

The Human Capital And Economic Instability In Kosovo

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Abstract

Kosovo has great potential of human capital. This is a priority compared with regional countries. However, the highest percentage of unemployed people are showing their displeasure to the high level of unemployment and poverty, the difficult social situation and lack of prospects for young people.

Kosovo is in a very unenviable situation or better to say in a miserable economic situation. The economic instability and political instability that prevailing in Kosovo is causing the flow of events and developments in the country. To be able it must create a positive environment for attracting foreign investors. It should create a suitable business atmosphere, an atmosphere of security investments and many other elements that will affect the attraction of foreign investors. With foreign investment will also open the new working places and this would affect many in alleviating unemployment.

Kosovo is not yet achieved the creation of a suitable environment for foreign investors; the greater impact in creating this environment has political instability and economic instability that prevails in the country. For that foreign investors are reluctant to invest. For this part of unstable economic condition is the guilt of the banking system which is making it difficult for local business activity visible. Interest rates for loans are too high and government is still not made any semblance of intervention by the central bank credit to change these policies in a way that even if the local businesses suffocate.

To have economic stability must be built and maintained macroeconomic policies that are crucial for economic stability in the long term.

Everywhere in the world based on the development of a country's economy are small businesses. In Kosovo these businesses are facing financial difficulties due to difficult credit conditions. The political instability and economic instability are negatively affecting to the attraction of foreign investors. Kosovo's economic instability affects a very delicate situation in the business environment. For that Kosovo institutions should take steps in this direction.

Key words: Economic instability, political instability, investment, investors, small businesses, Kosovo, financial difficulties.

JEL Qualification: M5, M2, 01, 011, 016, R1, R11, Z.

1. Introduction

Kosovo, as the poorest country in the region, it is very difficult to recover in a near future. Although there is an enormous potential of human resources, unemployment has gripped the country. Except the great potential of human resources, in Kosovo there are many knowledgeable people who counted only as potential, because they are unemployed, they fail to sell their knowledge to the market and not all can call human capital. In order to leave this miserable condition, Kosovo needs a sustained economic growth that would serve the improvement of living considerably, opening new jobs, which will impact on poverty reduction that has gripped the country.

To be able to change this situation it must create a positive environment for attracting foreign investors. It should create a suitable business atmosphere, an atmosphere of security investments and many other elements that will affect the attraction of foreign investors. With foreign investment will also open the new working places and this would affect many in alleviating unemployment.

Kosovo is not yet achieved the creation of a suitable environment for foreign investors; the greater impact in creating this environment has political instability and economic instability that prevails in the country. For that foreign investors are reluctant to invest. Poor infrastructure and fragile judicial system do reduce domestic and foreign investment.

2. The human capital

The human capital can be called knowledge of the employees which turns into market value, which is the same time a crucial factor for sustainable economic development of the country. People in the know are those governing the technology, the manufacture, sales and services. So people knew or human capital in other words, is the one that lead to the realization of business. After those small and medium businesses are the basis for developing the economy of a country, we can freely say that human capital is one of the key elements that affect economic development.

The human capital has always had an important role in the company's attempts to achieve productivity and competitiveness. Once the machinery during the industrialization and technology were most important for successful business of the firm, knowledge and information today when the price was increased, the individual becomes important to the overall success of the enterprise.¹

In Kosovo there are many knowledgeable people who counted only as potential, because they are unemployed and fail to sell their knowledge of the market. In commercial society, one of the firm's development policies, special care is given to the staff and their motivation, and, in order to achieve its own, given the important role human capital.

¹ Sasha Petar & Ivana Vrhovski, "Ana njerëzore e menaxhimit me njerëz", nga kroatishtja: Nikollë Berisha, Kolegji universitar "Victory", Prishtinë, 2010. Fq.14.

With the development of information technologies, it becomes evident that as the strength of its economy and development potentials are depend more and more by the quality of people, from their education and from the possible of their creative, just from the people possess, the increasingly less the power of machines, equipment and capital. The productive firms are created with the realization of the premise that the active involvement of workers in the life of the company, in time to work in them is filled with fun.²

The contemporary organizations continually look to the future, designate what knowledge and skills will be needed and continually develop programs that include permanent process of preparing people for the future.

