

## Socio Economic Environment and Investment Perspective in Kosova



### Economy

**Keywords:** socio-economic environment, domestic investment.

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### Abstract

The aim of this study is to address the socio-economic environment and the internal and external investment potential factors. Factors investor research is done based on statistical data, analysis and empirical method. Socio-economic environment in Kosova justifies investment in industry, construction, agriculture, trade and tourism. Investments based on social and economic factor for the Kosova case are justified by the formula "Tejloriste". Investment performance and profit maximization based on the production or provision of services at low cost. Cultural, demographic, educational, religious, and ethnic state on the one hand and on the other hand the trend for consumption, the trend for increasing the propensity for Welfare, standardization of applications, products and services, stable and fiscal banking system are favorable elements for investments in Kosova.

### Introduction

Social and economic factors as one of the key elements of the business environment are influenced by the approach of global thinking and local action for the organization and business development. "Commitments to global and local factors allow the company to create significant global brands, through programs based on indigenous worldview."<sup>51</sup>

Globalization as an economic process is based on global policy environment, so no country can establish investment policies based on independent development policies of his country or the region.

Simultaneously, none of the businesses regardless the form of organization or ownership, its development strategy can not support only by the internal or external environment, because the dynamism of political and economic life is accompanied by major changes.

"In the field of global policies are encountered three fundamental changes: reducing the impact of domestic policy, the weakening of traditional international institutions and deepening the conflict between developed countries and developing countries."<sup>52</sup>

Despite organizational forms of countries economies, as capitalist countries, socialist or even those behind them still declare about socialist economic organization, all these are aimed at the market.

All these countries are interested in foreign investment, and therefore on the basis of market factors create strategies and develop programs and undertake operational activities in order to support investment.

In order to create a more suitable business environment also the development policies of the Republic of Kosova, in the recent years have addressed the concept of globalization policies.

Comparative superiority of direct foreign investment in Kosova in relation to the countries of the region and beyond lies in the social and economic factors, while other factors which lie in the era of globalization are going to lose their power.

<sup>51</sup> Michael R.Czinkota, Ilka A.Ronkainen, Michael H.Moffet, Biznesi Ndërkombëtar, botues: Instituti i Studimeve Ndërkombëtare, Tiranë, 2010, faqe 405

<sup>52</sup> Michael R.Czinkota, Ilka A.Ronkainen, Michael H.Moffet, Biznesi Ndërkombëtar, botues: Instituti i Studimeve Ndërkombëtare, Tiranë, 2010, faqe73

In the function of this opinion goes this assessment: “Kosova will need to use other assets to increase its larger and stable supply of significant physical and human capital, most of which is sitting unused, and its favorable position geographically. Wealth of natural resources, abundant labor and access to regional and European markets offer great potential for economic growth.”<sup>53</sup>

### **The Social Environment**

Society Environment or otherwise known in the literature as social environment, presents interactive business space that very little if any, have no impact on the social environment, but are only affected by it.

“Remote environment includes those factors that stand out and despite the firm's activity. Remote environmental factors are: economic, social, political, technological and ecological.”<sup>54</sup>

Businesses impact of the external environment has already been conceived as interactive and direct business relationship skills that with as few tools to reach an appropriate position in a relevant market.

Each business its positioning in the external or internal market can achieve mainly based on the ability to adapt to the social environment in which business operates.

"Naturally, some goods, services, services or management practices need minimal adaptation, while others need a radical adaptation."<sup>55</sup>

From this statement we can go even further considering that businesses can survive in this economic dynamism and political management skills thanks to the application of best management practices.

All this managerial approach is becoming perfect for every day with the sole purpose of providing goods or services in a given market by increasing the ability of adapting to circumstances and requirements of the relevant facilities.

The social environment is characterized by its quantity and quality value of a country.

Quantitative values are statistical data on the population, gross domestic product, per capita income, national surface and underground wealth, etc.

Qualitative values, undoubtedly are influenced by quantitative element, but the quantity if not accompanied by better quality is better not to have such a wealth. In a concrete case important are gender and age structure, way of life, level of education, culture, religion, and country's position.

