

SURVEY WITH MSMEs IN KOSOVO 2023

Sample of businesses: 402 MSMEs

25% women owned

40% operating in rural areas

15% owned by ethnic non-majority community members

Business Growth

- The average number of employees has doubled since the time of company establishment.
- Businesses owned by women tend to hire more women, while 57% of businesses owned by men have no women working for them.
- About 58% of businesses focus on surviving and maintaining market positions, whereas 44% actively pursue business expansion.
- The majority of MSMEs (39%) in 2022 compared to 2021, saw no growth in turnover, 35% encountered an increase, whereas 26% experienced a drop-in turnover.
- A substantial 60% of companies maintained an unaltered workforce size from 2021 to 2022. Only 9% reduced employee count. In contrast, 31% experienced employment growth.

Business Internationalization

- Only 5% of MSMEs sell their products or services to other countries. Export is impeded by difficulties in finding potential clients (70%), price competition (45%), and product quality (40%). The international footprint primarily extends to European countries. Notably, the bulk of these exporting businesses operate within the wholesale and retail trade sector.

Business Development Services

- Majority (86%) of businesses haven't utilized services from professional business consultants or trainers. The business consultants were mainly used for accounting and finance (76%), legal advice (25%), and managing staff (20%). Merely 7% of consultancy services were subsidized from donors or public institutions.
- Companies favor working with individual consultants over larger firms.
- Businesses are planning to seek advice in marketing/sales (50%) and accounting and finance (42%).
- Companies select a consultant based on references/ recommendations (73%), previous positive experience with the consultant (53%) and practical attitude of the consultant (45%).

Business Financing and Innovation

- About 45% of MSMEs required funding for their investments in the past two years. Among them, 53% successfully obtained the necessary funding, while 46% were unable to secure the funding they sought. Primary sources of financing included owners' private savings (68%), bank credit/loans (43%), retained profits/cash flow (36%), and support from family or friends (19%).
- Businesses predominantly rate their innovation performance as average, with 68% describing it as such. The majority of those that have rated their innovation performance as high, also report having experienced growth in turnover from 2021 to 2022. Product innovation (70%) and service innovation (39%) were the main types of innovations introduced.

What are key business constrains and challenges?

- **Innovation:** Innovation remains hampered by several barriers such as inadequate government support and policies, limited access to funding, and a lack of technology and expertise.
- **Business Environment:** Businesses experience various concerns, including navigating the informal economy, poverty among the population, and coping with political instability.
- **Adoption of Digital or ICT Tools:** Shortage of specialized in-house skills, high implementation costs, and insufficient user proficiency among employees are the main hurdles to integration of digital or ICT tools.
- **Skill Deficiency:** Fundamental literacy and numeracy skills, foreign language proficiency and specialized technical competencies are among the scarcest skills among employees.