

## The Importance of Resource Assessment for Entrepreneurship and Local Economic Development in Kosovo

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### Abstract

Kosovo is an underdevelopment country that faces challenges such as poverty, large numbers of unemployment people, and slow economic development. Faced with this fact, country is estimated to be rich in considerable natural resources as well as a relatively young population. Therefore, knowledge and assessment of resources is an important prerequisite for their valorization in function of faster economic development. In underdeveloped countries such as Kosovo, there are not enough professional institutions that provide reliable data on available national resources and their comparative advantages. In these circumstances entrepreneurship and economic development are closely related to entrepreneurial courage and the overall perception for resources and market trends. Entrepreneurship is a basic prerequisite for activating resources. This is particularly the case in underdeveloped localities with high degree of unemployment. For this purpose, individual knowledge is very important to undertake activities that would be successfully concluded. In this research an effort will be made to explain the importance of knowing and evaluating local resources for entrepreneurship and local economic development. In particular, the role of civil and business perceptions will be explained and interpreted with proper statistical methods in order to bring professional and scientific conclusions.

**Keywords:** resource assessment, local economic development, human and natural resources, entrepreneurship

### Introduction

Entrepreneurship in underdeveloped countries, especially in countries that have did not close the transition process from the state-run economy to the economy based on market laws (as is Kosovo), is accompanied with insecurity and lack of courage as a result of lack experience and sufficient informations, for market demand and competition, as well as lack of sufficient information on available local resources and comparative advantages to which local economic development can be sustained.

Entrepreneurship is an important factor and we can even say that it is a basic precondition for activating available resources. This is particularly in the case of underdeveloped localities with a high degree of unemployment. For this purpose, individual knowledge is very important factor to undertake activities that would be successfully concluded. But that is insufficient to survive within a global competition that has included every segment of economic life.

Identifying of development opportunities, namely the available resources and the comparative advantages that the locality has is very important for any entrepreneurial initiative. Personal knowledges is key to take entrepreneurial action, but they are insufficient to undertake successful actions, particularly in the context of global competition, where small businesses need to be very creative to maintain their existing market position, and to take benefits of the advantages that the locality and its resources available offers.

Entrepreneurship identifies development opportunities, but for this purpose, financial resources are also necessary, as well as qualified human resources, that are capable for assessing the existing situation and predicting the future. In underdeveloped and in transition countries, entrepreneurs in most cases do not even have enough experience and knowledge, as well as sufficient financial resources, so they don't have courage and entrepreneurial security. They therefore take certain entrepreneurial actions with excessive care, and often in the hope of support from the state, in particular to avoid risk and uncertainty in the market.

Therefore, these countries should evaluate their material and human potentials as well as comparative advantages, in order to help potential entrepreneurs to benefit from their creativity to take advantage offered by the locality as are natural sources, labor and other dependable costs such as transport costs, renewable energy sources, market, etc.

Based on what we said above, and as result of many limiting factors, these research emphasize the importance that have subjective knowledge and perception for the resources that the locality has abundant, and which active entrepreneurship can use comparative advantages in function of creating new businesses and developing existing ones. This aspect has been examined from the perspective of the subjective perception of the ordinary citizen, respectively by the experience of the businesses and partly the perception created by the information produced by the general business environment. In this way, the citizen's perceptions about development policies have been evaluated in order to understand if they more expect by their private initiative, the role of the state, or the combined public-private partnership.

Uncertainty in the market and the lack of sufficient experience (being a new economy) has made that this research give a special emphasis to the subjective perception of the role that the state should have in promoting entrepreneurship and their support, and in particular informing entrepreneurs about the size and value of natural and human resources available, as well as promoting ideas and supporting new and existing businesses.

The work consists of three main parts. In the first and the second part, the theoretical issues related to entrepreneurship and local economic development has been elaborated. The third part focuses on the core of research: Entrepreneurship and Local Economic Development in Kosovo. Initially, the general situation of the economy was presented, and in particular the issues related to entrepreneurship, labor and economic development. Then the analysis and interpretation of collected data through questioners has been done. The data have been elaborated with adequate statistical methods that have led to the drawing up of a scientific and professional conclusion.

### **Introduction to the Concept of Entrepreneurship**

Entrepreneur and entrepreneurship as an activity is old as human activities itself. However, the contemporary meaning of these concepts has been given by Schumpeter who is rightly considered as a creator of entrepreneurship as a field of scientific study. He defined entrepreneur as a person who creates innovations by doing things differently. "Schumpeter defined entrepreneurs as innovators who take advantage of change, including: (i) the introduction of a new (or improved) good; (ii) the introduction of a new method of production; (iii) the opening of a new market; (iv) the exploitation of a new source of supply; and (v) the re-engineering/organization of business management processes. Schumpeter's definition therefore equates entrepreneurship with innovation in the business sense; that is identifying market opportunities and using innovative approaches to exploit them."<sup>1</sup> "Joseph Schumpeter pointed out a century ago that entrepreneurs are often innovators, bringing new goods and technologies to markets, opening up new markets, processes, and ideas, and commercializing new knowledge. But, it is often mistakenly suggested that innovation by entrepreneurs is less important for growth in low-income developing countries than in more advanced economies."<sup>2</sup>