Qualitative aspect of the social environment associated with foreign investment has to do with the values that characterize the population, opinion and attitude towards foreign investment, lifestyle, culture, religion, desire for change and integration, etc.

"Ricultural process - adjusting and adapting to a new culture is one of the keys to international business success"<sup>56</sup>

<sup>53</sup> Raporti i Bankës botërore nr.53185-XK, Kosova “Zhblllokimi i potencialit për rritje ekonomike:strategjitë, politikat, veprimet”, 2010, faqe 10

<sup>54</sup> Vasilika Kume, Menaxhimi strategjik, Tiranë, 2010, faqe 88

<sup>55</sup> Michael R.Czinkota, Ilka A.Ronkainen, Michael H.Moffet, Biznesi Ndërkombëtar, botues: Instituti i Studimeve Ndërkombëtare, Tiranë, 2010, faqe 40

<sup>56</sup> Michael R.Czinkota, Ilka A.Ronkainen, Michael H.Moffet, Biznesi Ndërkombëtar, botues: Instituti i Studimeve Ndërkombëtare, Tiranë, 2010, faqe 37

## What social environment has Kosova in order to do business?

As seen from the historical aspect and until today, there are many cases when the determined individuals have not planned to become entrepreneurs, but nevertheless they were driven to become by different events and economic policy.

In support to this assertion we can use the statistical data "until the end of 2000 the number of registered enterprises reached the number of 29 564, and until 30.09.2011 total registered enterprises have reached the number of 109 794"<sup>57</sup>

The decision to become an entrepreneur has come spontaneously because the great social, political and economic changes have been factors that have determined such a thing.

Entrepreneurial activity has not only been a characteristic in the domestic market in Kosova, but the first in the region and later in western countries as immigrants.

As immigrants, initially they haven't claimed entrepreneurship as a profession, but thanks to the quick adaptation skills (adaptive response Behaviour) even though it was clear they are not coming from the country with a tradition of entrepreneurship (managerial) they are made entrepreneurs thanks to professional advancement and entrepreneurial social environment of countries in Western Europe.

It is an institutional shortcoming the lack of statistical data on the number and other entrepreneurs operating in western economies, in America and elsewhere originating from Kosova! "In 2009, remittances were around € 500 million, and were the largest source of foreign income for Kosova"

Kosovar society in terms of population is an open society, with European vision and committed towards integration into Europe and the United States, such assessments that has been given by the World Bank experts.

"In fact, Kosova is rich with different abundant natural resources, a young labor force and still growing (albeit unused), farmland vintage, and virtually free access to regional and EU markets."<sup>58</sup>

Kosova is a fully attractive country, a potential market or country of investments, since it fulfils one of the main conditions for international business, doing business with low-cost and high security and limited and measured risk.

Social factors for internal and external investment in Kosova present the strategic element that can be supported or justified by investment "Tailorist' formula:

- First, youth as the driving workforce tends to the professional and scientific increase and replacement of traditional working methods inherited from the past.
- Second, employees have reached successes in appropriate training, additional training or education that are organized by international institutions operating in the country or by industry sector by foreign investors.
- Third, the trend of employees for the creation and organization of corporate cooperation system established by science, and
- Fourth, the acceptance of the dissemination of work and responsibilities as employee and manager.

<sup>57</sup> Republika e Kosovës, Ministria e Tregtisë dhe Industrisë, një vështrim statistikor i sektorit të ndërmarrjeve, Prishtinë, 2011, faqe 6 dhe 7

<sup>58</sup> Raporti i Bankës Botërore nr. 66877-XK, Maj 2012, faqe 9

Entrepreneurs or foreign investors are concerned that their investments must be realized in countries that have sufficient resources, political system and stable democratic governance, where the free market works, where the banking system is stable, that the country has no huge public debt and where the inflation rate is low.

All these requirements or elements on which to build the vision are already investing in Kosova and are now institutional achievements, assessed by international institutions.

