

THE IMPACT OF BUSINESS BARRIERS IN ENTREPRENEURSHIP AND FIRM'S GROWTH - KOSOVO'S PERSPECTIVE

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ABSTRACT

The purpose of this study is to examine the impact of business barriers institutions on entrepreneurship activities for the small and medium enterprises (SME) sector in Kosovo. The survey examines the role of institutions for SME development in 2011 and 2012. A new dimension to the theory of entrepreneurship was offered recently by Baumol, who highlights the role of institutions in the allocation of the entrepreneur's potential in productive and non-productive activities. In a transitional economy, entrepreneurs are faced with numerous difficulties such as a weak legal system, uncertain property rights, government regulation and administrative burdens, a punitive tax regime, and corruption.

The topic is developed based on a broad literature review of practices in the SME development sector, and the great importance of analysing the role of institutions for economic growth and firms' wealth. During the preparation of this study, a range of methods were used to research and study institutional and non-institutional barriers for SME development in the era of globalization.

Using a sample of Business Support Centre Kosovo (BSCK) research from 2011 and 2012, the findings of this study indicate that the majority of SME managers agree that multiple barriers both have a huge impact on SME development.

Findings suggest that successful entrepreneurship and SME strategic development is conditioned by factors such as: formal institutions (the central and local government leadership, taxes, business legislation and regulation, access to finance, frequency of policy changes) and non-formal institutions (culture and society, corruption and informal ties with public officials, administrative burden and informal implementation of laws, mafia and racketeering).

KEYWORDS: Entrepreneurship, Formal and Non-Formal Institutions, Business Legislation and Regulation, Administrative Burden, Policy Changes, Corruption, Mafia and Racketeering