Schumpeter's definition of entrepreneur is base almost all of the definitions that we find from different authors and institutions. Thus for example, according to OECD "Entrepreneurs are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets."<sup>3</sup>

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<sup>1</sup> Ahmad, N. and Seymour, Richard G., (2008), Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection OECD Statistics Working Paper, Organisation for Economic Co-operation and Development, p.8., [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc\(2008\)1](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc(2008)1)

<sup>2</sup> Szirmai, A., Naudé, W., and Goedhuys, M., Entrepreneurship, Innovation, and Economic Development: An Overview, p.3; <http://i.unu.edu/media/unu.edu/publication/12592/chapter-1.pdf>

<sup>3</sup> Ahmad, N. and Seymour, Richard G., (2008), Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection OECD Statistics Working Paper, Organization for Economic Co-operation and Development, p.14., [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc\(2008\)1](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc(2008)1)

The Global Entrepreneurship Monitor gives a similar definition. He sees the entrepreneur as an attempt to create something new from a business, a self-employed or a business organization. "Any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business."<sup>1</sup>

In the United States, for instance, the entrepreneur is often defined as one who starts his own, new and small business<sup>2</sup>, and according to Oxford dictionary entrepreneur is "a person who sets up a business or businesses, taking on financial risks in the hope of profit."<sup>3</sup>

### Entrepreneurship and local economic development

Entrepreneur activity and entrepreneurship are closely linked with the entrepreneur itself, creative and courageous man who carries out activities to transform his ideas into processes, products, or new values. As defined by the OECD "Entrepreneurial activity is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets. Entrepreneurship is the phenomenon associated with entrepreneurial activity."<sup>4</sup> Entrepreneurship is a fundamental driver of economic evolution. Entrepreneurs can be seen as the key actors to optimally benefit from new unexpected opportunities.<sup>5</sup>

Through its active courage, the entrepreneur allocates resources where he thinks they will be used in the most productive way. Or as economist J.B.Say had said before 200 years, he "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield."<sup>6</sup>

It is worth mentioning the opinion of the Austrian School which, speaking of entrepreneurship, pay particular attention to the role of the institutions in the economy, emphasizing that they have a fundamental role to make entrepreneurial actions to take place as they affect the allocation of entrepreneurial talent. In this way they emphasize that entrepreneurship as a process is unevenly distributed among the countries, so "...thus an important explanation of the uneven economic development of regions and nations."<sup>7</sup>

As Krugman observes, the location is a determining factor of development with the advantages it offers, whether it's resources, transport-related costs, market proximity, and so on. Entrepreneurs are the motor forces that put these advantages in the function of economic development. The role of entrepreneurs is particularly important in underdeveloped countries where small businesses are the main providers of employment and development. "Entrepreneurs in low-income developing countries provide innovations that are important for firm and country growth, even if they are incremental in nature. Innovation in developing countries involves the process by which firms master and implement the design and production of goods and services that are new to them."<sup>8</sup>

Recognizing the importance of entrepreneurship in economic development and in order to assist policymakers, UNCTAD has developed the Entrepreneurship Policy Framework in 2012, resolution on Entrepreneurship for Development in 2014, and in the year 2015 work paper Promoting Entrepreneurship for Development, where it emphasized the importance of entrepreneurship in the context of the sustainable development goals – by creating jobs and driving economic growth and innovation, improving social conditions and helping address environmental challenges<sup>9</sup>. "UNCTAD recognize the fact that

<sup>1</sup> Cited by Bjorvatn, K., (2015), Youth-entrepreneurship-and-development.pdf, p. 15, <https://www.oecd.org/derec/sweden>

<sup>2</sup> Drucker, P. F., Innovation and Entrepreneurship, p. 21;

[http://www.untagsmd.ac.id/files/Perpustakaan\\_Digital\\_1/ENTREPRENEURSHIP%20Innovation%20and%20entrepreneurship.PDF](http://www.untagsmd.ac.id/files/Perpustakaan_Digital_1/ENTREPRENEURSHIP%20Innovation%20and%20entrepreneurship.PDF)

<sup>3</sup> <https://en.oxforddictionaries.com/definition/entrepreneur>

<sup>4</sup> Ahmad, N. and Seymour, Richard G., (2008), Defining Entrepreneurial Activity: Definitions Supporting Frameworks for Data Collection OECD Statistics Working Paper, Organisation for Economic Co-operation and Development, p.14., [http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc\(2008\)1](http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?doclanguage=en&cote=std/doc(2008)1)

<sup>5</sup> Stam, E. and Lambooy, Jan., (2012), Entrepreneurship, Knowledge, Space, and Place: Evolutionary Economic Geography meets Austrian Economics, p.8; [https://www.uu.nl/sites/default/files/rebo\\_use\\_dp\\_2012\\_12-11.pdf](https://www.uu.nl/sites/default/files/rebo_use_dp_2012_12-11.pdf)

<sup>6</sup> Drucker, Peter F., Innovation and Entrepreneurship, p. 21.,

[http://www.untagsmd.ac.id/files/Perpustakaan\\_Digital\\_1/ENTREPRENEURSHIP%20Innovation%20and%20entrepreneurship.PDF](http://www.untagsmd.ac.id/files/Perpustakaan_Digital_1/ENTREPRENEURSHIP%20Innovation%20and%20entrepreneurship.PDF)

