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MASTER THESIS

**FACTORS AFFECTING THE DECISION FOR CREDIT APPLICATION
IN SMALL AND MEDIUM BUSINESS**

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ABSTRACT

The topic that I have been working on has to do with the factors that affect the decision on credit application, so we see in simple words how much credit is necessary to start and operate a business as a whole. I have presented in this topic the role of credit in the enterprise, the change in interest rates and interest rates that affect wholly companies as partners with corporations, are guessing for the loan, because conditions and interest rates make it impossible to get a loan on how many companies need it. The problem with interest rates has mostly individual businesses, so small businesses. These businesses need a more favorable loan for their operation, but the loan does not differ in our country, the rate of interest and interest is the same for both small and large enterprises. When it is known that small firms are having lots of problems, because the bank is reluctant to give credit to those companies because they are afraid of not repaying the loan in time or not paying the loan. We have conducted various researches across different companies, we have looked at their financial and technical conditions for credit application, how many enterprises have loans, how many companies are in the process of obtaining credit.

CONCLUSIONS

This paper presents the definition of the problem and the topic being explored, the research's aims, data sources, key recommendations, and the practical scientific contribution of the paper. Where as clear as possible the issues that are related to small businesses are discussed and to make evident all the problems related to the issue of banks and bank loans. Analyzing the paper, we can come up with some theoretical and practical conclusions, and that:

One of the reasons why this research was conducted is that small and medium enterprises in Kosovo, especially those in training, face more difficulties in obtaining credit and in some cases, leave the idea of getting credit. From this research, I noticed that out of 59 surveyed enterprises, 71% of them have received loans from a bank in Kosovo, while 29% of them do not currently have credit at any financial institution.

Enterprises that have received loans although with unfavorable market conditions, they say that the loan has positively impacted their business. Only 8% of businesses stated that they did not have an impact on getting credit and 20% that this impact was small. On the other hand, 26% of enterprises have claimed to have had an average impact while 46% of them have had a great deal of effect on obtaining loans. Most of the companies that have made use of this loan have made a maturity of less than 5 years, very few companies decide to take longer maturity loans due to the risk of non-repayment or not repayment in time for the loan. These companies that have received loans have taken over to expand their business. Enterprises that did not receive this loan were mainly due to bad credit conditions and expect that they will soon be the best.

The results showed that most firms have positive credit rating since 86% of them confirmed that credit is the best form of financing an enterprise.

Only 13% of enterprises have pointed out that negative or positive experiences do not affect the decision on credit, 15% stated that it had little impact. Most enterprises or 51% of them have stated that experience has an average impact, while 20% of them have stated that it has a great influence on decision making. If we collect all the impact statistics, we can see that in 87% of the cases managers have stated that their experience in credit has had an effect on their decision to apply again for credit.

Only one company from all 59 interviewed companies stated that the interest rate has a major impact on the decision for credit. The key interest rate, also called the refinancing rate or the discount rate, that is, the interest rate plays a central role in the whole system and limits the underlying interest rate of other interest rates.

Interest affects many businesses that are at the beginning of their business and are in the forefront of business because they do not have financial sustainability and definitely need to take credit even though the interest rate is high, so they definitely have to get. Some companies cannot make the loan at all and are forced to go bankrupt because of the loan and the bank confiscates the part that has left the interest rate as a guarantee type for the loan repayment.

To the question whether the collateral is important during the decision to apply for credit has proved that 100% of the surveyed enterprises responded positively.

After the results analysis, we did not notice any difference between the level of education and the application for the loan. Thus, we can conclude that the level of education does not affect the decision to apply for credit. After the analysis of the results we can see that there is an average link between the existence period and the decision for applying for the loan. So, we can conclude that the period of existence affects the decision to apply for a loan. The results have shown that reliable professional and financial statements affect 75% of cases, while employment relations only affect 37% of cases.

The capacity to repay the loan in the decision to apply for a loan in 100% of respondents has been shown as very important for the enterprise in the decision to apply or not.

The form of financing of small and medium enterprises differs. In small companies, the form of financing is self-imposed, when a person with his saved money decides to open a small business. At first he applies for a loan but the terms of the loan he wants to apply are very bad. The interest rate is high and the person does not apply for the loan at all, with the hope that after some time the credit system will be available so that he can apply for the loan and increase the business.

For partnerships the possibility of applying for a loan is easier for these companies to be problematic because they are forced to receive much less credit than they have planned for reasons that are now known because of unfavorable conditions for loan.