It's because only if prepared in this direction, is likely to survive in today's highly competitive environment.

These are organizations that have realized learning and new knowledge that is the key to success, meanwhile education is crucial for future wealth. The trends of big and successful companies, is to create knowledge and therefore offer you continually employees adequate education.³

Based on all this, the society is still not showing sufficient interest for the development of knowledge in order to develop the manufacturing and domestic services. Right now, I do not have any community for the advancement of intellectual capital.

This community should be established within the Economic Chamber of Kosovo, according to Economic Chamber of Kosovo's Law, but it still is not drastically due to lack of material means (because when the law is approved for Economic Chamber of Kosovo in Kosovo's parliament, the Chamber has been left without funds, and setting the option to enterprises and other business entities, are not required to pay membership by force of law, but can pay according to the will?!). This has led to Kosovo's economy remains without the formation of community for the advancement of intellectual capital. But Albanian entrepreneurs are seems little interested in this key pillar of economic development. The true is that economy of Kosovo is still far from knowledge seems to understand the role of intellectual capital. Even though, all this in the context of contemporary economic development has become a necessity.⁴

In Kosovo, as noted above, there is potential that can affect the ease of unemployment, development of existing businesses and creating new businesses, so the development of the country entirely. But this potential is not given the opportunity to be converted into intellectual capital.

The vast majority of Kosovo's business has multiple problems. Although means that the global financial crisis do not touch Kosovo, but in one way or another are faced with crisis, which is apparently also involved in the largest size.

A large number of Kosovo's businesses have many problems about their management. Most business owners are the managers themselves. A large number of these managers of our businesses do not have the appropriate educational preparation for the manager. Let's not necessary to organize training manager, but also those that are organized, did not follow at all, or are followed by a small number of them. For these and many other reasons rather than Kosovo's

² Sasha Petar & Ivana Vrhovski, "Ana njerëzore e menaxhimit me njerëz", nga kroatishtja: Nikollë Berisha, Kolegji universitar "Victory", Prishtinë, 2010. Fq.7.

³ Dr. sc. Enver A. Kutllovci, "Menaxhimi i resurseve humane", Prishtinë, 2004. Fq. 154.

⁴ Prof. Dr. Bedri Selmani, "Pse kapitali intelektual, Kosoves i mundëson dalje nga kriza ekonomike", 01.11.2011, <http://albanur.eu/showthread.php?t=1488>

businesses to develop and create new businesses, they are stagnant and some are before the bankruptcy. The number of unemployed is increasing and thus deepens poverty. Kosovo's economy has a lack of successful managers.

In Kosovo, is necessary to create the programs to progress intellectual capital which guarantees economy increase business efficiency. This should be done at the country's economy and should be supported with financial program and special fund by the Government. If it does not happen then the loss of public and private enterprises will be even bigger than they are now (they have reached hundreds of millions of euro in figures).⁵

One of the inevitable needs of people in Kosovo is education. Currently most of the unemployed think about starting up businesses, for opening new jobs, in order to be employed in any job, whatever it either. As seen most want to engage in the business economy few of them engage in the economy of knowledge in intellectual capital.

3. The Foreign investment

The Kosovo government has put economic growth as its top priority and is aiming towards FDI as the main contributor. FDI in Kosovo were very low in post-conflict period, reaching an amount of less than 400 million euro between 2000 and 2005, and about half of this investment comes from privatization. Payments have increased FDI in 2006, and have maximum achievements in 2007 with 440 million euro (13% of GDP). The global economic crisis has had its impact on FDI in Kosovo, as is the case in the rest of the region. Funds available for investment will continue to be scarce in the coming period, which means that Kosovo will face stronger competition for limited resources of FDI.⁶

Kosovo needs to develop different policies that affect business in economic development, Kosovo same time should also affect the improvement of investment climate that will encourage and motivate foreign investors to invest in our country. Those investments become more attractive for investors to increase competition in all economic sectors.