According to statistical data published by Statistics Agency of Kosova (SAK) and the World Bank (WB), shows that the population number is 1.73 million or 1.8 million inhabitants and the GDP per capita is € 2.600.<sup>59</sup>

### **Demographics and Socioeconomic Condition**

General considerations and statistical data show that the workforce is an untapped potential. The population is characterized by a young population, where 25% is younger than 15 years, while nearly two-thirds (65%) belong to the age group 15-64 years, age group which is known as economically active or working population. Age 65 and older constitutes only 7% of the total population of households (this age group in Europe as a whole accounts for 16 percent of the total population).

Residence (urban-rural) and ways of living: the statistics show that the population generally retains the traditional lifestyle but in the recent years are seen changes and new forms in the way of life and organization.

Kosova households continue to be large, often consisting of members of the extended family spanning through several generations, especially in rural areas.

The average size of the family economy in Kosova in 2009 is 5.9 members.

According to a survey organized by ASK: marriages are performed mostly during ages 15-24 and 20-29 years old and very little after age 40. Divorce in Kosova has traditionally been low, but in the recent years it has been influenced by migration therefore the number of divorces is increasing.

Education: from the survey conducted in 2009, men attended university in greater proportion than women 25-49 years of age group, but the male advantage is less to young than to age 20-24, more women than men have completed university. For all age groups the percentages of those with university education are higher. The illiteracy rate is very low in the age groups between 15 and 34 years - less than 2% and is particularly low (0.4%) among men of this age.

Nationality and religion: population of Kosova is multi-ethnic, the vast majority (92.4% of the surveyed population are of Albanian ethnicity, 3.9% and 1.1% are Serbs, Bosnians, the rest of the population (2.6%) belong to other minorities. From this structure the majority (94.7%) are of the Muslim religion, while from the remaining part the majority population is Orthodox and Catholics (3.9%). Lately, we have the insights of other religious cultures.

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<sup>59</sup> Raporti i Bankës Botërore nr. 66877-XK, Maj 2012, faqe 6

Physical potential and population's profession, according to the Ministry of Labour and Social Welfare (MPMS), the number of active job seekers at the end of 2011 was 325.261 registered jobseekers, all with education levels, different qualifications and skills.

The structure is dominated by the unemployed jobseekers (61.7% of total unemployed) followed by medium-skilled job seekers (36.5%), while the remaining 1.8% are highly qualified. An assessment of the World Bank classifies this working power source as a third and potential for external and inexpensive investments "big labor force and untapped of Kosova is young and cheap by regional standards."<sup>60</sup>

Population as an environmental business factor is promising for the fact that almost 47% of the active population are currently unemployed. The level of wages is lower in the region and presents competitive ability of foreign investments which are export-oriented.

"Wages in Kosova are lower in the region after Albania. By mid 2009, the average monthly wage in the private sector in Kosova is € 300, about half the salary averages in high-wage countries in the region "

Variability (diversity) of labor for entrepreneurs presents an opportunity for profiling in various professions and also for implementing adaptive capability of technological innovation. According to the data of KSA more than half (55%) of households have a computer, where urban households are considerably more (68%) than rural households (46%).

Quantitative and qualitative description given above enables us to conclude that tradition or way of life, language, culture, religion, education, tastes in food and clothing in the population in Kosova characterizes affirmative aspect, have no exclusive or ignorant character, rather these present practical and nonrepulsive values.

### **Economic Environment**

Relying on the theory of investment, primarily from local ones, potential investors should study the movement of factors of production in the country and the areas in which is gained economic supremacy.

Similarly there are also foreign investors, but the movement of production factors they view it from the angle which country enables for them the comparative advantage and they are mainly motivated by rationality of these transfers.

Investments inside and outside the country can become portfolio investments or direct investments. In the case of Kosova for a short period is not possible portfolio institutional investment.

Courses for foreign direct investment, political business environment - legal, economic, social, technological and other regional and global circumstances present comparative advantage factors.

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<sup>60</sup> Raporti i Bankës botërore nr.53185-XK, Kosova "Zhbllokimi i potencialit për rritje ekonomike: strategjitë, politikat, veprimet", 2010, faqe viii.

This comparative advantage can be based on factors of production or services, such as land or natural resources, labor, capital and technology, because direct investments are the best opportunity to overcome or minimize the various barriers which governments may decide to set.

