<tr>
<td>Hilti</td>
<td>5.9 billion CHF</td>
<td>30,000 (15,000 directly with Customers)</td>
<td>Family Company, Run by Family Hilti (Switzerland)</td>
</tr>
</tbody>
</table>

Table 2. Comparing the core values of Fischer™ and Hilti organizations

The EAC Fixing Market survey from the year 2014 in China shows that Hilti had 546 Mio RMB (1.3% Market Share), whereas Fischer™ was second with 241 Mio RMB (0.6 Market Share). Both, being first and second among “High-end” product suppliers (3% of the Chinese Fixing Market). The same organization did a survey about the value criteria i.e., the criteria that mostly concern the corresponding customers in China, and showcased that Fischer™ is behind Hilti in all areas but not in the “Quality of products” where they have rated as equal. Fischer™ in the future needs to improve the “reaction Time”, Pre-sales services, Price, and Relationships with its customers, whereas it is in the stable ground in the “After sales services”, “Product offering”, “Sales channels”, “Brand”, and “Quality”, always according to the Chinese customers. From our experience, we think that the same results apply for European Customers too, with very slight changes.

One of the key sectors where the companies tend to be present and generate revenues in the digital age are the marketplaces. As we can see from the table below, Fischer™ and Hilti are very actively taking part in online markets worldwide. From 29 marketplaces that we analyzed, in 22 of them, one could find Fischer™ products, whereas in 25 of them Hilti products were listed. Even Though in the level of qualitative representation, both companies were present in almost equal numbers of Marketplaces (18/19 accordingly).
Table 3. Marketplaces online: An analysis of product availability

We all should agree that in the new online business world, there are four organizations that control almost the whole online ecosystem, the so-called GAFA organizations. They achieved such an integration level that we can freely say that any kind of business or communication that we have today, is initiated from one of these platforms. This does not mean that manufacturers should be discouraged and not work in the direction of finding better ways to sell their products.

At the end of the day, people still consume products, and manufacturers must try to produce and market products that are in demand by people. When we look at new manufacturers, we can see that they can often deal better with the platform economy than manufacturers who see their added value primarily in product development. Manufacturers who maintain an end-to-end relationship with customers, such as Hilti, Würth, MKT, Spax, Förch, etc. can of course generate significantly more added value than manufacturers who have to rent customer access via Amazon & Co. In addition, manufacturers with large marketing departments are likely to have an advantage because they tend to have the competence to control the platform interfaces. Manufacturers whose marketing is primarily based on the distribution of tools to dealers are likely to have problems (ex. Fischer™, Bosch, Pferd, etc.). But, on the other hand, manufacturers like Hilti and Fischer™, which have a deep integration in correlation with their customer infrastructure, can easily become platforms in their industry and in this way gain greater marketshare.

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Fischer Products</th>
<th>Hilti Products</th>
<th>Marketplace</th>
<th>Fischer Products</th>
<th>Hilti Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazon</td>
<td>YES</td>
<td>YES</td>
<td>Amazon</td>
<td>YES</td>
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<td>Ebay</td>
<td>YES</td>
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<td>Mercado Libre</td>
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<tr>
<td>Allegro</td>
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<td>YES</td>
<td>All Express</td>
<td>NO</td>
<td>YES</td>
</tr>
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<td>Bol.com</td>
<td>YES</td>
<td>~</td>
<td>Americanas</td>
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**B2B2C**
- Highly complex to maintain
- Highly complex to develop
- High operational costs
- Greater Digital Trade Potential
- Higher Cooperation Possibility
- Remain Business Connections
- Low Complexity in Logistics and delivery
- Share shipping and storage costs
- Benefit from the third party’s experience, infrastructure, and salesforce
- Value co-creation between models
- Harder to establish brand loyalty

**B2C**
- Easy to maintain
- Easy to develop
- Greater Control
- Focus to end-customers
- Collect valuable data on customer buying habits
- Simple Customer Journey
- Avoid sharing profits
- High Stock Costs and Logistics related costs i.e., sizeable costs.
Table 4. Cross-Model Comparison of advantages and disadvantages

One of the challenges and difficulties that Fischer™ faces in the adoption of B2C features is the strong connection of retailers and distributors in their historically evolved business model. What is here meant, is the bargaining power of customers of Michael Porter which was not the only factor that influenced the actual business model of Fischer™.

The indirect online shop which represents the B2B2C approach of Fischer™ is a very complex implementation, highly hard to maintain, and costly. To lower the costs, Fischer™ decided to buy some shares from a few companies or to acquire them completely, like for example the web services provider Nexmart, or the software developing company “Smart Commerce” with 80 developers. The Fischer’s goal was to keep the ownership level as high as possible through digital developments. Everyone should participate and think along, not just handing over digital developments as a “service”, as was in the past.

On the other hand, Hilti was a pioneer in the industry with its own Brand Shop, as they Launched their web shop for end-customers (B2C), achieving very quickly a very high success. The product range and the services offered are therefore adapted to the respective market needs. This also applies to online shops, which Hilti adapts country specific. Thanks to the Sprayer Commerce OS, Hilti can launch new, non-backend-integrated online shops in a wide variety of countries within a short period of time. Hilti is active in 139 countries and operates 75 country-specific online shops. The Sprayer Commerce OS is used for their 8 national shops.

The great advantage of B2C solutions is the simple customer journey and very satisfying e-commerce experience. The end-customer in this kind of solutions, can easily compare products and prices, join a great and safe shopping experience without disruption, read user manuals and descriptions directly from the manufacturer, complain if something is not clear, choose the most convenient paying method for him, calculate the delivery time, track their orders, etc.

In cases where there are damages to the products during transportation, Hilti needs to organize the contact with the customer, organize the return policy, re-send the new product, reimburse the buyer if he decides not to re-purchase the product, etc. In general, Hilti needs to organize the whole process and cover all related costs. Whereas in the case of the indirect shop of Fischer™ (B2B2C), the customer buys the end-product from the Retailers’ online shop or other Fischer™ Partner, and all costs with handling and delivery fall to the Retailer.

As one can notice from this case study, the differences between the two business models are becoming from day to day, very thin, as both models get closer to each other. Thanks to technology, these models became so close that one can hardly drive a line between them or proclaim one better than the other. Few authors argued the co-value creation of B2B and B2C models [12] [14], whereas in the research perspective, bridging between B2B and B2C models is a necessity since it is difficult to isolate pure B2B from pure B2C, and vice versa, especially after the emergence of the supply chain management (SCM).

If we take a closer look at the development of the e-business models of Hilti and Fischer™, we will see that Hilti is already organizing B2B online procurement for their business partner, under the so-called e-Marketplaces platform. Whereas, Fischer™ is providing for a longer time now B2B Platforms for B2B buyers indirectly through their service provider Nexmart, or directly through Fischer™ B2B Portals (including personalized product lists and prices). Lately, Fischer™ also introduced its first B2C shop in the Check Republic, as a testing platform for them up at line of products.
Conclusions from the Case Study

This study has elaborated and analyzed the e-business models of two well-known engineering companies, Fischer™ and Hilti respectively. Both companies have an impressive growing performance on a global scale. Their success in international business has recently been largely relied upon B2B and B2C through the implementation of their online strategies to reach the customers worldwide. Apart from other companies, the two are rivals or facing competition between each other. In their strategy, they have adopted multiple channels, such as: e-mail marketing/newsletters, online shop, social media, customer guidance, mobile material service, pre and after sale services, professional applications, and other e-services.

By annual turnover and number of employees as of 2019, Hilti is significantly larger, with a turnover of CHF 5.9 billion and employing 30,000 workers, of which half of them directly with the customers. Its rival Fischer™ based in Germany had its annual turnover of € 887 million and employed 5,200 workers. The global network also favors Hilti by being active in 139 countries and operating 75 country-specific online shops, while Fischer™ has representatives in 37 countries. Their e-business success has inspired other known companies such as Würth, MKT, Spax, Förch to follow a similar strategy. So, what are the main strategies the two companies under consideration employ? Both apply B2B and B2C models. When considering separately, the study was unable to find any clear distinction between the two companies. This has brought the focus on a more complicated or combined cross-model analysis B2B2C. Although here too, many similarities exist, there are however, few distinctions. While Fischer™ applies B2B and B2B2C simultaneously; Hilti relies on B2C and B2B as business model. In the revenue model, Hilti applies direct sales and Fischer™ does not. Another difference, which has more distinctive elements, can be found in the opportunities and implementation in which the two companies rely. Product quality requirements, application of know-how, fulfillment price-performance ratio and customer relationship are the features of Fischer™, as opposed to its competitor which focuses on construction tools, wastewater treatment, physical infrastructure, public transport, and petrochemicals. In implementation, Fischer™ has placed the priority in renovating buildings and associated installation of infrastructure, BIM…which is like the priorities of Hilti. The difference can also be found by the stages of e-business model development, where Hilti is in more experienced or advanced stage, while Fischer™ at a mature phase.

RECOMMENDATION AND FUTURE SEARCH

As from the Case Study and the Cross-Model analysis, one was not able to clearly draw a conclusion which business Model is better than the other, since for different companies, one Model may be more suitable than the other. Maybe, exactly because of these slight differences, we witnessed the birth of another sub-Model or modified B2B Model, namely the B2B2C Model. Thus, further diluting the difference between these two models. For larger Companies with strong business base i.e. Retailers, we strongly recommend similar solutions like the ones implemented from Fischer, since they address to a large extent the final client needs, by not losing the business with the retailer’s base. In long terms, we believe that all companies should seriously think of investing in pure Brand Online Shops like Hilt’s, because of the growth potential witnessed from our Case Study. Further research should be done, in respect to closer revenue analysis of both e-business models since both are very quickly changing in the fast-evolving e-commerce market.

From the survey we gained an interesting feedback. The Research Question, to what extent Business are acknowledged about B2B2C business model? as we were assuming that this Model is very rare and less known in the business community and academia, was approved, since only 23.1% of our respondents answered to have knowledge about this Model.

In any case, 53.8% of the respondents reported to have used credit cards, PayPal, and Net-banking as their main payment instrument, among all those that realized e-commerce transactions. In the flourishing digital era, most of respondents (92.3%) answered that it is time to open an online
business. It seems that the online market in this sector has still place for new online businesses. For what purpose they think there is place for further development in the online market, in which way, with what kind of business models they will come up, how they will deal with it, remains a task for future research.

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Appendix A

Fischer™ Service and Content Providers

One of the most serious partners of Fischer™ is Nexmart. As an e-Business process optimizer, Nexmart, plays a crucial role in the world of Fischer™. The aim of the Nexmart solutions are to automate, optimize and speed up processes – all while considering the existing systems of the
manufacturers and retailers. Further we will explain a few of the services that are provided from Nexmart to Escher™.

**Retail Connect**, is a possibility for Fischer™ through which connection can integrate retailers into Fischer™ websites where the product online catalogue is shown. By doing this, Fischer™ ensures a seamless customer journey to end-customers. In practice it works like this: A large number of end customers first find out about a product on a manufacturer's website. If this does not offer online direct sales, the customer must purchase the product through a trading partner. With retail Connect, manufacturers show selected retail partners on their own website where the product is currently available - be it in the online shop or at the stationary POS in the vicinity of the customer. With one click, the customer selects the preferred retail partner and can now either buy the product in their online shop - it is possible to fill a shopping cart on the manufacturer's website and transfer it in full to the retail partner's shop. Or the customer can reserve the product for himself at the stationary POS, look at it there, get advice and then complete the purchase.

Through retail connect, Fischer™ speeds up the customers’ purchase decision, increases conversion rates and generates more sales revenue, ensures an uninterrupted customer journey, and can manage the sales channels in a targeted manner.

**Data Abo**, it is a possibility for data subscription at Fischer™. Through databox, Fischer™ distributes its product data automatically, individually, and proactively to their trading partners. To do this, they first transmit the product data for the entire range from their ERP or PIM systems to Nexmart. Predefined filters can then be used for export to the respective trading partner. Filtering is done, for example, by product range, by content - trading partner A receives a different long description for product X than trading partner B - or according to technical criteria - trading partner A receives the images in the catalog as image files, while trading partner B receives a catalog file with a link to an external image directory receives. If a manufacturer updates or supplements its product data, the changes are automatically and proactively sent to the trading partners.

**Data View** is another service from Nexmart. Through data View Fischer™ ensures that its products are always presented up-to-date and in a uniform corporate design on all channels of their trading partners - for example in the online shop or at the stationary POS. To do this, Nexmart collects Fischer’s product data and processes it so that it can be used to supply all of the retail partner’s analog and digital channels. The item data is then integrated directly into a retail partner's web shop, for example using iFrame technology. If the manufacturer updates or supplements its product database, the display in all channels is also adjusted in real time. The data View service helps Fischer™ to shape the presentation of its products to retail partners and ensure correct product information. The trading partners of Fischer™ benefit from attractive and always up-to-date data, saving server capacity for their online shops, and more importantly, with real time information update can better assist and convince the end-customer in the purchasing decision, and that without repetitive manual effort.

Other services that Fischer™ uses from Nexmart and we will only mention here are document to EDI, EDI Connect, ERP Connect, online Market, and sales App.
The Impact of Digital Technologies on Business Internationalization Process

Ylber Limani¹, Zana Bashota-Broja¹
¹ UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,

Abstract. This paper discusses and analyses the impact of digital technology on business internationalization with focus on a case study of a developing country. There is evidence showing digital technology contributed on the development and advancement of the competitive international market. Accordingly, many companies are considering the change adopts the business model. Businesses lean towards believing that the use of digital technology enables them building the better relationship with customers and suppliers, improving their business process, and in some cases even simulating them in restructuring the entire business industry. In well-established businesses, technology has become the basis of every work in the process. Nonetheless, the situation maybe different in an uncertain business environment, specifically with businesses in developing countries. Consequently, this research is quantitatively focused in observing and measuring the impact of digital technology on international business within a developing country. The development of digital technology, types of digital technology, application of digital technology, digital transformation of the supply chain are examined through a quantitative research approach. Nonetheless, the globalization of enterprises and their entry into new markets are challenging the businesses as the global scale factors are putting pressure from increasing competition worldwide. This problem maybe more noticeable among the businesses based in the developing countries. In this respect, it may be questioned whether businesses from these countries can keep competing by using the latest technologies and how they succeed to use these technologies in their international operations. Keywords: International business, globalization, digital technology, digitalization, transformation.

Introduction
The purpose of this paper is to demonstrate and discuss the main points of theoretical and practical experiences of the impact of digital technology on business internationalization operations. It takes into account the factors that affect the adaptation of digital technologies as well as the benefits that companies gain from adapting digital technologies (DT) and potential risks that may arise during the internationalization process and thereafter. To achieve this, some adaptation concepts and models have been reviewed to understand what are the main factors that drive the application of DT and what are the benefits obtained from that application. In most models of the adaptation process different authors define different factors and different models. The study aims to explore the frequency and magnitude of digital technology adoption for the purposes of business internationalization.

Furthermore, this study discovers and discusses the potential advantages gained after DT implementation. Firstly, the paper efforts to display whether there is a correlation between the application of digital technology and the gaining of the business benefits towards internationalization process. Secondly, the paper efforts to explore and discuss whether is a correlation between the implementation of DT and the increase of business competitive advantage in the context of international business operations. Thirdly, the research aims to find out if there is any potential risk associated with the digital technology utilization due to business internationalization process.

In well-established businesses, technology become the basis of almost every work process. Also, some developing countries, like Kosovo in this case, are very quickly adapting and transforming due to the requirements imminent from the international trends, Nevertheless, there are many challenges and various obstacles requiring penetrating attention at research, at institutional and at business levels. Thought, this research is focused on the impact of digital technology on international business operations, it the technology itself and explores the variety of dimensions driving this impact.

The future research is proposed to be focused on long-term forecast of all-comprehensive impact of digitalization on business internationalization in order to prevent potential risk rate related to the sustainability concept.

Literature research

The studied literature due to indulgence of this research is categorized on three main categories: operations management, digital technologies, and internationalization of business operations. The identified and studied dynamic factors are also characterized in three main groups: the dynamics of DT development; the impact of DT on the business internalization operations, and business challenges and risks towards the operations of digitalization and internationalization.

There is a significant evidence showing how digital technologies play a key role in the business world. Digital technology is fostering innovation, while innovation is the main drive of the business success (Limani et al., 2018). Beginning from the first decade of the 21 Century, many authors described and defined digital technology in contemporary modes. Digital technology is primary defined as a technology that includes and combines all types of electronic devices and applications that use information in the form of numeric code. This information is usually in binary code that can be represented by strings of only two numeric characters. Devices that process and use digital information include personal computers, automobiles, traffic light controllers, game consoles, cell phones, communications satellites, high-definition televisions, etc. (Charness & Schain, 2003). Later by emerging new technologies, digitalization is become associated with Internet, GPS, touch screen display, voice-activated personal assistant, etc. (Hana, 2018).

Today's developments of the Internet, cyber-physical systems, server systems, etc., have enabled the rapid exchange of ever-increasing volumes of information and have managed to create a
parallel reality in many ways which can be considered more than just simply technology driven developments (Lovas et al., 2018; Aagaard et al., 2019; Kraus, et al., 2019; Watson, et al., 2019; Xu, et al., 2018)). Market efficiency has increased and customer identification is achieving previously unimaginable levels of accuracy. Through networks, mainly social ones, it is being possible to identify much better the needs of customers individually, which increases the accuracy of production planning and at the same time turns the producers improved towards the needs of the market. From these transformative developments, new models of business have been shaped, which require new staff skills.

Digital technologies are usually different by their nature, however, all of them are developing applications to improve business operations, business functions, business strategy and business performance (Aagaard et al., 2019). Artificial Intelligence e.g., can be applied to enhance the product development and supply chain, can improve strategy, decisions and planning and allocation of resources, can improve the prediction of new potential demand, and can support businesses in their decisions related to the network integration (Kraus et al., 2019). Digital technologies are also helping businesses to assess the value and to develop more effective pricing models (Watson et al., 2018).

Important scholars argue that the digitalization will shape the future through its impacts on public or private sector. In this regard the risk may occur in many aspects beginning from the development to the implementation. People have probably less or no control at all over either technology or the disruption that comes with the fourth industrial revolution (Prisecaru, 2016).

2.1 Digitalization process and business internationalization

There is evidence arguing the increasing development and growth of businesses aiming at internationalization of their business processes. In this regard digital technology is assumed at playing a key role. This trend empowered the development of new viewpoints from academic and from industrial worlds by responding in studying and in developing different internationalization concepts and models relevant for businesses aiming the internationalization of their economic activities.

The globalization process has influenced the researchers’ focus of by pointing them to pay attention more on the regional and international level rather than on the national level (Iammarino and McCann, 2013). There are numerous concepts and models in the literature which discusses and debates the digital technology influencing the internalization of businesses. The increasing interest towards internationalization produced various representations and concepts which are used by companies for the purposes of their internationalization process (McAuley, 2010; Knight and Liesch, 2014).

The internationalization process is highly influenced by the digital technologies. The digital transformation enables businesses to effectively and efficiently identify the sales opportunities, the markets, the cultures, the marked dynamics. The Digitalization supports companies to accelerate towards the internationalization process (Manyika, 2016; Neubert, M. 2018).

The Impact of digital technologies on business internationalization

Digital technologies have positive impact on companies in managing the risks related to the eventually costs from their economic activities performed abroad. There is an authorial declaration assuming digital technologies contributed to the relative reduction in the quantity of materials required to serve economic functions in distribution and production channels.

The implementation of digital technologies allows companies to specifically reduce transaction costs in foreign markets. The use of AI, IoT, Automation, AR/VR, Cloud and other potential digital technologies result in positive dynamics in the management of SCM, CRM, Production efficiency and effectiveness, CSR, Innovation, HRM, ERP, etc.

According to HBR, digital technologies will increase the level of business internationalism for many reasons by documenting that the physical flow of many years from the past has been followed by the digital flow, where today we have higher physical flow than ever before which is driven by digital stream (HBR, 2017). However, this increase of flow no longer can be considered as a main indicator which promises the steadiness of globalization. finds that companies cannot
consider globalization as a process that will happen in a row which will continue uninterrupted. Ghemawat (2018) in his book explains why companies cannot consider globalization as a process that will happen in a row and will continue uninterrupted (Ghemawat, 2018).

*The DT models used in the business operations internationalization*

Essentially, digitalization refers to the current trend of automation of business operations and data exchange at the regional and international level while significantly improving efficiency and effectiveness in business operations. Current developments of the Internet, physical-cyber systems, server systems, databases, networks, etc. have enabled the rapid exchange of extremely increasing volumes of information, and at the same time have managed to create new opportunities of doing business internationally. Market efficiency has increased and customer relationship management identifies very fast the needs of customers individually, which in turn increases the accuracy of production and creation capacity building at the same time. These developments mark the transformation of operating systems very quickly and enable the creation of new business concepts and models.

This trend seems to be oriented in some specific guideline models: Cyber-Physical systems, Internet of Things, Cloud Computing, Artificial Intelligence, Automation, Additive Manufacturing (Moura et al., 2015; Murray, 2015; OECD, 2020).

The Internet has enabled the connection to the same network of electronic devices, vehicles and machines which are equipped with programs and sensors, which enable them to connect and exchange data in real time. It is recognized that almost everything is exceptionally identifiable through the digital system and at the same time is able to interact with the entire existing internet infrastructure (Brown, 2020).

The term “Internet of Things” was thought up by Kevin Ashton of Procter & Gamble in 1999 (Hendricks, 2015). The things that affect the internet are diverse and rapidly expanding. These include medical services such as cardiac monitoring implants; security and production monitoring cameras; automated guided vehicles with integrated sensors; DNA analysis equipment for monitoring the environment, food, pathogens; field operations equipment, assisting firefighters in search and rescue operations, etc. (Lindner, 2015)

According to expert estimates, by 2020 it is expected that over 30 billion objects will be included in the Internet networks and the total market value that will be organized through the Internet is expected to reach 7.1 trillion dollars (Nordrum, 2016).

**Problem statement**

Despite of the very high dynamics of TD development and utilization for the purpose of business internalization, a substantial hypothesis can be raised which may present dilemmas about the challenges that businesses may face during the process of internationalizing their operations. The application of DT can be potentially risky if that application is not realized based on conceptual knowledge of DT, based on the model of their use, their value and their nature. Therefore, regardless of the many advantages offered by business digitalization, another hypothesis can also be raised which brings into question the possible correlation between the implementation of the DT and the difficulties that businesses may have during this implementation, including here the maintenance and life cycle management of implemented DT.

In this context, some specific research questions have been raised which are further converted into hypotheses in order to be finally tested in this research. The three questions that address the problem described above are:

- How did the use of digital technologies affected enterprises in doing business internationally?
- Do digital technologies pose risk to businesses in doing business internationally?
- What are the challenges of digital technology implementation for businesses in developing country-Kosovo?

Hence, the research problem is shifted to the case study: Kosovar businesses and the challenges of implementing DT in their internationalization operations. It is assumed that the businesses of
a developing and a transition country such as Kosovo, the implementation of digital technology can be very useful but at the same time can be a challenge and perhaps can induce risk. To find and argue if such an assumption holds, it is broken down into three hypotheses with two variables each. In the first and third hypotheses the independent variable is the implementation of DT, while the dependent variables are the internationalization of business operations and the risk in business internationalization. In the second hypothesis the independent variable is the internationalization of business operations while the dependent variable is business growth. The following simple hypothesis are formulated:

- **Digital technologies have a positive impact on the internationalization of businesses in developing country-Kosova.**
- **There is a significant positive correlation between business internationalization and the growth of Kosova businesses.**
- **Digital technologies pose risk to the internationalization operations of businesses in developing country-Kosova.**

### The methodology

Qualitative approach conducted through theoretical research of the state-of-the-art, respectively from the work of other researchers from the field of digital technology and international business. Quantitative approach is grounded on survey research conducted within the specific region of a developing country-Kosova.

Population and samples are randomly selected companies operating in Kosovo market which are using the digital technology and are engaged in the international business. managers from 148 companies from various industries.

Data collection is conducted using questionnaire and date analyses is conducted using software applications.

Primary sources that have contributed to data collection, selection and analysis are originated by the survey, while secondary sources are originated by the literature.

Additional method used in this paper is the descriptive method, through which we described the impact of digital technology on business development, etc.

### Results and discussions

Following we have identified and presented most interesting results from the survey. The Figure 1 displays the relation between business activities and the utilization of digital technology within the researched population. The presentation of the survey findings does not come as a surprise in relation to our expectations, although promotion and contracting are not highly insignificant utilized in doing business internationally as reflected by the respondents. Digital marketing and electronic data interchange enabling technologies are most used technologies in doing business internationally.
The Figure 2 displays the findings from the question related to the effects of the DT utilization in doing business internationally. The effects of DT use by the surveyed companies turn out to be low in supply chain management and customer relationship management. In fact, this makes a dubious impression on us and perhaps even suggests that companies from this particular developing country have not yet configured the strategy of doing business in the international market at the internationally anticipated level. Most of the surveyed companies state that the biggest benefits in using DT in doing business in the international market are related to the increasing the image of the business, reducing costs, and increasing the speed of communication. The element that has left an interesting impression on us in this question is the sale. The respondents show that DT did not have much impact on sales growth.

Another study would be appropriate to bring evidence to see if such a trend is close to that of companies in developing countries.

Hypothesis testing

The nature of this study is not only descriptive, but also explanatory where several hypotheses have been raised to see the possible relationship between the different arguments. Correlation between Digital Technology and Business Internationalization: From the correlation analysis, we understood that the use of digital technology has a strong and positive correlation with the internationalization of businesses.
The link between the use and impact of digital technology in international business turns out to be strong and quite important in terms of businesses dealing with the use of digital technology. From this result we can conclude that the impact of digital technology on international business is very large and this confirms the acceptance of the first hypothesis of this study. This conclusion is based on the results of two correlation methods used for the purpose of this analyses.

The second simple hypothesis of the study considers whether is a positive correlation between arguments of doing international business and business growth in a developing country (Kosova). The results from the correlation analyses show that the international business activities influenced positively the growth of Kosova businesses. This is a logical and functional interpretation of the argumentation of the assumption of doing business in the international market has positive impact on business growth in a developing country. This argumentation will become stronger when considering an astonishing number of facts and indicators showing that digital technologies are very significant enablers and simplifiers of international business activities.

The third hypothesis consisting with the arguments of the digital technology utilization in doing international business and risk in doing international business is slightly accepted. Based on the analysis, the use of digital technology does increase the risk in the internationalization of businesses. To test this hypothesis, the correlation was used where the relationship between the variables was analyzed where based on statistics the significance is slightly weak. By considering that the Pearson correlation value \( r = 0.389 \) (\( r > 0.25 \) the hypothesis ought to be weakly accepted), and the value of \( p = 0.034 \) (for \( p < 0.5 \) the hypothesis ought to be accepted), which gives us a weak correlation between the variables, but with a considerably statistical significance of that correlation.

The subsequent values derived from results of this research can be interpreted in many different ways. One interpretation may be that businesses in a developing country are aware of the possibility of risk when doing business using digital technologies in the international market. Another interpretation may indicate that businesses think that the risk associated with the implementation of digital technologies in doing business internationally is not very high, however, its duration or its significance may be extensive.

In summary, we completed the analyses finding that the first and the third hypotheses were in line with our expectations, but we cannot declare the same for the second hypothesis. While doing international business has a high and positive correlation with the implementation of digital technologies, business growth is also actual with the inclusion of business in the international network representing a phenomenon that can be easily explained.

**Discussions**

Digital technology significantly affects the competitive advantage of international businesses, as it determines the relative cost position or differentiation of businesses from each other. The internet is particularly attractive, since it is a very efficient and effective network, operation with low cost and offering very high service value. The Internet is a supreme model and enabler of business communication in real time. Practically, the internet is the enabler of the interconnection of all cyber-physical systems used in business process to communicate values, to make offers and to place orders, and to trace the status of a business's products and services in real time and in every possible point within the supply chain.

Electronic marketing strategies have become widely used and the pressure on various businesses to invest in the production of applications for the purposes of business process in product and service creation has increased. In this study, most of the respondents had positive attitudes about the impact of digital technology on international business, however, there were also some skeptical thoughts which potentially may be related to the more conservative view of the context, or lower willingness for organizational flexibility and innovation.
Finally, we can not specify that the implementation of digital technologies in the internationalization of businesses is always and absolutely positive and in all circumstances is and should be acceptable. Thought, we cannot generalize that the process of business internationalism at the time we are discussing is favorable for most businesses because actually it brings new opportunities which are greater than potential threats or risks. No future possibility regarding the internationalization of the business will be ruled out. Depending on the political movements and the strategic positions of the powerful countries of the time, the way of doing business will also become developed.

**Conclusions and recommendations**

One of the fundamentals affected by digital technology is the easy transfer of some jobs from one country to another, which has significantly increased competition in the labor market and has affected the transfer of employment from one country to another, mainly from developed countries to developing countries. Due to the lower cost of labor many services such as "call center" services, accounting services, cyber security services, design services, architecture services, offering products in the field of industrial design, architecture and construction engineering, marketing, etc. offered by entities and individuals located in different parts of the world.

The above conclusion can be interpreted as bilateral in the case of developing countries, respectively Kosovo. The outflow of labor force from the country is not a positive indicator for the country, while the investments of companies from developed countries in the developing country is a positive indicator. However, these two indicators are not balanced as the outflow of labor force from the country is likely to exceed many times the level of foreign investment in the country. In this case we may conclude that the globalization may show shortcomings in equality and it may be partial in terms of fair competition. Nevertheless, it is an ever-increasing global market due to the impact of digital technology on business.

The level of development of digital technology in Kosovo, unlike the economic or social and legal parameters, has progressed at a satisfactory pace compared to neighboring developed countries and, in some sectors, the development level and development stage is similar within those counters. It should be noted here that Kosovo as a case study is practically a user of digital technology innovations. However, in this time a developing country business, where Kosovo belongs to, can serve as a feedback provider within the evolution process of advanced digital technology development. However, the individual contributions of Kosovar innovators who serve in various developed countries should not be underestimated, since they are giving individual contributions to countries, firms and institutions that area part or the drivers of the digital technology fabrication.

In general, the labor market in Kosovo in recent years benefited from the use of digital technology. The implementation of digital equipment has enabled the opening of many jobs in call center companies, as well as thousands of other jobs in accounting offices, audit firms, design studios, IT services, etc. Kosovar businesses are mainly oriented n service creation and offering those to companies and organizations mainly from EU countries, USA and Canada. Increased competition in the labor market due to the impact of digital technology is challenging the competitive advantage that Kosovo has compared to European countries in terms of relatively low labor costs in relation to the level of qualification. Some other studies show how Asian countries offer less costly labor force for the same level of qualification.

The final conclusion related to the DT implementation in the business internationalization operations is that DT in general has positive effect on business growth. However, this does not apply equally to developing and developed countries as developed countries are the ones who reap the most valuable portion in this global business model.
Despite the existing inequality, even developed countries do not have a fixed and never-ending solidity of doing business internationally as things may change in the market given that both the dynamics of developments and uncertainty and risk are increasing.

Recommendations

Due to the high dynamics and relatively high costs of digital technology, public institutions and companies in Kosovo should provide with more generosity, creativity, motivations and funds available for the purchase and effective utilization of digital equipment. The investment in digital technology with the purpose of supporting the internationalization of firms should become one of strategic goals at government level. Prior to the investment, it is recommended to conduct a thorough feasibility analysis, namely an economic cost-benefit analysis supported by a detailed SWOT analysis. The feasibility study should be carried out based on strict criteria formulated by multidisciplinary teams of professionals in various fields and not by unprofessional delegates and various occasional committees of political parties.

Complete and medium-term government policies and programs need to include the overall impact of digital technology on the country's economy as well. Highlighting the country's strengths and weaknesses, the benefits that can be derived by analyzing the opportunities and threats that come from the use of digital technology, especially the threats to the labor market, should be carefully analyzed.

New companies do not have to wait until they consolidate in the market to use digital technology. They should immediately start this application to gain more productivity based on the advantages digital technology offers.

CRM and SCM are two basic aspects of business that need to be considered much more seriously by local companies. The relationship with the client is very two-sided and quite sensitive. Also, the relationship with the partners in the supply and sales system requires special attention especially in this time of digitalization and globalization.

References


Evaluation of Students’ Feedbacks on Online Education during COVID-19

Aferina Skeja¹, Nora Sadiku Dushi²
¹ UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo

Abstract. COVID-19 started affecting the whole world enormously within a few weeks and is continuing to do so. The primary action taken in order to limit the spread of the virus is social isolation. This process has caused difficulties in all areas, especially in education. Universities were obliged to switch to online education as all institutions closed down without stating an expected opening date. Online education has started to become the new normal in academia, but this new normal may be imposing difficulty to some. Compulsory online education during the pandemic is perceived in different ways by students. In this study students’ technology usage, feedbacks about online education were analyzed and evaluated by using descriptive statistics. Keywords: Online Education, Distance Learning, Technology Usage, COVID-19.

Introduction

The COVID-19 pandemic grew quickly from its first emergence to a truly global phenomenon. COVID-19 infection from New Type Coronavirus (SARS-CoV-2) emerged in Wuhan, China in late December 2019. The highly contagious virus spread to the whole world, especially Europe, in a short time (WHO, 2020). As a response to reduce the spread of the pandemic countries have decided to temporarily close workplaces, shopping malls, educational institutions (schools, universities, etc), all without discriminating between state and private institutions. Schools and educational institutions in Kosovo were temporarily closed on March 12 as a result of the first COVID-19 case in Kosovo registered on March 11, 2020 (MASHT, 2020).
ICT has a vital role in diverse fields such as: business, medicine, and education. Thus, the temporary closure of educational institutions has increased the importance of information and communication technologies. Educational institutions and universities, made a transition to online education without losing time. E-learning is an substitute of traditional education, but it can also complement it. E-learning can be defined as use of internet technologies to deliver a broad array of solutions that enhance knowledge and performance (Rosenberg, 2000).

UNESCO IESALC has published recommendations for higher education institutions in relation to the COVID-19 health crisis. These include the dissemination of reliable information to avoid alarmism; the use of institutional portals and social networks to inform on the evolution of research; the facilitation of open access courses for a higher quality of health education; the coordination of actions with the recommendations of national authorities and; the preparation of a contingency plan at institutional level (UNESCO IESALC, 2020). Although distance education is used in most countries, a structuring called “emergency e-Learning” and adaptations with new solutions specific to the process were needed in this process. The COVID-19 response is not the first time that emergency e-Learning programs have been considered as appropriate crisis-response measures. Emergency structured distance learning involves the use of fully distance learning solutions for education or training, which will be taught face-to-face, returning to its old format once the crisis or emergency disappears (Hodges, Moore, Lockee, Trust, & Bond, 2020). As a quick solution to the crisis caused by COVID-19, universities structured according to formal education have started to work rapidly to continue courses and programs with web-based distance education instead of face-to-face education, transitioning to emergency distance education (Lau, Yang, & Dasgupta, 2020; Gewin, 2020).