<sup>7</sup> Stam, E. and Lambooy, Jan., (2012), Entrepreneurship, Knowledge, Space, and Place: Evolutionary Economic Geography meets Austrian Economics, p. 8, 2012; [https://www.uu.nl/sites/default/files/rebo\\_use\\_dp\\_2012\\_12-11.pdf](https://www.uu.nl/sites/default/files/rebo_use_dp_2012_12-11.pdf)

<sup>8</sup> Szirmai, A., Naudé, W., and Goedhuys, M., (2011), Entrepreneurship, Innovation, and Economic Development: An Overview, p. 26; <http://i.unu.edu/media/unu.edu/publication/12592/chapter-1.pdf>

<sup>9</sup> United Nations Conference on Trade and Development, (2015), Promoting entrepreneurship for development, p.2, [http://unctad.org/meetings/en/SessionalDocuments/ciid29\\_en.pdf](http://unctad.org/meetings/en/SessionalDocuments/ciid29_en.pdf)

entrepreneurship can make a critical contribution towards attaining the sustainable development goals of the post-2015 development agenda, including poverty eradication, empowerment of youth and women and other disadvantaged groups, and full and productive employment for all. It can also help tackle environmental challenges. This will require supporting the evolution towards a new generation of entrepreneurs and entrepreneurship policymakers with a vision and joint commitment to promote entrepreneurship for sustainable development.”<sup>1</sup>.

Entrepreneurship is guided by different objectives. Some scholars argue that the ultimate goal for entrepreneurship is to create wealth<sup>2</sup>. However, it is “widely believed that entrepreneurship is beneficial for economic growth and development” and “the entrepreneurship has been remarkably resurgent over the past three decades in countries that achieved substantial poverty reduction, and donors and international development agencies have turned to entrepreneurship to improve the effectiveness and sustainability of aid.”<sup>3</sup>

Entrepreneurship and economic development are closely linked. We can even say that local economic development is closely related to the activation of local resources through entrepreneurship. According to World Bank “The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation.”<sup>4</sup>

For the economic development, one particular consideration has the evaluation of resources to determine the relative advantages of the locality for holding the existing businesses and attracting new businesses. A special role in this direction has the local government in drafting local public policies and supporting the entrepreneurial activity through material, informative or financial support. There are even many authors who think that the municipal government is the main responsible for local economic development. For these purpose, assessing and recognizing resources is a necessary precondition for all participant in the developing. Recognizing the resources and designing strategies for their use is a much-needed input of any other entrepreneurial activity.

No matter which economic development model will be applied knowledge and assessment of available resources is essential for entrepreneurship and development. Over the past several decades development local and regional development policies have been oriented towards employment growth and job diversity, developing the economic base of communities, managing local assets to increase the factors that promote the location and the developing of intensive information industry.<sup>5</sup> Location Incentives are targeted toward specific firms to encourage them to move to a community, or occasionally to expand their operations. “Commonly given initiatives include tax credits, abatements, or rebates as well as free or reduced-cost land. An alternative form is public infrastructure that is built (or tailored) to the needs of a new business.”<sup>6</sup>

Traditionally, most local economic development models revolve around the creation and retention of jobs. So, for example, the export-base/primary-jobs model, which is very popular with economic development practitioners, stems from the requirement to local governments for providing specific conditions (initiatives) to promote the arrival of firms or industries in certain area.”<sup>7</sup>

Economic Base Theory sees the economic system made up of the non-basic part that is produced for local consumption; and the other called basic, which produce goods and services primarily for export.<sup>8</sup> This theory departs from the assumption that the basis of the development of a locality or region are businesses and industries that produce goods and services that are dedicated to the outside market, which then indirectly affect the development of businesses and non-basic sectors as

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<sup>1</sup> Ibid, p.18

<sup>2</sup> Szirmai, A., Naudé, W., and Goedhuys, M., ((2011), *Entrepreneurship, Innovation, and Economic Development: An Overview*, p. 19; <http://i.unu.edu/media/unu.edu/publication/12592/chapter-1.pdf>

<sup>3</sup> Naudé, W., (2013), *Entrepreneurship and Economic Development: Theory, Evidence and Policy*, p. 4; <http://ftp.iza.org/dp7507.pdf>

<sup>4</sup><http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTURBANDEVELOPMENT/EXTLED/0,,contentMDK:20185186~menuPK:399161~pagePK:148956~piPK:216618~theSitePK:341139,00.html>

<sup>5</sup> Stimson, J. R., Stough, R. R., Roberts, H. B., (2006), *Regional Economic Development, Analysis and Planning Strategy*, Springer, p.55

<sup>6</sup> Greenwood, Daphne T., and Holt, Richard P.F., ((2010); *Local Economic development in the 21<sup>st</sup> Century, Quality of Life and Sustainability*, M.E. Sharpe, London, p.15-16.

<sup>7</sup> Ibid, p.15.