This way of investments exceeds thinkers concerns about the choice of critical environmental variables: "Also the development of natural resources and their political use make the problem more confusing"<sup>61</sup>

Economic environment, social, political and legal system in Kosova, regarding their business costs are supportive factors and represent an attractive environment for inward and foreign investments.

Economic attractiveness of this environment, foreign investors must perceive the substantive aspect as an opportunity to make new investments, and not from the formal aspect when investors should expect the process of investments to be the perfect investment and "this" investor comes as "perfect monopolist" with signed contract with a "perfect market".

Kosova's business environment is geared towards competitive economy and open trade. In the function of this goes the assessment of the global bank "Despite the fragile situation in the external sector, Kosova's economy in 2011 continued to expand, recording a real growth rate of about 5 percent.

Bearer of the economic growth in the country was through increased private sector consumption and investments, whereas an important role also had the public sector investment."

Aware that Kosova presents not a big market, foreign investors will watch their financial gain from the long-term standpoint, from the undertaking work in relation to the amount of expenses, as well the current and future assets of the customers in the market and in the region. "When you visit Wal-Marr or any other store and check the product label, find out where it is produced.

You will notice that a number of products you buy are often manufactured or assembled in different parts of the world."<sup>62</sup>

In terms of globalization foreign investment, the consumer market does not perceive from the local approach, but from the regional and global approach. Business strategies for early entry rather than late in a place where there are economic input elements are shown potential and successful and have created certain advantages.

This approach is based on modern management theory or principle or corresponds to second principle on effective management, where management should be based on some strategies, from the long-term employments to the program effective selection and development of managers.

Investuesit e jashtëm përveç fitimeve të mira potenciale, në afat të gjatë rëndësi të veçantë i kushtojnë sistemit ekonomik dhe regjimit të drejtave pronësore. Në Kosovë sistemi ekonomik dhe e drejta pronësore është ndërtuar mbi kornizën legjislative të bashkimit evropian.

<sup>61</sup> Vasilika Kume, Menaxhimi strategjik, Tiranë, 2010, faqe 87

<sup>62</sup> Gaspar, Bierman, Kolari, Hise, Smith, Arreola-Rise, Hyrje në Biznes, UET Press, Tiranë, faqe 96

Foreign investors besides good potential earnings in the long term special importance give to the economic system and property rights regime. In Kosova, the economic system is built on the property rights of European Union legislative framework.

Any law before it goes for approval in parliament of Kosova, has gone through the process of approximation or the *Acquis Communautaire* (AC), the economic environment is therefore regulated in legislative aspect according to European norms for doing business.

According to Henry Fayol (1841 - 1925), French theorist, one of the most influential contributors to modern concepts of management. He considered that there are "Six Key Events" which should worry any business:

- Technical Activities,
- Commercial activities,
- Financial Activities,
- Security activities,
- Accounting activities,
- Managerial and administrative activities.

Technical Activities: activities within the technical infrastructure and communication are important, telecommunication network and the sat, energy, customs, etc. According to data presented by the Directorate of Roads in Kosova until 2011 in the territory of Kosova the number of kilometers of land routes based on their categorization is 1.963.1km, are expressed in%: 1.9% international, highways while 32.1% 66.0% are regional roads.

In the territory of Kosova we have 333 km of railway track and 110 private transports. In Kosova Railways circulate 8 locomotives and 4 locomotives Diesel TM (Thermo Motor), which carry 17 wagons, 16 passengers and one for luggage. Air transport is realized through Prishtina International Airport, which is internationally certified for the carriage of passengers and goods.

During 2011, there were 6738 flights where 1,422,302 passengers have traveled. Telecommunications is principally in the hands of the public sector but also private mobile phone operators. Professional institution which deals with official collection, processing and publication of statistics is Kosova Agency of statistics.

Field of technical activities sector also represents the most enticing sector for direct external investments or with the public or private partner.

Commercial activities: economic business environment for foreign investors is more favorable to commercial activities, both in terms of institutional infrastructure and material factors. In institutional terms in Kosova operates a free market economy, in terms of the internal environment this economic branch has an affordable network storage, supply and marketing, and in terms of the external environment there is a free access to the market SEE as well as many regional and international institutions.