With the emergency of e-learning programs, online teaching-learning process is often discriminatory for poor and marginalized students. It has been found that hearing-impaired students face difficulties in online learning (Manzoor, 2020). However, Gonzalez et al. (2020) report a significant positive impact of COVID-19 in learning efficiency and performance as a result of adopting online learning strategies.

**Data and methods**

1.1 Data collection and procedure

This is an online questionnaire-based study of students in Kosovo. The questionnaire consists of questions such as: demographic characteristics, technology usage and feedbacks about online education during COVID-19. In order to collect information, an online questionnaire was conducted between 25 - 30 August 2020. The sample of this study consists of 65 respondents. A questionnaire link was sent via e-mail, WhatsApp, Facebook and other social networks.

1.2 Data analysis

Descriptive statistics were carried out to understand the distribution of study participants. In this section, participants’ feedbacks are evaluated. Demographic characteristics of the participants are shown in Table 1.

<table>
<thead>
<tr>
<th>Description</th>
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<th>%</th>
<th>Description</th>
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<th>%</th>
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<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>Year of study</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>33</td>
<td>50.8%</td>
<td>First year – Bachelor’s</td>
<td>19</td>
<td>29.2%</td>
</tr>
</tbody>
</table>
As shown in Table 1, 50.8% of the participants are women and 49.2% are men. When analyzed according to age range, it is observed that the majority of the participants belong to the 17-20 age group (75.4%). Most of the participants are single (95.4%) and first year undergraduate students (29.2%). In addition, 50.8% of the participants stated that they were only students (did not work) and the other 49.2% stated that they were conducting both work and school at the same time. Most of the participants stated that they had their own computers (50.8%) and that they have used a computer for at least 3-6 years (24.6%).

When analyzed according to computer and internet usage levels of the participants, it was determined that most of the participants' computer use degree was good (26.2%), and most of the participants' internet usage degree was very good (27.7%). When the participants were asked whether they need training in computer use or internet use or both, 38.5% stated that they do not need it. What should be taken into consideration is that 29.5% of them need training for both.

Before COVID-19, 29.2% of the participants stated that they used the internet for less than 1-2 hours, but during COVID-19, 33.8% of them used the internet for more than 4 hours. It was determined that before and during COVID-19, participants mostly used their mobile phones (before 58.5%-30.8% after). Most of the participants stated that they spent 1-3 hours (33.8%) to study on digital tools before COVID-19, while most of the participants spent 6-9 hours (27.7%) during the COVID-19. Most of the participants stated that they did not always use digital tools before COVID-19 (35.4%) to study, and that they used digital tools (30.8%) to study during COVID-19. Instagram is the most widely used social media application by the participants both before and during COVID-19 (before 35.4%-23.1% after).

When analyzed according to participants' opinions about their individual academic performance, it was determined that 26.2% of the participants definitely agree that the use of digital tools in teaching results in low academic success; 23.1% of the participants are confused about the volume of tasks given through online learning, they are unsure whether it annoys and reduces their performance; 26.2% of the participants agree that classroom lessons significantly contribute to the increase of students' academic success; 24.6% of the participants stated that online midterms and exams were not comfortable. Most of the participants think that using the e-learning platform is not fun (66.7%).

Most of the participants: strongly disagree (32.3%) that distance learning (online) is as effective as face-to-face training; disagree (32.3%) that distance learning (online) is an alternative choice; strongly agree (24.6%) that distance learning (online) applications should become more common (available); disagree (29.2%) that mainstreaming distance learning (online) is beneficial to the society; disagree (29.2%) that widespread use of distance learning (online) enables lifelong learning; agree (33.8%) that distance learning (online) will be inevitable in the future; agree (24.6%) that distance learning (online) has developed a sense of responsibility; agree (24.6%) that distance learning (online) allows them to program every day; strongly agree (23.1%) that distance learning (online) enables them to get information in a timely manner; neither agree nor disagree (33.8%) that distance learning (online) increases their self-confidence; neither agree nor disagree (24.6%) that they can easily communicate with lecturers and assistants in distance learning (online); (29.2%) agree that they can freely express their opinions in distance learning (online); (26.2%) disagree because distance learning (online) encourages research; (30.8%) disagree that distance learning (online) decreases workload; (27.7%) agree that they quickly forget the lessons.
they learned in distance learning (online); (24.6%) strongly agree that they experienced technical problems during distance learning (online).

When analyzed according to contribution of distance learning (online) to participants' theoretical knowledge, general cultural level and professional application skills, it was determined that: 30.8% of the participants do not agree that there is a contribution of theoretical knowledge; 23.1% of the participants were neither agree nor disagree about distance learning's contributions to their general cultural level; 26.2% of the participants did not agree online learning contributed to their professional practice skills.

Most of the participants stated that they did not study at the same pace during the pandemic as they did before (55.4%). Most of the participants stated that they used their own tools during online lessons (35.4%).

When analyzed according to the problems faced by the participants in online education during the pandemic it was determined that 15% of the participants had internet related problems, 15.4% of the participants stated that the academic staff was not paying enough attention to students during the classes, 11.1% of the participants felt sad and anxious, 5.6% of the participants had the necessary tools for online education and 5.6% had problems with classes scheduled to be early in the morning.

Most of the participants stated that they fear that employers will not give same preferences to graduates from online education as to those who have graduated from traditional education (53.8%).

Finally, looking at which training participants preferred more, it can be seen that 55.6% of the participants are more satisfied with face-to-face learning than online learning, 33.3% of them prefer the combination of both online education and face-to-face education, whereas 11.1% of the participants do not prefer online education.

**Conclusion and recommendations**

In any way, the unexpected COVID-19 epidemic, whether in terms of spiritual or financial terms, is too high to be ignored. Like many institutions, educational institutions have also had their share of this. University students, especially first-year students, got more share than this. Students who completed their first semester in a normal environment were exposed to different difficulties in their education in the second semester. As a result of the study, it was determined that students adopted online education and saw online education as problematic in their negative personal academic performance. Although most of the students stated that they do not need support for using technology (computer and internet), the number of students who need training in both is not too small. As a result, besides the online education manual prepared for students, providing additional technology usage training to students positively affects students' self-confidence and their opinions towards online education, even if a little.

Providing additional anonymous psychological support in this period for relieving problems faced by students may increase the likelihood of decreasing stress and reluctance experienced. Also, as it can be seen from the obtained results, students who graduated from online education are more anxious about finding a job, in other words, these students think that their colleagues who graduated from face-to-face education are more likely to find a job than themselves. Educational institutions and organizations should cooperate and inform students that the process of finding a job does not depend on the type of education taken.

Results of the study cannot be generalized. It is limited to a small sample and the participants' emotional thoughts at specific moments.

**References**


The role of human resource competencies in private businesses in Kosovo

Dr. Sc. Mersiha Kacamakovic
UBT – Higher Education Institution, Lajjia Kalabria, 10000 p.n., Pristina, Kosovo,
mersiha.kacamakovic@uni-ubt.net

Abstract. In today’s economy issues around human resource development are fundamental. Each organization made every effort to recruit knowledgeable people into its ranks. To achieve this, organizations must increase the efficiency and, first of all, the efficiency of knowledge governance. But this knowledge people must acquire, develop and use. Competence in every field has become important in all aspects, because the labor market has become a market of competencies. Competence is a characteristic or feature of an individual, which ensures a high level of quality of work offered by him. Aptitude or competence is the ability to accomplish a task.

Effective performance and employee training are essential to the success of a company, to support employees in achieving the best possible results. Employee training in Kosovo enterprises is closely linked to improving organizational performance. As a strategic activity, training is considered one of the main instruments for continuous improvement of competence and as a human resource management strategy in business. From this perspective, the most important role that managers should play is to identify the shortcomings of their employees at the level of competencies, as well as to identify the real training needs, to achieve the necessary competence.
Keywords: competencies, performance, training, human resources, managers, employees, enterprises

Introduction

Competence is a characteristic or feature of an individual, which ensures a high level of quality of work being offered. In general, aptitude or competence is the ability to accomplish a task. Effective performance and employee training are essential to the success of a company, to support employees in achieving the best possible results. Employee training in Kosovo enterprises is closely linked to improving organizational performance.

There are many strategic activities that are used from businesses to further the employee’s competencies regarding their job. Among the most important and used ones is training. This is considered one of the main instruments for continuous improvement of competence and as a human resource management strategy in business. From this perspective, the most important role that managers have to play is to identify the shortcomings of their employees at the level of competencies, as well as to identify the real training needs so that these needs can be addressed properly.

A better identification of job positions and employee’s competencies allows the authorities in the organization to send a signal to the labor market and the higher education system at the level of knowledge, skills and competencies, for prospective employees who are likely to be recruited to fill job positions in the organization/company. Therefore, the required skills and competencies, as mentioned above, represent a product, a combination of knowledge and skills that are highly relevant to the issue of suitability, in terms of what is needed in the organization/company.

1.1 Research questions

In this paper, we try to answer the following questions:

1. To what extent is the management of human resource competencies applicable to private businesses in the region of Peja?
2. What are the main advantages of human resource competencies to the overall development of companies/organizations?
3. Have the private businesses in the region of Peja strategies that identify incompetence at work?

Literature review

Many authors of contemporary world literature nowadays try to elaborate competencies and the interest in them is growing every day. The concept of competence has become particularly important in the field of human resources in the last decade. According to (Ulrich, Broebank, Yeung and Dale, 2006), competence is defined as a necessary information, skill, ability and characteristic of an individual to do a job successfully.

One of the key figures that has dealt with the definition and popularity of the concept of competence is (Boyatzis, 1982). He has done a lot of research about competence. According to Boyatzis, competence is the main characteristic of people, which is not only a factor that can affect performance, but a number of factors, such as: characteristics of individuals, motivation, behavior of the individual etc. The company that has defined its business vision and strategy based on what its current competencies are, in the future has managed to build a strong foundation for its human resources and their development. Intellectual capital, knowledge and competencies of
employees, today cause the failure or success of a business in a dynamic business environment. Human resources play a key role in business, in order to create and maintain competition in the market.

According to (Mansfield, 1999) competence is closely related to performance, competence is a basic characteristic of a person, which results in performance at work. Improving business performance is considered according to well-known models in strategic human resource management, which brings better results along with other human resource policies (The Free Press, 1984). As a strategic activity, training is considered one of the main instruments for continuous improvement of competence and as a human resource management strategy in business.

Business organizations should continuously promote competence growth through a variety of employee training. At the same time, it is important to disseminate information and learning or competence to each unit and to all employees. The competitive position of the business is assessed precisely by the variety of methods of competence improvement and by the way the training is adapted to the required level of competence.

To assess the level of competence acquired, in addition to being used to assess trainees, questionnaires are also used if the training was appropriate to meet the shortcomings of employees in certain competencies. Also, for the assessment of the competence of the trainees, questionnaires are used for evaluation by the trainer for the result obtained by each trainee.

Competencies always include motivation, which is a feature of motivating efforts that lead to a result (Albpaper, 2005) Competent management is not only desirable but also possible. The competencies of managers in enterprises in Kosovo are still clearly undefined. But also, the centralized organizational structure of enterprises, lack of confidence in expertise, knowledge and capacity of managers, uncertainties in competence and differences in budget perception, are some of the specifics of Kosovar enterprises.

According to Belanger (2006), employee training is a company’s effort to improve an employee's current and future performance by increasing his or her competencies. The whole interest of economically strong states is to invest in competitive advantages in the market. Competence is a critical source of competitive advantage. In successful western experiences, training business communities from universities, or organizing them in associations, in various organizations, participating in fairs or always appearing in the media through advertising and presentation, are good opportunities to always be informed, get and exchange ideas, which keep a business always on track, in progress and economic results.

**Research Methodology**

This study was a case study conducted according to a methodology, in which both methods, quantitative and qualitative, were combined. The research design in this paper is organized respecting the issues that are formulated in this seminar paper entitled, ‘Human resource competencies in private businesses in Kosovo’. This approach is considered appropriate for the case of our study, to investigate the specifics of an issue such as the level of competence in five private companies in the region of Peja. It can be noted that case study is a very popular and widely used research method in business competency research. The Primary data for the research were collected using the survey method, which included structured questions, for the purpose of an in-depth study of the topic Human resource competencies in private businesses in Kosovo. Secondary data are provided from the existing literature, various studies, reports and works from eminent authors.
As mentioned, population of the research were the employees of the private sector in the region of Peja whereas the sample was chosen from five private companies from the same region. The total number of respondents was 60. They all had different positions within the company. The sample was chosen randomly.

**Results**

From the results presented in the following table, it can be seen that in the first question “Are competency metrics set correctly in your company”? 2% of the respondents answered with 1 (low), 12% with 2 (below average), 35% with 3 (average), 28% with 4 (good) and 23% chose the fifth option, excellent.

<table>
<thead>
<tr>
<th>Are competency metrics set correctly in your company?</th>
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<tbody>
<tr>
<td><strong>P1</strong></td>
</tr>
<tr>
<td>Excel: 12%</td>
</tr>
<tr>
<td>Good: 23%</td>
</tr>
<tr>
<td>Average: 35%</td>
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<tr>
<td>Below average: 28%</td>
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<td>Low: 2%</td>
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<table>
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<tr>
<th>Does your company have strategies for identifying incompetence at work?</th>
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<tbody>
<tr>
<td><strong>P2</strong></td>
</tr>
<tr>
<td>Excel: 7%</td>
</tr>
<tr>
<td>Good: 25%</td>
</tr>
<tr>
<td>Average: 30%</td>
</tr>
<tr>
<td>Below average: 38%</td>
</tr>
<tr>
<td>Low: 0%</td>
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</tbody>
</table>

<table>
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<tr>
<th>Has the company used appropriate training methods that would meet the needs of employees at the level of competence required for your job?</th>
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</table>

<table>
<thead>
<tr>
<th>Does the company allocate an annual budget for training and improving employee competence?</th>
</tr>
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</table>
Is there a clear division of labor tasks between different organizational units in the company?

Does the company offer career development training?

Table 1. Results from the questionnaire

When identifying incompetence at work, respondents provide a variety of answers. The percentage goes like this: 18% of them think that the strategy for identifying incompetence at work is at an excellent level; 20% of respondents think that the identification of incompetence is at a good level; 25% think it is a satisfactory or average level; 20% of the respondents think that the strategies for identifying incompetence at work are below average and none of the respondents think that these strategies are at a low level. From these answers it is clear that the company notices when there is a lack of competence in the work process.

As of question 3, employees in companies work in certain sectors. Training methods also vary greatly from sector to sector. Here 18% of them think that the training methods have been excellently suited, 33% think that they are well suited, while 22% are moderately satisfied with the appropriateness of the training methods and, finally, 17% are dissatisfied (below average), while 10% are not at all satisfied (low). The company needs to improve in this regard and find the most appropriate training methods to increase employee competence.

The answers to the fourth question are of the greatest variety during this questionnaire. Employees are generally dissatisfied with the company allocating budget for competency improvement training. For this point (question) the statistics are as follows: 17% are not at all satisfied in this regard (low); 20% are dissatisfied (below average), while 25% are moderately satisfied (average), 20% are well satisfied (good); while 18% are more than satisfied (excellent).

The operation of the company across different sectors makes it easier to divide work tasks between sectors. The answers to the fifth question are as follow: 33% of employees think that the division of labor tasks is at an excellent level; 30% of them think that the division of labor tasks between the sectors of the company is at a good level; 25% of respondents think that the separation is at a
satisfactory level (average); and only 12% of employees are dissatisfied (7%) or not at all satisfied (5%) with the division of labor tasks between the company's work sectors.

In trainings (the last question) employees are divided into two. Maybe in the company there are certain positions in which the development trend should be followed and certain employees are enabled to follow them more. In this regard, 27% of employees indicate that they are very satisfied with the provision of training (excellent), 18% of them state that they are good with the provision of training (excellent), 25% of employees are average, and 30% are dissatisfied (18%) or not at all satisfied (12%). At this point the company should be careful and for training make a variety of employees and not in most cases send the same employees.

**Discussions**

The purpose of this paper was to analyze the importance of improving competence in company performance. From the theoretical knowledge, as well as from the research findings, it follows that the success of the company is significantly determined by the continuous promotion of improving the competence of employees. On the other hand, competency improvement is closely linked to a quality employee training system. It should be emphasized here that the importance should be given to the motivation of the employees, so that they give the best of them and, in this way, they achieve success for themselves, as well as for the owner/s of the company.

The impact of competence is conceived in two directions, in terms of training and in terms of management. Also, to achieve its goal, this paper presented a broad overview of theoretical views and empirical studies focused on this issue.

By fulfilling these two objectives, the company manages to meet both objectives: the company objective and the employee objective. We can say for sure that in Kosovo the application of the modern concept of employee motivation, as is done in Western countries, is still far away, but it is a very good model for the conditions in the Republic of Kosovo. The political and economic instability that exists in Kosovo is also reflected in the instability of building a more advanced system of motivation and performance of employees, which directly affects the increase of performance. This is also due to the still very low level of average salary in the Republic of Kosovo. We can conclude that performance-based benefits motivate and guarantee the success of the company. It cannot be otherwise true for the companies of the region of Peja.

To address the research questions, based on the answers from the questionnaire we can say that the management of human resource competencies in the region of Peja is mostly satisfactory, however there is more to be done in terms of employee’s training programs and motivation strategies. As per second question, we saw from the literature review that there are multiple advantages of the human resource competencies for the company. These competencies provide a valuable asset to the overall development of the company. As for the third question, we saw that the private companies in the region of Peja do provide strategies to identify incompetence at work although not at a fully satisfactory level.

**Recommendations**

In the final part of the paper are some of the recommendations for the companies in the Region of Peja that were part of the research. The recommendations are based on a review of the literature and data obtained directly from the employees of the company in question, which we are listing below.

1. Based on the research findings, the company should allocate more training budget to its employees in building competencies in the workplace.
2. Training opportunities to be open and accessible to all the employees, not selectively;

3. Companies should develop more innovative and impactful training methods for employees in building competencies for their workplace.

4. Also, the companies of the Region of Peja being private businesses, should continue with further restructuring and modernization, with the sophistication of the business, the advancement of the way of reporting work to the management of the company.

References


International Economic Factors and Crises

Mirjeta Domniku¹, Lorik Elezkurtaj²

¹ UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,
mirjeta.domniku@ubt-uni.net , le41243@ubt-uni.net

Abstract. Economics is a topic that initially does not arouse curiosity, in appearance it is a profession which seems very dull and routine, with this paper we will try to prove the opposite, that economics is a topic that will grip anyone studying it with its magic. Economics functions like nature itself, things in it sometimes happen even when we do not pay attention. As the nature is in constant motion so is the global economy, these motions create fluctuations which in turn create social fluctuations which can lead to instability and unrest, as a result of this we must ensure we analyze each crisis with the utmost care in order to fully understand these economical fluctuations. After reviewing the literature and analyzing each factor we can conclude that economic crises are created in two ways: created as a result of human actions which in most cases can be prevented if the factors leading to these crises are identified in time and crises created as a result of situations which are beyond our control such as cases of natural disasters which cannot be prevented but managed.

Keywords: Economy, crisis, factors, states, society, credit, money, banking.
Introduction

The world today is a place completely different from the past, a more creative and dynamic place in every aspect, from the economy to the arts and to the way people think and behave in their daily lives. This paper will focus on the topic of global economics, consequently the main purpose of this paper is to create an adequate understanding of the factors which affect the global economy. Economic systems however primitive have always existed throughout the history of mankind. These economic systems in their early days were relatively simple, in the ancient period it encompassed a small community which exchanged basic goods with each other, and then later as the mankind developed both technologically and culturally so did the economic systems, from industrialization to the present modern era. As economics has always influenced man and society we should consider the study of economics as important. With this paper we will try and answer some of the basic questions about economic fluctuations, crisis and factors that have contributed in various cases which have occurred previously. The Great Depression, The Financial Crisis of 2008 and The Recession from Covid-19, are topics which will give us a deeper understanding of the true role of such crisis in our lives.

Literature Review

1.1 The Economy and Crises

A word which may seem very intimidating and complicated as a subject to the ordinary reader, but in fact a very simple concept or system based on logic and information. "Economics is defined as a social field that emphasizes material practices, discourses, and expressions related to the production, use, and management of resources" (James, Magee, Scerri, & Steger, 2015, p. 53). Crises come in many forms, they can come in the form of price changes in a market, financial crises, depressions, banking crises, currency crises, speculative bubbles, natural causes, pandemics, and so on. A crisis means a fluctuating period of time which is manifested by lower economic activity during which there may be large losses in the value of assets, jobs, production, monetary value, etc. Many economists at different times have given different theories on how to prevent economic crises, despite this fact there is still no specific comprehensive theory and economic crises continue to occur from time to time.

1.2 The Great Depression in the US

The Great Depression in the US was an extended period of recession during the years 1929-1940 which had major consequences for the US economy. Milton Friedman (1962) based on his analysis he concludes that the Great Depression was not necessarily due to the October 1929 stock market crash. He in fact states that the emergence of the "bubble" may have been driven by the rise in the interest rate charged by the United States Federal Reserve on loans to commercial banks. The cause of the speculative bubble that led to the collapse is a somewhat controversial topic. While Friedman acknowledged that the bubble was caused by investors, apparently supporting at least in part the Keynesian explanation. During 1930 the number of banks that went bankrupt was 352 which resulted in several other waves of bank failures. The fact here is that the Great Depression was produced by the mismanagement of government rather than by an internal instability of the economy. (Friedman, 1962, p. 60)

1.3 Financial crisis of 2007-2008

This crisis is fresh in the history of the world, considered by economists as the most influential crisis after the Great Depression. “The crisis began in 2007 with a devaluation in the subprime mortgage market in the United States and developed into an international banking crisis with the collapse of investment bank Lehman Brothers on September 15, 2008” (Williams, 2010, p. 213).
The financial crisis of 2007-2008 produced a “domino effect” which shook the foundations of the modern world, due to the level of globalization this crisis also reached Europe and it started the Eurozone debt crisis.

1.4 Recession from the COVID-19 pandemic

The recession that the world entered at the beginning of the 2020 is as a result of a new virus called corona virus (COVID-19). The virus, in addition to spreading across countries, initially spread another "disease" with economic consequences, panic. As a result of widespread panic but also the potential risk of loss of life many countries were forced to take physical quarantine measures for their citizens. These drastic measures had catastrophic consequences, the pandemic is causing the largest global recession in history, with more than a third of the global population at the time being placed in quarantine or restrictions (Morgan McFall-Johnsen, 2020).

Methodology

During the compilation of this paper to have an easier understanding, orientation and comparison of data we have used the empirical method associated with qualitative and quantitative data mainly provided by secondary sources. The qualitative method has made it possible for us to analyze the various factors that have influenced different cases to enable the detection of possible trends. The quantitative method which we have obtained mainly via the internet, books and reports makes it easier for us to have a structured analysis of the numerical parts of the factors that have influenced the formation of different crises and situations.

As a source of secondary data we have used multiple articles, books and journals found online and physically which encompass various topics of economics, we made sure to evaluate and use relevant data that represent diverse opinions of various economists.

Results

As we go by each chapter and analyze each crisis we come to conclusion that the cause of crises are different, the word "crisis" is a broad term for economic situations often created by the negligence of relevant institutions. Crisis can be created by various factors such as natural factors, hyperinflation, speculative bubbles, banking crisis, fiscal crisis, currency crisis, supply shocks etc. Most if not all of the crises are caused by the factors mentioned above, which are mainly caused by man and can be avoided in time if there is a good system of governance in place.

Our results are focused on how crises can be avoided by taking as example previously mentioned cases, it is worth to mentioning that crises can be created by natural and sometimes uncontrollable factors, in such cases if prevention fails we must focus on how to best handle a crisis. In cases when the crisis is more widespread as a result of a bigger natural disaster then the recovery is also more difficult because the capacities of a country in such situations become more limited, a broken arm can be healed more easily and with less pain whereas two broken arms and injured legs have greater impact on the body and a slower recovery.

In the case of the Great Depression and the Financial Crisis of 2007-2008, the cause for those crisis was institutional negligence. In the first case, that of the Great Depression the money supply fell by over a third (Friedman & Schwartz, 1963),it was the job of the Federal Reserve to provide liquidity to the market and stop the banks from bankruptcy. This could have been stopped or minimized if the government intervened in time to provide liquidity and ensure proper functioning of the institution, the latter could have been done by hiring more professionals and thoroughly making evaluations after each decision.
The great depression in the United States of America created long lasting problems in the economy, it caused rise on unemployment numbers as shown on the data above. The financial crisis of 2007-2008 was a disaster, it was created by the hand of some greedy individuals whose primary objective was to create profit ignoring the potential risk created by bad credit in the economy, house prices were artificially increased by a huge influx of credit and spending, in the end a small hole in loan repayment was all it took to send the whole system in total chaos.

The Government in the second case could have prevented the Financial Crisis from happening by intervening to stop the unethical practices from happening and ensuring proper function of the regulatory institutions.

In the current case with the pandemic which is still continuing to this day we have a different case something unpredictable, a natural disaster which caused great panic.

In the data above we can observe that the level of poverty in the world was going on a downward trend over the past years, the percentages mean millions lifted from poverty. This trend before COVID-19 was predicted to continue until at least 2022, with the appearance of the virus now the curve appears to take a strong turn and rise to higher levels and cause more people to enter poverty. But on the other hand also the non-implementation of restrictions would also cause more death and suffering, humanity was at a crossroads and none of the roads had a good end. Given the situation already created it is in our opinion that if we were given the opportunity to go back to the beginning once again a third way would have to be found, a middle ground between total closure and total opening in order to minimize the spread of the virus and economic damage. Another consequence of the restrictions caused by the pandemic which was immediately felt afterwards was on the unemployment rate, many companies were forced to lay off their workers as a result of falling demand. The US experienced one of the highest re-registered unemployment rates in its economy.
In all of the cases the business cycle is affected which in turn produces economic instability. The business cycle describes the rise and fall of the production of goods and services in an economy (Hayes, 2020). In short it is how we spend our money, the money we spend is someone’s wage thus creating an endless cycle which is constantly running. This cycle is also influenced by credit, if within an economy there is more credit spending rises and we have an expansion of the economy, and its only when the credit is paid spending is reduced and thus creating a recession. In cases of crisis this cycle is directly affected, a crisis distorts the cycle and produces an early unexpected recession. So based on this explanation we have a clearer idea on how different factors can influence this cycle.

In order to avoid economi
crises in general and to get out of negative business cycles by considering and studying all the factors and earlier experiences we can conclude that the best approach would be by using and balancing between the methods described by Ray Dalio:

- Reducing spending - businesses, government and other economic actors cut spending significantly and pay off debts, this is a deflationary measure
- Debt reduction - in debt restructuring lenders agree to restructure debts in order to save at least some of their capital.
- Redistribution of wealth - the government taxes the rich and distributes wealth to other sectors in need.
- Money printing - when interest rates do not work during periods of recession because borrowers do not want to increase their debt, central banks buy assets and directly finance government debt by issuing money by injecting money into the market. (Dalio, 2013)

**Conclusions and Recommendations**

After reviewing the results, we finally have a clearer idea of how crises are created and what they are, and we also have a clear picture of how they can be prevented through various factors, normally if there is the will of the relevant actors. By avoiding crises and various economic situations, social tensions which are a direct outcome of the crises can also be avoided. Economic prosperity also paves the way for both technological and social developments which in the long run increases the financial, social stability and freedom.

**References**


The role of personalized marketing in business-customer relationships

Mirjeta Domniku1, Labeat Mustafa2 Ejona Bajraktari3

1 UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,

mirjeta.domniku@ubt-uni.net , labeat.mustafa@ubt-uni.net , ejona.bajraktari@ubt-uni.net

Abstract. The idea of personalized marketing lies in creating a unique customer experience and delivering products / services / messages that are relevant to it. The need for it came as every day more and more customers are being targeted by a large number of ads and this has already created so much annoyance for people that they are now trying to avoid them. Modern data sources today are considered to be data collected from smartphones and social networks. Seeing this dilemma what we have tried to understand through this research is whether customers want their shopping experience to be more personalized and whether they are willing to share personal information with companies in return. To achieve a deeper understanding of the research topic and question as well as to test the hypotheses it was decided to use both qualitative and quantitative methods. The research results showed that customers want their experience to be more personalized and are willing to share personal information with companies in return.

Keywords: personalized marketing, clients, ads, information, marketers, targeting
Introduction

Marketing is the bridge between the company and its customers. The relationship between these two parties largely determines the success of the business. This relationship has evolved over the past few decades and today is more important than ever before. But today, too, more than ever before, customers have countless choices and getting their attention is by no means easy to achieve. To build strong relationships with brand consumers many marketers have turned to personalized marketing. Businesses need to engage with each customer and offer not only content but also an individualized experience specifically for them. In return they can get not only the attention and time of the customers but also their loyalty.

Personalized marketing is the idea of collecting as much customer data as possible and using that data to identify customers and provide them with products or services relevant to them. In this way the business is interested in each of its customers and creates a stronger connection with them. But personalized marketing, no matter how great the benefits, has its downsides. Clients may perceive the collection of data on them, not as a process of recognizing them but as a violation of their privacy.

The initial motive of this paper is personalized marketing and its impact on the relationship between business and customers. The basic research question posed in this paper tends to reveal customers' opinions and perceptions on personalized marketing. So through it we will be able to understand if customers want to have a personalized experience and whether they are willing to share personal information with companies in return.

Personalized marketing works mainly through the data it receives through the internet and online shopping - data from cookies, social networks, shopping history. In Kosovo, online shopping has only started in recent years and still the most common form of shopping is the traditional one, ie in the store. Also, most businesses that offer products or services online offer these from their social networks, so they do not have a website, which means that they do not have a database of their customers. This may cause customers but also businesses in Kosovo not to have a clear idea of personalized marketing. Therefore the main purpose of this research is to inform readers why it is important today for a business to know its customers and how they manage to know and anticipate their needs, as well as information on ethical dilemmas and problems that may arise during the application of forms of personalized marketing.

Literature Review

The paper contains the reviewed literature on the evolution of the relationship between business and customers and the impact of personalized marketing on this relationship, so the literature with different views of the authors has been researched.

2.1 The meaning of change

The main responsibility of a company is to serve its customers. Profit is not the main goal, but rather an essential condition for the continued existence of the company. "There is only one valid definition of a business goal: to create a customer." (Drucker, 1946)

Marketing has always been a link between business and customers so with the changing relationship between these two parties, it necessarily changed as well. Since 2010 there has been a "boom" of advancement of these technologies already known to humans. The time people spent online exceeded the time spent on TV. Social networks were being used more and more (Facebook exceeded 100 million users in 2012) and 1 in 2 Americans had a smartphone. Online shopping has become even more common. (Wainwright, 2017)

How did advertising change during this period? The ads already focused more on creating a community and brand awareness than on the sales mentality. The content of the ads was no longer the product or its features, but the solution the product offers to the customer's problem / need. (Gallegos, 2016)
Today, we live in a time of ad blocking. Since the focus of companies today is customers, they are the ones who are already fighting for their attention. Today you can not use the Internet without being bombarded by numerous ads in number. And they have already become a nuisance to people. People today are paying not to see ads. Think of platforms such as Netflix or various applications that offer the option of not showing ads in exchange for a certain price, a price that people seem more than willing to pay. The reason seems to be people's distrust of advertising. To stand out from the competition and attract customers, brands are starting to exaggerate the performance of their products and promise more than they really are. As a result people have become more skeptical of these promises and messages. (Gallegos, 2016)

But who are people trusting to decide what to buy? Simple, other people. People feel closer to other buyers than to the brand they are buying from. All of this has led brands to change tactics to attract customers. Customers are now part of advertising rather than passive viewers. When brands realized that people were trusting more people than they did, their focus shifted from "one-time buyers" to building a loyal clientele. (Gallegos, 2016)

2.2 Personalized Marketing - The Road to Loyalty

In one of his books Dave Walters describes marketing as how to visit a city. Most marketing today is a large crowd of tourists visiting a small number of the most populated destinations. More advanced marketing is like a bus tour that takes tourists to more destinations and smaller groups. The future of marketing is like having your own private tour guide who knows your interests, budget and pace. This guide walks with you providing a completely unique and personal experience perfect for you. This marketing of the future, as described by Walters, is what we call personalized marketing today. (Walters, 2015)

We see forms of this marketing all around us today. The emails that come to us with our name, the proposal of the products we are interested in on the Amazon site, the recommendation of the movies we like on Netflix or the music on Spotify, are all successful and famous tactics of this marketing. You probably remember the Coca Cola bottles with the names on the packaging. Her 2014 campaign is among the most famous examples of personalized marketing and the impact it can have. Coca Cola searched for the 250 most popular names in the US and created a campaign that seemed to these people that was created specifically for them. Through this campaign the company achieved an increase in sales for the first time since 2000. So such a simple idea with a focus on people achieved what other advertising or campaigns could not. (Baum, 2017)

2.3 Personalized marketing strengthens customer relationships

Sharing personal information is what people do as human beings. It has been in human nature since the beginning of time. The means of communication and ease of communication have affected the amount of information disseminated. When people communicated through older forms (letters, typewriters, fax machines), communication was usually between two or a small number of persons, more formal and reserved. While now for the first time in history people are willing to share any kind of information on any scale with anyone. This huge exchange of information has been influenced by smartphones, social networks and everything related to the Internet of Things. Today people also share information with the brands they interact with and the result is a "win-win" relationship. Customers / consumers get what they want: products relevant to them, exceptional and personalized experiences. They do not need to waste time looking for products that they like / are interested in, they just need to "show" them to businesses and they are the ones who offer them directly, even before customers ask for them. Businesses also get what they want: higher revenue, lower costs and satisfied customers. (McKean, 2014)
2.4 Personalized marketing is compromising customer privacy

In 2012 a man entered a Target store and asked to meet with the manager. The man began to complain that his daughter, who was still in high school, had received coupons for baby clothes and products for pregnant women and accused the company of "encouraging" young girls to become pregnant. The manager apologized, told her that something must have happened and after a few days called the man again, but this time it was the girl's father who apologized after it turned out that his daughter was actually pregnant and he had not been in aware. Target had discovered that the girl was pregnant from her previous purchases and had automatically sent her coupons for products that women usually buy during pregnancy. The news quickly became public in the media as an example of a ridiculous situation when a company reveals to the father that his daughter is pregnant but very soon people started accusing Target of violating privacy and obtaining personal information without their knowledge. (Duhigg, 2012)

2.5 Laws on privacy protection

A recent GetApp study (Warnock, 2019) found that 91% of consumers in the US think that advertisers know a lot of personal information about them. The issue of privacy is much more sensitive in the US than in Europe. In Europe since 2016 there is a GDPR (General Data Protection Regulation) which is a legal framework that sets out guidelines for the collection and processing of personal information by individuals living in the European Union (EU) and is considered the strongest group of data protection rules in the world. Companies that fail to cooperate with GDPR requirements can be sued with fines of up to 2% or 4% of their annual revenue or 10-20m euros. The US does not currently have federal data privacy legislation. Yet many states have enacted their own laws among them the most important so far being the California Consumer Privacy Act. (Groot, 2019)
Research Questions and Hypotheses

The main research question that we have tried to answer in this paper is:

1. What are the attitudes of customers regarding the use of personalized forms of marketing by companies?

HA: Customers want their shopping experience to be more personalized and are willing to share personal information with companies in return.