<sup>8</sup> Stimson, J. R., Stough, R. R., Roberts, H. B., (2006), *Regional Economic Development, Analysis and Planning Strategy*, Springer, p.106.

well. However, there are opinions that the economic base model is not a sufficient answer to how a local economy should develop. The development models are also linked to the projected development goals, the two most important being creating more jobs and increasing per capita income. In reality, economic development means more than creating jobs; it also means creating jobs that are paid enough for a decent standard of living.<sup>1</sup>

Location incentives are targeted toward specific firms to encourage them to move to a community, or occasionally to expand their operations. "Commonly given initiatives include tax credits, abatements, or rebates as well as free or reduced-cost land. An alternative form is public infrastructure that is built (or tailored) to the needs of a new business"<sup>2</sup>

Traditionally, it is considered that the good business climate is important for attracting and retaining existing businesses, creating jobs and wealth. Indeed, there are various indices that express the terms of doing business, such as the Economic Freedom Index which shows a liberal political trend as they are focused on businesses, or the State Competitiveness Index is another well-known index measure which assesses each state in terms of "the policies and conditions that ensure and sustain a high level of per capita income and its continued growth."<sup>3</sup>

## Entrepreneurship and Local economic Development in Kosovo

### a) General data

Kosovo is a small country that lies in the Western Balkans. As a new state, it has inherited a plundered economy and destroyed by the war caused by Serbia with the dissolution of the former Yugoslavia. Leaving out of a system of socialist economy, the transformation of the economy is faced with various problems known as transition problems from the socialist to the capitalist economy. Almost all sectors of the economy were at the "infant stage" of development in relation to the region as well, which resulted with high trade deficit, where, after 17 years, only about 11% of imports are covered by exports<sup>4</sup>.

Adoption of the laws of the market economy, without a sufficiently active state role in the economy in regulation and supervision, has made more developed in stihic way than under a well-planned plan. On the other hand, the fiscal policy was mainly in the function of filling the state budget, and monetary policy almost did not exist at all since the state of Kosovo uses the euro as a currency for the exchange of goods and services. On the other hand, the financial system as a result of inherited circumstances, including the fact that "The judicial system suffers from poor access, inefficiencies and delays<sup>5</sup>, has resulted for years with average high interest rates (those in the year 2014 dropped to 9.3% and in 2015 to 7.7%)<sup>6</sup> which could have been an obstacle to development, mainly reflected through informal business which in 2017 was estimated to be 32% of the overall business activity<sup>7</sup> to escape fees and taxes as a way to exist but also to neutralize the very high interest rates. Doubts about collusion among banks have consistently existed, although the same have never been officially proven.

The administration of the new state, which has been confronted with a large number of other political and economic problems, has been in a difficult position in exercising its role in accordance with the principles of free market economy.

Kosovo is considered to be very rich with underground resources, arable land as well as with a young workforce. However, the country continues to be poor. Although the per capita income from 2000 to 2016 has tripled from \$ 1,088 to \$ 3,641, it remains the poorest third country in Europe<sup>8</sup>, while resources continue to be used inefficiently, due to the fact that natural

<sup>1</sup>Greenwood , Daphne T., and Holt , Richard P.F., ((2010); Local Economic development in the 21<sup>st</sup> Century, Quality of Life and Sustainability, M.E. Sharpe, London, p.15-16.

<sup>2</sup> Greenwood , Daphne T., and Holt , Richard P.F., ((2010); Local Economic development in the 21<sup>st</sup> Century, Quality of Life and Sustainability, M.E. Sharpe, London, p.15-16

<sup>3</sup> Ibid, p.20-22

<sup>4</sup>In 2016 the export was 309,627 and imports 2,789,491 which resulted in a deficit of 2,479,864. In this way imports were covered only for 11.1%, Foreign Trade Statistics December 2017, Kosovo Agency of Statistics p. 9, <http://ask.rks-gov.net/media/3825/statistikat-e-tregtis%C3%AB-s%C3%AB-jashtme-dhjetor-2017.pdf>.

<sup>5</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 2016 Communication on EU Enlargement Policy, European Commission, 2016, p. 37.

[https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key\\_documents/2016/20161109\\_report\\_kosovo.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/pdf/key_documents/2016/20161109_report_kosovo.pdf)

<sup>6</sup> Ibid, p. 38

<sup>7</sup> Business Climate in Kosovo, (2017), Institute for Development Researche, Riinvest, Prishtina, p. 27; [http://www.rinvestinstitute.org/uploads/files/2017/May/19/Klima\\_e\\_Biznesit1495199071.pdf](http://www.rinvestinstitute.org/uploads/files/2017/May/19/Klima_e_Biznesit1495199071.pdf).

<sup>8</sup> The World Bank In Kosovo, Recent Economic Developments, <http://www.worldbank.org/en/country/kosovo/overview#3>

resources are not valued, and their valorization requires financial means, while the workforce is new but not prepared for entrepreneurship and the challenges posed by the market economy. Thus, although the growth rates since 2000 on average have been above 3% (during 2008-2016, GDP on the average was 3.4% increase)<sup>1</sup>, Kosovo (Kosovo) continues to be underdeveloped and on a scale with high unemployment. The unemployment rate for 2014 was 35.3%, in 2015 it was 32.9%, and in 2016 it was 27.5%<sup>2</sup>. Kosovo, as elsewhere in the Western Balkans, suffers from high rates of unemployment, especially among young people. In 2014, about 2 out of 3 young Kosovars in the labor force did not have a job, contributing heavily to the 35 percent unemployment rate among the population. What is worse, the current economic growth is able to create jobs for only about 29% of the 11,500 people entering the labor market each year.<sup>3</sup>

The economic development without dilemma is related to the resources that a country has available. But this is just a necessary precondition, for their use financial means are required, as well as skilled workforce with entrepreneurial skills. The experiences of developed countries have shown that small and medium-sized businesses are generators of employment and development.<sup>4</sup> The problem lies in the fact that countries can be rich in natural and human resources, but because of different factors, the same are not used efficiently and in the worst cases they are unused at all.

