



## Impact of the Pandemic Covid-19 on Kosovo Businesses

Artan Haziri<sup>1</sup>, Besnik Livoreka<sup>2</sup>

**Abstract:** The research major focus is to identify the impact of the pandemic COVID-19, on economic life and its impact on Kosovo businesses. Which was the effect of the isolation measure, business lockdown, reduced working hours, and the other government measures in business and economic life in Kosovo. The data for this scientific paper were collected through an online questionnaire, which was compiled in order to extract first-hand data and then based on the analysis to show and present scientific data on how the pandemic has affected economic life. After the completion of the work, we will try to give a new overview of how we have reacted as a state to this extraordinary situation to maintain economic health, how it has affected businesses, which types of businesses have been less affected, which types of businesses will come out of the industry, what types of businesses will change activity, what types of businesses will thrive.

**Keywords:** Covid-19; Bankruptcy; Pandemic; Businesses

**JEL Classification:** O11; E60; E58

### 1. Business History in Kosovo

Entrepreneurial life in Kosovo began early in the time of the ancient Illyrians where the main road connecting the west and east passed through our territories which was known as “via Egnatia”, then developed in various historical stages to the present day. Business or entrepreneurship has an important role, not to say the most

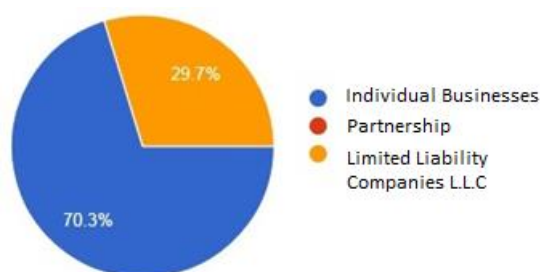
<sup>1</sup> Assistant Professor, PhD, Pjeter Budi College, Prishtine, Address: Gazmend Zajmi, nr.33, 10000, Prishtine.

<sup>2</sup> Chief Executive Officer at Fintech Solutions L.L.C, PhD, Faculty of Economics, University of Prishtina, Kosovo, Address: Rr. “George Bush”, Nr. 31, 10 000 Prishtinë, Kosovo.

important in the economic life of a country because through its various forms are provided goods and services needed for the development of a society of a country. Like all countries in the world, Kosovo is influenced and dependent on the well-being and proper functioning of business life.

In Kosovo we have different forms of businesses: Trade, services, agriculture, manufacturing. Which are variously owned such as individual businesses (B.I), partnerships, limited liability companies (LLC) and joint stock companies (JSC).

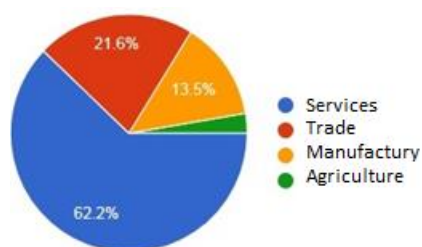
From the survey we conducted with about 100 businesses, the most common form of ownership in Kosovar businesses is Individual Business (B.I) with a participation of 70.3%, Limited Liability Company (L.L.C) with 29.7% and partnerships and Joint Stock Companies we did not have any that answered the questionnaire.



**Figure 1. Most Common Ownership in Kosovar Businesses**

In terms of business form, services lead with 62.2%, trade with 21.6%, manufacturing with 13.5% and agriculture with 2.7%.

## 2. Introduction



**Figure 2. Business Games in Kosovo**

The recent pandemic Covid 19, came with a wave and with a unprecedented shock to the global economy. The virus spread and the hospital resources were in a very stressful situation, which pushed the World Health Organization to declare the

official Pandemic situation. This situation put on the alarm governments all around the world, and it impacted the world not only in their health, but it impacted world economies by closing a part of them, a part of them imposed a restricted working measures, a part of them reduced their business activity. It impacted the overall stock markets moving them to a downtrend lowest level on 5<sup>th</sup> of March 2020 (BIS Buletin No.12). The pandemic impacted the Kosovo businesses as well by sending some of them to bankruptcy, and some of them by moving to higher downtrend. Some businesses were more innovative by keeping the level of the activity by complementing the loss of in place sales to online sales. In general, the pandemic will create economic downtrend of 5.5% for the year 2020 (World Bank and IMF data for Kosovo 2020).