H0: Customers do not want their shopping experience to be more personalized and are not willing to share personal information with companies.

Methodology

In the paper we have used quantitative and qualitative methods as well as a combination of primary and secondary sources.

The questionnaire was chosen as the source of primary data, which is the main instrument of this research paper. The questionnaire which focused on individuals, i.e., citizens of Kosovo could be completed as anonymous or with name and surname, depending on the preference of the respondent. The questionnaire contains a total of 10 questions where all are closed questions so that the answers or results are analyzed and presented more accurately. Due to the situation we are in, at a time when the whole country is facing the Covid-19 virus, it has been decided that the questionnaire will be of the self-managed type. More precisely, the questionnaire was posted on social networks in different groups or was sent via email and completed through the Internet. Since interference was not possible during the completion of the questionnaires, the language and questions were tried to be as clear as possible.

The literature of foreign authors has been used as a source of secondary data, including books, various scientific and academic articles. Through these two data sources it is possible to test the hypotheses and answer the research question.

Results

The results obtained support the alternative hypothesis that customers want their shopping experience to be more personalized and are willing to share personal information with companies in return. Below are the main results obtained from the questionnaire.

Graph 1: Irritating experiences while shopping
First, we needed to know if there is really a need for personalized marketing. As already discussed people now are blocking advertisements and choosing not to see them. This was proven by the results of the questionnaire. When respondents were asked about what they consider irritating while buying more than half of them (60%) chose e-mails, phone calls and messages for products they are not interested in. The second most chosen option (37%) were online ads about products that do not match with their taste or preferences. A way to avoid these irritating experiences is implement forms of personalized marketing that make sure that the customer is seeing only what is relevant to him/her.

Graph 2: Preferences on personalization

Based on the research, the results showed that almost all (84%) of the respondents want their buying experience to be personalized for them. This also answers our research question partly.

Graph 3: Personal informations that customers are willing to share

The other part of the research question tried to find out which informations are customers ready to share with business in exchange for personalized experiences. The results show that the informations that they are more willing to share were: gender, age, name and e-mail address and phone number. It can be noticed that people are more reserved in sharing information about their residential address, marital status and their income.

Conclusions

Personalized marketing is a form of marketing that aims to provide products, services or messages to each customer, according to their interests. It is a form of marketing that focuses entirely on the customer and uses the data about him to better know him and his tastes / preferences. The goal of personalized marketing is to provide a personalized experience for every customer of the company.
The number of advertisements and offers that consumers receive today is so great that they often become irritating to them. Brands therefore strive to learn as much as possible about their customers in order to provide products or services that are relevant to them. But not only for this reason, brands through the data they collect on their customers try to predict their future purchases. The data for consumers that companies mainly use today are: profile data, CRM, social networking, environmental data, cookie data, etc.

Today the sale of customers' personal data or their exchange between companies is very common and increases people's concern over their privacy. This is a more serious issue in the US as privacy rules are not as strong or strict as in Europe. On the other hand many marketers do not see this as a serious problem as people today disseminate personal information more than ever before. This is mainly caused by the means and ease of communication today as well as largely by the influence of social media. This is why new generations, born into the world of information, are more willing to share personal information in exchange for a better and more personalized experience. Older generations, on the other hand, are more concerned about their privacy.

The research showed that customers want their experience to be more personalized and are willing to share personal information with companies in return. So personalized marketing is a tool that strengthens the connection of customers with the company as well as a facilitation in the buying process.
References


The struggle to maintain competition in today's business world is increasingly challenging. This is due to the great dynamics of changes in the market. In small businesses the competition is even fiercer because of the specifics that distinguish them from large companies. The main specificity that distinguishes them lies in the management function. This is because small businesses, unlike large companies, in most cases are managed by their owners based on previous experience and not by professional managers. This is also one of the main reasons why a significant number of them fail in the first years of their business. But also a considerable number manages to create successful and sustainable business, especially thanks to the specifics with which they manage the business. Therefore, this paper aims to identify the specifics with which they manage through the empirical method of surveying small business managers active in Serbia. The research results provide the current management specifics that are applied today by small business managers active in Serbia. The obtained research results, analyzed and generalized, will be offered to small businesses in Serbia as recommendations for a positive managerial practice, in order to help them create a successful and sustainable business.

**Keywords: Small businesses, competition, management specifics**

**Introduction**

Small businesses are the bearers of entrepreneurship in national economies, both in developed and developing countries. They are also for the Serbian economy. They are especially important because of the multiple contributions they make to the Serbian economy, and this contribution includes many aspects, such as the aspect of self-employment, employment in the number of the workforce, participation in creating added value and filling the market with various products and services. However until they achieve this contribution they face their own problems in their business. Since their managers are business managers and capital managers, it can be considered that the success of small business lies in the way it is managed. Therefore, it is considered necessary to treat small business management in scientific and practical aspects. And for this reason, this paper addresses the way, respectively the specifics by which active businesses are managed today in Serbia, which have provided them with a sustainable business. The purpose of this paper is to identify the specifics of current small business management in Serbia through research methods, so that they can be offered to new small businesses as recommendations in managerial practice. That new small businesses apply those specifics to the management process as a positive practice to make it easier to achieve a sustainable business.

**The methodology**

This paper includes qualitative and quantitative research methods. Data collection is conducted through a survey of current small businesses managers in Serbia, according to their personal experience as an empirical research method.
Surveyed are 40 small businesses active for several years, of various sectors such as processing industry, construction, trade, information and communication and other sectors, as they are actually involved in the Serbian economy. The survey is conducted in the field in the form of a questionnaire through concrete enterprises. The data and the results are processed, presented and interpreted in statistics in order to analyze and draw conclusions.

**Literature review**

Small businesses are characterized by an entrepreneurial spirit. This makes them survive in the market despite the great competition of limited resources. It is widely accepted that small businesses are not supported by material and financial availability but by the presence of the entrepreneur.[1] The entrepreneur risks pooling resources to bring a good or service to market to make a profit. [2] However, companies often have to solve various problems caused by unwillingness to manage innovative processes. [3] This is because small businesses are run by their owners, and not by professional managers. Therefore, small businesses are distinguished from other businesses precisely in the function of management, therefore we say that they are specific

*Basic Characteristics of Small Businesses* – One of the most important characteristics of small businesses is their size, which distinguishes them from medium and large enterprises. The size of the enterprise is one of the contingent (situational) factors on which the whole business depends. The contingent approach actually represents the improvement of its kind in the systematic approach of the organization. [4] This means that this characteristic respectively size and a range of other characteristics make small businesses specific in themselves.

Another characteristic is the simple organizational structure - which is closely related to its size. In small enterprises there is no high degree of task specialization. [5] The organizational structure in them is simple, it consists of a manager and a small number of employees and all work is done within them.

Management and ownership - In small businesses the management function is not separated from the ownership function, as is the case in large enterprises.

They are managed by their owners. Owner – the manager of the small entrepreneurial business bears all the responsibility for the success or failure of the business, unlike the manager in large firms. [6] The small business owner/manager must manage the business at the same time as his capital, while in large businesses these two functions are separate. A characteristic of small businesses is very centralized decision making. [7] However, each type of decision-maker has particular characteristics one could account for when trying to exert influence.

High level of flexibility - makes small businesses different from other businesses. They can easily bring about changes to suit market trends thanks to their size, simple structure and small number of employees.

Small businesses as well as other businesses are distinguished by their advantages and disadvantages. The advantages of small businesses are high flexibility, ease of management, entrepreneurial spirit, direct information from the market, etc. The weaknesses of small businesses are the lack of volume economy, the lack of professional staff, the lack of professional managers. One of the biggest problems faced by small businesses is the provision of financial means. [8] The financial resources available to large businesses are not available to small businesses. These are some of the main characteristics of small businesses that their managers manage. Therefore, through the results of the research we will try to identify and generalize the specifics with which small businesses operating in Serbia today manage.
Results

This paper includes a part of the research conducted in 40 small businesses in Serbia, by the author of the paper, for the research of small business management in Serbia. In this paper is included that part of the research that has to do with the main specifics of management such as: decision making, implementation of innovations, financial management, employee motivation and business strategies, as important points of the management function. Specifications provided by the above literature. The questionnaire questions are ranked on the Likert scale with answer options from 1-5: totally disagree, disagree, neither agree nor disagree, agree and totally agree. The research results contain the personal attitudes of the respondents about their way of managing.

The following are the elaborate answers to the questionnaire questions, which help us to extract data on some specifics of small business management in Serbia.

Table 1. Elaborated answers to survey questions

<table>
<thead>
<tr>
<th>Questions</th>
<th>Totally disagree</th>
<th>Disagree</th>
<th>Neither agree nor disagree</th>
<th>Agree</th>
<th>Totally agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership has shared responsibilities for relevant roles in the organization</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td>Leadership uses innovation in order to enhance the image and reputation of the organization</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>22</td>
<td>12</td>
</tr>
<tr>
<td>The leadership of the organization has enough information to make decisions</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>15</td>
<td>17</td>
</tr>
<tr>
<td>The strategy of the organization is based on the needs of stakeholders and environmental expectations</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>Financial management is implemented for the purpose of sustainable success of the organization</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>Employees are offered motivation, opportunities for improvement and career building</td>
<td>0</td>
<td>0</td>
<td>8</td>
<td>19</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: Own search

- In the question "Leadership has shared responsibilities for relevant roles in the organization" respondents answered as in Chart 1.

Chart 1. Leadership has shared responsibilities for relevant roles in the organization

Source: Own search

Chart 1 shows that 82.5% agreed that managers implement the division of roles and work in the enterprise. This phenomenon is not characteristic of small businesses, but if the respondents' answers are true, it can be said that these businesses are related to adequate business management.
In the question "Leadership uses innovation in order to enhance the image and reputation of the organization" respondents answered as in Chart 2.

Chart 2. Leadership uses innovation in order to enhance the image and reputation of the organization

Source: Own search

85% of respondents claim to implement innovation in business management. What the literature says is confirmed by the managers of these businesses, that small businesses excel at using innovation, otherwise it is unlikely that they would maintain such great competition in them.

In the question “The leadership of the organization has enough information to make decisions” the answers result with 80% agree while 20% disagree and between the two answers. They say they have enough information from the market. This is also understandable because they get information easier and faster than large businesses, they get information directly from the buyer and not through multiple intermediaries. (Chart 3).

Chart 3. The leadership of the organization has enough information to make decisions

Source: Own search

- In the question “The strategy of the organization is based on the needs of stakeholders and environmental expectations”, respondents with 87.5% agreed, 7.5% are between yes and no, while 5% disagree. The almost absolute majority of respondents state that business strategies are oriented towards market demands. This is one of the key factors that affects the success of a business whatever it is, and it is worth welcoming (Chart 4).

Chart 4. The strategy of the organization is based on the needs of stakeholders and environmental expectations
To the question "Financial management is implemented for the purpose of sustainable success of the organization" surveyed managers answered as in Chart 5. So, 82.5% of them agree, while 17.5% neither agree nor agree. The most sensitive part of small businesses is finance, so it must be believed that finances are intended to be managed properly.

Chart 5. Financial management is implemented for the purpose of sustainable success of the organization

- In the question "Employees are offered motivation, opportunities for improvement and career building" respondents also answered that I agree with 80% of them, while 20% of managers are not sure if they invest in their employees for development and advancement. (Chart 6)

Chart 6. Employees are offered motivation, opportunities for improvement and career building
The theory is that small businesses do not invest enough in their employees, but research into these businesses proves otherwise. Small businesses are especially notable for the lack of professionals. And if these businesses really implement the motivation and personalization of employees not that the persons in question develop but affects the overall development of the business in the long run.

**Conclusion**

Changes in the market also impose changes in business. Changes in businesses start with new ideas and creativity of the entrepreneur. which are first reflected in management. Small businesses due to great competition must be committed to innovative management. Only innovative management promises sustainable business and this means the ability to adapt to the environment. The management specifics of small businesses surveyed in Serbia are specifics that have provided them with sustainable business for years. Those specifics are: continuous monitoring of the market and information from the market, use of innovations in the enterprise, strategies oriented towards stakeholders and the business environment, financial management towards sustainable business. Good managerial practice is proven in the researched businesses. What specifics these small businesses is the division of responsibilities for relevant roles with the employees as well as the investment in the improvement of the employees. Practice that is lacking in many small businesses. Increased care and investment in human resources is an inalienable condition recently.

Positive management specifics that apply to over 80% of small businesses surveyed in Serbia, that we can consider as positive management practices arising from the research results are:

Sharing responsibilities and roles with employees as a means of motivation, which can be said to be not so practical in small businesses. This specificity reflects and motivates the increase of employees’ self-confidence and autonomy in the workplace and involvement in decision-making, as well as other motivations to advance employees, should reflect in the increase of profits. As a positive managerial practice we consider the fact that these businesses have sufficient information from the market, which is a prerequisite for making appropriate decisions, as well as their strategies oriented according to environmental requirements, as determinants of profit growth. Also the focus of financial management focused on ensuring a sustainable business, along with the preliminary specifics of these small businesses enables them to have a sustainable business.

The conclusion is that the above-mentioned specifics should be applied by new small businesses in Serbia as a positive practice in the management process that they will have to help them for a sustainable business.

**References**


The role of risk management departments in banking institutions

Dr.sc.Enver Daci¹
¹ UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo, enver.daci@ubt-uni.net

Abstract. The topic of risk and risk management is a topic where the interest of academics, field professionals but also ordinary people has increased enormously. When this topic is dealt with in the banking system, the dominant element in the overall financial system of a country, then the interest rate is even higher, especially after the global financial crisis.

In the case of the banking system, credit risk is one of the main risks to which the system is exposed. Over the last decades, loans have occupied the main weight among the assets of the banking system. Moreover, in recent years, the quality of the loan portfolio has deteriorated significantly, which is evident from the significant increase in bad loans served (otherwise known as non-performing loans as defined in the Albanian regulatory framework).

Another objective of the paper is to identify and evaluate various macroeconomic factors and factors related to the structure of bank assets and liabilities affecting the bad credit indicator. Before interpreting the variables, all the necessary statistical tests have been made and their conclusions analyzed. Further, the impact of these factors is also transferred to the probability of default and the risk index as the credit risk metering for the banking system.

Keywords: Management, Risk, Banking Sector, Financial Reports, Credit

Introduction

Risk has been defined in different ways over time. Some definitions focus on the probability of an event, others refer to the uncertainty of results, positive or negative, and others to risks as a subset of uncertainty that can be quantified [1].

Risk in finance is defined as the chance of return on investment, including positive and negative results. According to this view, a greater expected return is associated with a greater variability of results. In the financial industry, the view of risk is different. Risk is determined by the uncertainty that has adverse effects on profits or wealth, or the uncertainty associated only with negative outcomes. This view is that of regulators and risk managers[3]. The regulations aim to increase the resilience of financial firms and the financial system under pronounced conditions. Risk managers see their role as responsible for identifying, assessing and controlling the likelihood and consequences of adverse events for the firm. According to this view, risk is seen as the potential for loss arising from the interaction with uncertainty. The interaction arises from the exposure of financial firms to such a coincidence. Exposure is the extent to which a business can be affected by several factors that can have a negative impact on revenue. For example, exchange rate exposure is the size of foreign exchange earnings; interest rate exposure can be measured by the size of debt indexed at market rates. Uncertainty cannot be eliminated, but exposure to uncertainty can be changed. Examples are numerous[5]. A firm that has foreign exchange earnings can borrow in the same foreign currency to minimize the impact of gaining exchange rate fluctuations. A floating rate of strong lending can reduce fluctuations in net interest income, interest income minus interest cost, etc., by borrowing the floating rate. Exposures can be long or short. Being tall is the conventional practice of investing in assets or portfolio. The holder of an asset is tall and the risk is that the value of the asset will decrease[2]. A short position can be seen as the reflected image of long positions and gains when asset values move down. In investment, a short position is the sale of a borrowed asset, such as stock, which is later purchased to return the assets to the insurance lender. In the event of a negative move, the stock
borrower again buys the stock at a lower price and therefore wins. Protective hazards can be achieved by taking inverse exposures in long positions. Holding a stock is a long position, which takes a loss if stocks fall. The short position is symmetrical. When a party has a long and short position in the same stock, gains and losses are exactly offset. Therefore, a perfectly protected position is subject to uncertainty, but is not exposed to risk. Protection can be achieved with cash instruments, but is usually done with derivatives. Derivatives are instruments, the value of which is derived from other sub-legal assets. For example, the above firm ready to hedge its long-term foreign currency exposure, may enter into a contract, setting today the next exchange rate for converting foreign income into local currency. This is easier than trying to borrow in foreign currency. Due to their flexibility, derivatives are widely used[6].

a. The purpose of the research

The purpose of this paper is to determine and evaluate the indicators for measuring the risk to the banking system and the determining factors that affect these indicators.

The first step to achieving this goal is the left of credit risk through the bad credit serviced indicator, the Z index and the transition matrices. The second step is to identify and evaluate the determinants that affect these indicators, focusing on macroeconomic factors, such as Gross Domestic Product, Consumer Price Index, Unemployment Rate, etc., and those related to the structure of assets and liabilities of banks, such as Return on Assets, loan volume, loan-to-deposit ratio, etc[4].

b. Research methodology

The methodology used in this paper consists of descriptive (descriptive) analysis and risk measurement for the banking system, as well as the use of other descriptive methods for identifying and analyzing the determining factors that affect this indicator.

The descriptive analysis used in the beginning is a necessity for the breakdown and analysis of the main indicators of the banking system development and credit risk. Through this analysis it is possible to study the average values and volatility of the indicators taken in the analysis and further draw conclusions about the current development but also about the expectation or future developments.

c. Banking risk

Banking risks are the challenges that a bank makes for certain decisions and are commonly used to determine the losses of several different sources of uncertainty. The key to tackling and limiting the impact of risks on the bank is finding the source of the uncertainty and the magnitude of its potential negative effect on profitability. Profitability refers to both accounting and market-marked measures. Different risks need different approaches so a clear definition helps better quantify the risk measures and manage them. Therefore, the risk management techniques used by the commercial banking sector are based on enumerating the risks that the banking industry has chosen to manage and illustrating how the procedure for their management is applied in each area. Risks related to the income of banking services vary according to the type of service provided. For the sector as a whole, however, risks can be divided into six general types: systemic risk, market risk, interest rate risk, exchange rate risk, credit risk, liquidity
risk, operational risk and legal risk. Here we will discuss each of the risks faced by the banking institution, and below we will show how they are managed[9].

d. Systematic risk

Systemic risk refers to the possibility that a failure in a firm, a market segment or a settlement system could cause a "domino effect" across all financial markets affecting one financial institution after another or a "confidence crisis" among investors, creating illiquid market conditions. The effect of the model refers to the hidden risk under the interconnection of several sectors in the market and begins when the disruption of a firm or a market segment can affect and cause failure in segments of the entire financial system. Linking liabilities between the same institutions and the cash markets exacerbates that risk. Another aspect of systemic risk refers to the possibility that certain systemic factors may affect and change the value of assets[9]. By its very nature, this risk can be protected, but it cannot be completely diversified far and wide, and this leaves it in the category of indisputable risks. All investors take this type of risk, whenever owned assets or issued claims may change in value as a result of broad economic factors meaning that systemic risk comes in various forms. However, for the banking sector two are the biggest concerns, namely variations in the overall level of interest rates and the relative value of currencies (risks discussed below). Similarly, some institutions with significant investments in a commodity such as oil, through their lending activity or geographical exclusivity, deal with commodity price risk. Risks related to fluctuations in raw commodity prices that may have a direct or indirect negative effect on the bank's net income and net worth. Others with high concentrations in the single industry can monitor the specific risks of industry concentration as well as the forces influencing the fates of the industry involved[11].

e. Market risk

Market risks are risks arising from changes in financial market conditions and adversely affect the value of financial products and, consequently, the net income and net worth of banking institutions. Liquidation of the transaction period is critical here, especially in assessing such unfavorable deviations from the current market value. Market risk includes the risk that prices or rates will change negatively due to economic forces and includes movements in capital markets and interest rates, exchange rates and commodity prices (factors that also affect systemic risk). Market risk may also include risks related to the cost of borrowing securities, dividend risk, correlation risk and liquidity risk[10].

Basel II

The agreement focuses on active international commercial banks, holding companies, banking groups, but its basic principles must be applied by other banks as well. Basis of Basel Agreements deals with[8]:

• Improved sensitivity to arbitration and financial market innovation
• Identify different risk exposures of different banks, by applying different methods to assess the unique exposure risk
• Expanding the types of risks when assessing the level of capital required to cover credit, market and business risk
• A requirement for all banks to develop internal risk management models and stress tests to assess their level of risk exposure (VaR)
• A requirement for each bank to determine its capital requirements based on the calculated risk exposure, with the possibility of reviewing the budget of the supervisory authority Promoting public participation with the use of the highest market risk among banks that is assumed to take greater risks. Basel II consists of three levels [4]:

• Level I sets minimum capital requirements for credit, market and operational risk, with the possibility of using sophisticated models and techniques for their calculation. The basic
requirement is that banks have at least 8 percent of equity in relation to their risk-weighted assets. Weighted risk assets are calculated by multiplying the nominal amounts of asset positions by risk factors. The minimum capital of banks ensures the solvency of banks in relation to the risks to which the bank is exposed.

- Level II reinforces the link between capital requirements and the type and degree of risks to which a bank is exposed in its operations and by insisting on the supervision process. Supervisors check compliance with capital requirements, internal risk assessment methodologies and determine corrective actions for banks that do not meet the prescribed standards.
- Level III complements the relationship between Level I and Level II, emphasizing the importance of market discipline and the introduction of minimum requirements for the disclosure of information by banks. This standard emphasizes the importance of transparent banking information. Institutions also provide for the mandatory submission of a series of cycles of adequate information on the performance of banks, which are usually submitted quarterly or semi-annually.

2.2. Basel III

Agreement Defines the Basel III framework (ICAEW: 1-3)[7]:

- Higher and better quality capital: a. an increase in the minimum common capital demand from 2% to 4.5% and a capital preservation buffer of 2.5%, bringing the total capital demand to 7%; b. the minimum 8.0% Basel ratio increases to 10.5%, including a 2.5% protection buffer; c. a narrower definition of capital (gradual removal from Tier 1 non-standard, over 10 years starting in 2013, d) a stricter treatment of deductions, including minority interests, investments in other financial institutions, tax assets postponed, repeal of group 3).
- Better risk coverage, especially in relation to capital market activities: a. trade book exposures will be subject to an underscored requirement for risk value; b. higher risk weights for securities and reinsurance in both banks and trading books.
- Introduce a leverage ratio as a return on risk-based demand: a. measures to promote capital construction that can be withdrawn during periods of stress; b. a minimum leverage ratio of 3% of the capital class first in total assets will be tested and monitored since 2011, to be formally introduced until 2013.

Conclusions

Below are the findings of the study.

✔ Risk Management underlines the fact that the survival of an organization largely depends on its ability to anticipate and prepare for change rather than simply waiting for change and react to it.
✔ purpose of risk management is not to stop or prevent risk-taking activity, but to ensure that risks are dealt with consciously with full knowledge, clear intent and understanding so that they can be measured and mitigated.
✔ Risk management functions should in fact be specific banks dictated by the size and quality of the balance sheet, the complexity of the functions, the technical / professional workforce and the status of the MIS in place at that bank.
✔ Risk Management Committee, Credit Policy Committee, the Committee of Responsibility Assets, etc. Such committees that deal with aspects of risk management.
✔ Banks may be more aware of risk, anticipate adverse changes and hedging as appropriate; it becomes a source of competitive advantage as it can offer its products at a better price than its competitors.
Regarding the use of risk management techniques, concluded that the internal system of evaluation and risk. The adjusted rate of return on equity is important.

Effectiveness of risk measurement in banks depends on efficient management in the Information System, computerization and net operation of branch activities.

Reference

Use of the Monte Carlo model in the corporate tax strategy in Kosovo

Dr.sc.Lirim Lani¹, Dr.sc.Enver Daci²
¹UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo,
lirim.lani@ubt-uni.net, enver.daci@ubt-uni.net

Abstract. The paper is oriented towards the use of the mathematical-statistical model, in order for the result of this model to show the right way of tax strategy used by corporations in Kosovo. The main purpose of the research is to select a certain sample of financial items from the financial statements to use the Monte Carlo model, with the main purpose of real research of the tax strategy used by corporations in Kosovo. Avoiding corporate taxes has been a significant public concern, especially since the 2008 global financial crisis. The Monte Carlo model has a 5-10% forecast deviation, which has enabled the company to make earlier securities risk forecasts so that the planning for the fiscal year is accurate.

Keywords: Tax Strategy, Kosovo, Monte Carlo

Introduction

Corporate tax avoidance has been a significant public concern, especially since the global financial crisis of 2008. The nature of calls for tax reform and increased regulation, largely protected by tax activists and NGOs, is revolving around transparency as a possible remedy for unacceptable tax evasion, although there is no consensus on what the term tax evasion includes and when it becomes unacceptable. We have a significant misunderstanding about the benefits of transparency in this environment. By not considering the limits of transparency initiatives there is a risk of dysfunctional consequences, for example additional costs in providing and processing additional information, the prospect of growing disputes as new information generates misinterpretations and uncertainty in determining the final tax position. There is a risk that the larger disclosure will not effectively address concerns about unacceptable corporate tax evasion [1].

This paper explores the relationship between unacceptable corporate tax evasion and tax transparency. We consider these two issues in turn, observing the conceptual and determinative difficulties associated with the former, and the complexity and limitations of the latter. To illustrate our arguments, we consider two recent developments in tax return requirements: country reporting by a country and the publication of tax strategies. Reflecting on the potential impact of these new requirements, we conclude that the costs and benefits of tax transparency are not well understood, and the potential non-functional consequences of greater transparency should be carefully considered before changing policies for it, demanding even more transparency. The demand for more transparency often focuses on the demand for more information, but this is problematic because information does not automatically translate into understanding or results in behavioral change. In this particular context, an added complication is the multiple meanings by different people of what is meant by the term tax evasion. To consider whether transparency can be a remedy for unacceptable tax evasion, we must first clarify what is meant by the term tax evasion. Tax liabilities are defined by reference to tax law: the content and effect of which vary from state to state. The design of tax rules that apply to companies is a matter of national sovereignty, although limited in some cases by national laws, as in the case of European Union (EU) member states. Like most legislation, tax laws are undefined [2].

1.1. Research hypotheses
The research hypotheses of the research are:

**H1** - The percentage of return on investment in corporate futures of Kosovo, according to the Monte Carlo Model forecast is statistically significant with the average risk of future financial instruments of the Milan Stock Exchange.

**H2** - The Monte Carlo model has a positive impact on the selection of corporate tax strategy in Kosovo.

**Literature review**

In its simplest and broadest way, tax evasion to choose an option leads to a lower tax liability than would otherwise apply if another option were chosen. In recent years, however, tax evasion has become a complex term, meaning different things for different parties. However, most agree that tax avoidance is conceptually distinct from tax avoidance, despite the fact that they are often chosen in contemporary discourse. The difference has two aspects, first the relationship with the legislation and the second temporary [4]. In relation to the first of these, tax evasion is a violation of the law and may involve intentional non-disclosure that may or may not be fraudulent. Tax avoidance in its broadest sense includes - all arrangements to reduce, eliminate or defer a tax liability. Payne and Ralborn state that tax evasion is illegal and also unethical because it leads to fraud and concealment. They 'tax avoidance' in rational business planning on the one hand, and avoidance that benefits from a legal 'gap', the latter is considered morally controversial. Many domestic tax laws seek to prevent tax evasion by looking at the purpose of the legislation and the subjective intentions of taxpayers, but both of these concepts are also elusive (see Piantavigna 2018 in the context of the EU Tax Avoidance Directive taxes) [8]. Regarding the second aspect of the difference between evasion and evasion, that of temporary, tax evasion is an ex-post activity, i.e. that occurs after the crystallization of a tax liability. However, tax evasion is the previous activity, which occurs before the crystallization of the tax liability; in the evaluation and implementation phase. Running these two aspects together results in a mix of completely different behaviors and leads to confusion. Over the past ten years, we have witnessed an exponential increase in public attention given to “tax evasion” in relation to the tax issues of large multinational entities (MNEs). Increased awareness of tax evasion in the context of MNE activities has been driven by media attention, NGOs. "Now, MNEs are expected to behave in a certain way not only by the tax authorities, but also by civil society."[10] Morrell and Tuck describe the emergence of new stories in the UK in the 2000s using the metaphor of folk tales to help understand the dynamics between different groups of actors, throwing them as characters, as heroes, villains and helpers, within a tale of functions that perform functions that provide conceptual tools to understand the developments of the ‘tax tale’. However, care must be taken in assessing the validity of increasing public attention, especially as a result of media coverage of alleged misuse of specific MNEs. A number of studies have shown that there is a lack of consistency and there is a risk that appeals to 'public anger' may in fact refer to indignation produced on the basis of intentional misinformation. Despite increased attention to tax evasion, little progress has been made in defining the term tax evasion, and efforts to do so are apparently largely in vain. In a report produced by the Oxford Business Taxation Center for the National Audit Office, two three categories of legal tax evasion are distinguished: (1) ineffective tax evasion, which can be challenged by existing legislation, (2) effective tax evasion which cannot be corrected by the courts and requires legislative change and (3) the use of tax legislation to one's advantage, for example leverage to reduce the taxes provided for in tax legislation, commonly referred to as tax relief or tax concessions [11].

**Econometric Model**

A multinational company will be the case study in this research utilizing the data of its financial statements. In this paper will be used advanced scientific and research methods accompanied by publications from professional institutions while the comparative approach of statistical data, describing notions and definitions will be part of the work to achieve the objectives of the paper.
Other sources of data, international and domestic literature were also used but the latter was less, and the financial statements published by the company using this data collected for analysis, comparison and conclusions. The results obtained from the data will be reflected through qualitative and quantitative evaluation by presenting the data in tabular form and graphical representations of the achieved results, so the numerical and quantitative values will be the result of comparing accounting information for a certain period of time, within the company. The hierarchical regressive econometric model will be based on this econometric formula [5]:

\[ \gamma = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \epsilon \] …………………..(1)

Dependent variable
\( \gamma \)- Return price, calculated for the return on investment value in relation to the total investment value
Independent variables
X1 - Inflation risk,
X2 - Budget deficit risk,
X3 - Risk of economic growth,

**Analysis and discussion**

The Monte Carlo model consists of the probability of the event, which is replaced by ordinary numbers (from 0 to 1), the average of the stock index and the daily standard deviation.

<table>
<thead>
<tr>
<th>Investing</th>
<th>76,991.82 €</th>
</tr>
</thead>
<tbody>
<tr>
<td>FTSE index</td>
<td>0.0314%</td>
</tr>
<tr>
<td>Standard daily deviation</td>
<td>0.67%</td>
</tr>
</tbody>
</table>

**Table 1. Data of the derivative financial instrument**

Corporations in Kosovo plan to have an investment in the future, to expand the production of parts, where there are several derivative financial instruments, one of which we will address is FTSE MIB futures, with a public offer of 83 days, which has not the right of repurchase. The data presented above show the value of the investment, where the company expects to receive a higher interest rate.

<table>
<thead>
<tr>
<th>Days</th>
<th>Rate of return (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monday</td>
<td>-0.12250%</td>
</tr>
<tr>
<td>Tuesday</td>
<td>0.67351%</td>
</tr>
<tr>
<td>Wednesday</td>
<td>0.71229%</td>
</tr>
<tr>
<td>Thursday</td>
<td>0.71493%</td>
</tr>
<tr>
<td>Friday</td>
<td>0.71109%</td>
</tr>
</tbody>
</table>
Table 2. Monte Carlos first week forecast
T-test is a statistical test to measure the mean between two samples, to find the level of significance.

<table>
<thead>
<tr>
<th>Test Value</th>
<th>Mean Difference</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>13.8999441127</td>
<td>-1.4%</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Table 4. T-test
The One-Sample Test compares a sample with the branch average of that sample, which responds to our hypothesis testing requirement (H1). The table above shows that the significance level $\alpha = 0.14$ or 1.4%, indicator that we approve the hypothesis (H1), that has the significance or impact the percentage calculated by the Monte Carlo model with the average of the stock, for derivative financial instruments, indicator that the Monte model forecast Carlo is index with the average of other derivative financial instruments.

Multivariate regression is used in 3 systems with a dependent variable, where the independent variables are constructed according to standard (theoretical), hierarchical and logistic multivariate regression. We have used the second model, where the independent variables are first tested separately from the other independent variables, in order to better identify which of the independent variables affects the dependent variable.

The results in SPSS have these steps of the results of multivariate hierarchical regression.

Table 5. Correlation
The price of return on investment has an inverse correlation with inflation, with an average inverse relationship of -0.529, which indicates that with the increase of the price of return the risk of inflation will be lower and vice versa, which confirms the "Fisher effect" that with the increase of inflation the interest rate decreases and vice versa, while with the risk of budget deficit and economic growth there is a positive correlation, which shows that with the increase of the price of return on investment in stock exchanges there will be increase of budget deficit and economic growth, which supports the theory of borrowed funds.
Table 6. Summary of the economic model

The model summary is constructed to look at the coefficient of determination (R2). In our case model 1, or inflation describes only the price of return on investment by 28%, while model 2, where inflation is accompanied by a budget deficit we have an increase of determination to 34.3% and model 3 with all independent variables describes 34.6 % dependent variable. From the models we see that inflation describes more the dependent variable, so inflation is an important indicator in determining the price of return. The Durbin-Watson coefficient shows the value 1.962, so the random error is normal, because it is between 1.5 - 2.5.

Table 7. Regression coefficient

Conclusion

Corporate tax avoidance has been a significant public concern, especially since the global financial crisis of 2008. The nature of calls for tax reform and increased regulation, largely protected by tax activists and NGOs, is revolving around transparency as a possible remedy for unacceptable tax evasion, although there is no consensus on what the term tax evasion includes and when it becomes unacceptable. We have a significant misunderstanding about the benefits of transparency in this environment. By not considering the limits of transparency initiatives there is a risk of dysfunctional consequences, for example additional costs in providing and processing additional information, the prospect of growing disputes as new information generates misinterpretations and uncertainty in determining the final tax position. There is a risk that the larger disclosure will not effectively address concerns about unacceptable corporate tax evasion.

References
Reward management of employees in the banking sector
Dr.sc.Lirim Lani¹, Dr.sc.Enver Daci²

¹ UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo, lirim.lani@ubt.uni.net, enver.daci@ubt.uni.net

Abstract. A reward system is like the biggest management principle in the world. Organizations around the world, the rural banking industry are no exception, use some form of reward system; whether it is open or not, it exists. The belief that: "Reward behavior is repeated" is a statement, which is generally accepted. Rewards are therefore tools of operational control used to link employee goals. To be able to touch employees who use rewards reward must be perceived as meaningful and meaningful. Rewards are described in two different types; it can be in the form of motivational motivation (internal) or personal motivation of growth (external). External rewards can be monetary, usually a variable compensation, divided by salary or non-monetary. Employees may have difficulty seeing how their efforts translate into results and may be demotivated if they see a team member being rewarded for not contributing enough to the end result. She argues for a reward based on equality in a given team and not on a basis based on balance, where everyone gets the same. Therefore designing team-based rewards is vital if you are to avoid negative effects on motivation, which will eventually lead to bigger problems for your organization if allowed to promote. The data of the paper are primary, with a sample of 53 employees of 4 commercial banks in Peja, where the econometric results of the paper show that external, internal bonuses and other factors have an impact on the performance of employees in the banking sector.