There are studies that prove that small and medium-sized enterprises are job generators. In Kosovo there are 33,465 active enterprises employing 155,135 employees.<sup>5</sup> About 99% of enterprises are small businesses employing 1-9 employees.

However, the number of businesses that are registered and closed for a short time is relatively large. Thus, during the period 2007-2016, were registered 85,447 and in same time were closed more than 14,275 businesses.<sup>6</sup> Only during 2016 10,424 new businesses were registered, while 2,350 businesses were closed at the same time.<sup>7</sup>

The number of enterprises that appear as registered but which are not active at the same time is considerable. This is because of many factors. One of them may be the lack of sufficient market and competition information. Likewise, an important factor that may have an impact on the early failure of initial businesses or on the discontinuation of their activity may also be the lack of sufficient information on the comparative advantages of locality based on natural and human resources and the degree of their use. This aspect of information has been considered crucial in this research, where through a concrete case of study data have been collected about the importance of knowledge of available resources for entrepreneurship, business and development. The data has been collected through a questionnaire consisting of 20 questions, which have distributed more than 100 respondents. Such a sample can be considered as sufficient representative of the researched population to draw based conclusions.<sup>8</sup>

## **b) Analysis and Interpretation of Data for Entrepreneurship and local economic development in Kosovo**

The research was intended to evaluate the importance of assessing and recognizing natural and human resources for entrepreneurship. Being limited by objective factors such as lack of data from relevant private or state institutions, the research is based on primary data collected through questionnaires. The data have been processed through the SPSS statistical program and are interpreted following on the basis of professional and scientific achievements in the field of enterprise and local economic development. Relevant methods such as descriptive and comparative methods have been used to describe the existing situation as well as to compare the data and the results of the research. The inductive method

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<sup>1</sup> Ibid.

<sup>2</sup> Statistical Yearbook of the Republic of Kosovo for 2017, [http://ask.rks-gov.net/media/3636/vjetari\\_statistikor\\_i\\_republik%C3%ABs\\_-s%C3%AB\\_-kosov%C3%ABs\\_-2017\\_-final.pdf](http://ask.rks-gov.net/media/3636/vjetari_statistikor_i_republik%C3%ABs_-s%C3%AB_-kosov%C3%ABs_-2017_-final.pdf)

<sup>3</sup> UNDP, The new entrepreneurs, <http://www.ks.undp.org/content/kosovo/en/home/sustainable-development-goals/goal-1-no-poverty.html>

<sup>4</sup> See the research David G.W. Birch, Job Creation in America: How Our Smallest Companies Put the Most People to Work, 1987.

<sup>5</sup> Statistical Yearbook of the Republic of Kosovo for 2017, p. 151-153. [http://ask.rks-gov.net/media/3636/vjetari\\_statistikor\\_i\\_republik%C3%ABs\\_-s%C3%AB\\_-kosov%C3%ABs\\_-2017-final.pdf](http://ask.rks-gov.net/media/3636/vjetari_statistikor_i_republik%C3%ABs_-s%C3%AB_-kosov%C3%ABs_-2017-final.pdf)

<sup>6</sup> The difference between the number of active and registered enterprises is considerable. This derives from the definition of active enterprises, which only include enterprises which in the current period are paying contributions to their employees. Statistical Yearbook of the Republic of Kosovo, 2017

<sup>7</sup> Statistical Yearbook of the Republic of Kosovo for 2017, p. 159, [http://ask.rks-gov.net/media/3636/vjetari\\_statistikor\\_i\\_republik%C3%ABs\\_-s%C3%AB\\_-kosov%C3%ABs\\_-2017-final.pdf](http://ask.rks-gov.net/media/3636/vjetari_statistikor_i_republik%C3%ABs_-s%C3%AB_-kosov%C3%ABs_-2017-final.pdf)

<sup>8</sup> Matthews, B., Ross, L., Research Methods: A Practical Guide for the Social Sciences, (2010), Pearson Education Limited.

has been used to complete the general conclusions regarding the expectations and perceptions of citizens and entrepreneurs about the importance of knowing and evaluating resources for promoting entrepreneurial activity.

Other sources have been used in the paper, from professional and scientific literature such as books and publications, but also by interpreting from the institutions and professional institutions. To promote based conclusions, the questionnaire has been distributed and completed in 10 different cities of Kosovo, ranging from different age, sex and occupation. The data are then presented in tabular and graphical form and are interpreted

**Table 1.** The importance of knowing the resources of locality for doing the business

The importance of knowing the resources of your locality to do business	Very much	91%
	A little	9%
The locality you live is rich with natural resources	Yes	80%
	No	15%
	I don't know	5%
The locality is rich with natural resources like	Water	5%
	Arable land	52%
	Natural resources	43%
The source of information for the resources available on your locality	State institutions	24%
	Private institutions	12%
	Market research	63%
	Others	1%