Introduction of the euro as a means of payment is a priority in commercial activities, particularly in the eurozone countries. In terms of material factors Kosova's economy in every sector creates investment opportunities and advantages. Human factor, land mines and minerals

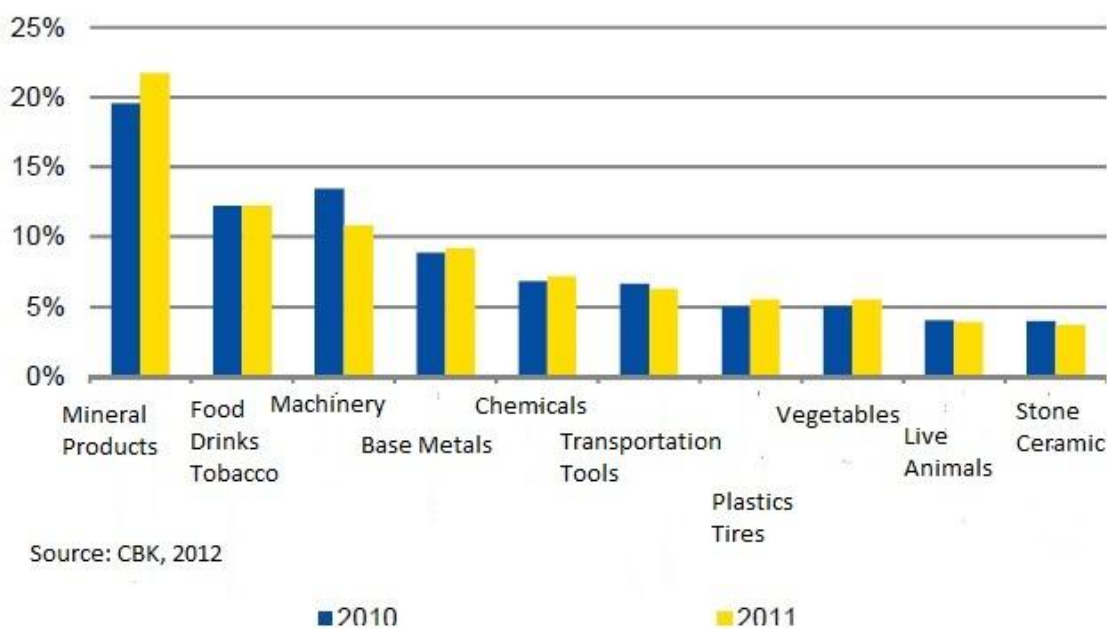
are resources that create value with very low cost. Foreign investments directed towards commercial activities in economic terms represent a real opportunity for absolute and relative advantage. Speaks in favor of the trade balance, although unfavorable to economic development, economic parameters show that Kosova is an oasis for investments.

**Table. Trade Balance in Kosova (in millions euro)**

| Description                                | 2008      | 2009      | 2010      | 2011     |
|--|-----------|-----------|-----------|----------|
| Exports                                    | 198.5     | 165.3     | 294       | 312.5    |
| Imports                                    | 1,928.20  | 1,935.50  | 2,144.90  | 2,479.30 |
| Trade Balance                              | -1,729.70 | -1,770.20 | -1,850.90 | 2,168.80 |
| Report Export/Import (%)                   | 10.3      | 8.5       | 13.7      | 12.6     |
| Trade Openness ( % GDP)                    | 55.2      | 53.7      | 57.9      | 65.6     |
| Source: Central Bank of Kosova (CBK), 2012 |           |           |           |          |

Negative trade balance for 2011, expressed in values is close to -2.167 milliard euros indicates that there is an absolute priority for the production and export of goods, because at least up to this value all the factors or elements (inputs) for the production of goods that will be exported can be supplied with minimum prices. To further strengthen the findings provided and to identify opportunities of which products may be attractive to be produced, we can use other statistical data about the CBK in relation to the type of imported goods.

**Table. The main categories of imports structure, in percentage**





From the statistical data presented above the importation of the same products watched in absolute and in relative values is growing year on year, with minor changes resulting from price changes as a result of not meeting the needs of those products from domestic production.