Keywords: Reward, Kosovo, Banking sector

Introduction

Rewards are one of the important elements to motivate employees to contribute to their best efforts to generate innovative ideas that lead to better business functionality and to further improvise the company's performance both financially and non-financially. Some of these include the assessment that employees are able to get from their managers, the opportunity to take on important projects or tasks, and even the attention of managers. Many studies on leadership power have found that the supervisor's rewarding power will be positively associated with performance of employee duties, productivity, satisfaction, turnover and organizational citizenship behaviors. The employee will give the maximum when they have a feeling or belief that their efforts will be rewarded by management. There are many factors that affect employee performance such as working conditions, employee-employer relationships, training and development opportunities, job security, and general company remuneration policies and procedures. Among all those factors that affect performance of employees, which comes with bonuses is of paramount importance. Motivation is a collection of different processes that influence and direct our behavior to achieve a specific goal. Rewards can be extraordinary or internal, external rewards are tangible rewards and these rewards are out of the function or task performed by the employee. According to Luthans, there are two basic types of rewards, financial and non-financial, and both can be used positively to improve employee performance behaviors. Financial rewards are not monetary and are a social recognition such as recognition, certificates, and real valuation etc. Non-financial rewards are also called the price of materials.

Banks offer rival bank employees nice pay and extra benefits, keeping in mind competitive trends. In the current scenario, this is the requirement of the time, for banks for their survival, to keep their skilled employees intact through bonuses.

To enhance individual performance, the reward system plays a key role. An employee's skill can be increased if a work organization implements its employees with
rewards. Management expects from its employees that they must abide by the rules and bring about revolutionary change and improvement in order to add new skills to their work. Employees, on the other hand, expect their organization to provide them with a fair salary, a better and safer work environment. In this situation, the organization must create a system that must ensure balance and create a balance.

According to Ivancevich, et al., job satisfaction is an individual’s sense of his or her work and how he or she should feel comfortable and satisfied in an organization. A mentally and physically satisfied employee does the best customer service.

The reward consists of two types: internal and external. If an organization effectively addresses these limitations, it would be fruitful for the organization and its employees as well. The organization introduces many reward programs to motivate its workforce. Reward does not only mean financial benefits that some organizations offer to its employees, instead, praise of words and attention from the manager also works as reward and turns out to be more favorable for financial benefits in certain situations.

1.2. Working hypotheses

The working hypotheses are:

Hypotheses H 1: "Internal rewards have a statistically significant impact on employee performance in the banking sector"

Hypotheses H 2: "Additional bonuses have a statistically significant impact on employee performance in the banking sector"

Hypotheses H 3: "Other factors have a statistically significant impact on employee performance in the banking sector."

Literature review

According to the CIPD's there has been ever time on the good to be done specialist of the management of awards. This approach is based on evidence of learned by studying the annual the awards to the year 2005 the Institute, of which revealed that the demand for the expertise of this is growing, where the many organizations employ practicing specialists rewards[7]. For as interesting as can be seem this trend, for those who wish to develop a career in this field, meaning the truth of the report lies in the way in which he sheds light on the forces and pressures that affect practices of remuneration and the challenges that face managers in the way in which they the answer to these pressures.

But why are the rewards and the way in which managed and experienced them at work, a part so the important of management of resources human? A starting point of rewarding is to know that awards are element based on the relationship of employment and have an impact crucial to the satisfaction and commitment of employees. Organizations that do not manage to understand this relationship basic has the likely to be the least competitive and most bit of success than those that understand this and provide policy and practice reward consistently effective[6]. Plenty of simple, employees who are the twisted and the unsatisfied with the rewards you receive will to express this by means of the way to behave and to perform the work; in ways that do not have the likely to be in the interest of the organization. Organizations that are wrong in the way as manage bonuses almost with certainty will be experiencing consequences detrimental, in the forms of productivity to low, turnover on the largest of employees and lack of general the commitment of employees. As most of the largest to be error, as most of the higher is the cost that will be experiencing organizations.

It is equally important to recognize that the way in which managed the re-wards will be affect also, directly or indirectly, in aspects of other of BNJof. For example, feelings of injustice and dissatisfaction with the payment of more opportunities will be no effect on the form and level
of conflict industry and the willingness of employees to be taking part in management with an approach more cooperative towards relations of work. As observed Paul Bissell of Arkin[5]:

Organizations are of understand what leverage the powerful is the re-ward and as required it to be completed strategies the other of business, but historically people are inclined to see it in isolation to excellent.

It will be said that the management of rewards do not have to do simply with issues based on the payment of people in order to right the relationship with the norms of the market, work to do and the best performing on the job, but extends to the im-pact of the decision to award the Choice, retention, training, flexibility and performance, in addition to their effect on morale and dedication[1]. It’s obvious that no bonuses be satisfactory, the organization is not going to be in the state or to attract or to retain the caliber of staff that requires, with abilities and powers the right to be given the contribu-tions that there need organizations to be the successful and competitive. In fact, it would not be an exaggeration to suggest that bonuses have a meaning that describes almost every aspect of employment and work. Therefore, there is the strange that interest in managing the rewards are increased.

But while the issue of payment and the reward is fundamental to the beha-voir and performance of employees, in order to controversial it is one of the areas on the controversial and most difficult to BNJ-’s to be managed. Perhaps this is the reason that packs the payment to specialists of the awards tend to be more on the larger than those of joyful by majority of generalists to BNJ-’s. The level of recognition of the role and contribution of important, to play by the specialists of the awards is partly due to the scale and range of issues of remuneration. By managing the payroll, the pensions and the benefits of other contractual, men’s involved take the decisions critically on the levels of salaries and the salaries, the growth of wages and settle discussions and dis-putes the continuing for payments of bonuses[9]. Costs of payment and packages total of awards comprise, for the majori-ty of organizations, a part of important the budget total and these costs must be managed effectively to be guaranteed to remain within the limits of the acceptable. Specialists of rewards not only the need to ensure that employees are paid straight and in order to appropriate (to both more subjective), but should also to avoid overpayments of large, in the context of what you can afford to pay the organization for the remaining competitive and in business[10].

Research methodology

Data collection is the systematic collection of data using a specified scientific process. This study uses a structured questionnaire for primary data collection. Saunders, Lewis and Thornhill note that a questionnaire is a research tool that contains structured questions on which data or information is collected. The study questionnaire was divided into five sections. Section I consisted of demographic questions; Section II had questions about internal rewards; Section III contained questions on external rewards, section IV focused on other factors affecting employee performance, while section V deals with the dependent variable; employee performance. A five-level Likert Scale (disagree, agree, neutralize, strongly agree and agree) has been adopted[11].

Statistical Analysis

A correlation analysis was done to determine if the study variables had any significant relationships. The findings found that the relationship between internal rewards and employee performance was stronger, r (0.722); p <0.01; followed by the relationship between external rewards and employee performance, r (0.522); p <0.05; then the relationship between other factors and employee performance, r (0.468); p <0.01. Other important relationships included the relationship between other factors and external rewards, r (0.402); p <0.05; followed by the relationship between external and internal rewards r (0.364); p <0.05, and finally the relationship between internal rewards and other factors, r (0.227); p <0.01. Table 6 shows that all variables were statistically significant.
Table 1. Correlation

<table>
<thead>
<tr>
<th></th>
<th>correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance_punonjesve</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>53</td>
</tr>
<tr>
<td>Shperblimet_brendshme</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.722**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>53</td>
</tr>
<tr>
<td>Shperblimet_jashtme</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.551*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>53</td>
</tr>
<tr>
<td>Faktore_tjere</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.468*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
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<td>N</td>
<td>53</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

To calculate the econometric model data, we used the statistical program SPSS. According to calculations made model econometric results obtained from the model data show that variables dependent is strongly correlated with varia blat explanatory level of .619, respectively 71.9 percent. While $R^2$ in our analysis is .683, which shows that 68.3% of the variable dependent explained by variables independent. Adjusted $R^2$ is equal to .652, which shows that 65.2 percent of the variance of the dependent variable is explained by the variation of the independent variables. Serial correlation was used in our analysis to verify the stability of the model. The value of the Durbin - Watson correlation can be in the range of 0 to 4. If the value of Durbin - Watson is close to zero, then the serial correlation indicates that the data in the model have a high positive impact between the residual value. If the DurbinWatson correlation is given the value four (4), it indicates that the data have a negative serial correlation. The model can be considered stable when the Durbin - Watson results are close to the value range two (2). The Durbin - Watson test is considered to have no serial correlation within the range of 1.5 to 2.5, which indicates that the residual value has no serial correlation or there is no autocorrelation between the residual value. Therefore, based on this interval, the findings of our study indicate that the Durbin - Watson is in the amount of 1.508, which is within the value range, that from this derives that the model is stable. The summary is illustrated in Table 1.

Table 2. Regression analysis

<table>
<thead>
<tr>
<th></th>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change Statistics</td>
</tr>
<tr>
<td>R</td>
<td></td>
</tr>
</tbody>
</table>
Also, analysis of variance (ANOVA) found that the combined variables were statistically significant, \( F(3, 61) = 12.603; p < 0.000 \) as illustrated in Table 8.

### Table 3. Anova

<table>
<thead>
<tr>
<th>pattern</th>
<th>Sum of Squares</th>
<th>d f</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>regression</td>
<td>1115</td>
<td>3</td>
<td>.372</td>
<td>1</td>
<td>2 (603 ) (0.000 )</td>
</tr>
<tr>
<td>residual</td>
<td>1799</td>
<td>6</td>
<td>.029</td>
<td></td>
<td></td>
</tr>
<tr>
<td>total</td>
<td>2913</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

When all variables were combined, the study found that they were statistically significant. The regression coefficient for internal rewards was \( \beta (0.598); p < 0.00 \); the regression coefficient for external rewards was \( \beta (0.492); p < 0.000 \); the regression coefficient for other factors was \( \beta (0.526); p < 0.000 \) as illustrated in Table 9.

### Table 4. Regression coefficient

<table>
<thead>
<tr>
<th>pattern</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>6098</td>
<td>.855</td>
<td>7</td>
<td>13 (0.000 )</td>
</tr>
<tr>
<td>Shperblimet_brends</td>
<td>.534</td>
<td>.090</td>
<td>.598</td>
<td>5</td>
</tr>
<tr>
<td>Shperblimet_jashtme</td>
<td>.414</td>
<td>.127</td>
<td>.492</td>
<td>3</td>
</tr>
<tr>
<td>Faktoret_tjere</td>
<td>.514</td>
<td>.092</td>
<td>.526</td>
<td>4</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employee_Performance

The regression model is:

\[
gPP = C + \beta_1 ShB + \beta_2 ShJ + \beta_3 FT + \epsilon
\]
Employee performance = 6.098 + 0.534 Internal rewards + 0.414 External rewards + 0.514 Other factors

Based on the regression results we reject all hypotheses $H_0$, while all other hypotheses $H_1$ are approved, so external, internal and other factors affect the performance of employees in the banking sector, so the regression results confirm all hypotheses affecting performance.

Conclusions

Rewards are one of the important elements to motivate employees to contribute to their best efforts to generate innovative ideas that lead to better business functionality and to further improve the company's performance both financially and non-financially. Some of these include the assessment that employees are able to get from their managers, the opportunity to take on important projects or tasks, and even the attention of managers. More research on leading power have found that the power of the remuneration of supervisors will positively associated with performance of duties of workers, productivity, satisfaction, turnover and organizational citizenship behaviors. The employee will give the maximum when they have a feeling or belief that their efforts will be rewarded by management. There are many factors that affect employee performance such as working conditions, employee-employer relationships, training and development opportunities, job security, and general company remuneration policies and procedures.

Banks offer rival bank employees nice pay and extra benefits, keeping in mind competitive trends. In the current scenario, this is the requirement of the time, for banks for their survival, to keep their skilled employees intact through bonuses.

To enhance individual performance, the reward system plays a key role. An employee's skill can be increased if a work organization implements its employees with rewards. Management expects from its employees that they must abide by the rules and bring about revolutionary change and improvement in order to add new skills to their work.

The reward consists of two types: internal and external. If an organization effectively addresses these limitations, it would be fruitful for the organization and its employees as well. The organization introduces many reward programs to motivate its workforce. Reward does not only mean financial benefits that some organizations offer to its employees, instead Praise of words and attention from the manager also works as a reward and turns out to be more favorable for financial benefits in certain situations.

References

Covid-19: The Readiness and Adaptation of Tour Operator to Health Tourism
A case study of TUI Destination Experience Thailand Co.,
Abstract. The objectives of this research were 1) to study effects and adaptation of tour operator in covid-19 pandemic and 2) to study the readiness of tour operator to health tourism. The method used in this qualitative research was phenomenology. The data were collected by using the in-depth interviews with 12 managers of TUI Travel Plc. The verbatim and the content analysis were employed for analyzing and concluding the data. The results indicated that the tour operator possesses a great deal of potential in terms of selling and promoting its health tourism-related travel programs. However, the health tourism-related travel programs still lack of variety particularly in the field of medical tourism. The tour operator also expects its sales agents to improve and extend their knowledge and understanding of the health tourism-related travel programs and the details related in order to provide precise and thorough information to the customers.

Keywords: Health tourism, Tour operator, COVID-19

Introduction

The new species of coronavirus was discovered in 2019. The outbreak of the infection started in December 2019 in Wuhan, Hubei province, China. On January 30th, 2020, the World Health Organization (WHO) enacted the international Emergency decree and declared the virus as pandemic. After that, the Coronavirus disease has been renamed COVID-19 [1]. The coronavirus disease (COVID-19) is a new pandemic that affected worldwide human population. The COVID-19 is caused by the virus severe acute respiratory syndrome coronavirus. The disease is primarily spread between human through respiratory droplets from coughs and sneezes. The spreading of COVID-19 contributes to large number of deaths (1,050,188 deaths by 7th October 2020 by World Health Organization) [2].

The Coronavirus has caused an unprecedented global crisis with enormous impacts on our political, social, and economic systems [3]. Mr. Taweesak Vanichareon (Ministry of Tourism and Sport’s Deputy Permanent Secretary) said in the interview with Bangkok Biz News. He stated that the travel restrictions to prevent the infection has caused a critical financial crisis to all types and all sizes of businesses in Thailand especially those involved with tourism. It has put 4 million of tourism-related workforce at risk [4]. The spreading of this pandemic also creates panic among public that contribute to decrement trend in tourism industry. Due to the effective lockdown and travel restrictions and efficient public health policy. The potentials in terms of public health in Thailand has massively earned trust from many people around the world. The number of population infected COVID-19 on 27th June 2020 in Thailand was 3,162 people while the total number of populations infected around the world about 10 million people [5]. This pandemic crisis has reshaped tourist’s behavior. The tourists pay more attention to their health and safety, so Tourism Authority of Thailand (TAT) emphasize to health tourism.

TUI Group is the world’s number one integrated tourism group operating in around 180 destinations worldwide. The Group employs 67,000 people in more than 100 countries. TUI offers its more than 20 million customers comprehensive services from a single source. It covers the entire tourism value chain under one roof. TUI Group includes Hotels & Resorts, Airlines,
Cruises and Tour Operators. TUI Group operates Group owned incoming agencies or holds interests in incoming agencies in almost all countries of relevance to the travel and tourism market. These agencies and their tourism services are clustered under the company. TUI is the world's leading tour operator provider of destination experiences employs 9,000 people in 49 countries and generates turnover of 700 million euros. In 2019, this company looked after 14 million guests around the globe, carried out over 25 million transfers and sold more than six million tours and activities, also has been affected by the pandemic since their main business operation deals with inbound market. As a resulted, TUI aiming to develop “Health Tourism Product” and to push this segment targeting to the tourist once the country reopened [6].

Therefore, the researchers are interested in studying the readiness of tout operator - TUI regarding health tourism. The results from the research will be useful and educational to entrepreneurs and those who are interested in health tourism. Moreover, the results of the research can be used as basis for further studies and as development guidelines for other tour operators.

Delimitation

1. The scope of the research consists of 1) to study of effects and adaptation of tour operator in covid-19 pandemic. 2) To study the readiness of tour operator to health tourism. The result can be used as guidelines for policies or measures involved with health tourism in the future.
2. In order to cover and accomplish the objectives, the researchers have selected the key informants by applying the purposive sampling method. The specifications of the key informants are 1) 10 years of experience and above working in tourism industry. 2) 6 years of experience and above working at TUI. 3) The positions of the key informants are supervisors and above and 4) willing to give information through the in depth interviews. Since there are no further facts and details from the interviews, the researchers agreed to summarize the results acquired from 12 key informants who are supervisors and managers.

Research Methodology

This research is a qualitative research consisting of conducting documentary study and in-depth interviews with selected key informants.

1. The research tools consist of 1) The researchers – the researchers must collect details from documentary study, 2) Semi-structured interview with specific series of questions related to the objectives and 3) Essential tools such as voice recorder, pens, sheets of paper and a computer.
2. The process of summarizing data consists of 1) Collecting and studying documents related to the objectives in order to formulate the series of questions and analyze the results. 2) Conducting in-depth interviews with 12 key informants for the primary data and 3) collecting the essential details from the interviews and the voice recording.
3. Analyzing – the researchers extract the details from the key informants, analyze and summarize the details according to the objectives and conclude the research.

Finding

TUI Destination Experiences Thailand has been badly and massively affected by the COVID-19 pandemic since the main market only deals with inbound tourism. The preventive measures to tackle the infection has resulted in a severe business closure for TUI since foreigners are barred from entering Thailand. For this reason, TUI has lost most of its turnover. TUI Targeting to reduction in costs and staff and aims to accelerate digitalization. During the time of great deceleration of tourism, TUI has provided its staff the E-learning programs in order to retain the
company’s productivity and to reskill and upskill the employees and to conform to the New Normal. To withstand this crisis, TUI has enacted a measure that is based on TAT’s 5Rs strategies such as Reboot, Rebuild, Rebrand, Rebound and Rebalance. As results of the research, the researchers have discovered that there are alignments between TUI’s measure and the 4Rs [7].

1. **Reboot** - Whilst the travel restriction still continues, TUI Destination Experiences Thailand has established another brand called “DSThailand” that encourages the staff to apply the know-how of the international selling to launch the campaign of selling hotel and tour packages for domestic clients such as Thai citizens and ex-pats in order to retain the company’s financial stability and to add more source of income.

2. **Rebuild** - TUI Destination Experience encourages its staff to have “digital mindsets” and rolls out a unique digital platform which is called “MUSEMENT” combining a scalable digital platform for sourcing, producing, and distributing Tours & Activities, with curated service delivery in more than 50 countries worldwide.

3. **Rebrand** - TUI Destination Experiences Thailand complies “The Amazing Thailand Safety and Health Administration (SHA)” the preventive measures for ensuring that both Thai and foreign tourists have positive experiences, that they are satisfied and confident in the sanitation and safety standards of Thailand’s tourism products and services.

4. **Rebound** - TUI Destination Experiences Thailand adamantly focuses more on wellness and medical tourism as well as improve its product of this segment.

Based on the summary and analysis of the data from the interviews and documentary study of health tourism that consists of Health Healing and Health Promotion [8], the researchers discover that TUI possesses a great deal of readiness in the sector of health tourism. TUI distributes a wide range of products or packages in terms of Health Promotion or Wellness tourism which are numerous choices of activities such as Spa, Aroma therapy, Thai massage, herbal therapy and mineral bathing. Furthermore, TUI even partners up with a large amount of high quality and standardized hotels, Wellness resorts and wellness centers in order to exclusively provide the services mentioned above.

In general, Health Healing or Medical Tourism means traveling abroad to obtain medical treatments, healings including operations and surgeries. The researchers discover that TUI also distributes a narrow range of products or packages in the sector of Medical Tourism. However, this type of tourism is unfortunately still a niche market which accounts only for small groups of such specific interest. Moreover, TUI and hospitals, the main providers of medical services, still struggle to come to an understanding since the hospitals provide the commission rate that is lower than TUI’s expectation. Furthermore, hospitals are still deficient in providing TUI staff the information and details relevant for selling the products.

**Discussion**

According to the results of the research, COVID-19 pandemic has brought “the New Normal” to the society. Thailand totally has lost its inbound tourists. Technology has become more and more influential to every section of businesses. TUI also uses technology as a tool for workforce development by providing the E-learning accessible for employees of all departments to conduct their own self-teaching to reskill and upskill themselves at their convenience. Once the tourism business recovers from the crisis, TUI will have efficient workforce to progress [7]. In terms of selling, TUI targets on domestic clients by using social network as platform to sell its products and packages since potential clients tend to use social network to purchase products due to its popularity and accessibility [9]. Adapting to the new normal, Thailand is making provision to push ahead with
promotion and has opened up its borders to medical tourists. Due to its popularity of health tourism and quick recovery from the pandemic and the support from the government, Thailand is likely to open its borders to medical tourists [10]. To be in conformity with the popularity and government’s support, TUI considers this as an opportunity to develop its existing wellness products and to expand products in the section of medical [11].

**Conclusion**

Based on the research, the researchers discover that the COVID-19 pandemic has caused an enormous crisis to tourism industry since the government enacted the lockdown and travel restrictions. To resolve the crisis, TUI has to alter its structure to reduce its costs. Therefore, TUI has adapted the 4Rs to its structural alteration which are 1) Reboot - TUI encourages its work force to start focusing on domestic travel 2) Rebuilt - TUI adjusts to the new normal with “Go New Norm” and “Go Digital” 3) Rebrand - TUI promotes Thailand as a preferred destination with “Go Confident” to ensure safe and health travel with “The Amazing Thailand Safety and Health Administration (SHA)” 4) Rebound - TUI targets health and wellness for high-income tourists. In terms of health tourism, TUI possesses a great deal readiness as seen from its variety of Wellness Tourism (Health Promotion) and Medical Tourism (Health Healing) products and packages.

**Suggestion**

To adapt to COVID-19 pandemic and preparation to health tourism. TUI should improve its marketing and service quality. These are the suggestions.

1. TUI sales agents still lack of knowledge and correct conception of health tourism since they do not know that medical tourism is also a part of health tourism. Therefore, TUI should provide an upskilling class for its sales agents so that they can have opportunity to obtain knowledge and conception to contribute to their company.

2. TUI should create new products and packages in the section of medical tourism and provide familiarization trips for its employees to hospitals in order to widen their ideas which are essential for creating more new products and packages.

3. Due to the COVID-19 pandemic, TUI uses social network as a platform to advertise and sell its products and packages to domestic clients. By the time international tourism returns to normal, the researchers suggest TUI continue advertising and selling its products and packages on social network platform and retain its in term of health tourism tour operation in order to maintain its extra income and financial sustainability.

**Reference**


Covid-19 and its Impact on Accounting Implications and Financial Reporting: Kosovo Perspective

Dr.Sc Enis Abdurrahmani
1 UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo,

Abstract: The world today is facing the worst economic crisis since the 2008 financial crisis. So far, all efforts and measures on how to manage this crisis have been insufficient. Today, almost every government in the world has a plan for "economic recovery." The government of Kosovo also has such a plan, although today there are many doubts that this is the right plan to save the economy in country. Purpose of this research is to discuss the impact of the pandemic on accounting implications and financial reporting from the perspective of Kosovo. The research was based on a questionnaire structured according to the Likers scale. The questionnaire was distributed to a selected sample of certified accountants and uncertified accountants. The other purpose of this study was to find significant differences between the opinions of certified and
uncertified accountants regarding the impact of the pandemic on financial reporting. Research reveals that Covid-19 will have a significant impact on accounting and financial reporting based on the opinions of certified accountants and uncertified accountants in Kosovo. Also research through applied techniques with SPSS reveals that there is no significant difference in the opinions of certified accountants and uncertified accountants.

**Key words:** Financial reporting, accounting, pandemic Covid-19.

**Introduction**

Since March 20, when the World Health Organization declared the spread of the coronavirus Covid-19 as a pandemic, many countries around the world have taken strict and rigorous measures to prevent the spread of this pandemic. Pandemic Covid-19 developed rapidly since January 2020, continues to cause great damage to both human and economic lives. Losses have also been accompanied by volatility in international capital markets. Statistical results about the epidemiological situation with coronavirus in the world published by the World Health Organization (WHO, 2020) confirms 21,756,357 cases of infection and 771,635 deaths. While based on statistics published by WHO (18.08.2020) in the Republic of Kosovo so far 11,502 cases of infected and over 400 dead have been confirmed.

The spread of Covid-19 is causing irreparable damage, not only to human health, but also to financial and commercial health worldwide. Almost the entire world economy is forced to reduce their activities and ask their workers for commitment from their homes. Despite the measures taken by the various countries, the potential short- and long-term impacts of the pandemic Covid-19 in the business world seem difficult to evaluate and predict. Numerous companies in Kosovo have addressed the impact of the pandemic Covid-19 in their economic activities, addressing problems regarding the cash flow, the sales decline, liquidity and financial reporting. Rigorous measures taken by the government of Kosovo have further aggravated the economic situation, in which case they have pushed the modification of doing business. Many businesses have been online for a large part of their time and many of them still continue to instruct their employees to work from home.

Research by projections made by local and international institutions claim that there is a decline in economy in the country and world. In many economic branches there was a decline in production in recent months about 50-80%. As a result of the crisis, budget revenues in Kosovo decreased by about € 200 million and the number of registered unemployed nationwide increased by 70,000 since the beginning of the year. With the budget review, expenditures have increased by about € 300 million. As a result of the created circumstances and the measures taken by the government of Kosovo, economic damages are enormous. Rehabilitation of these economic damages will require a strategy and mobilization of local resources.

The emergency package in the amount of € 170 million, launched by the Kosovo government did not have significant effects on the country's economy. With the budget review are planned donations to the country's economy. The law on economic recovery that is expected to be approved in the coming months after the negative effects caused by the pandemic Covid-19, offers an opportunity to finance economic losses and investments in the country through a partnership, with the private sector and donors. It is already clear that coronavirus effects are spreading widely and are associated with many industries without restrictions on specific sectors.

The pandemic management crisis followed by huge economic losses will not be overcome without affecting the financial reporting and auditing processes. The created circumstances will show numerous difficulties and dilemmas in the operations and functions of accountants and auditors. As a result of the circumstances created this study explores the main implications of the Covid-19 crisis in financial reporting for certified accountants and auditors. The research also discusses serious implications in certain areas of accounting such as; the impact of the crisis on the ongoing concern assumption, revenue recognition, inventory valuation, fair value, provisions, borrowings, uncertainty of valuation of assets and liabilities, etc.

**Literature Review**
During the literature review it is clear that a limited number of studies have addressed the effects of the Covid-19 crisis on accounting and financial reporting. Table 1 summarizes the studies that have addressed the effects of Covid-19 on financial reporting.

Table 1. Literature Review

<table>
<thead>
<tr>
<th>Studies</th>
<th>Model</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Joshi, 2020)</td>
<td>Obtaining Evidence</td>
<td>The conclusion states that since the conditions are uncertain, in order to maintain the quality of financial information for users, auditors should exercise professional skepticism when auditing financial statement figures.</td>
</tr>
<tr>
<td>(El-Mousawi &amp; Kanso, 2020)</td>
<td>Cronbach’s Alpha and Guttman Split-Half Coefficient and One-Sample T-Test</td>
<td>The Covid-19 crisis will result in major financial implications for fiscal year 2020 and will affect an organization's activities and its financial position.</td>
</tr>
<tr>
<td>(Ozili, 2020)</td>
<td>Accounting practices</td>
<td>The study reveals that several accounting techniques can be used to reduce the impact of pandemics on the financial report, such as fair value accounting, income smoothing, loss avoidance, big-bath earnings management.</td>
</tr>
<tr>
<td>(Debell &amp; Kalidas, 2020)</td>
<td>Report</td>
<td>Broad IFRS implications, including: non-financial assets; Leases; revenue recognition; non-financial obligations; going concern; disclosures.</td>
</tr>
<tr>
<td>(AASB-AUASB, 2020) JOINT FAQ</td>
<td>Report</td>
<td>Financial statements must present fairly the financial position, financial performance and cash flows of the entity.</td>
</tr>
</tbody>
</table>

Objectives of the Study

The main objective of the study is to shed light on the impact of Covid-19 on accounting implications and financial reporting from Kosovo perspective. Also the purpose of the study was to reveal differences in opinions between certified and uncertified accountants regarding the impact of the Covid-19 crisis on financial reporting.

Research Methodology

To examine the impact of Covid-19 crisis on accounting implications and financial reporting, the basic research tool used is the survey / questionnaire method. The questionnaire consists of 11 questions. The model defined for this study to determine the quantity of samples is the model used in the past by Moser & Kalton (1979) and by Abdurrahmani & Doğan (2019):

\[
n = \frac{x \cdot (1 - x)}{[S.E(p)]^2}
\]

Where:

- \( n \) = The amount of samples
X = The respondest variability  
[S.E(p)] = Standard error

The proper amount of samples for this research is set to be around 63 respondents. From which 24 were certified accountants and 39 uncertified accountants but experienced practitioners of accounting. The survey method is used for collecting research data. Data collection is achieved by completing the questionnaire in a period of 2 months. In order to process the data, SPSS 10.0 (Statistical Package for Social Sciences) was used. Testing the hypothesis is done by using; Independent-Samples T Test. Independent-Samples T Test compares two different sets of samples. The members of the two groups are separated from each other. Where there should be no common members between the two groups. The data was measured using the 5th degree of Likert.
- From 0 to 1.24 the most insignificant (Strongly Disagree),
- From 1.25 to 2.24 insignificant (Disagree),
- From 2.25 to 3.24 neither significant nor insignificant (neutral),
- From 3.25 to 4.24 significant (Agree),
- Above 4.25 will be interpreted as most significant (Strongly Agree).

Survey Results and Discussion

This section presents the average level of research participants' responses regarding the impact of Covid-19 crisis on accounting implications and financial reporting.

<table>
<thead>
<tr>
<th>Table 2. Distribution of participants regarding the impact of Covid-19 on accounting implications and financial reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of Covid-19 on Accounting Implications and Financial Reporting</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>-----</td>
</tr>
<tr>
<td>Impact of Covid-19 on compliance with IAS 36 impairment of assets</td>
</tr>
<tr>
<td>Impact of Covid-19 on the principle of ongoing concern</td>
</tr>
<tr>
<td>Impact of Covid-19 on IAS 2 and net realizable value</td>
</tr>
<tr>
<td>Impact of Covid-19 on IFRS 13</td>
</tr>
<tr>
<td>Impact of Covid-19 on IAS-10</td>
</tr>
<tr>
<td>Impact of Covid-19 on IFRS-9</td>
</tr>
<tr>
<td>Impact of Covid-19 on fair value</td>
</tr>
<tr>
<td>Impact of Covid-19 on IAS 23</td>
</tr>
<tr>
<td>Impact of Covid-19 on IFRS 15 Revenue Recognition</td>
</tr>
</tbody>
</table>
The question which states “Covid-19 and its impact on ongoing concern” came in the first place as its relative mean is 3.67, which is equal to the value of 4 “agree”. The respondents consider that some businesses after the Covid-19 crisis will face liquidity problems and the fulfillment of the principle of ongoing concern. This may be due to material uncertainties over the ability of the business to operate based on the principle of ongoing concern. Such situation needs professional evaluation to assess the ability of business if it meets the principle of ongoing concern.

The question which states “Covid-19 and its impact on the financial statements in the following period” came in the second place as its relative mean is 3.63, which is equal to the value of 4 “agree”. The respondents consider that the spread of coronavirus is likely to affect the financial statements in the following period. The financial statements are affected by certain events that occur after the financial period and before its publication. IAS 10 distinguishes two types of events: those that provide evidence of conditions that existed at the end of the accounting period; and those that provide evidence of the existence of conditions only after the end of the accounting period, therefore there is a need to correct items in the financial statements for those events that are corrective, while for events that do not affect the situation in the financial statements is not required correction of items, but they should be disclosed in the notes to the financial statements.

The question which states “Covid-19 and its impact on fair value” came in the third place as its relative mean is 3.57, which is equal to the value of 4 “agree”. The respondents consider that measurements of fair value may reflect greater uncertainty in making economic and financial forecasts, due to the difficulty in predicting the duration of the economic impact of the Covid-19 crisis. And as a result when companies make assessments and judgments to measure fair market value, they must take into account the terms and assumptions which were known to market participants at the reporting date in relation to the pandemic Covid-19.

The question which states “Covid-19 and its impact on IAS 23” came in the fourth place as its relative mean is 3.54, which is equal to the value of 4 “agree”. The respondents consider that difficulties arise when an entity uses a wide range of debt instruments to finance a wide range of assets and as the start of capitalization it is necessary for three events or transactions to occur in order for capitalization of borrowing costs to begin; asset expenditures have occurred, borrowing costs have occurred and activities are underway to prepare the asset for its intended purpose. As a result of the Covid-19 crisis activities necessary to prepare an asset for its intended purpose may have been delayed or impeded as they are also related to a range of administrative activities such as obtaining a building permit or other technical issues.

The question which states “Covid 19 and its impact on compliance with IAS 36 impairment of assets” came in the fifth place as its relative mean is 3.52, which is equal to the value of 4 “agree”. The basic principle of IAS 36 states that impairment of assets is determined by comparing the carrying amount of the asset with its recoverable amount. As long as the recoverable amount is the fair value less costs to sell and its value in use, whichever is higher. The respondents consider that difficulties arise when as a result of the Covid-19 crisis there may be movements in both business and market-related factors, companies should take appropriate tests for impairment of non-current assets as required by IAS 36. Any decline in profits as a result of the Covid-19 crisis may have a impact on determining the recoverable amount of property, plant and equipment.

The question which states “Covid-19 and its impact on IFRS 15 revenue recognition” came in the sixth place as its relative mean is 3.46, which is equal to the value of 4 “agree”. IFRS 15 provides details on many aspects that accountants should consider. With regard to the evaluation of new
contracts, companies should assess whether the agreement creates rights and obligations applicable under IFRS 15. The respondents consider that the contract will exist only if the set criteria are met and the contract is approved and the parties are committed to their obligations. But when it comes to situations and circumstances such as the Covid-19 crisis now, companies need to re-evaluate whether the criteria are still met for those contracts. So the entity should reassess the possibility of collecting cash flows related to the contract. The impact of the Covid-19 crisis may call into question the ability of entities to adhere to the stated terms of their contracts. As a result, the value of revenue recognition may be significantly affected, or revenue may not be recognized at all.