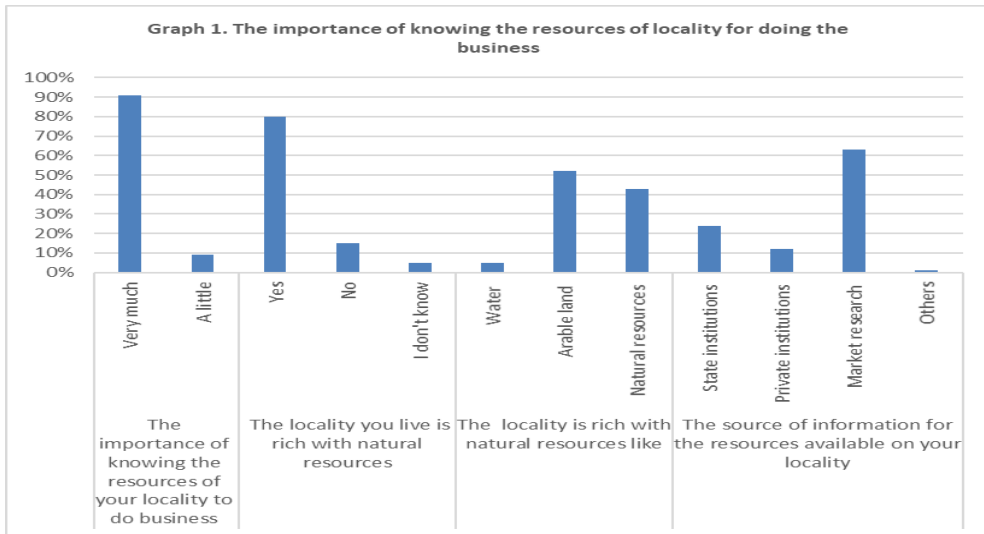
According to the questionnaire it has been found that in respondents' responses 91% answered that recognizing the resources of their locality to do business is very important.

80% of respondents answered that the locality they live is rich in natural resources. However, acknowledging the fact that the locality is rich in resources is not sufficient to promote entrepreneurial activity. For this reason, knowledge and financial resources are also needed to transform potential resources in products and services.

Respondents have been asked the same open question as to what resources their locality is rich, and 52% of respondents answered that their locality is rich in arable land and 43% of the locality in which they live is rich in natural resources.

For starting a business activity or expanding their activity, the main source of information on the resources in their locality is mainly taken from market research by 63% and only by 24% from state institutions. This shows that the entrepreneurs have the difficulty in providing information about the resources available on the locality where they live or want to develop their business activity. In the absence of relevant research institutions, they are obliged to conduct market research, or to engage a businesses or entities that do these evaluations. As it is seen, 63% of potential entrepreneurs provide this information through market research, while only 24% of information is provided by relevant state institutions.

This data are very important because new businesses and new entrepreneurs are usually faced with lack of funds for financing of their activity, and dealing with market research costs naturally is an obstacle for undertaking a business venture.



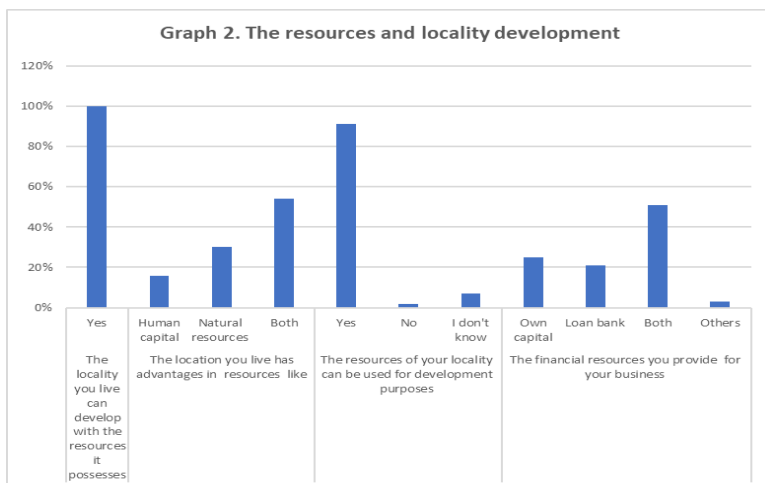
As seen from Table 2, according to all respondents, their locality can be developed with the resources they possess (100%). Although all respondents answered that the locality can be developed with the resources available to them (91%). Data shows that they do not have enough information about the comparative advantages of their locality in which enterprises and entrepreneurship activity should be based (human capital 16% and natural resources 30%).

Natural resources are a potential for development but as it happens to many countries, they are unused if there is no financial funding and lack of entrepreneur capable for materializing their use. The fact that access to bank loans for potential entrepreneurs is 21%, which indicates the difficulties that exist to utilize resources in a productive and sustainable way.