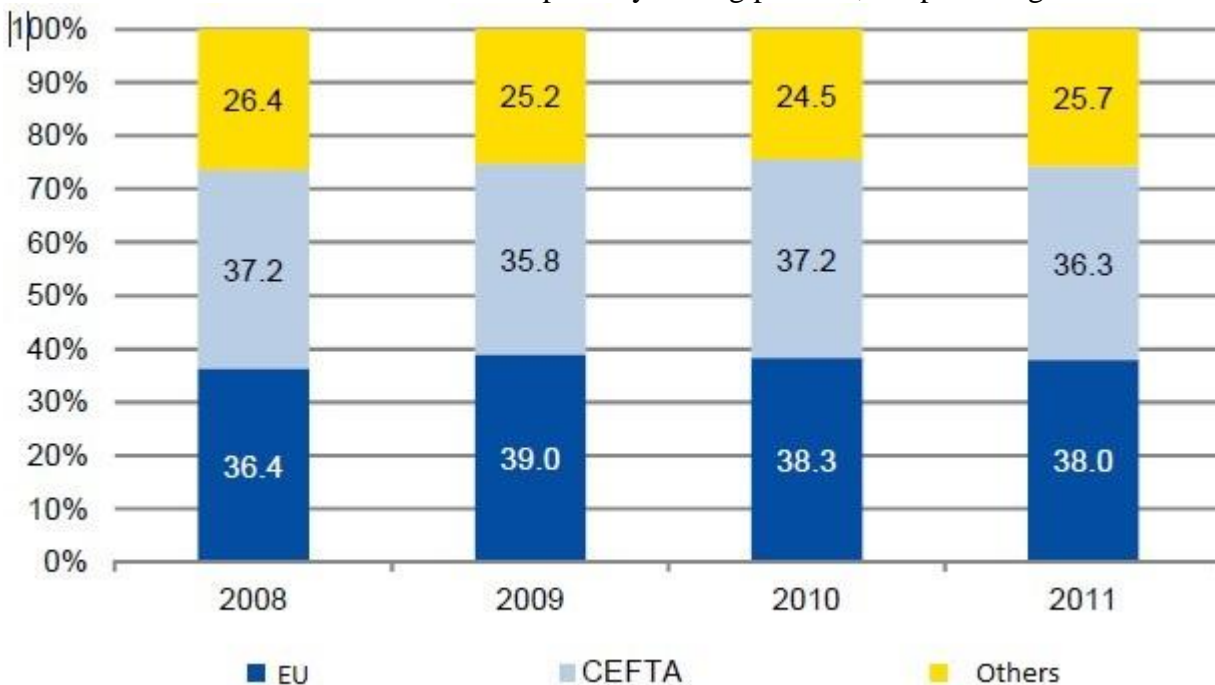
Mineral products represent the largest category with share of total imports, while their value in 2011 amounted to 538.1 million euros. Imports of food products, beverages, and tobacco even though recorded annual growth of 16.2%, reaching a value of 303.9 million euros, had a share in the import structure almost identical to 2010 (12.3%).

Base metal category in 2011 reached 228.0 million euros worth of representing annual growth of 20.0%. Participation in this category in total imports amounted to 9.2% compared with 8.9% in 2010.

Important categories in Kosova imports remain chemicals products and the plastics and rubber products, which increased their share in total imports to 7.2% and 5.5% in 2011 respectively.

If you use other statistical data about the CBK regarding the origin of the imported products will present the following tables.

Table. Structure of imports by trading partners, the percentage



Based on the data presented above we conclude that the EU and CEFTA countries are major trade partners for Kosova. Much of goods imported from the EU come from Germany (11.8% of total imports) and Italy (6.3% of imports). From CEFTA countries, the bulk of imports from Macedonia and Serbia, which have a share of 14.7% and 10.9% of total imports of Kosova.

The economic environment in Kosova in all areas but especially in commercial activities, whether in products of mass consumption or even strategic ones is a space that recognizes foreign investment for the current period as well as in perspective. Foreign investment perspective can

find them with minimal investment in manufacturing and exporting of minerals and agricultural products, livestock, forestry and viticulture.