The question which states “Covid-19 and its impact on IAS 2 and net realizable value” came in the seventh place as its relative mean is 3.30, which is equal to the value of 4 “agree”. The respondents consider that in the period of Covid-19 crisis entities should consider the costs movements in markets, in terms of estimates of the net realizable value of stocks. Under IAS 2 stocks should be valued at cost or net realizable value whichever is lower. It should be understood that the assessment of the net realizable value should be done at the same time with the valuation of the sale price. In the Covid-19 crisis period if the decline in net realizable value is significant, it should be disclosed in detail including the causes and reason.

The question which states “Covid-19 and its impact on IFRS 9” came in the eighth place as its relative mean is 3.22, which is equal to the value of 3 “neutral”. IFRS 9 financial instruments emerged after the onset of the financial crisis in order to avoid loan losses and to signal to financial institutions when banks may face risk. The respondents consider that the Covid-19 crisis has affected many financial assets to be structured with some changes such as; lowering interest rates, grace periods, postponing the payments. All these have raised the possibility of credit risk assessment for financial assets. The coronavirus crisis has also imposed a number of measures supported by the Kosovo government to support businesses by delaying payments and interest.

The question which states “Covid-19 and its impact on IFRS 13” came in the ninth place as its relative mean is 3.19, which is equal to the value of 3 “neutral”. Under IFRS 13 fair value estimates recommend that entities accurately estimate the fair value of assets and liabilities based on market prices at the reporting date. The respondents consider that as a result of Covid-19 crisis fair values can vary significantly although multiple valuation techniques must be used during fair value assessment. Thus, since the valuation of the fair value of assets and liabilities reports on the conditions at the valuation date, then entities that are required to make valuations at fair value in the Covid-19 crisis period should take into account the circumstances and determinants of market at the reporting date.

The question which states “Covid-19 and its impact on IAS 10” came in the tenth place as its relative mean is 3.19, which is equal to the value of 3 “neutral”. Based on the requirements under IAS 10 all events after the reporting period that occur between the reporting date and the date that financial statements are published requires disclosure, recognition and measurement in the financial statements. Respondents consider that as a result of Covid-19 crisis entities should evaluate all events that occurred after their financial reporting date. Where for such events the financial statements need to be adjusted, or will only need to be disclosed. The question which states “Covid-19 and its impact on IAS 37 Provisions, contingent liabilities and contingent assets” came in the eleventh place as its relative mean is 3.14, which is equal to the value of 3 “neutral”. In accordance with the requirements of IAS 37, provisions, contingent liabilities and contingent assets, a provision may be recognized only if: an entity has a current liability, or if an outflow of resources may be needed and an assessment may be done. Respondents consider that for example, if an entity is required to pay the costs of a training, seminar, workshop or even a trip abroad after the end of the reporting period, but it has been canceled due to the spread of the Covid-19 pandemic, this cost will be recognized as a liability at the time of cancellation as it would be an unavoidable cost.

Test of Hypothesis
In this section the test of hypothesis is done through the Independent-Samples T Test. Independent-Samples T Test compares two different sets of samples. The members of the two groups are separated from each other. Through this technique this study claims to test the differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

H₀. There are no significant differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

H₁. There are significant differences between certified accountants and uncertified accountants on their opinions regarding the Covid-19 and its impact on accounting implications and financial reporting.

Table 3. The results of group statistics

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified Accountants</td>
<td>24</td>
<td>40.8750</td>
<td>16.49852</td>
<td>3.36775</td>
</tr>
<tr>
<td>Uncertified Accountants</td>
<td>39</td>
<td>35.3333</td>
<td>13.60212</td>
<td>2.17808</td>
</tr>
</tbody>
</table>

Table 4. The results of independent-samples T test

<table>
<thead>
<tr>
<th>Levene's Test for Equality of Variances</th>
<th>t-test for Equality of Means</th>
<th>95% Confidence Interval of the Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal variances assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>1.512</td>
<td>-</td>
</tr>
<tr>
<td>Sig.</td>
<td>.224</td>
<td>13.19938</td>
</tr>
<tr>
<td>t</td>
<td>1.447</td>
<td>2.11605</td>
</tr>
<tr>
<td>df</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td>.153</td>
<td></td>
</tr>
<tr>
<td>Mean Difference</td>
<td>5.54167</td>
<td></td>
</tr>
<tr>
<td>Std. Error Difference</td>
<td>3.82958</td>
<td></td>
</tr>
<tr>
<td>Lower</td>
<td>-</td>
<td>13.6365</td>
</tr>
<tr>
<td>Upper</td>
<td>1.382</td>
<td>4</td>
</tr>
<tr>
<td>Equal variances not assumed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>1.382</td>
<td>-</td>
</tr>
<tr>
<td>Sig.</td>
<td>41.835</td>
<td>2.55321</td>
</tr>
<tr>
<td>t</td>
<td>1.74</td>
<td></td>
</tr>
<tr>
<td>df</td>
<td>5.54167</td>
<td></td>
</tr>
<tr>
<td>Std. Error Difference</td>
<td>4.01070</td>
<td></td>
</tr>
<tr>
<td>Lower</td>
<td>-</td>
<td>13.365</td>
</tr>
<tr>
<td>Upper</td>
<td>1.382</td>
<td>4</td>
</tr>
</tbody>
</table>

According to the results of the analysis, the average of 24 certified accountants participated in the research is 40.8750 and average of 39 accountants uncertified participants in research is 35.3333. Thus, the test showed that between the two groups of certified accountants and uncertified accountants there is no significant difference in their opinion regarding the impact of Covid-19 on accounting implications and financial reporting. Even the result of Sig (2-tailed) (p = .153 & p = .174) shows that there is no significant difference between the means of the two groups (The value of Sig. Is higher than 0.05 within the 95% confidence interval). In this way the null hypothesis is accepted and the alternative hypothesis is rejected. In this case it can be concluded that both certified accountants and uncertified accountants think the same regarding Covid-19 and its impact on accounting implications and financial reporting.

Conclusion

The rapid outbreak and spread of the Covid-19 coronavirus has hit the economy in all countries of the world. The efforts of all countries are addressed in combating the economic consequences of this pandemic. As the global economic crisis continues, businesses are expected to be affected for a long time by its consequences. Found in this situation, the created circumstances present challenges and difficulties to companies and accountants in financial reporting in accordance with IFRS. The implications of Covid-19 crisis on the financial statements include the effects from the measurement of assets and liabilities to the disclosure of information as well as the ability of an entity to continue its economic activity.
The requirements of IFRSs are different and specific to different industries and economic activities. Based on the findings of the following research and professional judgment, some of the effects of the Covid-19 crisis on financial reporting are presented, which should be considered by accountants and auditors in financial reporting in accordance with IFRSs.

- Based on research the spread of coronavirus is likely to effect the financial statements in the following period. The financial statements are affected by certain events that occur after the financial period and before its publication. Financial statements in accordance with IFRSs should be prepared on an ongoing basis as long as management does not intend to liquidate or discontinue economic activity.

- Based on research the spread of coronavirus is likely to affect liquidity of economic entities and application of ongoing concern. This may be due to material uncertainties over the ability of the business to operate based on the principle of ongoing concern. Such situation needs professional evaluation to assess the ability of business if it meets the principle of ongoing concern. Concerns about the effects of the coronavirus crisis may make it difficult to predict the assessment of decrease of asset values, declining demand for goods and services, and supply chain problems. Under the effects of coronavirus regardless of the outcome of the management assessment, the entity should exercise professional judgment and assess the conditions which were caused by the Covid-19 crisis, to assess the parameters whether the entity meets the principle of ongoing concern.

- Based on research the spread of coronavirus effect valuation of fair value. The valuation of fair value of assets and liabilities reflect the conditions at the valuation date and not in subsequent periods. The effects of the Covid-19 crisis may make it challenging to estimate the price of assets due to highly volatile markets. As a result entities should consider market conditions and parameters which were known on the reporting date.

- Based on research the spread of coronavirus effect IAS 23 borrowing costs. Risks arising from financial instruments may require extensive disclosure. Disclosure of credit risk arising from financial assets such as receivables, trade receivables, should have extensive disclosure due to significant judgments and estimates.

- Based on research the spread of coronavirus effect IAS 36 impairment of assets. As a result of the Covid-19 crisis there may be movements in both business and market-related factors, companies should take appropriate tests for impairment of non-current assets as required by IAS 36. Any decline in profits as a result of crisis may have an impact on determining the recoverable amount of property, plant and equipment.

- Based on research the spread of coronavirus effect IFRS 15 revenue recognition. The implications of crisis may risk the ability of economic entities to adhere to the stated terms of their contracts. As a result, the value of revenue recognition may be significantly affected, or revenue may not be recognized at all.

- Based on research the spread of coronavirus effect IAS 2 and net realizable value. In crisis period if the decline in net realizable value is significant, it should be disclosed in detail including the causes and reason. Businesses should assess the significance of any deductions and whether they require disclosure in accordance with IAS 2.

- Based on research the spread of coronavirus effect IFRS 9. Economic entity should consider the impact of Covid-19 in classification of financial instruments. Businesses should also assess the impact of any change in the terms of a loan agreement, possibly due to actions taken by the state or even renegotiation of terms between financial institutions and lenders.
- Based on research the spread of coronavirus effect IAS 10. According to IAS 10 all events after the reporting period that occur between the reporting date and the date that financial statements are published requires disclosure, recognition and measurement in the financial statements. As a result of crisis entities should evaluate all events that occurred after their financial reporting date.

- Based on research the spread of coronavirus effect IAS 37 Provisions, contingent liabilities and contingent assets. The entity’s measures in relation to the Covid-19 crisis should be accounted for as a provision only at the existing level of a current liability for which the outflow of economic benefits is probable and estimable.

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INVESTMENT DECISION ANALYSIS

Case study: AAA Company

Dr. Ardian Uka

UBT – Higher Education Institution, Lagijja Kalabria, 10000 p.n.,
Pristina, Kosovo,
ardian.uka@ubt-uni.net

Abstract: This assignment presents and hypothetical case regarding financial and investment decisions of the firm. Based on the critical analyses this paper work will identify the best possible project available for investment. The financial data presented on this assignment are done according to the information/data that has been provided, therefore analysing them in order to arrive to the best possible decision for investment.

In order to facilitate managerial decisions there has been presented necessary calculations. However, the evaluation and the importance of risk factors have been taken to concern. Furthermore, in order to accomplish this assignment, where on use various relevant books and journals. Therefore, this assignment will present academic and critical analysis.

By the end of this assignment, one can be able to understand financial analysis that company should take to concern, the activities has to follow by creative planning and forecasting the future plans in order to re-enforce the decisions on the investment that is about to be made.

Author (2006) states: ‘Investment gives to the investor always the benefits on gaining experience but not necessary gaining money, therefore investing gives the experience, and experience is something that money can’t buy, however the investors are investing in increase its wealth.
- therefore, the investment decision analysis is taking a great concern on return that the project it (may) returns, or gives an option to later return so current operation is to achieve the future benefits.’

Keywords: Investment decisions, financial forecasting and simulation, financial instruments.

JEL classification codes: G11, G17, G23.
Introduction

The ‘AAA’ Company is desirably planning to go on with investment in order to increase its production capacities. The investment is expected to have a lifetime of five years period. In regards to increase its production capacities, company had to make a choice between two alternative projects: plan ‘X’ and plan ‘Y’.

Base on the hypothetic data provided for AAA Company, two alternative projects X and Y the company will make its investment decisions. Furthermore, AAA Company will valuate it’s to alternative projects based on the NPV, IRR and real option criteria, and will use all the date provided in order to bring the best possible perspective project.

This assignment will elaborate the investment that is about to be made for the AAA Company in these parts: The first part will present the techniques of the NPV and IRR by using the same discount rate. The second part will elaborate the investment with different risk profiles and will compare the results with first part by making the recommendations. The third part will focus on the real options and will compare findings from the part two. The fourth part will imply further recommendation if necessary by the effects of the capital rationing. Then fifth part, the last but not least will consider financing possibilities for the selected investment by elaborating pros and cons of financial instrument by taking in concern that company is not listed in any stock exchange.

The Project Cash Flow

One should know that ‘Cash is the King’ for any business, therefore the cash flow for two alternative investment have a similar trends. However, both plans are presenting one initial outflow and five projected inflows. Nevertheless, one can simply identify that Plan X have higher outflow and inflow compare Plan Y.

Figure 1 Cash Flow for Plan ‘X’ & ‘Y’

The above figure 1 presents the projected cash flows for both projects for five years period but there is no any discounting involved yet. Hence, if one calculates, the undiscounted cash flow for both projects can state; that plan X has higher investment with higher cash return. Nevertheless,
the simple calculation on percentage shows that 22% lower investment has Plan Y compare to Plan X, but only 12% lower income in same comparison.

\[ C = \text{Cash}; I = \text{Investment (fixed cost)}; CF = \text{Cash Inflow}; t = \text{time/year} \]

\[ Ct = CF_1 + CF_2 + \ldots CF_t - I \]

Plan X; \[ C = 470,000 + 610,000 + \ldots 1,500,000 - 2,700,000 = 1,800,000 \]
Plan Y; \[ C = 380,000 + 610,000 + \ldots 1,200,000 - 2,100,000 = 1,580,000 \]
Discounted Cash Flow Analysis

In order to understanding importance of discounting cash flow and its analysis, one should take to concern the main and basic step of time value of money where a “dollar today is worth more than a dollar tomorrow – because dollar today can be invested to start earning interest immediately” Allen, Bearly and Myers (2006). Furthermore, the discount analysis interprets projected future cash flows to equivalent present value.

The AAA Company would assume that both projects would have the same risk as the firm which is presented as discount of 12% of the cost of capital. The required techniques such as Net Present Value – NPV and Internal Rate of Return will be used to evaluate the acceptability of the projects.

3.1 Discounted Net Present Value

The AAA Company evaluates the Net Present Value for the investment that is planning to make on one of the projects ’X’ and ‘Y’.

The NPV of the projects is calculated such us:

\[ NPV = C_0 + \frac{C_1}{1 + r} + \frac{C_2}{(1 + r)^2} + \ldots + \frac{C_n}{(1 + r)^n} \]

The result presented below on the table 1 advocate NPV decision rule that results of both projects are accepted, since the NPV is greater than 0.

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Year</th>
<th>Plan X</th>
<th>Discounted at 12% Cost of Capital</th>
<th>Plan Y</th>
<th>Discounted at 12% Cost of Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Outflow</td>
<td>0</td>
<td>(2,700,000 €)</td>
<td>(2,700,000 €)</td>
<td>(2,100,000 €)</td>
<td>(2,100,000 €)</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>1</td>
<td>470,000 €</td>
<td>419,643 €</td>
<td>380,000 €</td>
<td>339,286 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>2</td>
<td>610,000 €</td>
<td>486,288 €</td>
<td>700,000 €</td>
<td>558,036 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>3</td>
<td>950,000 €</td>
<td>676,191 €</td>
<td>800,000 €</td>
<td>569,424 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>4</td>
<td>970,000 €</td>
<td>616,453 €</td>
<td>600,000 €</td>
<td>381,311 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>5</td>
<td>1,500,000 €</td>
<td>851,140 €</td>
<td>1,200,000 €</td>
<td>680,912 €</td>
</tr>
<tr>
<td>Total CF/NPV</td>
<td></td>
<td>1,800,000 €</td>
<td>349,715 €</td>
<td>1,580,000 €</td>
<td>428,969 €</td>
</tr>
</tbody>
</table>

Source: AAA Company (2020)

Nevertheless, project cash flow shows that the project X generates larger amount of cash then project Y. The NPV at the discount rate of 12% indicate us that project Y has higher NPV at the end of five years compare to project X. Hence, the NPV of project X has a high initial investment and high returns/cash inflow on late years of its operation, where project Y has lower initial investment compare to project Y and slightly lower cash inflows in later years compare to project X. However, the NPV with annual discount rate of 12% provide the results that indicate AAA Company to accept project Y in comparison with project X.

3.2 Internal Rate of Return Decision Criteria

The intention of the Internal Rate of Return IRR is presenting the value of ‘r’
at which the project NPV = 0. Furthermore, IRR is a discount rate that arranges the project NPV to be equal to zero.

Looking at the below figure 2 both projects results of IRR are higher than cost of capital therefore both projects based on IRR rule could be accepted. Despite the result of NPV where Plan Y was more favourable, the IRR criteria shows that plan Y has 18.82% IRR, and plan X has 16.22% IRR. In the contest of IRR, criteria project X should rejected compare to the project Y.

**Figure 2 IRR an NPV for Plan ‘X’ and ‘Y’**

Looking at the above figure 2 if the discount rate would be lower than crossover rate 8.06% the project X would be more favourable, but taking to the concern the cost of capital again the both projects would be unaccepted by IRR rule.

**IRR Rule** - Accept the plan if:  
Internal Rate of Return ≥ Cost of Capital

Projects would be unaccepted by IRR rule.

Based on the IRR results presented on the above figure 2 shows that project Y still remains favourable compare to project X.

**NPV of plan X & Y using various risk adjusted discount rate**

Looking at the below table 2 one can identify that after we used different risk adjusted discount rates NPV for both projects are still positive and accepted. However, project X should be accepted
based on the high NPV result compared to project Y. Nevertheless, the NPV rules for the results show us that Project X is higher compared to the project Y; therefore, Project X should be accepted.

Table 2 NPV of Plan ‘X’ and ‘Y’ by using different risk adjusted discount rate

<table>
<thead>
<tr>
<th>Cash Flow</th>
<th>Year</th>
<th>Plan X</th>
<th>Risk Adjusted Discount rate at 13%</th>
<th>Plan Y</th>
<th>Risk Adjusted Discount rate at 15%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Outflow</td>
<td>0</td>
<td>(2,700,000 €)</td>
<td>(2,700,000 €)</td>
<td>(2,100,000 €)</td>
<td>(2,100,000 €)</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>1</td>
<td>470,000 €</td>
<td>415,929 €</td>
<td>380,000 €</td>
<td>330,435 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>2</td>
<td>610,000 €</td>
<td>477,719 €</td>
<td>700,000 €</td>
<td>529,301 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>3</td>
<td>950,000 €</td>
<td>658,398 €</td>
<td>800,000 €</td>
<td>526,013 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>4</td>
<td>970,000 €</td>
<td>594,919 €</td>
<td>600,000 €</td>
<td>343,052 €</td>
</tr>
<tr>
<td>Cash Inflow</td>
<td>5</td>
<td>1,500,000 €</td>
<td>814,140 €</td>
<td>1,200,000 €</td>
<td>596,612 €</td>
</tr>
<tr>
<td>Total CF/NPV</td>
<td></td>
<td>1,800,000 €</td>
<td>261,105 €</td>
<td>1,580,000 €</td>
<td>225,412 €</td>
</tr>
</tbody>
</table>

Source: AAA Company (2020) and Author tabulation (2020)

Comparing to early evaluation where both projects are having the same risk for both projects, the variable risk adjusted discount rate encourage project X to be more favourable compare to project Y, furthermore both projects are higher than cost of capital.

Hence, based on the NPV rules, project X is gives higher returns and should be accepted compared to project Y.

Real Options

Brealy, Marcus, et al, (1999) state that: “When a project is flexible or generates new opportunities for the firm, it is said to contain real options” (p.665). Therefore, in our assignment both projects are giving the opportunities to invest by giving a limited consideration of the real options.

Calculating the real option for the project X:

\[
rf = \text{risk-free rate of interest} = 9\%
\]

\[
\text{Real Option} = \frac{\text{Net Present Value} \times \text{Probability}}{(1 + rf)^n}
\]

\[
\text{Plan X Real Option} = \frac{100,000 \times 0.25}{(1 + 0.09)^1} = 19,305
\]

Then, the real option for the project Y:

\[
\text{Real Option} = \frac{\text{Net Present Value} \times \text{Probability}}{(1 + rf)^n}
\]

\[
\text{Plan Y Real Option} = \frac{500,000 \times 0.20}{(1 + 0.09)^1} = 64,993
\]

The increase in the amount that AAA Company can gain by placing this real options is shows to us that project Y is more favourable than Project X. Taking to the consideration the results presented for above on the table 2 where NPV of project X is higher than project Y, then after calculating the real option for both projects, and adding up to NPV the results of real option the
project Y give us a better result compare to project X. Therefore, one can state that after explicit of the real of real option project Y is accepted and more valuable than project X.

**Capital Rationing**

A capital rationing / capital budgeting decision is equivalent as the budget constraint. White (2006) pointed out that: “capital rationing is a situation where a firm has only a limited amount of funds available for capital investment” (p.2). Therefore, the specific amount of money that company can invest may affect the investment decisions. Jones (2006) Blue Book stated that: “in most cases firms face capital rationing restrictions since they only have a given amount of funds to invest in potential investment projects at any given time” (p. 9).

The AAA Company has to various investments and the outflow for project X is 2,700,000€ and for plan Y 2,100,000€, thereof if the company capital rationing is restricts by the amount of the funds of 2,100,000€ no matter if Plan X have a higher NPV capital rationing enforce the recommendation to change and limits the investment decisions to only project Y.

When companies are shortage of capital, and have many choices, they will use the profitability index (PI). By using, the values presented at above table 2 the calculation follows:

\[
\text{PI} = \frac{\text{NPV}}{\text{Investment}}
\]

Plan X - PI = 0.10; where Plan Y - PI = 0.11;

Furthermore, the intention of the AAA Company is to invest in the highest NPV since is increasing their wealth, and then taking to concern the need of raising the wealth of the shareholders; it should use further techniques such as profitability index PI. However, the Profitability Index re-enforce the selected project Y as more attractive compare to project X:

**Pros and Cons of Alternative Financial Instruments**

Follow to our above presentation with regards to project investment that present positive NPV, at this stage we are going to discuss the possible alternative financial instrument that can face any company when is in need on raising money on order to invest. Nevertheless, as Allen at al (2006) pointed out that: “The firm can think, first, about the projects to accept and, second, about how they should be financed” (p.331).

In consideration that a company shares are not listed in any stock exchange, and the company is needed to raise the funds by using an alternative potential financial instruments such us: Initial Public Offering, Bank, Corporate Bonds and last but not least the Leasing, where we will describe the pros and cons of each of this mention financial instruments.

**5.1 Initial Public Offering IPO**

*Advantages of IPO:*
  * Well known positive personality of chief executives of the company*
  * Executive member to have large shares owned by them in order to secure the public, for the trust.*
  * Less expensive and easily to be financed*
  * Broaden ownership of investment*
  * Large number of shareholders are present liquid shares*
• Monitored by outsiders/shareholders

**Disadvantages of IPO:**

• Well know negative personality of chief executives of the company
• Expensive since it takes time an energy
• No one has full control based on its ownership
• Competitors can have easy access over company strategy
• IPO-this is lengthy procedures

5.2 **Bank**

**Advantages of Bank:**

• Quick/short procedure to gain the dynamic found for investment
• Business plan on black and white – paper.
• Defined ownership
• High returns for a shareholder
• Focused ownership of investment
• The strategy of the company is in-the-house, no access of it by competitors
• Bank involvement on the investment, effect the share price tends to rise
• Varity of loans offered by bank at the short and long term

**Disadvantages of Bank:**

• Expensive since has high bank interest rate, as a fixed cost
• Don’t take the risk together with company, bank wants a collateral
• High risk for investors
• At the regularly monthly based - cash outflow
• If the financial plan is not dynamic, is costly to the company
• Hard to convince only by business plan.
• Cost occurs on security for the loan

5.3 **Corporate Bonds**

**Advantages of Corporate Bonds:**

• When includes a call option, a company has a flexibility to pay the debt early than planed
• When interest rate falling, the company calls their bonds and replace them at the lower rate.
• There is a risk by default in corporate bonds
• Broaden ownership of investment

**Disadvantages of Corporate Bonds:**

• Hard to predict bond fluctuation.
• There is a risk by default in corporate bonds
• A specified limit of issuing the debt
• Limited by third party rules and regulation.
• Investors are risk-averse not risk-lovers.
• Cost occurs on security for the bonds

5.4 **Leasing**

**Advantages of Leasing:**

• Flexibility that both parties can arrangements the payments towards the lessor, monthly, quarterly, semi-annually or yearly and not fixed rate.
• After usage of the equipment’s the lessee returns the goods to the lessor and is free of mind for reselling the equipment’s.
• Operating leases flexibility to close the contract at the option of the lessee
• Leasing offers full financing
• If company walk-out or restructure its business is obligatory to pay the next three years the payment and the deliver the asset to lessor.

**Disadvantages of Leasing:**
● The long estimated economic life of the equipment’s/assets if cancelled should be covered by lessee to reimbursed for any losses that occurred to lessor.
● Extra-unpredicted costs may occur if the asset is demolished by lessee and this are presented by the lessor.
● During the lease the lessor in not applicable to make any changes at the assets without approval of the lessor.

AAA Company should define itself that if its needs to raise cash on low rate of interest and defined on lengthy procedures, the best possible financial instruments could be say is IPO, on another hand if needs quick at high interest rate Bank is the chosen for possible financial instrument, therefore as the mid option of procedures and mid interest rates could be stated the corporate bonds. The leasing has fast procedures and mid interest rates compare to others financial instruments.

Conclusions

This paper-work presents the main critical analysis in order to re-enforce the decisions in the company. The analysis applies to all criteria that affect the future cash flow. The evaluation of to alternative project has been made in order to raise the investor/company wealth by selecting the best positive Net Present Value of the project. Net Present value shows to the AAA Company the best project to be selected, moreover the same project was re-enforced by other criteria’s which agrees with NPV rule.

Recognition of the real options data made the decision still more favourable, therefore by predicting the cash flow and real option value the company can benefit further into the future operation.

The limits of capital rationing, show to the company the boarders/limits of the necessary budget for investment. In this contest, whether the company is facing the limited funds to invest, there is presented the possibilities of other financial instrument to run the project. Alternative financial instruments are presented by elaboration of the pros and cons and the necessary one to be used.

Appendix

5.5 References

- Books:

- Journal Articles:

### 5.6 Abbreviation

Abbreviations are listed in the alphabetical order:

- AAA - Name of the Company
- C - Cash
- CF - Cash Flow
- C0 - Initial Investment; (I)
- I - Initial Investment; (C0)
- IPO - Initial Public Offering
- IRR - Internal Rate of Return
- n - Years/Periods; (t) – Time/Year
- NPV - Net Present Value
- PI - Profitability Index
- r - Rate of return (Cost of Capital – Risk Adjusted Discounted Rate)
- rf - Risk-free Rate
- t - Time/Year; (n) – Years/Periods
- X - Project Name X
- Y - Project Name Y
Purchasing behavior during COVID-19. Will it be a “new normal”?

Nora Sadiku-Dushi¹, Afërina Skeja ²
¹ UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo,

Abstract. At the beginning of the year, the world started facing a new disease called COVID-19 caused by the novel coronavirus. To control its fast and uncontrolled spread, the World Health Organization (WHO) declared this new illness as a global pandemic. Panic buying, empty supermarket shelves, and stockpiling were a usual picture all around the globe. The new reality caused a transformation in everyone's life by changing the way people work, learn, live, think, and buy. There is no doubt that also consumer behavior has changed during this time. The purpose of this research is to study consumer purchasing behavior during the pandemic, as well as to get an insight on whether a new shopping reality will be created after the end of the pandemic. The study is based on a survey research methodology conducted through an online questionnaire. A total of 56 responses were collected. Descriptive statistics were used to interpret the data. Based on the results, the purchasing behavior of the customers has changed during the pandemic and it seems that it will create a “new purchasing reality” after a pandemic is over. Keywords: purchasing behavior, purchasing habits, panic buying, pandemic, COVID-19, customer behavior

Introduction

The COVID-19 pandemic has undoubtedly brought a change in everyone's life. Nothing is the same anymore. People live, think, communicate, learn, work, eat, and buy differently. It all begun on 31st of December 2019 when China reported a cluster of cases with pneumonia in a city of Wuhan, the province of Hubei. Since then everything was happening very fast. Alarmed by the levels of the spread of this novel virus the World Health Organization declared this disease as a pandemic (Coronavirus disease (COVID-19) – World Health Organization, 2020). The number of infected cases started to increase tremendously all over the world, which has prompted many countries to take various measures in terms of organizing life in pandemic conditions, ranging from total lockdown to social distancing, mandatory mask-wearing the closure of borders and the restriction of freedom of movement (Data on country response measures to COVID-19, 2020). With this globalized world, even Kosovo could not be an exception. Therefore, immediately after the first positive case, the Government of the Republic of Kosovo on March 15th, 2020 has approved preventive measures by declaring an Emergency for Public Health (Qeveria e Republikës së Kosovës, 2020). The first preventive measures where the closure of land borders, suspension of airlines and public transport, reduction of the staff in public institutions, closure of educational institutions of all levels, closure of café bars, pubs, and restaurants, as well as shopping malls except for pharmacies and food markets.

Immediately after the lockdown media from many countries reported an interesting social phenomenon called panic buying (Arafat et al. 2020a) that usually creates anxiety, fear, panic, and agitation (Arafat et al, 2020b). Even though the physiological responses as fear and anxiety, loss, guilt, depression, irritability, sense of isolation and stigmatization were reported during previous disease outbreaks such as SRAS, MERS H1N1, and Ebola in the last two decades, the panic buying during COVID 19 pandemic is a phenomenon that was not seen in previous outbreaks (panic-buying around the world amid fears over coronavirus outbreak, 2020). The customers are driven by panic run to by different products. While in U.S. medical masks, hand sanitizer, gloves, and toilet paper have flown off shelves (Whitten, 2020), besides stockpiling these products many strange and unusual purchasing behavior was noticed in some countries. For example, the Italians run to buy mandarins, the French people have created stocks of chicken
sausage and Brits were hoarding canned meats (Hanke Bela and Wanat, 2020). The local media in Kosovo were reporting the long queues of people running to buy flour (Koha.net, 2020).

The restriction of movement and the closure of many businesses has left many employees with limited or without any income. Many people found themselves in a panic and as a consequence, the life of everyone started to transform. Consequently, because of the fear of disease, financial instability, and inability to frequent markets and shops the purchasing behavior of many people has changed.

Even though the COVID 19 pandemic is a novel disease researchers from all over the world have started to investigate the impact of this new pandemic on the different aspects such as the impact on socio-economic implications (Nicola et al., 2020), the panic buying (Hall et al., 2020; Leung et al., 2020; Arafa et al., 2020; Sim et al., 2020; Yuen et al., 2020; Prentice et al., 2020; Miri et al., 2020), purchasing behavior (Addo et al., 2020; Laato et al., 2020; Martin-Neuninger and Ruby, 2020; Yilmaz et al., 2020) as well as supply chains (Rizou et al., 2020, Ivanov and Das, 2020; Paul and Chowdhury, 2020; Hobbs, 2020). Despite numerous researches on the subject of the purchasing behavior during COVID 19 Pandemic, there is little evidence about the post-pandemic purchasing behavior. Therefore, to keep in trend with global developments, the purpose of this research is to study whether the COVID 19 pandemic has affected the purchasing behavior of Kosovar consumers. More specifically, the study aims to understand what has changed in purchasing behavior during the pandemic? and, Will this pandemic creates a “new shopping behavior reality”?

The findings of this study will help to gain knowledge of the purchasing behavior of Kosovar customers during the pandemic, as well as will this behavior remains the same after the pandemic. This study can help companies and policymakers in their efforts to manage different similar situations that may arise in the future.

**Methodology**

This study is based on a survey research methodology conducted through an online questionnaire. The self-administered questionnaire was designed through Google Forms and consisted of questions such as demographic characteristics, the purchasing habits before and during COVID-19 pandemic, opinions of what has changed in their purchasing behavior, and how do they see their purchasing behavior after the pandemic. The questions were clear and understandable. All the responses were multi optional with mandatory fields, which did not allow for any mistakes in completing the questionnaire. The responses were collected between 18 and 25 August 2020. The survey was distributed electronically via Facebook, e-mail, and other electronic platforms such as Viber and WhatsApp. Due to the current pandemic situation and social distancing measures the data collection was based on a “snowball method”. Respondents received a link that redirected them to the questionnaire. They were also assured of the anonymity and confidentiality of their data. The final sample collected was N=56. This number can be considered as sufficient to perform the descriptive statistics and draw the necessary conclusions.

**Data analysis**

The analysis of the descriptive statistics is presented in this section. Descriptive statistics is a tool that is used to summarize and describe the raw data and information about the sample’s basic patterns and allows its understanding and interpretation. The main purpose of the descriptive statistics is to precisely describe distributions of variables within a given set of data (Marczyk et al. 2005).

**Discussion of Results**
The respondent basic information covered gender, place of residence, age-group, education, employment, average monthly income. Their demographic background is presented in the below-presented table (Table 1). Based on the questionnaire analysis 66.1% of the respondents were female while 39.1% were male. Most of the respondents live in a city (83.9 percent). The most represented age groups are between 26-35 and 36-45 years old (69.8 percent in both age groups). Respondents’ educational background is mostly a bachelor and master’s degree (42.2 percent and percent respectively). The major part of the respondents are self-employed (33.9 percent) and employed in the private sector (37.5 percent), whereas the average monthly income mainly lies between 501-800 Euro (26.8 percent) and more than 1,000 Euro (26.8 percent).

<table>
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<tr>
<td>36-45</td>
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<td>30.4%</td>
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<td>Av. monthly income</td>
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<td>101-300 Euro</td>
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<td>14.3%</td>
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<td>1.8%</td>
<td>301-500 Euro</td>
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<td>501-800 Euro</td>
<td>15</td>
<td>26.8%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>801-1000 Euro</td>
<td>5</td>
<td>8.9%</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>More than 1000</td>
<td>15</td>
<td>26.8%</td>
</tr>
</tbody>
</table>

In view of the fact that the COVID-19 pandemic has also financial implications in the monthly income, 23.2 percent of the respondents reported that during the pandemic their incomes were much lower while 37.5 percent of the respondents stated that their incomes were a little bit lower than usual. No change in their incomes was reported by 35.7 percent of the participants while there was a low percentage (3.6 percent) of those who had increased income during the pandemic. The result clearly show that more than 60 percent of the participants in the study have experienced a decrease in their income during the pandemic, confirming that the pandemic has caused financial instability.

Consumers are humans, and humans certainly experience different emotions in different life situations. The quarantine was one of the new situations that we all faced and that caused different emotions in every person. Stress (66.1%), uncertainty (64.3%), fear (48.2%), sadness (46.4%), missing people (37.5%), distrust (28.6%) and anxiety (26.8%) were most common emotions reported during the quarantine while the feeling of joy and guilt had a low presence (5.4% and 1.8%). The situation seems to be a little bit different after the quarantine is released when the
feeling of uncertainty (71.4%), distrust (33.9%) and joy (26.8%) have increased, while the other feelings such as fear (39.3%), stress (41.1%), anxiety (10.7%), sadness (16.1%) and missing people (19.6%) have decreased compared to the time spent during the total lockdown. The feeling of guilt remained the same with only 1.8%.

During this time people were worried about different issues. The fear for the health of family members was found to be the biggest worry (88.7% of the respondents), followed by the fear of the economic consequences that the family may face (9.4%).