**Table 2.** The resources and locality development

The locality you live can develop with the resources it possesses	Yes	100%
The location you live has advantages in resources like	Human capital	16%
	Natural resources	30%
	Both	54%
The resources of your locality can be used for development purposes	Yes	91%
	No	2%
	I don't know	7%
The financial resources you provide for your business	Own capital	25%
	Loan bank	21%
	Both	51%
	Others	3%



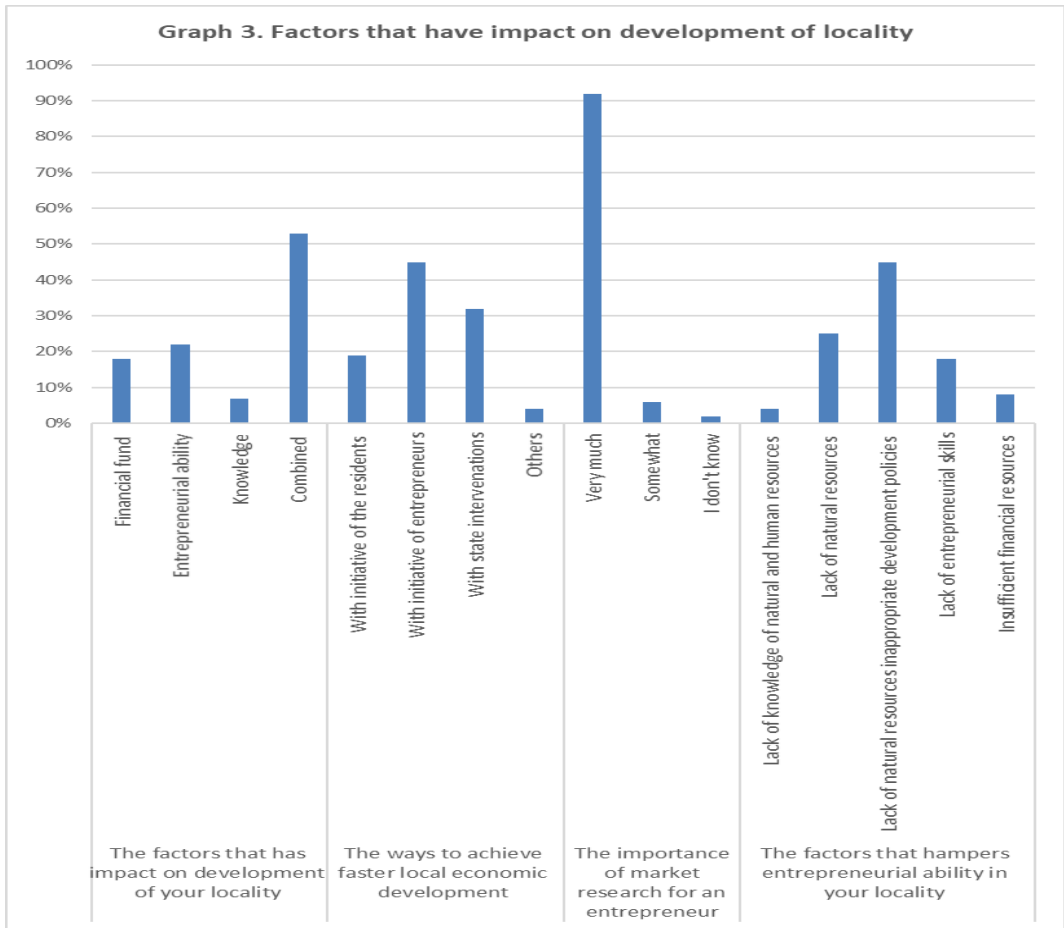


According to the respondents (Table 3), the factors influencing the development of their locality are 53% which include financial funds, entrepreneurial skills and knowledge. Respondents' knowledge is the factor with the smallest percentage (7%) of impact as a local development factor according to the results of the questionnaire. This is a concern for the fact that in the contemporary economy human capital skills are important both for enterprise and entrepreneurship activities.

Supporting the fastest local development in the courage and entrepreneurial initiative (45%) indicates the readiness of respondents to deal with market economy laws, even though 32% of them require a more pronounced role of the state in this regard. Market research is very important for an enterprise's success (92%), but on the other hand, respondents have responded that inappropriate state and local development policies have been the factors that have prevented entrepreneurial ability in their locality (45%). While the lowest percentage was the lack of knowledge of natural and human resources by 4% as a constraining factor of entrepreneurial ability, for the fact that they think they have enough information on natural and human resources.

**Table 3.** Factors that have impact on development of locality

The factors that has impact on development of your locality	Financial fund	18%
	Entrepreneurial ability	22%
	Knowledge	7%
	Combined	53%
The ways to achieve faster local economic development	With initiative of the residents	19%
	With initiative of entrepreneurs	45%
	With state interventions	32%
	Others	4%
The importance of market research for an entrepreneur	Very much	92%
	Somewhat	6%
	I don't know	2%
The factors that hampers entrepreneurial ability in your locality	Lack of knowledge of natural and human resources	4%
	Lack of natural resources	25%
	Inappropriate development policies	45%
	Lack of entrepreneurial skills	18%
	Insufficient financial resources	8%