In the long term coal will remain the main fuel for generating electricity in Kosova. Kosova lignite reserves are located in two large basins, labeled "Kosova" and "Dukagjini". Geological reserves of coal are estimated to be about 12.5 billion tons (including all categories of reserves).

Kosova lignite reserves are the third largest in Europe, with an estimated potential sales of 80.5 billion euros. Abundant coal resources, estimated exceed 12 billion tons, have the potential to make the energy sector a key contributor to growth, and not as it is now expendable.

Table. Lignite reserves by location

| Basin                       | Surface<br>[km <sup>2</sup> ] | Reserves (Million Ton) |                 |                 |                 |
|-----------------------------|-------------------------------|------------------------|-----------------|-----------------|-----------------|
|                             |                               | Investigated           |                 | Exploitable     |                 |
|                             |                               | T                      | t <sub>ce</sub> | T               | t <sub>ce</sub> |
| Kosova                      | 274                           | 10,091                 | 2,957           | 8,772           | 2,521           |
| Dukagjini                   | 49                            | 2,244.8                | 782             | 2,047.7         | 464             |
| Drenicës-Fusha e Skenderajt | 5.1                           | 106,6                  | 22              | 73.2            | 19              |
| <b>Total</b>                |                               | <b>12,442.4</b>        | <b>3,761</b>    | <b>10,892.9</b> | <b>3,004</b>    |

*Source: Energy Strategy of the Republic of Kosova for the Period 2009-2018 (Revision of the Energy Strategy for the Period 2005-2015)*

Kosova is rich in metals and metalloids, which are prerequisites for the development of various industrial branches, this speaks to the fact that in 1926, a joint stock company known Trepca Mines Limited from London gets concession for 50 years use of the Trepca mining resources.

Large reserves of lead, zinc, nickel, chromium, manganese, magnesium, molybdenum, bismutit, asbestos, Kaolin, cement, crushed stone (broken) etc. are essential for encouraging foreign investment in this field.

Kosova's mining industry before 1991, and historically, it was very important as a source of strong economic activity to provide export earnings. The majority of these potentials in the absence of domestic capital are not being used even though there is competitive advantage in relation to the countries of the region and beyond.

Trepca and the potential of an industrial complex in the field of mining and mines, lead and zinc reserves are estimated to be over 38 million tons. Lead, zinc and silver are valued with 9.36 billion euros. Time of use is estimated that there may be long. The biggest reserves are located in: Stan Terg; Hajvali; Kishnicë, Kopaonik, Novo Brdo, etc.

Investment perspective can rely on all sectors of the economy, but special attention should be given to investment in agriculture, livestock, vineyards and orchards. Kosova has farmland of good quality, in the past has largely completed its own food needs.

Currently, the sector contributes about 12% to GDP and is the largest employer in postwar Kosova, including about 35% of total employment. With abundant workforce and relatively untapped enough, and with very good climate, Kosova has competitive potential in the horticulture sector, namely, production of fruits and vegetables and livestock sub-sector because domestic and foreign demand for horticulture and livestock products is expected to increase as purchasing power increases.

Over the past decade, demand for products with high value horticulture has increased more than any other food categories. Considering that agricultural imports, viticulture and forestry originate in neighboring countries and EU countries in which the price of labor and associated elements is high, economic judgment shows that Kosova has attractive and perspective economic environment.

**Financial activities:** The financial system of Kosova led by the Central Bank of Kosova (CBK). This system is built from commercial banks, insurance companies and microfinance. In 2011 the banking sector consists of eight commercial banks, of which six are foreign-owned and two are domestic owned.

The high share of foreign banks is also reflected in the structure of the total assets of the banking system, where 89 percent of the total assets consist of assets of foreign banks, while the remainder belongs to two local banks. In 2011 the country's banking system the European Bank for Reconstruction and Development (EBRD) has bought about 10 percent of the shares of a commercial bank which is dominated by local ownership. Through commercial banks are performed all domestic and international financial transactions in standard form or electronic payments.