The new situation in which everyone was found has influenced people to develop new life habits that they did not have before the pandemic. Eating healthy, taking care of personal health, reading, watching more news, watching more movies, working and learning from home, spending more time with family, communicating more with friends, reusing the food leftovers into new recipes, cooking, sleeping more, discovering new talents, doing sports, gardening and, avoiding unnecessary going outs are just some of the new habits that were reported by the respondents.

Concerning purchasing, most of the respondents have stated that their purchasing habits have changed during the pandemics. 50 percent reported a small change whereas 32.1 % reported significant changes in their buying habits. More than half of the sampled customers (55.4%) agreed that during the pandemic they are buying only essential products, while 44.6 percent stated that they have continued to buy all the products as usual. One of the main reasons why customers are not buying as usually is fear of going to the shops because of the virus (69.6%) followed by the fear of worsening of the financial situation (37%) the uncertainty they feel about the future (32.1%), saving awareness (30.4%) and loss of will to buy during this period (12.5%).

Excluding food products, the survey result showed a change in the purchase of the different product categories before and during the pandemic. Products were categorized into medicines, clothing, household equipment, furniture, sport and recreation, cosmetics and books. Compared to the pre-pandemic, the products of all the categories are reported to be purchased more rarely. The only positive change during a pandemic is noticed in medicine products category which is reported to be purchased more often. This could be explained by the fact that during the pandemic consumers are more focused on purchasing only the essentials products, avoiding other spendings.

Speaking of rationality in spending 66.1 percent of the respondents have considered themselves as rational spenders before the pandemic. While 62.5 percent believe that pandemic has made them more rational in their purchases.

As buying habits are concerned, the results of the study found that a considerable number of respondents (30.4%) have made their first online purchase during the pandemic. Further, 51.8% consider that pandemic has changed their life in terms of buying habits. Moreover, 39.3% are sure that their new shopping habits will remain the same even after the pandemic.

The above results helped to answer the first study question whether there was a change in consumer purchasing behavior during the pandemic. However, additional opinions were gathered to answer the other study question; whether this pandemic create a “new shopping behavior reality”?

More than half of the respondents (42.9% agree and 16.1% totally agree) that after the pandemic they won’t make unintentional purchases. 51.8 percent believe that they will continue to buy only the necessary products, while 50 percent of the surveyed consumers are sure that in future they are going to save more money.

Most of the new life habits will seem to continue even after the pandemic because the majority of the respondents (87.5%) agree and totally agree that they will continue to take more care of their health. Similarly, a considerable number or 78.6 percent stated that they will continue to consume healthy food. The sport will be one of the things that will continue to be important after the pandemic for 57.1 percent of the surveyed consumers. And, 62.5 percent will continue not to frequent overcrowded places.

The only two issues that had a higher number of undecided answers were regarding future online shopping and staying more at home in the future. As online shopping is concerned 37.5 percent are sure that they will continue to make online purchases, while the same number of the respondents (35.7%) feel undecided about whether they will buy more online or not. Similar answers were found about staying more at home after the pandemic, where 39.4 percent are sure that in future they will spend more time at home, 35.7 percent feel undecided and 25 percent disagree that they will spend more time at home after a pandemic is over.
Conclusion and recommendation

The aim of this study was to provide an insight into whether the COVID-19 pandemic has affected the purchasing behavior of Kosovar consumers. More specifically, the study aimed to understand what has changed in purchasing behavior during the pandemic? As well as, will this pandemic creates a “new shopping behavior reality”?

The study results showed that the COVID-19 pandemic has changed both life and purchasing habits. Most of the respondents have experienced a decrease in their monthly income. Found in a new situation created, many new life habits such as: eating healthy, taking care of personal health, reading, watching more news, watching more movies, working and learning from home, spending more time with family, communicating more with friends, reusing the food leftovers into new recipes, cooking, sleeping more, discovering new talents, doing sports, gardening and, avoiding unnecessary going outs are just some of the new habits that were created. These new habits have without a doubt affected the change in purchasing habits, since many consumers started buying only essential products, limited in food and medicines, mainly because of the fear of visiting shops during this time, fear of future uncertainty, and worsening of their financial situation.

Also, results show that future life and purchasing habits will change, since consumers will not make unintentional purchases and will continue to buy only the necessary products. They will save more, take care more of their health, eat more healthily, do sports, and avoid crowded places in the future.

The most surprising finding in this study is that there is a considerable number of people that are undecided regarding buying online in the future.

Based on the study results we can conclude that the COVID-19 pandemic has changed the purchasing behavior of the customers and that this behavior will create a “new purchasing reality” after a pandemic is over. This whole new situation and this change in purchasing behavior have impacted many product categories that were not seen as necessary products during this time. On the other side, online purchasing has become an evitable option for many customers.

The findings of this study may be useful for companies to rethink their marketing strategies and to adapt them to the newly created reality, by switching to online selling and rethinking ways to better promote the nonessential product categories. The findings may be also useful for the policymakers so they can better understand and manage the future eventual crisis by creating better support policies for consumers as well as affected companies.

This study has some limitations. Firstly, the study was based on the small number of participant therefore the findings cannot be generalized. Secondly, the results are limited to Kosovar consumers only. Thirdly, the purchasing behavior was studied in general without being specific to a single product category which may affect the results. And, fourthly the study was based only on descriptive statistics. However, despite the limitations, this study has opened some new insights on the purchasing behavior during a current pandemic crisis and has offered a significant contribution to related literature by being the first study in this field conducted in Kosova.

It is recommended that in order to produce more reliable results, future studies could focus on investigating the larger sample of the respondent, investigating specific product categories, or employing other research methodology. Furthermore, since the short term effects of COVID-19 are evident, it would be recommended to study whereas this pandemic will create long term effects on both costumers and companies.

References


Hot Spots or Balanced Score Cards?

Besnik Skenderi¹, Diamanta Skenderi ²
¹ UBT – Higher Education Institution, Lagija Kalabria, 10000 p.n., Pristina, Kosovo,

Abstract: Executives are spending time and effort to create working culture where employees are willing to cooperate and cooperation should be in a line with corporate mission, vision and within corporate strategy. In addition according to Gratton, (2007), “This willingness to cooperate was crucial to the second element, the capacity of people to work with others outside their boundaries” (p. 8). When employees are willing to cooperate and to contribute beyond their administrative boundaries they are triggering problem solving and innovation. Academic literature, offers two approaches for increasing productivity and cooperation within teams and team members. Gratton (2007) discusses Hot Spots that are places and times where cooperation flourishes, while Niven (2002), discusses balanced scorecards as tool “to assists organizations in overcoming two key issues: effective organizational performance measurement and implementing strategy” (p. 3). This paper discusses Gratton’s and Niven’s approaches and author had provided conclusions and recommendations. In addition, for this paper, academic journals from EBSCO database were used.

Keywords: Hot Spots, Balanced Scorecards, Performance

Hot Spots

According to Gratton (2007) “Hot Spots are places and times where cooperation flourishes, creating great energy, innovation, productivity, and excitement” (p. 7), and hot spots may appear at any department or business unit within organization. In addition, Gratton (2007), had defined success of hotspots as multiplication of five occurrences within organization, like Hot Spots = (Cooperative Mindset × Boundary Spanning × Igniting Purpose) × Productive Capacity.

According to Gratton (2007) “A cooperative mindset does not arise from a single characteristic; instead it arises as a result of a whole system of practices, processes, behaviors, and norms. Cooperation is not built; it emerges “(p. 55), and cooperative mindset depends from leaders attitude toward competition and cooperation. Furthermore according to Ruhli et al (2017) “Mindsets represent cognitive heuristics that guide the attitudes and behaviors of individuals across different contexts by providing established patterns for social contact” (p. 294)

However hot spots may also vanish suddenly as a result of demotivation, staff turnover and miss leading management. In addition, competitive working environment and stress trigger staff turnover and talented employees are leaving company. Roskes (2015) concludes "threatening situations, in which people fear negative outcomes or failure, evoke avoidance motivation” (p. 197), while according to Danish et all (2014) “Employees are questioning the relationship between spirituality and their work and are looking for work that is inspiring and meaningful” (p. 24). Nowadays, employees are well educated and they have access to information and according to Benkler (2006) “Information, knowledge, and information-rich goods and tools play a significant role in economic opportunity and human development”(p. 13).

In order to have cooperative mindset in place within company, human resource department should identify team players during the recruitment process and reward policies should be based on team performance and not on personal achievements. Furthermore, positive leadership, mentoring, good communication and team building will trigger relationship and mutual trust between employees.

Furthermore, relationships between employees should create learning environment such members of an existing group exploit their common knowledge for continuous improvement even in a case where they know each other but have different roles. However learning is not
about problem solving and according to Argyris (1999) employees “need to reflect critically on their own behavior, identify the ways they often inadvertently contribute to the organization’s problems, and then change how they act” (p. 4) and knowledge can also be tacit and experiential (Gratton, 2007) and this is knowledge that is built up over time by people and the groups of which they are members.

The value of boundary spanning depends on which boundaries are spanned and to what extent and according to Gratton (2007) “Value in companies is created by exploiting what is already known through strong relationship ties. Novelty and innovation emerge through exploration; this is facilitated by networks of relationships that cross boundaries” (p.91). However according to Niven (2002) “The Balanced Scorecard represents the best solution for broadcasting your values, reviewing them over time, and creating alignment from top to bottom in the organization” (p. 81). While cooperative mindset sets the stage, boundary spanning increases probability for innovation, next point is ignition point and igniting purpose come in three forms, an igniting vision, an igniting vision and, an igniting task (Gratton, 2007, p. 93). Figure 1 shows Hot Spots Steps.

![Figure 1. Hot Spots Steps](image)

Balanced Scorecards
Organizations, have their vision, mission and based on their vision, business strategy is created. Business strategy is implemented by employees that are divided in different departments and business units. However the challenge remains on distributing same information to all employees with the goal to implement business strategy and balanced scorecards are used as tool to send this message. According to Norrie and Walke (2004) “This instrument transforms strategy into operational plans and strategic measures that enable the organization to decide whether or not a project is operating on-strategy.” (p. 50), while according to Kaplan and Norton, (1996) “The balanced scorecard relies on four processes to bind short-term activities to long term objectives; translating the vision, communication and linking, business planning, feedback and learning’ (p. 1). Balanced score cards are measuring performance and they are impacted by changes and activities within corporate. Figure 2 shows balance and impact on balance scorecards.
The need for Balanced scorecards implementation may appear in cases where performance is acceptable on all dimensions except profit, customers don’t buy even when prices are competitive, no one notices when performance measurement reports aren’t produced, managers spend significant time debating the meaning of the measures, share price is lethargic despite solid financial performance, and, when corporate strategy is changed (Niven, 2002) and all those cases according to Gratton (2007) are accruing when the big freeze has taken over.

However, according to Abyad (2011) the challenge with balanced scorecards remains with the fact that each company is unique and how balanced scorecards can be standardized.

**Conclusion**

Hot Spots are describing working environment where coworkers know each other, and when they are identifying themselves with the company. In addition, Gratton (2007) states that Hot Spots are in correlation with Cooperative Mindset, Boundary Spanning, Igniting Purpose and Productive Capacity and the process consists of five phases:
However, Hot Spots are vulnerable and they may vanish suddenly, furthermore, according to Crabb (2007) “Toxic values and attitudes at the top of an organization spread down through the ranks and stifle hot spots” (p. 10). Hot Spots concept seems to be more academic or scholar model, since within this model, priority is given to relations between coworkers, while shareholders interest and business objectives are considered after the Hot Spot had emerged. In addition, proposed model will faces challenges during the implementation, like resistance to change, legal limitation that public corporates could have and within companies that need professional staff like project managers, developers, cyber security expert that could be categorized as aggressive. Furthermore, it is not clear how employee will know each other when they are working in virtual and remote teams.

However, Hot Spots and balanced scorecards, are stressing importance of mission and vision, while within Hot Spots there are three ignition ways, key performance indicators are stressed for balance score cards.

It remains on executives and managers to create potential environment for Hot Spot evolution, and furthermore managers should be able to recognize Hot Spots and deep freeze. In addition, Hot Spots will trigger problem solving and innovation.

Balanced scorecards seems to be traditional tool for strategy implementation, however the issue with balanced scorecard remains with the fact that each organization is unique and the question that should be raised is Does one size fits all? Furthermore, balance scorecards will help to implement strategy and they will measure performance, however balanced scorecards are not stimulating innovation like Hot Spots.

Before, promoting Hot Spots within corporates, managers and executives should train their staff to recognize Hot Spots, to promote diversity and to change working culture within organization. This task seems to be challenging especially within project based organizations because of temporary staff, professional teams and because of virtual and remote working environment.

References


A nation’s mission of housing and food consumption: An analysis of household budget survey expenditures in Kosovo

Florin Aliu¹, Isa Mulaj²
¹ UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo,
² Department of Economic Research, Institute for Economic Policy Research and Analyses,

florin.aliu@ubt-uni.net, isa.mulaj@gmail.com

Abstract. In the digital and artificial intelligence intensification era where up to 2/3 of Gross Domestic Product (GDP) is generated from the service sector, nearly ¾ of the household budget is spent by the Kosovo families in food and accommodation. This is a larger and greater share than in the neighboring countries to which Kosovo approximately has the same level of income per capita. At the same time, for some years spending for education until the recent available data remains below 1%, showing another difference with the neighboring countries in volume as well as in total share of household budget expenditures. Using the secondary data from the Kosovo Agency of Statistics (KAS) on household survey, this paper finds that the ongoing high share of income spending in food and accommodation at the expense of other sectors becomes a source of inefficiency. Moreover, this issue might plunge the households into unaffordable debts and problems with their future payments. The population on a large scale consider much of their life mission only through available incomes for food and housing (construction of houses and buying furniture) as a wealth. In contrast to the previous studies, the recommendations from the findings of our work address recommendations to the population, because the government, state, and public institutions are a product of these people whose primary life objective is in buildings and consumption on individual, family, and clannish bases.

Keywords: Kosovo, household budget survey, housing, consumption, education

JEL Classification: D19, G51

Introduction

Household as a cell of social and economic organization is also a component of the economy as producer and consumer. Despite a distinction between household and family, this paper uses them interchangeably as per data on household surveys and family economies as one unit. A family is also a household that is identified by its members such as parents, children, or siblings living in the same house and jointly owning the property, but a household often cannot be a family as the members living in the same house or apartment are not related by family such as tenants who have their own separate economic life. The family economy has become a branch on its own which until the 1960s, regardless of superficial references, has not been studied as a separate discipline or was not given the due weight of research. Both family and household have evolved during different historical stages and the circumstances occurring in the world. In developed countries, there is a tendency of small size families, low birth rates, late marriage, increased life expectancy, and a good network of social security. This trend is likely to be followed by the developing countries upon their greater economic development.

After the 1999 war in Kosovo, what is known as the family economy was more identified with the economy in rural areas, mostly focused on agriculture and livestock breeding. A survey in 2004 with 1 000 Kosovo families divided into 542 in rural and 458 in urban areas, analyzed their social and economic aspects. At the time, crediting in rural areas was exceptionally low, where agriculture took part by only 2% in the total volume of loans. Of all families surveyed, only 5.7% in rural areas received loans compared to nearly twice that share (10.3%) in urban areas. The total amount of loans delivered to family economies, 64% in villages and 46% in rural areas,
had a payback period of one year. The amount of loans for the majority of the families was below €5,000, and this was the case for 77% in rural and 57% in urban areas (Riinvest, 2004).

The number of family economies in Kosovo since 1948 has constantly risen along with the total number of the population as well as family size. An exception is made after the 1999 war or in the 2011 census, and this may be due to the change in social and economic conditions of the population. The average number of members per family in Kosovo as per the 2011 census was 5.9, down from 6.9 in 1981. The overwhelming majority of the families had children, with a dominant group of four members. Out of 1,738,402 inhabitants registered in Kosovo (excluding the Serbs who boycotted the census), 50.3% were males and 49.7% females, living in 297,090 family economies. The total number of families was higher (415,090), and this figure differs from the lower number of family economies and households since there are families without economies and children, who live by renting the apartments, somewhere inside Kosovo, or in asylum of social housing for the elderly (Kosovo Agency of Statistics – KAS, 2013).

This discussion study focuses on the areas of how and where the family budget is spent, i.e. household budget survey expenditures. Besides, it is associated with investigating the source of income, loans, and household debts accumulated. The rest of the paper is organized as follows: first, a note about methodology and data used; the second section provides a literature review on the household budget survey; HBS is analyzed in the third section where a comparison with the neighboring countries were made as appropriate in a subsection; and, the last section concludes with some remarks about future research.

**Methodology and data**

Registering and measuring the family economies is not an easy task, in part due to their ambiguous definition with households. For a research purpose, family economies are mostly analyzed in terms of household surveys like in many other countries. The base inclusive profile was created by the population census as stipulated by Law No. 03/L-237 on Population and Household Census 2011, approved by the Kosovo Assembly on October 7, 2010. The census was carried out in 2011 by the KAS. Another database from the KAS on family economies was through Household Budget Surveys (HBS). They are supplemented by the data of the Central Bank of the Republic of Kosovo (CBRK), namely those related to the loans and debts by family economies compared to businesses. KAS and CBRK directly translate family economies from Albanian as households, and that is why the data are used as being for one of the same category. In terms of regional perspective, all Kosovo’s neighboring countries such as Albania, Montenegro, North Macedonia, and Serbia are included for descriptive comparative analysis in several indicators limited to household share of expenditures by categories, loans, and accumulated debts or the focus of the paper. Bosnia and Herzegovina are left out of consideration due to her more specific political status (consisting of two entities) having many of their economic statistics separate, and not bordering Kosovo.

**Theoretical consideration and studies on household survey**

Early economists were mostly interested in how individuals contribute to social production, which translated into how much work they do in the labor market, but domestic production was not the only one that received systematic treatment from early economists. The family as an economic unit has been known since the time of Adam Smith but did not attract enough attention of scholars until the 1960s, when it began to be studied as an integral part of economic research and theory (Schultz, 1974). In modern times, there is an increasing tendency for production to take place in the family as part of the development economics. Parente et al. (2004) introduced household production into a neoclassical model of economic growth to examine its implications. Their results showed that the inclusion of household products according to the neoclassical growth model can improve the ability to calculate differences in per capita income for different countries. Therefore, an increase in income differences caused by different economic policies and the market
situation (monopolies, cartels, market failures, tax rates, price impacts, etc.), can be reduced, among others, by promoting and supporting household production, whether for the market or other reasons, such as consumption within the family. Why for consumption? Because, the income that the family would spend to buy goods in the market, can save it for itself, so the money would not go elsewhere in any business that would affect the increase in income differences.

The marginalist school, developed in the late 19th century, shifted the focus of the economy away from the family. The focus of early marginalists like Leon Walras, Stanley Jevons, and Alfred Marshall was on market transactions, thus any work by household was not of interest. On the contrary, in the 1920s and 1930s, some economists argued that household production was an important part of national production and without its inclusion, gross national product (GNP) could not be a complete indicator of the national level (Jefferson and King, 2001). Despite its importance, economists often try to avoid dealing with family or household economics. They justify this by arguing that everyone in the family has the same interests, or if their interests change, the family has a dominant member who decides for the rest. In many countries, women receive less food, less free time, less education, and fewer inputs from their parents than their brothers. These discrepancies are greater in large families. Thus larger families mean that inequality between generations in terms of resource allocation is greater (Bauer and Mason, 1993). Larger families living in the same household have a strong incentive to keep their older children at home for work, denying them the future benefits of education. This pattern leads to earlier marriage, higher birth rates, and higher poverty cycles. When girls from large traditional families reach adulthood, they are more likely to perform traditional roles, have less knowledge of the world around them, less profitable skills, and will be less able to access their resources. As a result, they will have less bargaining power within the family, will be more dependent on their husband and children, and less likely to use modern contraceptive methods and have more children (Lloyd, 1994).

The financial balances of the families were deeply affected by the 2007-8 global financial crisis. When the effect of the crisis began to be felt, the family debts were relatively high compared to disposable incomes. Despite increased attention for consumer loans in the media and Wall Street, it did not become the main focus of the economists who were largely dealing with the national economic consequences of the crisis. In deep contrast to the view that an increase in consumer loans negatively impacts the economy, a consensus appears that such an increase is positively associated with future consumption. There is little evidence that debt servicing of family economies is positively related to future consumption, despite that some theoretical models suggest a more complicated relationship can be operational. The heavy burden of debt servicing in particular, can make family or household consumption more vulnerable (Maki, 2002). Other studies have found that the families change the composition of their portfolio, such as the risk level as a consequence of the financial crisis. Ramb and Scharnagl (2011) found that households in Germany have reduced their stock holdings since the financial crisis by increasing the preference for more liquid assets at the expense of assets at risk. As a result, overall stock holdings have fallen in the portfolios, while savings deposits have shown an upward trend. At the same time, mutual funds have increased in popularity as a result of the demand for risk diversification. Household loans are provided and taken to improve the living standards of citizens, but also to expand economic capacity. In the first case, they are known as consumer loans. To increase consumption, households need different investments, and investments require financing. Financing can be internal or from household savings, but in most cases, they need external financing which can be provided by the banks and non-bank lending financial institutions. Consumer credit can be defined as money, goods, or services provided to an individual in the absence of immediate payment. The cost of the loan is the additional amount over the borrowed amount, which the borrower has to pay. Some costs are mandatory, required by the lender as an integral part of the loan agreement. Other costs, such as those for securing the loan, may be optional, where the borrower chooses whether or not to be part of the arrangement. Interest rates and other payments are presented in different ways, but under many legislative regimes, lenders must quote all liabilities in the form of an annual interest rate (Finlay, 2009).

Studying family finances is challenging because family behavior is difficult to measure and families face limitations that are not captured by textbook models. There is some evidence that households understand their limitations and avoid financial strategies for which they feel
unqualified. Many families seek advice from financial planners and other experts, however, some families make decisions that are difficult to agree with this advice or any standard model. This response leads to the view that behavioral financing theory describes the choices that families currently make, while standard finance theory describes the choices that maximize the family well-being and that the families can be educated to make choices. Another important aspect of household financing is borrowing restrictions. Households need to take into account the fact that their future consumption can be determined not only by wealth and investment opportunities but also by their expected net income if they are forced into borrowing. Borrowing restrictions may be more important for new households than for older ones that have built up some retirement savings. Aspects of the family finance life cycle also complicate normative theory because stationary infinite horizon models cannot be used, but instead more complicated finite horizon models that capture the evolution of financial strategy should be used as families refill and accumulate financial wealth (Campbell, 2006).

Since mortgages make up the bulk of household debt in all countries, choosing the type of mortgage is likely to have a significant impact on family well-being. Although other forms of mortgages at fixed and adjusted rates are present, and mortgage contracts can vary across several dimensions (e.g. maturity, prepayment options, refinancing options, etc.), most mortgages are held by the households are fixed or customized. For example, based on 2007 data in the U.S., 17.2% of mortgage holders had adjusted rates and the vast majority kept fixed rates (Hypostat, 2009). In a fixed-rate mortgage, the borrower pays a constant nominal amount over some time and is thus subject to inflation risk. Also, fixed rates carry the risk premium. If the mortgage contains a prepayment option, borrowers can reduce their risk exposure by exercising it and moving to the current moment with nominal market rates. Adjusted-rate mortgages are free from inflation risk, but they are subject to income risk. Since adjustable rates are indexed to the short-term rates that track inflation, the real value of the mortgage payment changes over time. However, to the extent that nominal incomes are subject to fluctuations, and not fully at the same time indexed to inflation, variations in nominal rates can cause significant declines in household consumption (Guiso and Sodini, 2013).

To sum up this section, household and family economies are more complicated and with diversified impacts on the national economy than the attention they receive from the scholars. The complication arises from mixing, measuring, and reporting households and the family economies as one. Certainly, there is a difference between them, and this can be proven by definition and empirical research if they are considered separately.

### Analyses and results

As noted in the methodological part, the database and figures used in this paper come from the KAS, first from the 2011 census, and second from the HBS. Most households in Kosovo have children, and the largest number of these families have between 4 and 5 members, with an overall average of 5.9 members (see Annex I for a more detailed summary). HBS provides the statistics on consumption, income, and other figures related to the standard of living by the households in Kosovo. Amongst the important summary results of this survey were the consumption, expenditures, and household income for 2013-2017, and living conditions during this period. The survey sample included 2 400 randomly selected households. Household income, consumption, and expenditure have wide dimensions. Let us first look at the total consumption.

**Table 1. Total consumption in Kosovo, 2013-2017**

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption in € million</th>
<th>Consumption in € per household</th>
<th>Consumption in € per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,382</td>
<td>7,625</td>
<td>1,402</td>
</tr>
<tr>
<td>2014</td>
<td>2,471</td>
<td>7,611</td>
<td>1,386</td>
</tr>
</tbody>
</table>
By the end of 2017, total consumption was lower than in all previous years except in 2016. Consumption per household has been falling steadily and for three years in a row (2014-2016) remained lower than in 2013. Only in 2017, this figure recorded the highest level compared to previous years. The same trend has followed consumption per capita. It may be an indication that Kosovo households were in crisis or recession during 2013-2016 and they began to recover in 2017. Though an important indicator, consumption as a whole does not tell a clearer picture, but its sources or by type where the households spend, tells a lot and becomes central with chain effect for the rest of this paper.

### Table 2. Distribution of total consumption by the type of consumption 2013-2017 (in %)

<table>
<thead>
<tr>
<th>Consumption in</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and beverages</td>
<td>45%</td>
<td>44%</td>
<td>43%</td>
<td>42%</td>
<td>40%</td>
</tr>
<tr>
<td>Housing</td>
<td>30%</td>
<td>28%</td>
<td>30%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Household food</td>
<td>6%</td>
<td>6%</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
</tr>
<tr>
<td>Education</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Other</td>
<td>18%</td>
<td>21%</td>
<td>19%</td>
<td>23%</td>
<td>26%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: a) KAS (2016), Table 2, p. 7; b) KAS (2018), Table 2, p. 7.

Housing includes construction or renovating a house, furniture, household appliances, renting, and associated expenses such as electricity and water supply bills. Household food is related to subsistence agriculture, while education to the amount by the household for their children spent in public and/or private schools, training, conferences, seminars, research, and so on. The most notable feature is a higher share of food and beverages in total consumption which in 2013 made up to 45% and in 2017 by 40% (where meat accounts for 20% of its subtotal), to be followed by housing. These two alone accounted for 75% or ¾ of total consumption by the households in 2013, and in the last year of reporting (2017) around 60%. It implies that the overwhelming majority of consumption goes for food and housing. A striking indicator is the share of education in spending as total consumption, which from 1% for three years in a row has dropped to 0% in recent years. These figures are rounded percentages, e.g. when it was greater than 0.5% equaled as 1% and below 0.50% as 0%. How much further down can it go than 0%? A reader will find this share as an alarm to the future of this society. And indeed it is. This can be proven by the OECD (2019) report about PISA (Programme for International Student Assessment) where Kosovo in 2018 ranked somewhere at the bottom (75) out of a total of 78 countries. The most recent report by the World Bank (2020) also indicates a worrisome situation with education in Kosovo. A child born in Kosovo when grown will be only 57% productive. In harmonized test results Kosovo has 374 or just 74 points more than the minimum compared to the European average of 479. The average of effective learning is 7.9 years and 5.3 years of schooling are lost. Even worse, it is warning in a narrower sense and probably, as this paper will later show, one of the main causes of debts in which Kosovo households are submerging to, more than in any other neighboring countries with similar levels of income per capita. The households get the money for their consumption from two main sources: i) incomes (various sources) and, ii) loans or debts. First, let us have a look at the distribution of their incomes.
The household sector appears to be quite reliant on the wages and salaries it receives from the public sector, which has increased slightly in favor of the private sector in the following years. The sector which is its own, household business or family economy, has a relatively small share, growing from 10% in 2014 to 13% by 2017, roughly at the same share with pensions. Remittances are the fifth largest share of incomes for households by 8%. During the period 2014-2017, the trend and volume of loans to households and enterprises appear as in the figure below.

The volume of loans to households, but also to enterprises has increased gradually. The growth rate of loans to households was always higher than that of enterprises, reaching 14.7% growth in 2016, and 12.7% in 2017. In enterprises, the volume of loans was higher, the rate of growth between the smallest years but there was a continuous growth trend reaching 10.7% in 2017. The increase in loans also means the accumulation of debts by entities that have received and used them. Figure 3 gives an overview of debts from loans to enterprises and households, which can be superficially compared to loans received.
Households as well as enterprises throughout the period observed have accumulated larger debts. This trend suggests that lending to households and enterprises is becoming less profitable, they have greater difficulty in repaying the loans, and this is further related to the purposes of using loans. This gives the impression that there are funds available from and to households, but their lending is resulting more in debts than in growth and development. The debt-to-income ratio has reached 30%, and expenditure affordability to 43%. To better understand for a longer period the issue of household lending, the following are the calculations based on the period 2007-2017, from data of the CBRK.

For a period of 11 years, the volume of loans to households marked a continuous growth trend. From 2007 to 2017 this volume increased 4.5 times from 200.6 to 900.4 million. Lending to this sector from year to year has had a higher growth rate than any type of sector, even in some periods where the growth of total loans is presented with the highest rate, such as in 2008 by 32.7%, in households this increase was 40.1%. Moreover, the last column in the table that presents the share of loans to households within total loans, shows a continuous and significant increase in participation from 22.5% to 36.2%. This is also an indication that lending to households is gaining momentum. Over the period from 2007 to 2017, the cumulative household lending has reached close to €6 billion, €5,910.4 million respectively.

### Table 3. Lending to households about total loans 2007-2017

<table>
<thead>
<tr>
<th>Years</th>
<th>Loans in € mil.</th>
<th>Change in %</th>
<th>Total loans in € mil.</th>
<th>Change in %</th>
<th>% in total loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>200.6</td>
<td>100.0</td>
<td>892.1</td>
<td>100.0</td>
<td>22.5</td>
</tr>
<tr>
<td>2008</td>
<td>281.0</td>
<td>140.1</td>
<td>1289.0</td>
<td>108.9</td>
<td>22.7</td>
</tr>
<tr>
<td>2009</td>
<td>343.5</td>
<td>122.2</td>
<td>1438.7</td>
<td>113.2</td>
<td>23.7</td>
</tr>
<tr>
<td>2010</td>
<td>434.2</td>
<td>126.4</td>
<td>1882.4</td>
<td>102.4</td>
<td>26.6</td>
</tr>
<tr>
<td>2011</td>
<td>514.6</td>
<td>113.5</td>
<td>2019.5</td>
<td>103.2</td>
<td>26.6</td>
</tr>
<tr>
<td>2012</td>
<td>596.3</td>
<td>106.2</td>
<td>2230.0</td>
<td>107.3</td>
<td>31.0</td>
</tr>
<tr>
<td>2013</td>
<td>567.7</td>
<td>103.9</td>
<td>2019.5</td>
<td>107.3</td>
<td>31.0</td>
</tr>
<tr>
<td>2014</td>
<td>625.3</td>
<td>113.5</td>
<td>2230.0</td>
<td>107.3</td>
<td>31.0</td>
</tr>
<tr>
<td>2015</td>
<td>697.7</td>
<td>114.5</td>
<td>2485.5</td>
<td>111.5</td>
<td>36.2</td>
</tr>
<tr>
<td>2016</td>
<td>799.4</td>
<td>114.5</td>
<td>2485.5</td>
<td>111.5</td>
<td>36.2</td>
</tr>
<tr>
<td>2017</td>
<td>900.4</td>
<td>114.5</td>
<td>2485.5</td>
<td>111.5</td>
<td>36.2</td>
</tr>
</tbody>
</table>


### 4.1. Comparative analysis with neighboring countries

As of 2017, the countries bordering Kosovo have significantly lower family size members, which ranges from 2.9 members in Serbia's households to 3.2 in Montenegro, 3.6 in North Macedonia, and 3.9 in Albania (United Nations, 2017). Kosovo's neighboring households, too, have seen an
ongoing increase in borrowing as well as accumulated debts. Apart from these two, the indicators for comparison in this subsection will take into account several consumption categories referred to for Kosovo earlier, and with a specific emphasis on education and how they ranked in PISA. First, the following Table provides the figures about the volume of loans delivered to the households in the neighboring countries.

**Table 4. Comparisons of loans to households with neighboring countries (in € mil.)**

<table>
<thead>
<tr>
<th>Years</th>
<th>Kosovo</th>
<th>Albania</th>
<th>Montenegro</th>
<th>North Macedonia</th>
<th>Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>200.6</td>
<td>399.3</td>
<td>222.6</td>
<td>386.5</td>
<td>4,015.2</td>
</tr>
<tr>
<td>2016</td>
<td>201.0</td>
<td>397.4</td>
<td>222.4</td>
<td>386.1</td>
<td>4,007.0</td>
</tr>
<tr>
<td>2015</td>
<td>311.2</td>
<td>523.5</td>
<td>399.0</td>
<td>428.3</td>
<td>4,978.0</td>
</tr>
<tr>
<td>2014</td>
<td>434.2</td>
<td>584.6</td>
<td>380.9</td>
<td>668.0</td>
<td>5,116.7</td>
</tr>
<tr>
<td>2013</td>
<td>511.6</td>
<td>556.8</td>
<td>323.8</td>
<td>701.0</td>
<td>5,803.8</td>
</tr>
<tr>
<td>2012</td>
<td>546.5</td>
<td>804.7</td>
<td>399.7</td>
<td>966.3</td>
<td>5,771.2</td>
</tr>
<tr>
<td>2011</td>
<td>567.7</td>
<td>823.2</td>
<td>318.0</td>
<td>1,257.2</td>
<td>6,441.0</td>
</tr>
<tr>
<td>2010</td>
<td>625.5</td>
<td>868.4</td>
<td>315.1</td>
<td>1,798.4</td>
<td>6,516.2</td>
</tr>
<tr>
<td>2009</td>
<td>697.7</td>
<td>873.1</td>
<td>308.9</td>
<td>1,859.4</td>
<td>6,936.6</td>
</tr>
<tr>
<td>2008</td>
<td>793.1</td>
<td>910.5</td>
<td>328.6</td>
<td>1,847.8</td>
<td>6,893.4</td>
</tr>
<tr>
<td>2007</td>
<td>900.4</td>
<td>896.5</td>
<td>310.0</td>
<td>2,065.6</td>
<td>7,239.3</td>
</tr>
</tbody>
</table>

**Source:**

a) Data from the second column of Table 3.

b) Bank of Albania (various issues). Financial stability report. Tirana. Bank of Albania. Some of the indicators were in Albanian Lek and were converted into €, while the others denominated in foreign currency were also taken as being in nominal value in €.

c) Central Bank of Montenegro (2018), Table 4.3, p. 43.

d) National Bank of the Republic of Macedonia – NBRM (various issues). Financial stability report for the Republic of Macedonia. Skopje. NBRM. The indicators were in Macedonian Denars and other currencies and were converted into € according to the annual exchange rates.

e) National Bank of Serbia (various issues). Banking sector in Serbia. Beograd. National Bank of Serbia. The indicators were in Serbian Dinars and other currencies and were converted into € according to the annual exchange rates.