### **3. Research Methodology and Testing Hypothesis**

The method used to complete the study is survey form with which we have collected 100 online surveys from the different businesses. The respondents were comprised from different business types including services, trade, agricultural and others, we have used primary data collection to touch every business affected from the pandemic situation COVID-19.

To conduct the research, we have raised three questions and we have tested two hypotheses.

The work is done in several steps: data collection, analysis, completion.

*There are placed the below research questions:*

1. Have you used online sales?
2. Have you requested an installment postponement?
3. Should interest be subsidized by the government?

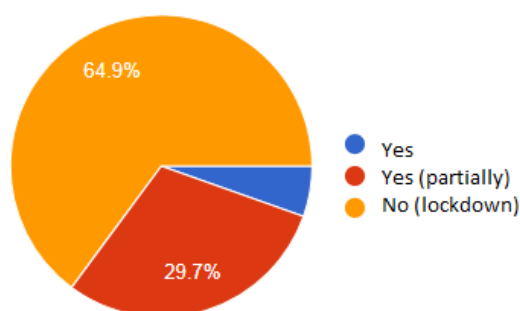
*We have raised two hypotheses:*

- 1.1 Continuation of the pandemic situation for another 3 months will cause the closure of at least 30% of businesses
- 1.2 The Central Bank should be an important factor in the healthy economic life of the country (to help pay interest)

#### 4. COVID-19 Pandemic Government Measures and their Impact on Economic Life

After the appearance of the pandemic known as COVID-19 with the recommendation of the Minister of Health and with the government decision number 01/09 (1-st Kosovo Government decision on Covid-19) dated 13.03.2020 then the declaration of the state of emergency with the decision 01/11 (2-nd Kosovo Government Decision on Covid-19) of 15.03.2020 most of the operators are closed economic except those authorized by the order of the Ministry of Economy, Employment, Trade, Industry, Entrepreneurship and Strategic Investments (MEPTINIS) with number 01/04 (Ministry Decision on Covid-19) dated 20.03.2020.

According to the collected data, 64.9% of businesses have closed their activity, 29.7% have operated with reduced hours and staff, while only 5.4% have operated normally.

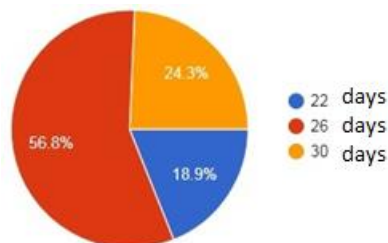


**Figure 3. Operation of Businesses during Emergency Measures.**

According to the data collected by the questionnaire, the closed businesses realize 26 working days where 40% of them realize average daily income of 100 to 300 euros.



**Figure 4. Average Daily Realism**



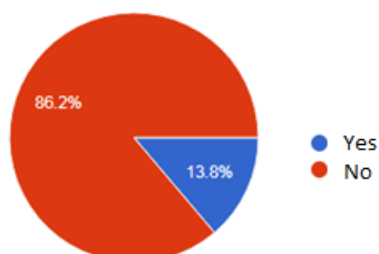
**Figure 5. Working Days per Month**

According to a simple calculation they had an average loss of € 9000 per month.

All these losses or better to say non-realization of revenues have affected these businesses by creating difficulties in their operation and liquidity in the fulfillment of their payments and obligations such as salaries, rents, loans, etc.

Seeing this situation and based on the practices of the most developed countries, the Government of Kosovo has drafted the emergency package (31/2020 – Ministry of Finance) and the CBK has drafted and issued a decision on the possibility of postponing loan installments. These measures have helped keep alive and facilitate overcoming the current situation.

In the question of using the online sales most of the businesses responded that they didn't used the online sales. According to the respondent answer only 13.8% used the channel of online sales.