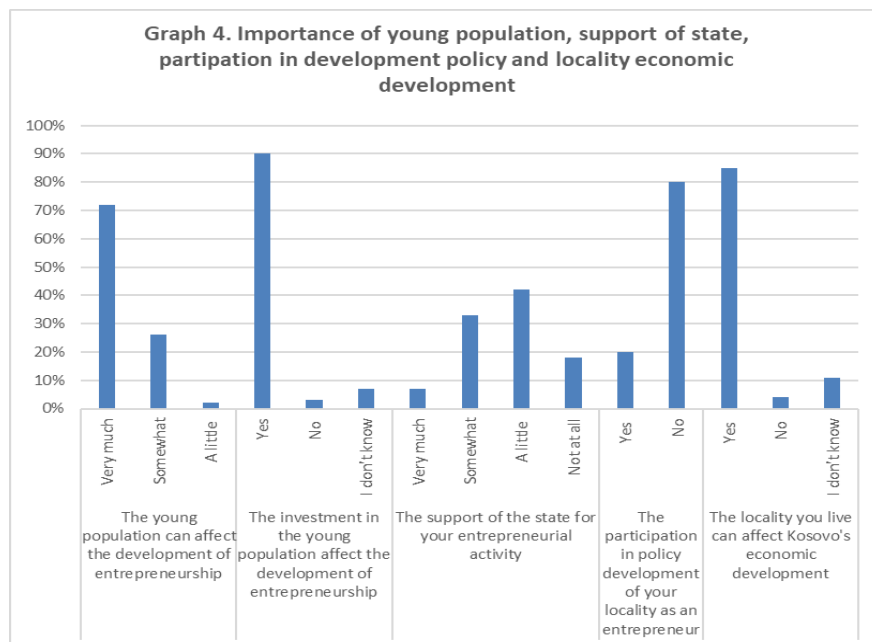


According to the respondents (Table4) it has emerged that the young population and investing on it has a great impact on the entrepreneurship and economic development with 72% and 90% respectively. But, they have little support from the state for their entrepreneurial activities (7%).

For different reasons, 80% of entrepreneurs responded that they did not participate in developing policies for developing their locality as entrepreneurs. This is an important fact because the community, enterprises (businesses) and the state need to work together to build development policies so that they can be applied in practice. The lack of cooperation of these economic agents in the design of development projections may undermine development and entrepreneurship, although 85% of respondents think that the location in which they live can affect Kosovo's economic development.

**Table 4:** Importance of young population, support of state, participation in development policy and locality economic development

The young population can affect the development of entrepreneurship	Very much	72%
	Somewhat	26%
	A little	2%
The investment in the young population affect the development of entrepreneurship	Yes	90%
	No	3%
	I don't know	7%
The support of the state for your entrepreneurial activity	Very much	7%
	Somewhat	33%
	A little	42%
	Not at all	18%
The participation in policy development of your locality as an entrepreneur	Yes	20%
	No	80%
The locality you live can affect Kosovo's economic development	Yes	85%
	No	4%
	I don't know	11%



## Conclusion

Local economic development today is one of the most debated topics in academic and practical field. Evaluation of human and natural resources is a precondition for information and support of existing businesses but also for attracting potential entrepreneurs. Having in mind this fact, during the survey we have handled professional and scientific literature related to entrepreneur and local development, as well as about the importance that have assessment and knowledge of resources for entrepreneurship and development of locality. For this purpose through research instruments such as questionnaires, are addressed these topics to draw conclusions that we are presenting as follows:

Entrepreneurship is a key factor in small states in order to increase employment but also economic development. Smaller countries, having a small market, small population and small geographic space, cannot claim to have large investors and

businesses that employ a large number of workers. Therefore, entrepreneurship and its development in these countries represent the main source of employment. But also the evaluation and use of natural and human resources of country is necessary, which based on research, results that Kosovo is rich. But to use them, the state needs to find ways to clearly assess and define comparative advantages in relation to the region and other countries. In this way it would motivate and increase entrepreneurial courage, which itself is insufficient. Through policies support to entrepreneurs, indirectly the use of resources and economic development would be promoted.

Given that the country is rich with arable land, then this advantage should be used to create new jobs in order to reduce poverty and increase overall well-being. This does not only imply the promotion of entrepreneurship in the agricultural sector but, above all, the promotion of entrepreneurship in the sector of light food industries where many new jobs can be generated. The fact that Kosovo is a country with trade deficit balance, especially as a result of the import of food products, makes us conclude that the promotion of comparative advantages in this sector and other considered sectors, may lead to what has emerged from research that Kosovo can develop with its resources.

Getting started from the survey, country has with abundance natural resources as well as labor force, two most important inputs of production process, so local and central government should work together with the community in order to materialize these advantages.

There is a need for financial funds for entrepreneurship activity. However, young entrepreneurs have difficulties to borrow from banks and just a small number of entrepreneurs may have bank loans, while the rest will provide funding for their activity from own sources, or combination of both of these sources. In this regard, it is very important to find modality to support financing through affordable interest rates. As research suggests, financial resources are one of three factors that affect locality development along with entrepreneurial skills and knowledge. Therefore, special attention should be paid to these factors.

That Kosovo economy is in the phase of closing transition shows the data from the survey, where almost half of the respondents think that the initiatives of the entrepreneurs are the way for development of local economy, and just one third think that state should have an active role in the economy. These are a signal to the government, community and entrepreneurs to create policies that promote entrepreneurial initiatives as a basis for development. However, research has also found factors that hinder the entrepreneur, as are inadequate development policies.

According to the data, the new population has high impact on the development of entrepreneurship. While, investment in new population affects very much entrepreneurship development. From all this, it can be concluded that the new population and investment in it, present the main strength of entrepreneurship development. For that, state support is necessary in order to materialize respondents' expectation the locality they live can affect overall Kosovo's economic development.

As a conclusion, evaluating and knowing resources of locality is initial point and impassable step for entrepreneurs to create and implement innovative ideas. But to have a successful entrepreneurship is necessary state support through different fiscal and monetary policies.

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