The indicators in Table 4 for the total volume of loans to households, in addition to showing the growth dynamics by years, when taken and compared as a whole, give a clearer picture of the size of loans for each country. For more than a decade, lending to households remained with the lowest growth rate in Montenegro. From the base year (2007), lending was greater by 50% in the last observed year (2017). The next country with the second-lowest increase was Serbia by nearly 80%. In the remaining three the trend has increased rapidly from more than doubling in Albania to 4.5 times higher in Kosovo, and 5.3 times in North Macedonia. Where for what purpose did they spend such loans? The table below provides the figures only for consumption over 2015-2017, which is a separate category and not necessarily related to the loans.

**Table 5. Distribution of consumption by countries and categories, in %**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Years</th>
<th>Food and beverages</th>
<th>Housing and appliances</th>
<th>Household food and Services</th>
<th>Education</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>2015</td>
<td>48.7</td>
<td>15.1</td>
<td>5.9</td>
<td>2.1</td>
<td>28.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>45.2</td>
<td>15.2</td>
<td>6.5</td>
<td>4.3</td>
<td>28.8</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>44.5</td>
<td>15.1</td>
<td>6.1</td>
<td>5.9</td>
<td>30.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Kosovo</td>
<td>2015</td>
<td>41</td>
<td>30</td>
<td>5.7</td>
<td>1</td>
<td>19</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>42</td>
<td>29</td>
<td>6</td>
<td>0</td>
<td>23</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>40</td>
<td>30</td>
<td>5</td>
<td>0</td>
<td>26</td>
<td>100.0</td>
</tr>
<tr>
<td>Montenegro</td>
<td>2015</td>
<td>30.7</td>
<td>18.3</td>
<td>5.2</td>
<td>2.5</td>
<td>41.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>North Macedonia</td>
<td>2015</td>
<td>38.5</td>
<td>18.3</td>
<td>4.4</td>
<td>0.4</td>
<td>38.3</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>43.7</td>
<td>18.3</td>
<td>4.4</td>
<td>0.3</td>
<td>35.9</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>37.8</td>
<td>18.8</td>
<td>4.8</td>
<td>0.2</td>
<td>40.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Serbia</td>
<td>2015</td>
<td>34.9</td>
<td>20.3</td>
<td>5.9</td>
<td>4.1</td>
<td>37.9</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2016</td>
<td>34.9</td>
<td>20.3</td>
<td>5.9</td>
<td>4.1</td>
<td>37.9</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>2017</td>
<td>34.9</td>
<td>20.3</td>
<td>5.9</td>
<td>4.1</td>
<td>37.9</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**Sources:** Authors’ elaboration based on the national statistical agencies of the respective countries.

n/a – data not available or the HBS was not conducted.

The share of consumption by households in Albania and Kosovo appears to be mostly concentrated in food and beverages, by more than 10% on average than in Montenegro and Serbia.
As the households in neighboring countries spent more on education as a share of consumption expenditures, they also fare better in terms of education compared to Kosovo. Referring again to the PISA test results of 2018 were Kosovo ranked 75, the countries bordering her had this general ranking: Serbia 44, Montenegro 54, Albania 55, and North Macedonia 67. The figures in Table 5 appear to confirm the relation between low spending in education and low ranking in the PISA test, especially for Kosovo and North Macedonia. An exception can be made for Albania whose consumption as spending for education had the highest share, but ranks in test behind Serbia and Montenegro.

Borrowing by households in Albania has constantly risen and this has reflected into debts. Repayment ability had not changed for 60% of households during the period surveyed (2013-2017), while the rest experienced a deterioration regarding the repayment of the loans. Around 28% of the families reported that they had at least one debt not paid for (Bank of Albania, 2018). In Montenegro, borrowing by households and enterprises over 2015-2017 has increased as the interest rate on loans fell from 8% to 5.5%, but the real wages among the households fell as a result of increased debts (Central Bank of Montenegro, 2018). In North Macedonia, households are the most important clients of the banking system and the entire financial system, because their cyclical behavior proved to be important for financial stability, especially in 2015 and 2016. As in other countries in the region, most of the loans have gone for consumption, even increasing in share from year to year, from 42.9% in 2013 to 48.6% in 2017 (NBRM, 2018). Household lending in Serbia continued to grow in 2017, reaching 857.7 billion dinars (€ 7,239 million) representing 43% of total loan volume, and 20.3% of GDP. Much of this growth continued to be driven by cash loans (including refinancing loans). The trend of household lending is likely to continue to grow in Serbia driven by a smaller ratio of debts, competition between the banks eased lending terms and conditions (National Bank of Serbia, 2017). However, Aliu and Nadirov (2016) confirm that the Kosovo banking industry is highly concentrated and interest rates on lending do not justify the risk that the banks are exposed to.

To sum up this section, Kosovo and her neighboring countries continue to increase their borrowing from the banks and other financial institutions, while at the same time households have increased their debts. Much of the spending or household consumption expenditures is focused on food and non-alcoholic beverages with Kosovo having the highest share of it and lowest in education.

**Conclusion and future research**

Individuals and households get a kind of relief upon receiving a credit line or loan which can boost their activity for investment and consumption if their ongoing incomes allow the payback. However, in the course of spending the loan, they are not able to anticipate if something at the national level such as market failures, financial crashes, or even a global crisis occurs. Economists on the other hand focus more their studies on national economies or cases related to businesses and corporations. This is a gap that this discussion paper has tried to build a bridge between focusing on households and their impact on various national sectors of the economy such as consumption, investment, education, and most importantly, the banks that remain for future research.

Kosovo households spend much of their incomes and loans for food, housing, and accommodation. This has led them into growing accumulated debts, a worse situation than in her neighboring countries. The share of education by 1% or below in total consumption expenditures fits well into the theory that less educated people are more likely to be plunged into debts, and this trend continues on both fronts (more debts and less education) to worsen. The most important finding of this paper in line with the mainstream theory is that the average family size in Kosovo, as of the 2011 census, is relatively large (5.9 members), and this comes at the expense of many members having less access to more education. This can be proven by double sources: first, by fairly symbolic or zero percent spending in education by the households as part of total consumption expenditures, and second, by the PISA test results which ranks Kosovo somewhere at the bottom and far behind the neighboring countries. Consequently, households have less
knowledge about the loans, require assistance, do not care much about the financial crisis and market failures that may be just around the corner, but in the end, it is them who have to pay the bill or face consequences. There is little the government or the international organizations can do to reverse this unfavorable trend in the short to medium term. Therefore, the main recommendation from this discussion paper does not go to the government but to the households even on an individual basis – to convince them by a hard talk and counselor services that the source of their debts and bleak prospects for the future have their address on very small share or even no spending in education, which is worse than the debts themselves. Future research should also be undertaken separately in comparison with each other, among households and family economies as they are different, therefore have different impacts on a national economy.

References

ANNEX I: Profile of family economies in Kosovo as per 2011 census

<table>
<thead>
<tr>
<th>Settlement</th>
<th>Families</th>
<th>With children</th>
<th>No children</th>
<th>With 2 members</th>
<th>With 3 members</th>
<th>With 4 members</th>
<th>With 5 members</th>
<th>6+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>163,232</td>
<td>135,076</td>
<td>28,156</td>
<td>34,291</td>
<td>32,381</td>
<td>43,201</td>
<td>32,894</td>
<td>20,459</td>
</tr>
<tr>
<td>Rural</td>
<td>251,858</td>
<td>208,743</td>
<td>43,115</td>
<td>50,830</td>
<td>43,666</td>
<td>57,282</td>
<td>52,277</td>
<td>47,785</td>
</tr>
<tr>
<td>Total</td>
<td>415,090</td>
<td>343,819</td>
<td>71,271</td>
<td>85,121</td>
<td>76,047</td>
<td>100,483</td>
<td>85,171</td>
<td>68,244</td>
</tr>
<tr>
<td>Total in %</td>
<td>100.0</td>
<td>82.3</td>
<td>17.7</td>
<td>20.5</td>
<td>18.3</td>
<td>24.2</td>
<td>20.5</td>
<td>16.4</td>
</tr>
</tbody>
</table>

Ownership

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>With property</td>
<td>125,779</td>
<td>123,773</td>
<td>16,005</td>
<td>297,090</td>
</tr>
<tr>
<td>Private</td>
<td>123,131</td>
<td>122,679</td>
<td>233</td>
<td>293,453</td>
</tr>
<tr>
<td>Public</td>
<td>1,025</td>
<td>1,025</td>
<td>0.4</td>
<td>0.3</td>
</tr>
<tr>
<td>Mixed</td>
<td>498</td>
<td>498</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>Joint property</td>
<td>295</td>
<td>295</td>
<td>0.2</td>
<td>0.1</td>
</tr>
<tr>
<td>Other</td>
<td>375</td>
<td>375</td>
<td>0.3</td>
<td>0.2</td>
</tr>
</tbody>
</table>

183
<table>
<thead>
<tr>
<th>Gender composition</th>
<th>Members of the family economy</th>
<th>Members of agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Economies</td>
<td>Inhabitants</td>
</tr>
<tr>
<td>Total</td>
<td>297,090</td>
<td>1,738,402</td>
</tr>
<tr>
<td>Total in %</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: KAS (2013), “Kosovo Population and Housing Census 2011: Final Results. Pristina. KAS, Table 1.2, p.13; Table 1.6, p.48; and Table 1.9, p. 57, and Authors' calculation.

**Pandemic and economic crisis in society**

Chief assistant Plamen Iliev, PhD  
New Bulgarian University  
kaviplas@abv.bg / pkiliev@nbu.bg

**Summary:** We still don't know how badly the current crisis will hit the economy. But despite or precisely because of the looming severe recession and economic crisis, fragmented and divided societies until yesterday can heal thanks to a hitherto unexpected injection - solidarity.

The global scale of the health crisis and its economic epicenter in EU and euro area countries is creating additional external pressure on disrupted global supply chains. Economic uncertainty caused by the uncertainties surrounding the development and duration of the pandemic and rising unemployment are prerequisites for shrinking domestic consumption, mainly to basic necessities, which is reflected in society.

The crisis clearly shows that many business models have a serious need to change, shows the great dependence of modern society on information and communication technologies and outlines the emerging processes of digitalization, automation and robotics in the context of Industry 4.0, which require timely adaptation by society.
Introduction

We must admit that we are all more or less worried about what is happening in our country and around the world in recent months. Perhaps most leaders (both government and company) did not expect what was happening, underestimated it or thought it would surround us. Yes, but no, as they say in such cases! Let us recall that when people in China were already dying from this new and unknown infection, there were debates in our country on the adoption of the State budget for 2020. And no one from anywhere suggested anything about what awaits us only after three months, which led to the adoption of unexpected changes in the State budget / increase in the deficit /, voting by the National Assembly on a new and unexpected foreign loan, etc. A competition began in giving opinions and recommendations from famous and not so economists, politicians and others. What to do in this case, I would ask a rhetorical question, and where have you been so far with information from various institutes, organizations, intelligence and others. I think everyone has slept through a lot of things, driven by profit-seeking, corruption schemes and not prepared for acceptable solutions in this new situation for all of us.

In this report, I consider what is happening as a result of the widespread crisis caused by the coronavirus and the possibilities for reactions through the prism of civil society, as a corrective to any system of governance.

Crisis, nascency and problems

The collision with a possible crisis of the economy, society and social sphere can be at any stage of their development. According to A. Grove - "the crisis is a state in which the existing means to achieve the goals become inadequate, as a result of which unpredictable situations and problems arise." The crisis can be defined as "an unplanned and undesirable time-limited process that would significantly impede or make impossible the operation of the enterprise”. The way out is "its elimination as an extreme form or its successful overcoming.”

Another characteristic of a crisis may be its limited time or limited time to make decisions during a crisis. Indeed, the crisis cannot go on indefinitely and has its limits, and the sooner the leadership begins to fight it, the greater the chances of "salvation”. / Iliev -2015 /

In other words, the crisis is a time-limited phenomenon, which from the current situation and the actions of management can be characterized by a sudden onset or be predicted and prevented, as a consequence for an enterprise - to bring it to a new stage of development or lead to liquidation.

The crisis is most often manifested as an acute shortage of money, caused by problems in supply, demand, rising unemployment, a non-functioning economy and others. At the same time, this shortage of financial resources is one of the main causes of the crisis, and the inability to satisfy creditors' claims as monetary obligations is considered a sign of impending bankruptcy at the micro level, for one enterprise. Thus, the management of cash flow or financial flows is a key tool of controlling in the context of crisis management and requires maximum attention.

The current crisis since the beginning of 2020 has caused total panic, such as:

- At first the threat from COVID-19 seemed harmless from distant China, then from Italy, and finally everyone understood that the threat was ubiquitous;
- The pandemic of COVID-19, literally stopped the social and economic life around the world, which is unprecedented in human history.

Probably some would compare the current social and economic situation with the other terrible and large-scale event in human history - World War II, but the current situation is very different - world leaders did not have information, a plan and solutions for it. Governments around the world were completely surprised and shocked, although in their
research institutes, agencies, security services and military ministries, all sorts of crisis situations were played out, but not like with COVID-19. / Popov -2020 /

While the virus was rampant only in China, for everyone else, including and for world leaders, this was perceived as a regional problem, or like the Ebola virus in Africa, there were even statements in our country that this thing could not reach our country.

Globally, leaders responded by:

- First of all, shocked and confused by what was happening, they imposed quarantine on social contacts. After realizing that this would kill the economy, and possibly more people, they began announcing economic bailouts;

- In the next moment it became clear that social isolation will kill the national and world economy and the consequences may be even more severe for human health and life. That is why, at the end of March, proposals for economic measures began to be issued in order to preserve employment and to restore the economies after the restrictions on social contacts were lifted.

This leads to the natural expectation on the part of investors to pay the lowest price for the assets they normally trade - but not before they are convinced that once they buy them, they will be able to sell them quickly for some profit.

The behavior of people with savings is similar - they also stand in a waiting position to make sure that the assets they want to buy, such as land, house, car or luxury goods, have reached their lowest price.

The behavior of people without savings is no different, who spend only on essential goods, because they are not sure about their income during a crisis and whether it will not get worse in the near future. /Popov -2020 /

It is precisely this behavior and uncertainty among investors and people that causes a huge part of the money available to stop moving in the economy, which creates the feeling that all the money is lost or has disappeared.

When money does not move, it reduces consumption, which in turn negatively affects production, trade, services, employment and income.

This will be the worst economic crisis we have experienced, according to many world experts, in the last perhaps 50 years. Probably no one doubts that the economic crisis in which the global economy is entering will be much more severe than the financial crisis in 2008

The COVID-19 pandemic is in full swing, virtually all world economies have stopped, and people are shocked at how long all this will last and what their life prospects will be after the pandemic end of the crisis. Despite generous aid to businesses in strong economies, unemployment is growing at a record pace, and consumption, which is the engine of the economy, has been reduced to viable products and services.

No one can predict what will be the behavior of people after the pandemic and how the consumption of all kinds of goods and services will be restored, which is the basis for the recovery of employment and economic growth.

The financier D. Chobanov stated on 09.05.2020 in front of the newspaper "Trud" that the last week of February can be considered the starting point of realization that the crisis with the coronavirus is becoming global. A number of European countries then began to implement anti-epidemic measures and some economies were blocked, making it clear that the crisis would affect not only tourism and trade, production and supply chains, but also much of local industry and services. There is a shock on both supply and demand. In this situation, it is interesting and important to follow the reaction of gold and oil prices, from which important conclusions can be drawn for the current crisis, as well as expectations for the future.

After the onset of the coronavirus crisis, oil prices fell sharply due to unfavorable expectations for a sharp decline in economic activity. This leads to a very strong reduction in oil demand, both current and expected, as well as to serious downward pressure on prices.

Gold is traditionally seen as a refuge from insecurity. Gold has historically established itself as a liquid asset, so historically there has often been an increase in the price of gold in times of political, military, socio-economic crisis and/or increased geopolitical tensions. The price of gold is inversely related to the dollar, as it is most often quoted in this currency. When the dollar depreciates to preserve its value, the price of the precious metal rises.
The world will need years to recover from the coronavirus pandemic, warned on March 23, 2020 the Organization for Economic Cooperation and Development, Jose Angel Gurria. The OECD’s secretary, said the economic shock was already greater than the financial crisis. The OECD calls on governments to adhere to spending rules to ensure rapid testing and treatment of the virus and that countries will cope but suffer from the economic downturn “for years to come”.

The economic uncertainty created by the virus is expected to shock economies more than during the terrorist attacks of September 11, 2001, or the 2008 financial crisis.

**The spring economic forecast for 2020 from 06.05.20. of the European Commission** is for a deep and uneven recession, followed by an uncertain recovery.

There will be a historic recession in the EU economy - despite swift and comprehensive policy measures. For Bulgaria, a 7.2% decline in real GDP, an 18% reduction in investment and 7% unemployment are projected.

In comparison, in its spring forecast for April 14, the IMF expected a contraction of 4% and the World Bank - by 3.7%. According to former Finance Minister Vladislav Goranov, the worst-case scenario for the Bulgarian economy is to shrink by 3%, and the budget update was made on its basis. To date, we already know that these forecasts have been lowered.

Despite the fact that part-time schemes, wage subsidies and support for businesses should help reduce job losses, the coronavirus pandemic will have a serious impact on the labor market and unemployment is expected to rise despite support measures. According to forecasts, the unemployment rate in the euro area will increase from 7.5% in 2019 to 9.5% in 2020, before falling again to 8.5% in 2021.

Consumer prices are expected to rise even speculatively this year, despite declining demand and a sharp drop in oil prices, taken together to offset more than sufficiently isolated cases of price increases as a result of supply disruptions with the pandemic. The actions taken for fiscal measures to limit the economic consequences of the pandemic, combined with fiscal discretionary measures, will lead to increased costs. As a result, the overall budget deficit of the euro area and the EU is projected to rise sharply from just 0.6% of GDP in 2019 to around 8.5% in 2020, before falling again to around 3.5% in 2021.

The spring forecast is characterized by a degree of uncertainty that is higher than usual. It is based on a set of assumptions about the development of the coronavirus pandemic and related anti-epidemic measures. The forecast is based on the assumption that the restrictive measures will be phased out from May onwards. The risks in connection with this prognosis are extremely high and are related to the deterioration of the prognostic values, which can be seen with the complications of the infection as of 15.09. 2020 / https://ec.europa.eu/info/index:bg

According to the forecast of the World Bank from March 2020, after the better-than-expected growth of the current domestic product (BBY) of the Bulgarian economy in 2019 the country expects to enter the petition in 2020 due to the negative effect of Covid-19, which will increase exports and domestic activity.

The global economy will shrink this year at a pace not seen since World War II, according to a report on June 8, 20 The World Bank. The reason - the Covid-19 pandemic, which limits income and sent millions of people from emerging and developing countries into poverty. Global gross domestic product (GDP) is likely to shrink by 5.2% in 2020, the Washington-based institution said in a report on economic prospects.

According to the World Bank, this will be the fourth deepest recession in the last 150 years. History remembers such breakdowns only in 1914, 1930-32 and 1945-46, say World Bank experts. Production per capita will shrink in over 90% of the world's countries - an unprecedented situation since 1870. The economy will recover in 2021, growing by 4.2%, the report said.

"This is the first recession since 1870, caused solely by a pandemic, and it continues to occur," World Bank Vice President for Fair Growth, Finance and Institutions Ceyla Pazarbasioglu told reporters by telephone, quoted by Bloomberg. "Given this uncertainty, a further downgrade is very likely," she added. /https://www.bloomberg.com/europe/

The World Bank presents two alternative scenarios.

- In one in which the Covid-19 pandemic lasts longer than expected, which requires the extension of traffic restrictions, the global economy will shrink by almost 8% this year.
If control measures can be largely lifted in the near future, the contraction will be 4%, which is, however, twice as deep as that recorded during the 2009 global financial crisis. "The global recession will be deeper if it takes longer than expected to bring the pandemic under control, or if financial stress triggers cascading outstanding claims," the World Bank said.

The International Monetary Fund (IMF) will update its global economic outlook on June 24th. In April, the fund forecast a 3% contraction for this year, although chief economist Gita Gopinath has since said the outlook has worsened. The methodologies are different, as the IMF’s aggregated forecasts are based on purchasing power parity, which gives more weight to emerging economies, while the World Bank uses market exchange rates. /https://www.imf.org/bg/News/

In this regard, for example, the Federal Reserve has launched an unprecedented set of emergency programs providing $ 2.3 billion in loans. Fiscal stimulus packages are diverse. The United States provides about 15% of GDP in support, and Germany about 4.7%, while the Japanese program is estimated at about 42% of GDP, writes Bloomberg. /https://www.worldbank.org/bg/

The Bulgarian state must be ready to face the looming severe economic crisis, warned in an interview at the end of March 2020. Prof. Boyan Durankev. According to him, the crisis will be more severe than the Great Depression in 1929-1933, at least that is how serious names in economics are drawn. "The world is in a phase of crisis, it is not yet in a growth phase. That is why we must measure wisely and have enough of the state pie. " He endorses the measures taken at the state level because he believes that people must be saved first, and then the economy.

Again, in a new interview with FOCUS Radio - Sofia on June 3, 20, he stated that no matter how much the economies open, there will be no opening of consumers and their wallets after the COVID crisis more precisely, to a slowdown in economic growth at the end of last year.

"October and November were the first indications that the economy was calming down, calming down and going down. Moreover, the expansive path of development of the global economy is over. A slowdown in economic growth has begun, but the so-called The black swan that appeared - the coronavirus, further deepened the economic crisis and led us to a global recession that will affect all countries, including Bulgaria. We have a combined action - the crisis with the coronavirus and the crisis with the end of the expansive expansion of the global economy," said the economist.

It does not differ from the general picture and the opinion of another respected economist, Prof. Dimitar Ivanov, who paints a terrible picture of the economy after C-19 in an interview with BNR on 13.06.20. According to him, the liquidity that was poured went to the financial sector and banks, and is not able to stimulate the main diseases caused by the coronavirus crisis - consumption and investment. Bank credit is not able to get us out of the economic crisis. /https://bnr.bg/

According to D. Ivanov, Bulgaria ignores three main changes in the economy:
- That so far there has been a process of globalization;
- In the last 30 years the Bulgarian economic structure has become an economy of services and this sector is the most affected by the crisis;
- Ignores the extreme impact of the crisis on the indebtedness of the household and corporate sectors.

He also points out the weaknesses of the temporary economic measures:
- The lack of direct measures to support companies and households;
- There is only a package of temporary measures, and we do not have a complex program.

The ex-Minister of Finance S. Dyankov warned on the air of Nova TV on April 24, 20 that the crisis will pass into three phases. In the first are health measures. The second phase is maintaining a certain level of demand and consumption in the country. In the third phase, the main question will be how to get out of the crisis, households and businesses do not owe much.

"The state must be generous. This is a crisis we have not seen in a long time. In recent years, crises have been in demand. There was not enough money, but the business is working. Now it does not work and the money should be focused there," said the former finance minister. / https://economic.bg/

"We will definitely be safer in the Eurozone. At the moment, the ECB is the main financier of the measures for the crisis in Europe and the fact that Bulgaria is excluded from these
measures because we are not part of the Eurozone, definitely hinders us. 

The founder of the world's largest hedge fund Bridgewater Associates, Ray Dalio, shared his "thoughts about the coronavirus", published in LinkedIn, emphasizing that the virus has come and gone, but it will have a great "emotional impact", which is why stock market investors are likely to lose some of their capital.

As the most vulnerable to market panic, he cites insurance companies and investors who did not properly assess the risks in the market and did not prepare for the worst-case scenario (as such, he considers the recurrence of the Spanish flu pandemic of 1918-1920). Predicting emotional turmoil in the markets, Dalio said at the same time that no "significant and lasting impact on the economy" was expected.

At the same time, he is not entirely sure of his prognosis, as other risks that arose before the epidemic remain. The risks he cites are capital inequality, significant political problems, the economic downturn, high indebtedness and inefficient monetary policy.

However, the shares of the companies are recovering, and more and more countries are removing the restrictions, the billionaire Ray Dalio is far from optimistic and says that the pandemic will bring the heaviest economic decline for almost a century. "We are not returning to the "normal", says Dalio front of CNBC on 30.05.20, completely rejecting the idea of a speedy recovery.

For his part, in connection with the looming severe crisis, the famous Steve Hanke warned "Forbes" that Bulgaria must keep the lev and the currency board, and it would be fatal for it to give them up. He must stop blindly carrying out all orders and demands from Brussels, because this is not good for the people, commenting on the aspirations to put Bulgaria in the "waiting room of the Eurozone".

Hanke is known as the father of the currency board in our country and is adamant about keeping the board and the lev as the currency in the country. According to him, the board allows Bulgaria to issue its own currency, which is hard and traded at a fixed exchange rate with the euro, is fully secured and convertible at the moment. This means that the lev is an arbitrary clone of the euro and that our country is part of the Eurozone, albeit informally.

That is why we do not need to enter it officially. It is extremely important that at the moment the government cannot take loans from the currency board (BNB) because of the board. Thus, fiscal discipline has been imposed on Bulgarian politicians and they cannot take money from the state reserve. They take out loans from foreign banks, and the reserve remains.

However, according to the Deputy Chairman of the European Commission Valdis Dombrovskis in an interview in May 2020. In front of the BNR's Horizont, Bulgaria can join the ERM II currency mechanism, better known as the "waiting room of the Eurozone" in July. This will happen if the country fulfills the last word. Bulgaria can make the bid for the single currency together with the other candidate for that - Croatia.

Valdis Dombrovskis commentary was based on the shadow system of the banking system in Bulgaria, which was prepared by the European Central Bank (ECB) last year. Therefore, the financial institution recommended increasing the capital of two banks - the "Investment Bank" and the "First Investment Bank".

For this reason, the shareholders of "Investbank" have already increased their capital by BGN 22 million, approving the proposal for distribution of the profit for 2019 in the amount of BGN 2 million that it has filled its capital with over 50 million euros. From its side in the April issue of the "First Investment Bank" announced that it will buy up to 25 million new shares of the Bulgarian fund, the fund.

In this regard, on June 11, 2020, the State bought a share from First Investment Bank in order to fulfill the last condition for our entry into the ERM II currency mechanism, namely strengthening the capital of all banks in our country. Until now, only Fibank did not meet the requirements. The information that the state acquires shares in the bank was confirmed by the Ministry of Economy to the Bulgarian National Radio.
The ministry clarifies that the only motive for the state intervention is the deadline for July to meet all the requirements of the European Central Bank for the accession of our country to the so-called waiting room for the Eurozone. /https://bnr.bg/

In the same month, Bulgaria sent a letter of assessment to the ECB. In the same way, the BNB made an agreement in April 20 for swap line in the size of 2 billion euro with Central Bank. "This is another element, which is the security of the financial system," according to Dambrovskis on this topic.

The contraction of the Bulgarian economy is expected to be more than 5% in 2020, dictated by the restrictive measures to control the coronavirus, the European Bank for Reconstruction and Development (EBRD) predicts in a report from 13.05.20. Other EU countries in Southeast Europe will also be hit hard. A key channel for the collapse will be tourism, which is at the heart of the Cypriot and Greek economies, but is also important for Bulgaria, the EBRD report said. According to calculations in it, tourism in Bulgaria represents about 10% of the gross domestic product (GDP).

Nevertheless, the country's entry into ERM-2 as planned took place together with Croatia on 10 July 2020, although further delays were not ruled out, "according to an EBRD report. /http://www.ebrd.com/

Nevertheless, Bulgaria and Croatia still have a long way to go to "fix" their economies and improve the work of the institutions before joining the Eurozone, European Central Bank Board member Fabio Panetta was quoted as saying from Reuters.

Reforms undertaken by both countries will not be able to correct all the imbalances and vulnerabilities they face, and more progress is needed to improve governance, their legal framework and the overall quality of institutions, Panetta said. /https://www.reuters.com news/

In view of the coming, unexpected and unknown economic and financial crisis, it is good to recall the Marshall Plan (officially the European Recovery Program) of 1948, as an initiative of the United States, whose idea is to help the countries of Western Europe with aims for a faster recovery in political, economic and cultural terms after World War II, with the United States allocating 17 billion dollars (equivalent to about 198 billion against the dollar exchange rate by 2018) to distribute among individual European countries. The strategy is to rebuild war-torn areas, modernize industry, remove borders for trade within the continent, and prevent the spread of communist doctrine.

The distribution of monetary resources is based on the number of inhabitants and the importance of the respective country in the formation of a stable pan-European economy. The largest share belongs to the United Kingdom (26%), followed by France (18%) and West Germany (11%). Among the other countries included in the Marshall Plan are Italy, Portugal, Sweden, Norway, Greece. /Nikolova-2019/

Participation in the Marshall Plan was also offered to the USSR, but they refused and blocked aid to almost all Eastern Bloc countries.

The President of the European Council, Charles Michel, expressed his thoughts in a similar direction on March 25, 2020 told Belgian television channel LN24 that preparations were under way for a strategy with incentives such as the Marshall Plan. Michel explained that the ambassadors of the member states have discussed a European plan that should mobilize EU funds within the European budget. According to him, the program should also mobilize national funds and involve the private sector.

It can be assumed that to some extent, Spain has proposed to the EU a plan similar to the "Marshall" plan to deal with the coronavirus./news.bg Era BG Ness / Prime Minister Pedro Sanchez has called for coordinated EU action in the "war against the coronavirus", El Pais reported. He urged Brussels to introduce a Marshall Plan to deal with the economic consequences of the pandemic. Sanchez also stated his support for the so-called "corona bonuses" that help share risks among all EU countries. He also demanded general unemployment insurance.

We need to draw up a large-scale Marshall Plan for the whole of the EU and begin the inevitable process of recovery in the social and economic spheres once all this is over, Sanchez insisted.
In response, on 27 May 2020, the European Commission presented details of its "modern Marshall Plan" for recovery from the coronary crisis, called the "next generation EU" with a total value of € 750 billion. In the explanatory memorandum to its proposal, the Commission states that it will ensure a sustainable, equitable, inclusive and equitable recovery for all Member States.

The new instrument will be "embedded" in the next long-term budget of the European Union (2021-2027), which will reach an unprecedented 1.85 trillion euros. The coronavirus shook Europe and the world, testing the health and social systems of the individual countries in the Bloc. Societies and economies, as well as the way of living and working together, were put to the test. To protect people's lives and livelihoods, to repair the single market, and to build a lasting and prosperous recovery, the European Commission proposes to use the full potential of the EU budget.

The recovery plan addresses the enormous challenge we face, not only by supporting recovery, but also by investing in our future.

The European Green Deal and digitalisation will stimulate jobs and growth, the sustainability of our societies and the health of our environment. This is the moment of Europe, commented the President of the European Commission Ursula von der Leyen. The "next generation EU" will raise money by temporarily raising the own resources ceiling to 2% of the EU's gross domestic product (GDP), and the Commission will use its high credit rating to borrow 750 billion euros from the financial markets. This money will be channeled through various programs and will be disbursed over a long period of time through future EU budgets - not before 2028 and not after 2058.

The money from the "next generation EU" will be invested in three pillars:

1. Support for Member States with investment and reform - A new 560 billion euro recovery and sustainability instrument will offer financial support for investment and reform, including in relation to green and digital transitions and the resilience of national economies, linking them to priorities of the EU. This tool will be built into the European Semester;

2. A "flying start" for the EU economy by stimulating private investment - A new solvency support tool will mobilize private resources to urgently support viable European companies in the most affected sectors, regions and countries. It can be operational from 2020 and will have a budget of € 31 billion, aimed at unlocking € 300 billion in support for companies from all economic sectors and preparing them for a cleaner, digital and sustainable future;

3. Dealing with the lessons of the crisis. A new EU4Health program to strengthen health security and prepare for future health crises with a budget of € 9.4 billion. Strengthen the RescEU by € 2 billion, the Union's Civil Protection Mechanism, which will be expanded to be able to prepare for and respond to future crises. EUR 94.4 billion for Horizon Europe, which will be strengthened to fund vital research in the fields of health, sustainability and green and digital transitions [https://ec.europa.eu/info/index_bg/](https://ec.europa.eu/info/index_bg/)

For its part, Bulgaria will be able to count on 15 billion euros from the funds provided in the EU reconstruction fund, presented by the President of the European Commission Ursula von der Leyen. However, in order to gain access to this money, our country must first contribute 3.3 billion euros (nearly 8% of the country's GDP). [https://www.economic.bg/](https://www.economic.bg/)

Society, crisis and control

The chance for Bulgarians to become a society is called "coronavirus". The coronavirus crisis can be a litmus test for a person's natural need to be part of a community that protects and supports him. This is exactly what is happening in Bulgaria, claims in his article Al. Detev [https://www.dv.com/](https://www.dv.com/)

The crisis that unleashed the new coronavirus has been unprecedented. Even in Bulgaria, it pushes people to unexpected mobilizations. When a general threat arises, consolidation is the most natural, impulsive and spontaneous reaction. In his theory of the functions of social conflict,
sociologist Lewis Coser says that conflict is a form of socialization. It serves to create and maintain group identities. What is special about the current situation: the conflict is not between different groups in society, but between people and the disease.

It is logical and inherent in people in recent days to strive for active participation in the community. Especially when faced with a deadly threat that invades everywhere with invisible, deadly viruses. This is a chance and an opportunity to reach a consensus and connection that goes far beyond the demonstrations of gratitude to the medics - which they undoubtedly deserve. We still do not know how badly the current crisis will hit the economy. But despite or precisely because of the looming severe recession and economic crisis, fragmented and fragmented societies until yesterday can recover thanks to a hitherto unexpected injection of "solidarity". 

https://www.dv.com/

Thus, the attempts to modernize Bulgarian society on the Western model failed even before the advent of "communism." After this failure, the communist regime tried to impose another, more radical model of industrial modernization. He urges millions of people to emigrate from villages to cities, where they are forced to sell their labor to the state at prices it sets. Thus, they find themselves trapped in a semi-market economy that fails to fulfill its own promises of universal material prosperity and justice. /Sardamov, 2002 /

After the failure of the communist experiment, today we are facing a new social crisis. It is similar to the one experienced before 1944 and during "socialism", but it is even more severe, because today people in our country are much more dependent on the market for their survival, and the disintegration of the traditional Bulgarian culture is much more advanced. Moreover, after the neo-conservative revolution of the 1990s and the end of the Cold War, we are today facing the aforementioned global trend towards economic liberalization and the unleashing of market self-regulation.