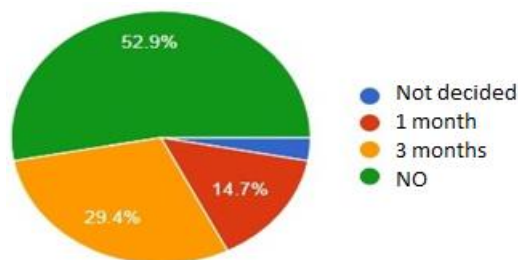


**Figure 6. Use of Online Sales**

#### **4.1. CBK Decision to Postpone Installments**

How much have these measures have facilitated and how much have they been effective and welcomed by Kosovar businesses from the data we have obtained from the questionnaire:

Postponement of loan installments for businesses and individuals whose incomes have decreased or spent more due to the pandemic was not supported or did not seem to help 52.9% of respondents, 3% have not yet decided to use it while the 44.1 % have used it.



**Figure 7. Request for Installment Postponement**

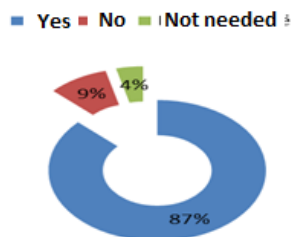
From this we can conclude that this measure declared by the CBK (Measures of Central Bank date 3<sup>rd</sup> of April 2020) has not been very adequate, has not been in good coordination with the community of businesses, chambers of commerce, and financial operators operating in Kosovo, and thus has not resulted in easing measure as the interest of the months that have been postponed the banking operators have shifted it in various forms to other installments which has made it inadequate.

In our question on this issue:

“Should the government subsidize part of the interest rate in order to help invest and grow businesses?”

87% of respondents agreed that it was necessary to subsidize part or all the interest, 9% of them said they should not and 4% did not see it as necessary assistance. Based on it we can say that it was an urgent decision and the government had to consult with businesses and chambers of commerce.

Should government participate a part of loan interest in order to stimulate business growth?

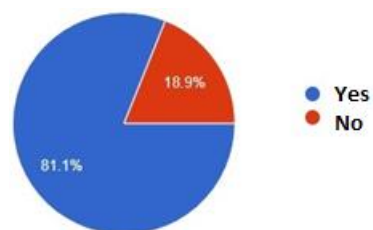


**Figure 8. Should the Government Subsidize Part of the Interest Rate to Help Investment and Business Growth**

#### 4.2. Emergency Package from the Ministry Of Finance

On 3.04.2020 the Ministry of Finance has issued decision no. 31/2020 The operational plan prepares the emergency fiscal package, which has helped the citizens of the social scheme, businesses in various forms (50% rent subsidy, payment of employees 170 euros, coverage of contributions pension etc.)

Based on the data obtained from the surveyor, 81.1% of them applied to this measure and 18.9% did not apply

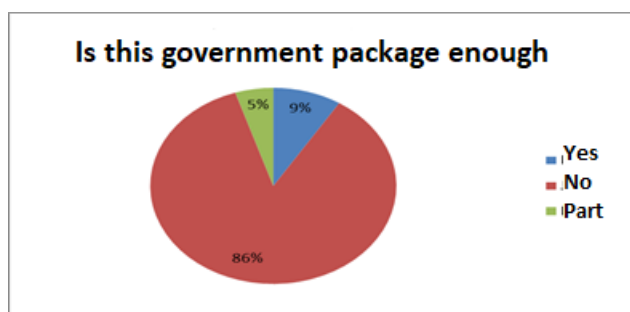


**Figure 9. Fiscal Emergency Package**

In our questionnaire on this issue that:

“Is this government package enough?”

86% of them said that it is not enough, 9% of them said that it is enough and 5% said that it is enough to some extent.



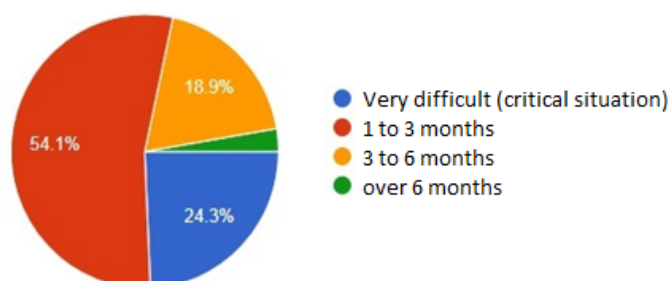
**Figure 10. Is this Government Package Enough?**

As professionals in the field of economy we have asked another question whether the situation will continue like this even though the government has analyzed and approved the decision for the emergency package, CBK has arranged the postponement of installments after all this if the situation continues like this?