Foreign exchange market to commercial banks and foreign investors is the priority factor for a part of the active population who are working and contributing in many countries, which some of their savings in the respective currencies in Kosova spend in euros, U.S. dollar, British pound, Swiss franc, Turkish lira, and in several other currencies in smaller quantities.

Economic environment in which commercial banks operate presents a favorable environment for the collection of deposits from citizens, profitable and non-profitable organisations, budget and foreign remittances, as well as the economic sector lending, households and organizations.

According to CBK data for 2011, the main source of financing commercial banks' were deposits of citizens representing 79% of the banking potentials, and resources of banks representing 9.6%. The conclusion is that the general population of Kosova believes the banking system, and thus higher participation has term deposits, which in 2011 represented 50.3% of total deposits.

The remainder of the deposit consists of transferable deposits and savings deposits, which in late 2011 had a share of 33.2% and 16.6% of total deposits.

Despite safe business environment and increasing the efficiency of banks, interest rates on bank loans continue to be high. Higher average rate for deposits in December 2011 was 5.25%, and deposits worth over € 250,000 and with maturity term of over six months to a year. While, the

highest average in household deposits in December 2011 was 5.36% (deposits with maturity term of over two years).

On the other hand, higher average rate of interest on loans to enterprises in December 2011 was 17.1%, while the highest rate of interest on loans to households was 16.4%. The financial system in general and especially in the banking world and the region is followed by great liquidity difficulties, in Kosova the banking system continues to be characterized by a satisfactory level of liquidity, with a satisfactory rate both in terms of assets and liabilities. Liquidity rate in the banking system (ratio between loans and deposits) stood at 80.8%.

Economic environment in Kosova is compensated by the microfinance institutions, financial assistances, in 2011 operated total 20 microfinance institutions (MFIs) and 32 financial aid. MFI activity continues to be focused on the financing of small businesses and households.

Security activities: the business environment in terms of physical security provide various international institutions and governments, and in terms of risk management, it works the system of insurance companies, which otherwise are known as the insurance industry.

In this area in 2011 operated 11 insurance companies that offer policies for non-life insurance and two new companies that offer life insurance policies. Regarding the ownership structure, nine insurance companies are foreign-owned, while the other four are company-owned units.

Accounting activities: this area within the regularity of financial and accounting information creation is supported and scrutinized from the government institutions and the independent ones. The interconnectedness of institutions with government businesses are conducted through the Central Fiscal Authority, and with independent Kosova as it is the Council of Kosova for Financial Reporting in terms of presentation of financial statements and regularities and the implementation of international standards of accounting, reporting and auditing.

In the context of providing professional accounting and auditing, are acting certified accountants and auditors local and foreign foreign audit firms. All this area is built on Generally Accepted principles of Accounting non-professional work is based on International Accounting Standards (IAS), International Financial Reporting Standards (SNRP) and International Standards on Auditing (ISA).

Administrative and managerial activities: economic environment which is related to the operation or facilitation of administrative infrastructure is improving more and more in terms of incentives for foreign investment and the cost of business registration. "In terms of cost, Prizren (Kosova) has better performance than Canada or Slovenia and it ranks just behind Italy."<sup>63</sup>

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<sup>63</sup> Doing Business, të bësh biznes në EJM 2008, Publikim i përbashkët i Bankës Botërore dhe Korporatës Ndërkombëtare Financiare, faqe 2.

## Conclusions and Recommendations

According to the research of socio-economic environment as well as empirical aspect statistically we can conclude the following:

- The social environment in Kosova represents a strategic potential for foreign investment, with a population able to work, which dominates the new age, with European culture and a way of life, with a relatively good level of education and the tendency for improvement and rapid training, with willingness towards difficulties and accept to deal with them, with a high optimism and willingness to change and integrate in the EU.

- Economic environment is oriented towards free market economy, the integration tendencies in international political, economic and financial institutions, with stable institutions in the field of economy and finance, with potential sources of energy in industry, mining and minerals, construction, tourism education, health and other services.

By virtue of the above potentials it follows the general recommendation that Kosova's socio-economic environment presents opportunities and creates prospects for foreign investors. This environment needs a human and financial capital to change the economy of the country but even to leave satisfied potential investors.

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