In this context, our current social crisis is probably part of the general impasse described by Polanius - the deep and protracted crisis of societies whose traditional culture is being destroyed without a viable alternative being built. Will we ever be able to leave this sad company? It is not clear yet, but even if we ever manage to do it, it will be a very long and painful process. Naturally, he will have to be paid with much more misery, despair and shamelessness. Meanwhile, the deepening demographic crisis in our country is increasingly reducing our chances of ultimate success. And modern industrial civilization is probably heading for a severe environmental crisis - especially if large sections of the population in countries like China and India still manage to increase their incomes, hence the consumption of energy and other resources, as well as waste generation on a Western model. /Sardamov, 2002 /

And shouldn't we pay attention to what's happening in the United States, where Microsoft and Google bosses Bill Gates and Eric Schmidt have been televised several times at briefings by New York Governor Andrew Cuomo, who enthusiastically welcomes their plans to create a corporate New York State Commission and make the city "pandemic-resistant" by integrating "technology into every aspect of life." First of all, it is about building - based on 5G - a system for total monitoring of every word, gesture, movement and human connection of each citizen with facial recognition, voice and "mind reading" - supposedly to localize the infection, but in fact to build a permanent and comprehensive database with marketing - but why not, if necessary, police or military - application. / https://blitz.bg/analizi-i-komentari/pandemiyata-i-prekrasniyat-novsvyat_news759810.html/ /Klain N.- Shock doctrine 2007/

But here the idea creeps in to keep them at a distance and after the crisis - health care to be carried out through "Google. Even the hospitals to get rid of their expensive "physical" buildings! Microsoft, on the other hand, wants to replace expensive "physical" schools and distance teachers, which is supposed to give children access to the best teachers, regardless of their address, but will actually make education dependent on the digital revolution and increasing profits. /Since March, the increase in profits for such companies is indicative / . Needless to say, removing the personal physical contact of the patient and the doctor, the child and the teacher, the children in the real school class - and replacing them with an eternal lonely glare on the screens, is absurd! And it will apply only to the masses, while for the rich there will always be GPs and private tutors. A pandemic is a convenient scarecrow to impose uninhabited, contactless technology - humans are a bio-threat and machines are not.
In the wonderful new world, there will be far fewer teachers, doctors, school nurses, police officers, building maintenance and security workers, vendors and drivers. Everything will be controlled by artificial intelligence, but the physical work will, of course, be done by millions of anonymous ants in warehouses and depots, call centers and data centers, industrial occipital and lithium mines in the Third World, and so on.

In fact, many Americans have long lived with one foot in the wonderful new world - their blood and pills are monitored by Google, their day is run by Secretary Cortana (Microsoft) or Siri (Apple), home management and entertainment - from Alexa (Amazon), their money from Venmo (Pay Pal), their purchases from Amazon. But that's not all! In the future, they will be provided with spouses from Facebook or Instagram on the basis of common likes and hearts, they will have a job from Link Inn together with the employer's terminal, their Twitter account will vote online instead.

However, the basic principle for the progressive forces must be: new technology and increased productivity must always lead to an increase in the quality of life of society as a whole, and not to the super-enrichment of the rich and the impoverishment and degradation of all others. Public control over corporations should always be on the alert. /https://blitz.bg/analizi-i-komentari/pandemiyata-i-prekrasniyat-nov-svyat_news759810.html/ /Klain N.- Shokova doktrina 2007/

In this regard, today's society lacks information, transparency, publicity, and results on the costs of the EPF, costs related to the crisis - clothing, medicines, precautions, hospitals, there is mistrust about the spread and infection with the Corona virus.

Distrust arises in the institutions and their representatives for their relations with representatives of the Underground, the placement of political, judicial and financial umbrellas over iconic figures of the gray economy. There is a strong distrust of the state institutions with control functions, such as the NRA / the case with the expired personal data of about 5 million people from 2019 /, the Registry Agency / the case of the hacker attack from 2018 /, the Customs Agency / for a number of cases related to smuggling of drugs and goods - the case from April / 2020 in Studentski grad /, Financial Supervision Commission and Gambling Commission / the case with taxes and fees from the State Lottery /, BNB / banking supervision - for the case with CCB / and many others, which fade in time and no culprits are identified and punished. The same applies to the judiciary, which is still monitored by the EU, despite claims by the government.

This, as well as many other problems today, provoked the reaction of the society from the last ten days in almost the whole country. These public protests may have needed a small spark sparked by quarrels between institutions on both sides of Dondukov Blvd. in Sofia. These protests of the civil society lately / not only in our country, but also in the USA for several months, etc. / are a very bright manifestation of public control over the institutions and the government everywhere.

From the very beginning of its existence, human society has realized the necessary need for control. At this stage, public relations are related to the attitude of the group of people to the behavior of individual members, as well as to the acquisition and protection of their property. The social nature of the production processes also determines the content of the object of control. Both owners and contractors and managers are involved in these processes, with all parties perceiving the need for control. For its part, however, ownership dictates the behavior of the subject of control. Therefore, the size of the owned property determines not only the right to control, but also its forms and organization. /Dinev-Control and regulation in social management-2015/

Public control is a manifestation of the participation of citizens in governance and the enhanced role of the public. In the assessment of the formation of public administration. The exercise of control by citizens and their organizations over the activities of the state apparatus is a marked expression of real democracy. Public control can be considered in a broad and narrow sense. In a broad sense, public control covers all forms and types of control exercised by non-state forms and organizations, i.e. the control of the general public of the population of public bodies and organizations and of citizens. Due to its specificity and the exceptional importance for the protection of individual rights, the control of citizens as individuals in relation to the administration is considered separately. Citizens' control over the administration uses various
procedures, forms and means of influence, it is explicitly regulated by law and must be distinguished from public control in the narrow sense.

**Instead of a conclusion:** From what has been said so far, it is clear that in the coming years we will have unpleasant things to deal with. We need to overcome the decline in GDP, unemployment, reduced purchasing power, bankruptcies of companies, aggravated social environment, etc., for which overcoming and recovery, in the best case, we will need at least 3-4 years. That is why we need a sharp reduction in wages and expenses for all, adequate solutions at all levels, etc., because staying at home and wearing masks will seem like a fairy tale from childhood, compared to what awaits us in the coming years and what we need to overcome.

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Abstract. When we talk about the mining works, which are in such a function, so that air currents pass through such aerodynamic lines, then we are dealing with the need to calculate the aerodynamic resistances in such aeration networks. Ventilation systems, in the broadest practical and technical sense, are nothing but a reflection of the aeration plans of the mine as a whole or of its individual parts in an appropriate schematic manner, which includes only those specific works through which it circulates air, while other works are excluded. The ventilation network does not fully comply with the mining plans, because the air circulation system does not take into account blind works, preparatory works as well as works or other parts of the mine, which are insulated with doors or ambushes. For the purpose of analysis of the aeration system, calculation of aerodynamic resistances, aeration quantities and depressions of the aeration networks can be presented in the following schematic forms: spatial schemes, linear or orientation schemes, canonical schemes, quantitative schemes, potential schemes. Spatial schemes facilitate the general orientation of the way of mining. The spatial scheme also shows the short connections as well as the transport routes where the ambushes with doors are located. In these schemes the breathing and exhalation well must be clearly presented. The key points (nodes) of the network should be marked with consecutive numbers, starting from the breathing well, while the direction of air movement is marked by arrows. As far as possible, spatial schemes should be built according to the following principles: horizontal works should be presented horizontally; dishenders and bremzbergers appear on the slope 60° to the horizon; vertical works (wells, blind wells) must be presented vertically; traverbanks are presented with a slope of 30°; lavat (wide working fronts) usually appear as dishendeite. Usually for complicated aeration networks, orientation for the aeration method of the mine only on the basis of the spatial aeration scheme can be difficult. In such cases the problem is greatly simplified through orientation schemes in which not all aeration routes are presented, but only wells, levels, areas of use as well as other characteristic aeration sites (for example, car rooms, explosives, etc.). The canonical schemes aim at a clear reflection of the ventilation system in order to facilitate the analysis and all possible calculations. In these schemes are marked the locations of the fans, possibly their depression, the direction (current) of the currents, the fields of use (workshops), the regulating ambushes, as well as other ambushes or ventilation doors and eventually the resistance of the branches as well as the quantities of the air passing through each branch.

Keywords: Mining, Mining Ventilation, Ventilation Networks, Management,

Introduction

The calculation of ventilation systems is basically based on the assignment of the following details: a) determination of air currents in the branches of

OPERATIONAL AND STATISTICAL MANAGEMENT IN RELATION TO DETERMINATION OF AERODYNAMIC RESISTANCE ON MINING LINES

Dr. Sc. Shaqir Elezaj

UBT – Higher Education Institution, Lagjja Kalabria, 10000 p.n., Pristina, Kosovo, shaqir.elezaj@ubt-uni.net
the system (ventilation network);
b) determination of the aerodynamic resistance of the system as a whole;
c) determination of the quantities of air distributed in each branch of the system;
d) determining the pressure loss (height of general depression) in the system as a whole, which is functionally related to the characteristics of the ventilators in the system.

To solve the aeration system in the points set out above we must know the following data:
a) the source point of the depression and the direction of its action (for example at which point of the system the fan is located and in what direction the fan in question operates);
b) resistance of works through which air flows (aerodynamic resistance of the branch between two joints); c) the total amount of air entering or leaving the mine (this size determines the proper capacity of the fan).

**Serial system calculation**

Aeration of air without branching the air at all and sending it from the entrance to the mine in a certain way serially through all the underground workshops to the exit of the mine [the lowest degree of aeration in the system. This simple method of aeration contains the dangers and mining of methane, coal dust, or endangered by underground fires is not allowed by standard norms, because the explosion of methane or coal dust as well as the toxic products of fires are easily transmitted by one workshop in the other, and thus the scale of the disaster is significantly increased. Even from a technical - engineering and economic point of view, this way of ventilation is characterized by shortcomings compared to the branched ventilation systems. The total resistance R of the serial aeration system is equal to the sum of the resistances of each plant, which means:

$$\sum_{i=1}^{n} R_i + R_{n+1} = \sum_{i=1}^{n} R_i$$

(1).

The total depression of the system is calculated according to:

$$\sum_{i=2}^{n} h R_i Q_i R_i = \sum_{i=2}^{n} h R_i Q_i R_i$$

(2).

where $Q_i$ is the amount of air circulating in the system.

The required ventilation fan power is

$$\sum_{i=1}^{n} Q_i R_i$$

(3).
\[ \eta \eta (3), \]

so \( \eta \) is the fan utilization coefficient.

The pressure loss or depression of the serial system is determined by the sum of the pressure losses in each branch of the system (mine workshop) through which the air passes from the inlet to the outlet (principle of conservation of energy from the Bernoulli equation):

\[ \sum \sum = + + + \cdot n_i \]

\[ h_i h_R h_i Q_i \]

\[ n \]

\[ V \]

According to equations (5) and (6) we get:

\[ Q \]

\[ Q_i \]

\[ \frac{A}{i} \]

\[ = \]

\[ \varepsilon h \]

\[ v \]

\[ \cdot \]

\[ \rho \]

(7).

For the serial aeration system equivalent holes (holes) are required according to:

\[ \sum \Sigma = \]

\[ 2 \]
respectively:
\[ A_i \]
(8),
\[ i \]

\[ \sum_{i=1}^{n} Q^2 \rho^2 A_i \]

respectively:
\[ 2 \]
\[ \sum_{i=1}^{n} \]
\[ Q^2 \rho^2 A_i \]
\[ \cdot = 2 \]
\[ \sum_{i=1}^{n} \]
\[ h 2 \epsilon \]

\[ i = 1 \]

\[ = 1 \]

Solve a concrete example.

Further, a concrete example will be chosen, where the serial system ventilation network is presented according to figure 1:

Figure 1: Serial connection of workshops in the mine.

Figure 1 shows the serial connection of the workshops in the mine. The total resistance for this case is:

\[ R R R R R R \]
\[ = - + - + - + - = \]
\[ 1 2 2 3 3 4 4 5 5 6 \]
\[ R R B R R R C R R = + + + + + + \]
\[ ( ) 2 ( ) 7 \]
\[ (10), \]

so that parameters B and C are determined experimentally. According to (10) is obtained for this case:
Figure 2: Total aerodynamic resistance $R_t = f(B,C,R)$ for the elaborated case.

Figure 3: Maximum value of total aerodynamic resistance $R_{t(max)} = f(B,C)$ for the elaborated case.

Figure 2 shows the aerodynamic resistance $R_t$ [Pa] for the case elaborated as a function of parameters $B$ and $C$, as well as the single aerodynamic resistance ($R$). Analyzing the diagram we can conclude:

- As the unit resistance $R$ increases, the total resistance increases widely to a maximum value, and then decreases to the value.

- As parameter $B$ increases and the value of parameter $C$ decreases, the maximum of the parametric curve is pushed towards the larger values of the single resistance.

Figure 3 shows the maximum aerodynamic resistance $R_{t(max)}$ [Pa] as a function of parameters $B$ and $C$. Analyzing this diagram we can conclude:

- With the increase of parameter $C$, the largest value of the total aerodynamic resistance belongs to the larger value of the parameter $B$. 
The growth trend of the respective parametric curve is more pronounced for the smallest value of parameter B.

Figure 4: Equivalent holes as a function of parameters B, C and unit resistance R. Figure 5: Proper power for fan drive, \( N = f(B, C, R) \).

Figure 4 shows the equivalent hole of mine A [m²] as a function of parameters B, C, R. Analyzing the diagram, it can be concluded:

- With increasing unit resistance R, the equivalent hole decreases widely to a minimum value, and then increases.

- The parametric curves with the parameter B increasing, and with the parameter C decreasing, the minimum is pushed towards the larger values of the unit resistance R, so that the trend of change is now less pronounced.

Figure 5 graphically presents the necessary power N [W] for driving the fan, as a function of parameters B, C and R.
Analyzing the diagram, it can be concluded:

- With the increase of the unit resistance (R) the power increases widely to a maximum value, and then decreases towards the value.

- Maximum values are pushed to the right for parametric curves with value of parameter B increasing, and with value of parameter C decreasing, so that the trend of change is now less pronounced.

The diagrams in question are constructed for the air flow suppression coefficient $\epsilon = 65\%$, and for the $\eta = 67\%$ fan efficiency, and for the air flow $Q = 30$ [m$^3$/s].

**Statistical analysis of the problem in question**

Regarding the management of the statistical analysis of the problem in question, it is more important to determine the coefficient of elasticity (EC), which parameter is determined in principle according to:

$$\frac{\partial^2}{\partial x \partial y} \delta(X,Y)$$

(11).
Figure 6: Coefficient of elasticity of total resistance

Figure 7: Coefficient of elasticity of fan power

(R, Pa) to single resistance (R, Pa).

KE(N,B) in function of parameters R,C,B.

Figure 6 shows the coefficient of elasticity of the total resistance (Rt, Pa) to the unit resistance (R, Pa). Analyzing the diagram it can be concluded:

- With the increase of the unit resistance (R, Pa) the coefficient of elasticity KE (R, R) increases widely to a maximum value, and then decreases towards the value, taking in principle positive and negative values.

- The maximum value of the coefficient in question is greater for the smallest value of parameter B, and the largest value of parameter C, so that the trend of change is less pronounced.

- For example for the parametric curve KE (B = 1, C = 7), for R = 2.5, the maximum value of the coefficient 0.45 is reached. This means that when the unit resistance R changes by 1%, the total resistance increases (plus sign) by 0.45%, and so on.

**Summary**

The paper discusses the problem of calculating ventilation networks in relation to the ventilation of workshops in the mine. The types of characteristic schemes of ventilation networks are emphasized. The way of calculating the total resistance, the size of the depression, the equivalent holes, as well as the necessary driving power of the fan is presented. The way of statistical management of the problem in question is also presented.
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SME Development in Kosovo and Access to Finance: Diaspora Saving as a Financial Source

Dr.Sc Arbiana Govori, Dr.Sc Qemajl Sejdija
UBT – University for Business and Technology, Prishtinë, Kosova
Universiteti Europian i Tiranes, Tirana, Shqipëri

arbiana.govori@ubt-uni.net, qemajl@sejdija.de

Abstract: Small and medium enterprises are an essential part of the economic structure in developed and developing countries, and play an important role in bringing innovation, growth and economic prosperity. This is because of their capacity to foster entrepreneurship and entrepreneurial skills, and because of their ability to be flexible and adapt quickly to a changing market, as well as to generate new jobs.

The SME sector is the mainstay of the economy in high-income countries, while it is less developed in low-income countries. In Kosovo, SMEs represent more than 99% of the total number of enterprises and their share in GDP goes to more than 50% (CBK, 2011).

External factors such as access to finance, competition, corruption, and government policies, have a very significant impact on the development of SMEs in Kosovo. Enabling access to finance is necessary to create a favorable environment for enterprises to develop. However, in general, SMEs in developing countries face many barriers to funding, although this problem is not unknown to developed countries. The barriers that enterprises usually face are high administrative costs, high collateral requirements and the unwillingness of banks to lend to SMEs. Increasing the level and accessibility of finance for SMEs can improve economic conditions in developing countries by boosting innovation, increasing GDP and reducing unemployment.

An alternative source of financial capital for financing SMEs in Kosovo we have proposed the mobilization of Kosovar diaspora savings. The positive effects of such a mobilization would be realized by both the diaspora and the economy of Kosovo.

Key terms: Small and medium enterprises, SME sector, SME financing, development factors, bank credit.

Classification JEL: G3, G32, G2, G21, G23, E6, E64, E2, E22

Introduction

Small and medium enterprises are becoming increasingly important for the creation and development of a modern, dynamic, and knowledge-based economy. Access to capital to finance their growth and expansion is quite limited and for most SMEs in developing countries is the main obstacle. It is possible that SMEs have no access to bank loans at all, or face extremely unfavorable lending conditions. On the other hand, banks in developing countries have barriers to lending due to asymmetry or complete lack of information. As an overall result we have a lack of a genuine capital market for SMEs (Nichter and Goldmark, 2009).

Small businesses start as an idea and mainly from one or two people, who invest from their own resources and in some cases lend to family and friends. But if they succeed, the time will come when all emerging SMEs will need new investments in order to expand or bring in new innovations. Usually at this stage they face problems because they find it much more difficult than large enterprises to secure financing either from banks or other sources. If SMEs are unable to provide the necessary funding, it is likely that brilliant ideas will not be realized resulting in a loss of potential for economic development (OECD, 2006).

Due to the political situation over the last few decades, Kosovo has faced stagnation in the development of small and medium enterprises and consequently in economic development in general. This research focuses mainly on the impact of external factors, with particular emphasis on access to finance for Small and Medium Enterprises (SMEs) in Kosovo.

Another problem we face when studying enterprise development is how to measure this development. There is no one-size-fits-all approach to measuring enterprise development, which is why researchers use different indicators to measure it (Barkham et al., 1996). However, some of the variables that researchers use the most are employment,
sales and revenue growth over a period of time because data collection and measurement is simpler (Delmar et al., 2003). The same as primary indicators for measuring the development of enterprises have been used for this paper as well.

In this paper we analyze the factors that affect the growth and development of SMEs in Kosovo. In this context we will analyze the factors that most influence the development of SMEs in Kosovo; the importance of bank credit in the development of SMEs in Kosovo; and the use of diaspora savings as an alternative financial source for SME development in Kosovo.

**Theoretical approaches and definition of SMEs: Literature review**

In economic theory there is a variety of definitions of small and medium enterprises. The term "SME" encompasses a wide range of definitions. Different organizations and countries set their defining guidelines for categorizing SMEs, often based on sales, number of employees, or asset value. The World Bank defines SMEs as enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets. Meanwhile, the definition of the European Union states: "Micro, small and medium enterprises are those enterprises that employ less than 250 people and which have an annual turnover of not more than 50 million euros and/or the annual balance sheet does not exceed 43 million euros." In this way, small and medium enterprises are defined as enterprises with 10 to 250 employees, and more than 10 million euro turnover or 10 million in the annual balance sheet. This definition is more comprehensive especially in terms of turnover, compared to some other definitions.

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Number of workers</th>
<th>Circulation</th>
<th>Balance Sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium</td>
<td>&lt; 250</td>
<td>≤ € 50 milion</td>
<td>≤ € 43 milion</td>
</tr>
<tr>
<td>Small</td>
<td>&lt; 50</td>
<td>≤ € 10 milion</td>
<td>≤ € 10 milion</td>
</tr>
<tr>
<td>Micro</td>
<td>&lt; 10</td>
<td>≤ € 2 milion</td>
<td>≤ € 2 milion</td>
</tr>
</tbody>
</table>

According to Morrison (2006), enterprises are influenced by the external macroeconomic environment that they cannot control, such as the political, economic, social, technological, environmental and legal factors. These factors can very rarely be influenced by management decisions because they are external factors and out of the control of SMEs. Among the main factors that affect the development and growth of SMEs is access to finance, not to mention other factors such as: corruption, competition, government policies, etc.

Lack of capital or financial resources is the main barrier for SMEs and usually entrepreneurs have to mobilize their capital or own resources to establish or expand their business. Also, SMEs in developing countries have difficulty accessing bank loans due to the high risk of non-repayment of loans, low profit and lack of collateral required by banks (Harvie, 2005).

**2.1. Measuring the development and growth of SMEs**

Researchers use different indicators to measure the development or growth of SMEs. Indicators such as sales or turnover growth and employment growth over a period of time are commonly used. Other indicators such as asset value, market share, profit and production level are also used to measure development, but are not very common compared to sales and employment. Indicators such as level of production and market share vary greatly depending on the industry and as a result are very difficult to use for comparisons, and profit is irrelevant unless measured over a longer period of time. For this reason sales and employment remain two very important indicators for measuring the growth and development of enterprises. Data on the number of employees is usually easier to collect, as they are very important data for the government. On the other hand sales can be affected by inflation and it is very important to use several indicators together to study the growth and development of enterprises. (Davidsson et
2.2. External factors influencing the development of SMEs

Enterprises are affected by the external macroeconomic environment that they cannot control such as political, economic, social, technological, environmental and legal factors (Morrison, 2006). These factors can very rarely be influenced by management decisions because they are external factors and out of the control of SMEs.

For many SMEs in the region, access to finance and capital appears to be difficult. This is due to weak banking institutions, lack of capital market and inefficient legal frameworks in terms of credit rating and collateral. SME financing and access to finance play a crucial role in the process of enterprise growth and development. (BB, 2011).

By entering the competition, the enterprise tries to find competitive advantages that greatly affect the success of the enterprise (Walley, 1998). SMEs are usually not very competitive in the market in terms of knowledge, innovation, prudent investment, business operations and good management, which are important factors in raising quality (OSMEP, 2007).

Developing countries compete with other countries as a result of globalization and increasing trade but other barriers and constraints generally favor these countries (Lind, 2009). Competition is increasing from international companies as a result of Free Trade Agreements (OSMEP, 2007).

The importance of SMEs to a country's economy shows how important it is to have government policies that support SMEs, including regulations that enable them to operate efficiently and regulations that reduce their administrative costs (Harvie and Lee, 2005). Although there have been initiatives by governments to promote and support SMEs in order to increase and develop them as well as reduce poverty, there is still a lack of proper laws and administrative procedures and access to assistance provided by government agencies. (Harvie, 2005).

According to World Bank research, the complex tax system, low levels of trust in the judiciary, and the need to pay bribes for access to public services pose major barriers, especially in South East Europe (WB, 2000).

2.3. SME sector in the global economy

The SME sector is the mainstay of the economy in high-income countries, but this sector is less developed in low-income countries.

Figure 1: Employment contribution

Source: World Bank (2011)
The Organization for Economic Co-operation and Development (OECD) reports that more than 95% of enterprises in the OECD area are SMEs. These enterprises employ about 60% of the total employees in the private sector, as well as make a major contribution in the field of innovation, regional development support and social cohesion. Also, SMEs in the most low-income countries make a very significant contribution to GDP and employment.

Small and medium enterprises in Kosovo

In Kosovo, more than 99% of enterprises belong to the SME sector, where most of them are focused on the trade sector, thus being characterized by small and unproductive investments. (Strategy for SME Development in Kosovo, 2011)

Table 2: Enterprises registered by number of employees in Kosovo – 2010

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Number of workers</th>
<th>Number of enterprises</th>
<th>Percentage of the total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large</td>
<td>250 ose më shumë</td>
<td>58</td>
<td>0.06</td>
</tr>
<tr>
<td>Medium</td>
<td>50 – 249</td>
<td>221</td>
<td>0.22</td>
</tr>
<tr>
<td>Small</td>
<td>10 – 49</td>
<td>1,406</td>
<td>1.35</td>
</tr>
<tr>
<td>Micro</td>
<td>1 – 9</td>
<td>102,070</td>
<td>98.37</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>103,755</td>
<td>100.00</td>
</tr>
</tbody>
</table>

According to data from the Kosovo Business Registration Agency, at the end of 2010 more than 100 thousand SMEs were registered, with 216,799 employees or about 89% of employees in the private sector and about 62% of the total number of employees in Kosovo. It should be noted that in Kosovo enterprises according to law no. 2005/02 - L5 are categorized only on the basis of the number of employees. This differs from the categorization of European Union countries, where in addition to the number of employees, the annual turnover and balance sheet are taken into account as presented in Table 1.

From the data presented above (Table 2), we see that out of 103,755 enterprises, 102,070 (or 98.37%) are micro enterprises; 1,406 (1.35%) small, 221 (0.22%) medium, and only 58 (0.06%) are categorized as large. From the point of view of sectors, SMEs are mainly concentrated in trade with about 50%, transport, storage and distribution (14%); food products, beverages and tobacco (9%) as well as hotels and restaurants (9%).

As for the ownership of enterprises in Kosovo, individual enterprises lead with 90% while the rest are general partnerships with 3.2% and limited liability companies 5.8%. (ARBK, 2011)

3.1. Contribution of SMEs to Gross Domestic Product (GDP)

As mentioned earlier, the role of SMEs in a country’s economy is very important. In addition to having a positive impact on other aspects such as reducing unemployment and alleviating poverty, they also have a major impact on a country's GDP growth. Based on the data of the Tax Administration in Kosovo (TAK), presented in Table 3 below, the total turnover of SMEs in 2010 was more than 2.2 billion representing 56.81% of GDP.
Table 3: Share of SME turnover in GDP

<table>
<thead>
<tr>
<th>Size of enterprises</th>
<th>circulation</th>
<th>Participation in PBB (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikro</td>
<td>656,885,164.33</td>
<td>16.79</td>
</tr>
<tr>
<td>Vogla</td>
<td>667,585,914.82</td>
<td>17.07</td>
</tr>
<tr>
<td>Mesme</td>
<td>369,455,655.16</td>
<td>9.44</td>
</tr>
<tr>
<td>Mëdha</td>
<td>528,558,359.84</td>
<td>13.51</td>
</tr>
<tr>
<td>Total</td>
<td>2,222,485,094.15</td>
<td>56.81</td>
</tr>
</tbody>
</table>

Source: Annual Report of SMEs 2011

However, one problem that remains to be solved is the informal economy, which according to the report "Government Program for the Prevention of Informal Economy in Kosovo 2011-2012" accounts for 39 to 50% of GDP. This has been much discussed by all instances of the country and it is expected to continue with concrete steps to quickly reduce this phenomenon to an acceptable extent as complete elimination is almost impossible.

External factors that affect the development of SMEs in Kosovo

2.1. Access to finance

The enterprises studied during this research have started their business with financing from internal sources. This is the case with almost all start-ups that have difficulty accessing external financing. From the data obtained we understand that obtaining loans for entrepreneurs in Kosovo is very difficult. The problems they usually face are the lack of collateral and the unwillingness of banks to finance small enterprises, especially new ones. However, for the expansion of the business, in our case the companies have taken loans, and this is because they have managed to prove and create a financial history of their own.

2.2. Competition

Another factor that affects the growth and development of SMEs in Kosovo is competition. Many companies in the region and beyond produce products similar to those of Kosovar enterprises. The surveyed enterprises have assessed unfair competition as one of the obstacles to the development of SMEs in Kosovo. Also, the attitude of consumers towards local products accompanied by a lack of confidence in the quality of these products is a negative phenomenon in the development of these enterprises, making imported products more desirable, which can be confirmed by the high negative trade balance of Kosovo.

4.3. Corruption

Problems arise in many areas and one of them is corruption. The long-term consequences of corruption in transition economies and developing countries can be very damaging. Kosovo still faces numerous infrastructural problems and the development of economic policies. Many improvements have been made in recent years but work still needs to be done to minimize corruption (Riinvest, 2002).

In 2011, according to Transparency International, the Corruption Perceptions Index (CPI) for Kosovo was 2.9, ranking it 112th out of 182 in total. The Corruption Perceptions Index (CPI) refers to the perception of the degree of corruption among public administration officials and politicians by entrepreneurs and businessmen as well as the country's analysts. The CPI rate starts at 10 (completely clean) and up to 0 (very corrupt). Kosovo in this list has decreased by one place since 2009 (TI, 2011).
4.4. Government policies

In addition to corruption and unfair competition, problems with the judiciary and the implementation of laws and regulations by government bodies negatively affect the business of enterprises. These have been described as obstacles in the World Bank Doing Business report, where Kosovo has been ranked at the bottom of the list for many years now (WB, 2012). However, in recent years there has been a tendency to push things forward, and make Kosovo a more attractive place to do business. The results of these commitments are expected to be seen in the future, where one of the indicators will be the ranking in the list of the World Bank "Doing Business" which is published in the last months of this year.

The importance of bank credit in the development of SMEs in Kosovo

The banking system in Kosovo is estimated as one of the main promoters of economic activity, reaching a total value of 2.5 billion euros, or 52.8% of GDP, of the assets managed by them. This has come mainly from loans and investments in securities. (BQK, 2011).

Table 4: Asset structure of the banking system

<table>
<thead>
<tr>
<th>Përshkrimi</th>
<th>Qershor 2009</th>
<th>Qershor 2010</th>
<th>Qershor 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Million euro</td>
<td>Million euro</td>
<td>Million euro</td>
</tr>
<tr>
<td></td>
<td>Pjesëmarrja (%)</td>
<td>Pjesëmarrja (%)</td>
<td>Pjesëmarrja (%)</td>
</tr>
<tr>
<td>Paraja e gatshme dhe bilanci me BQK</td>
<td>241.9</td>
<td>268.1</td>
<td>265.3</td>
</tr>
<tr>
<td></td>
<td>12.5</td>
<td>12.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Bilanci me bankat komerciale</td>
<td>286.7</td>
<td>351.6</td>
<td>319.5</td>
</tr>
<tr>
<td></td>
<td>14.9</td>
<td>15.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Letrat me vlerë</td>
<td>34.1</td>
<td>114.0</td>
<td>205.6</td>
</tr>
<tr>
<td></td>
<td>1.8</td>
<td>5.1</td>
<td>8.2</td>
</tr>
<tr>
<td>Kreditë dhe lizingu</td>
<td>1,280.9</td>
<td>1,404.6</td>
<td>1,624.9</td>
</tr>
<tr>
<td></td>
<td>66.5</td>
<td>63.3</td>
<td>65.0</td>
</tr>
<tr>
<td>Asetet fikse</td>
<td>40.1</td>
<td>42.6</td>
<td>45.0</td>
</tr>
<tr>
<td></td>
<td>2.1</td>
<td>1.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Asetet tjera</td>
<td>43.5</td>
<td>37.8</td>
<td>40.8</td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>1.7</td>
<td>1.6</td>
</tr>
<tr>
<td>Gjithsej</td>
<td>1,927.1</td>
<td>2,218.8</td>
<td>2,501.1</td>
</tr>
<tr>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Burimi: BQK (2011)

Analyzing the data in the table above we can see that the banking system in Kosovo has had a continuous growth in recent years, which is a positive indicator and good news for SMEs and the possibility of financing them from sources. exterior.

Based on CBK data, the lending activity of commercial banks continues to represent one of the main sources of financing for consumption and investment in the country. After the recovery of financial markets in foreign economies and the improvement of commercial banks’ perceptions of the environment in Kosovo, there has been an accelerated trend of increasing lending. The total value of loans issued by banks in Kosovo until June 2011 reached the value of 1.6 billion euros or 34.3% of GDP.

Unlike a year ago, when due to the global financial crisis, most companies had suffered from the tightening of lending, in 2011 it was lending to private enterprises that was the main promoter of the increase in the overall level of loans issued by the banking system (ESK, 2011).

Despite the accelerated growth of loans to enterprises, their share in total loans in June 2011 was lower compared to June 2010. The share of loans to enterprises in June 2011 was 69.2%, compared to 70.6% in the same period of the previous year. Meanwhile, loans to households continued to increase their share, reaching 29.7% in June 2011 compared to 29.4% in June 2010 (CBK, 2012).
Diaspora savings as a financial source for SME development in Kosovo

Putting savings into circulation, regardless of the form in which it exists, as well as the realization of various forms of benefits or positive changes realized in the price, etc., is in fact the mobilization of savings, which represents another quality of saving, of higher rate compared to passive saving (Fadil Govori, 1997). So, savings mobilization should be understood as a way of transforming savings from immobile and passive to (that) mobile and active savings, which further preserves the attribute of saving with all its features, but at the same time with putting it in turnover it takes the attribute of working capital in circulation, which creates value to be recapitalized. This recapitalization has benefited both the owners of the savings and the enterprises, which through the turnover increase its initial value.

The advantages realized by the owner of the savings from the mobilization of the savings are numerous and qualitative, and are concretized in the form of equal participation in the process of privatization of the economy through the purchase of shares; through this is realized the participation in the supervision of the development of the economy of Kosovo, as well as the participation in the creation of conditions for the return to the homeland and the employment of the savings owners and his family members. The financial effects, meanwhile, are realized through interest rates, dividends, various provisions, participation in changes in prices and in new forms.

The advantages that the economy of Kosovo realizes from the mobilization of savings are also numerous, and the main courses are: providing financial means - financial capital - as support to the process of development of the SME sector in Kosovo, and through this to the general development economic development of the country.

Based on the laws of the market, the mobilization of savings is only a normal step in the circulation, ie the revitalization of passive financial capital, as a result of the rational behavior of savings owners and economic entities-entrepreneurs.

Experiences of using the savings of the diaspora through various forms of its mobilization, of some peoples and countries, show that undertaking such an activity is beneficial for all participants, especially for the owners of savings, who, by putting in circulation saving in their countries, realized great profits and at the same time helped their countries to achieve strategic social and economic development goals of special interest to the country. Israel, Palestine, Greece, Turkey, and several other countries had the most positive experience in mobilizing diaspora savings, while Croatia is now developing a great activity in mobilizing its diaspora savings (Fadil Govori, 1997).

Conclusion

The purpose of this paper was to identify the factors that affect the growth and development of SMEs in Kosovo with special emphasis on the possibility of using diaspora savings for the development of the SME sector in Kosovo. Conclusions are drawn based on the analysis of previous chapters.

A number of factors influencing the growth and development of SMEs in Kosovo have been identified during this research. In order to compare and measure the weight of the financing factor or access to finance, other factors such as competition, corruption and government policies were included in the research. According to research data, competition is not considered negative, but it is unfair competition which is presented as a barrier to enterprise development. Also, due to the lack of funding and proper access to funding, respondents estimate that this affects the growth of corruption, which in this case is in line with the theoretical aspects and the literature reviewed during this research.

The lack of a capital market and other financing alternatives forces companies to turn to commercial banks for loans in most cases. However, the conditions offered by banks and non-bank financial institutions are more conducive to the expansion of existing businesses and are less favorable for the creation of new businesses.

Using diaspora savings to develop the SME sector in Kosovo would create a range of advantages for both the SME sector in Kosovo and the savings owners themselves. The advantages realized by the SME sector and the whole
economy of Kosovo from the mobilization of savings, are many, and the main courses are: providing financial means - financial capital, to support the process of development of the SME sector in Kosovo, and through this the general economic development of the country.

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