The question that arises is how long will businesses continue to operate?

The answer has been alarming and can be seen in the Figure below:

### How long can business survive if this situation continues?



**Figure. 11. How Long can Businesses Survive if the Situation Continues**

As can be seen in the graph, only 2.7% of respondents can survive over 6 months if the situation does not improve. This gives us indications that the Government, the relevant ministries, the CBK and all other actors that have an impact on regulating economic life in the country do not have taken sufficient steps to cope with the situation for a period longer than 6 months

## 5. Findings and Recommendations for State Institutions and Businesses

From the statistical data collected and analyzed we have concluded

### 5.1. What the Government should Have Done Differently

When the government drafted the emergency fiscal plan, it had to consult with the business community because according to our findings 86% of respondents stated that the package was not enough (Chart 9). The government had to draft a plan together with other stakeholders. That regulate economic life and determine which businesses will be helped as some have been allowed to work and have benefited from the scheme which has affected that the allocated budget has not been enough.

She also had to find alternative ways to increase this budget either by seeking help from international bodies or by reviewing the budget.

The CBK on the other hand should have been clearer on how the exhaustion of the installments will be realized, it should have looked at the possibility that the part of the interest of the installments that have been postponed be subsidized in whole or in part where from the survey conducted this opinion 87% of respondents (Figure 7), so that businesses can be more liquid in covering other expenses, as according to our data referring to Figure 10 it can be seen that 24.3% of the activities surveyed are in critical phase and at risk shutdown. Only 44.1% have used this opportunity due to the improper decision to postpone the installment.



## **5.2. What Businesses should have done differently?**

To be prepared for emergencies, businesses should consider having a qualified manager, i.e. a professional manager, in their management or management as this would help them to create long-term policies and emergency policies.

As seen from the survey 62% of respondents are businesses that provide services these businesses should find alternative ways to operate using information systems in order to develop the operation (online consulting, other online services), bars and cafes are seen not have operated these could operate with the sales system "Take Away" as this way is allowed by the Ministry of Commerce, also in the boutiques could use online sales and online orders so that they can operate and no were at a loss. As can be seen from the data extracted from the questionnaire, only 13.8% have used alternative online channels

In conclusion, we can say that the CBK should play a more active role in regulating sound economic life in the country by reviewing interest rates, interest subsidies or other forms in order to overcome the economic crisis and businesses can to grow.

As well as businesses need to be careful in proper management and do market analysis and trend analysis of the global economy and use the development of technology to create new markets to use these channels to reduce costs because any government package cannot be salvation it can be a help but not depend only on this resource to be able to stay in the game.

### **Hypotheses Testing Results:**

The first hypothesis is accepted as correct, because if the pandemic lasts more than 3 months, about 45.9% of businesses will be closed and this will cause an increase in the number of unemployed and a drop in demand for products.

The second hypothesis is accepted as correct, as 87% of businesses have stated that it is necessary for the state to intervene in interest rates and the government to pay the difference, to save businesses from bankruptcy. This fiscal package is temporary and very short-term.

## References

Aldasoro, Iñaki; Ingo, Fender; Bryan, Hardy & Nikola, Tarashev (7 May, 2020). Effects of Covid-19 on the banking sector: the market's assessment. *BIS Bulletin* no. 12.

Government of Kosovo. <https://kryeministri-ks.net/wp-content/uploads/2020/03/Scan-14-Mar-2020.pdf>.

Government of Kosovo – Decisions. <https://kryeministri-ks.net/wp-content/uploads/2020/03/Vendimi-nr.01-11.pdf>.

Ministry of Trade Industry. <https://meptinis.rks-gov.net/desk/inc/media/F900F177-B769-44BE-94E4-D6A662BDFC1A.pdf>.

<https://forms.gle/TCRTc9JePQëMyoJz8>.

Ministry of Finance and Transfers. <https://mf.rks-gov.net/desk/inc/media/CF860B38-765C-41B3-87D0-6E38AD371584.pdf>

Central Bank of the Republic of Kosovo. [www.bqk-kos.org](http://www.bqk-kos.org).