The strategic plan of European Commission's for the development of private enterprises, private business to support pre-accession instruments; eligible programs 2011-2013, which include the Western Balkans and Kosovo, where here is that along with Turkey, separates the region's competitive advantage with low cost work where this is only one of several factors that influence FDI decisions, which of course affected by this favorable cost.⁷

Kosovo is in competition with the regional countries in terms of attracting foreign investment. The presence of political and economic instability in Kosovo is becoming an obstacle to foreign investment. For this the government needs to engage much more appropriate to improve the

⁵ Prof. Dr. Bedri Selmani, "Pse kapitali intelektual, Kosoves i mundëson dalje nga kriza ekonomike", 01.11.2011, <http://albanur.eu/showthread.php?t=1488>

⁶ "Konferenca e Dhjetë Jubilare ndërkombëtare – Biznesi dhe Punësimi", Prishtinë, 2011.Fq.19

⁷ "Konferenca e Dhjetë Jubilare ndërkombëtare – Biznesi dhe Punësimi", Prishtinë, 2011.Fq.1018

environment for potential investors. In Kosovo there are still some bureaucratic procedures for foreign investors which are also one of the other obstacles that affect foreign investment.

In a report to the World Bank, Kosovo ranks the 11 to 15 possible destinations from among countries where political instability affects the potential foreign investment. In another report of the World Bank, called "Doing Business" in 2011, Kosovo was listed at 173 places in terms of investor protection, among the 183 countries where the measurement is made.⁸

4. Investors want stability

The lack of legal infrastructure and political and economic instability is impacting negatively on foreign investment. Apart from the legal infrastructure, political and economic instability, another cause of foreign investment should the business environment of mention, which is present in a very awkward position.

Given the political situation extremely fragile judicial system, human time needed to create a positive environment for attracting investors.

Foreign investment, at this time, is the most important vehicle for economic development of Kosovo. Despite this, recent developments in the country, are risking the removal of those foreign investors in Kosovo.

Not a good image of the country in the world because of the instability is a result that of the foreign investors doesn't come.

"If there were direct foreign investment in Kosovo, they were associated with the transfer of advanced technology that enhances the productivity of the firm. Then, would affect employment growth and increasing the skills of employees working within the firm, but also would make firms competitive pressure to increase the quality of their products, as well as contracting firms - even those who buy raw materials," says Rizvanolli.⁹

Kosovo to have an internal stability need to fight economic and social problems and contribute to creating a basis for sustainable economic development. One of the factors that will affect this is the improvement of road transport. Although construction of the highway-Merdare patience is in construction, this is not enough; the roads that connect the cities of Kosovo are useless.

The country's economic development can not be deemed to have poor road infrastructure. In Kosovo the rail roads do not function, except Prishtina - Peja. Existing condition of roads and railways, make Kosovo less attractive for investors foreign.

Except not favorable climate for attracting foreign investment, in the led to the collapse of investment even more is global financial crisis. The crises that touch developed countries of the world, influenced in Kosovo.

⁸“ Pengesë për investimet e huaja jostabiliteti politik”, 9.12.2010, <http://www.telegafi.com/ekonomi/pengese-per-investimet-e-huaja-jostabiliteti-politik-46-6790.html>

⁹ Luljeta Krasniqi - Veseli, “Investitorët duan stabilitet”, <http://www.evropaelire.org/content/article/3545410.html>, 03.04.2011.

5. Conclusion

Despite the fact that we have a great potential of human resources, and that the youngest in Europe, we are still confronted with extreme poverty. Apart from human resource potential, we also have a large number of human capitals, which has little opportunity to prove them, because of the huge unemployment that has gripped the country.

To escape their misery, must support all hopes of foreign investment. Foreign investments provide an important contribution to the country's economic development, creating new jobs. We can freely say that these investments would be the main engine of growth of employment and production and would contribute to long-term economic stability.

Kosovo, as a new state is obliged to find the right path and appropriate to consolidate a stable national economy and stable. Kosovo to have an internal stability need to fight economic and social problems and contribute to creating a sustainable base for economic development.

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