



KOLEGJI - COLLEGE  
**PJETËR BUDI**  
PRISHTINË - PRISHTINA

## **THE ROLE OF BANKS IN THE DEVELOPEMENT OF SMALL AND MEDIUM ENTERPRISES IN KOSOVO AND ITS IMPACT IN THE ECONOMIC DEVELOPEMENT**

**Dr. Sherif Gashi**

[sherifgashi@live.com](mailto:sherifgashi@live.com)

### **Abstract:**

Funding sources represent an important factor in the development of enterprises in Kosovo which in turn will affect the country's economic growth. The possibility of funding is not a mitigating factor in the establishment of new businesses or to build the capacity of existing businesses in Kosovo. The main source of financing of small and medium enterprises is through bank loans, however, interest rates of commercial banks are considered as very high. Small and medium enterprises in Kosovo are considered poorly liquid thus, the possibility of a self-sustaining small businesses is forcing more and more, to utilize bank borrowing as a funding source. This shows that even the banks are highly opting to engage in bank borrowings, in order to maintain their presence in the market. The banks are trying to diversify their portfolio of lending; some banks prefer lending to smaller businesses while other attracting ones. However, observations of the Bank of Kosovo show that there is a growing interest for lending to medium business and small, as small and medium enterprises have become one of the main driving forces of economic growth of the country.

To support long-term sustainable growth of the economy, it is important that government authorities see as a priority the promotion of domestic production, as one of the points that can support the development of a country that seeks integration into the European Union. Adopting term strategy for the development of small and medium enterprises is crucial for improving the skills of Kosovar industry, 95 percent of which consists of small and medium enterprises. Term strategy for the development of small and medium includes important objectives such as strengthening cooperation between government donors and the business community, improving the fiscal framework, improving operational management of small and medium enterprises.

Development of small and medium enterprises, their important role in the production of goods and services and creating jobs for tens of thousands of people will help to transform growth into economic growth.

**Keywords:** *Kosovo, bank, loan, small businesses and medium businesses, economic growth*