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FACULTY OF ECONOMICS

DEPARTMENT: FINANCIAL MARKETS AND BANKS

MASTER THESIS

**IDENTIFICATION OF FACTORS INFLUENCING DIRECT
INVESTMENTS IN KOSOVO**

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CONTENT

Chapter I

1.Introduction

1.1 History of FDI in Kosovo

1.2 Aim of this master thesis

1.3 Hypotheses

Chapter II

2. Foreign direct investments

2.1 Causes of FDI

2.2 Factors influencing in FDI

2.3 Motives for FDI

Chapter III

2.4 How FDI can be motivated by financial markets

2.5 Comparison of FDI benefits over time

2.6 Benefits from international diversification during global crises

2.1.1 Types of FDI

2.1.2 Advantages of foreign direct investment

2.1.3 Disadvantages of foreign direct investment

2.1.4 Foreign direct investment factors

2.2.1 Foreign direct investment and economic development

2.2.2 Foreign direct investment policies

2.2.3 Foreign direct investment and infrastructure development

2.2.4 Foreign direct investment between countries

Chapter III

3. General characteristics of Kosovo

3.1 Gross domestic production in Kosovo for 2004-2009

3.2 Number of enterprises and their structure

3.3 Employment

3.4 Unemployment

3.5 Wage level

3.6 Withdrawal of foreign investments

3.1.1 The resource potentials attract your investment

3.1.2 Kosovo has attractive investment conditions

3.1.3 Kosovo - the market suitable for investing

3.1.4 Institutional support is needed

3.1.5 Construction material industry

3.1.6 Metal industry

3.1.7 Wood industry

3.1.8 Food industry

3.2.1 Direct investment - a factor for economic development

3.2.2 Policy implications

3.2.3 International financing and foreign investments

Chapter IV

4. Limitations and constraints on external investments in Kosovo

4.1 Balance of foreign investments in Kosovo for 2011

4.2 Employment and investment

4.3 Origin of investors

4.4 Business registration

4.5 Investments

Conclusions

Recommendations

Literature

ABSTRACT

Foreign direct investment is widespread phenomenon throughout the world and desired by all countries, at whatever stages of development they are. Their importance varies depending on whether countries expect or perform these investments and depending on the stage of development in which we find these places. Recent years have been an increase in the level of foreign investments in the Balkan countries including Kosovo. Foreign investments in our country have experienced ups and downs over the years.

FDI impact on economic development of the countries in which they are incurred. Channels through which they carry out this process are productivity, capital, formation, job creation, reducing the deficit in the balance of payments, the strengthening of regional and international integration, etc. Benefits are not only for the host countries but also for the parent. Some of them are: the improvement of the labor market, improving the balance of payments, increase the quality of labor force, etc.

Foreign direct investments are an investment option selected by entrepreneurs operating in international markets because of the advantages they have over other forms of investment.

CONCLUSION

Given that Kosovo is a developing country, then we can conclude that the effects of FDI on our economy have a positive result, contributing to the creation of jobs, the improvement of the environment, the introduction of new technologies, the increase of productivity.

Kosovo enjoys great opportunities for attracting FDI such as central and geographic position, availability of natural resources at competitive prices, motivation of labor force, free labor force, stable currency (euro), exempt from VAT and customs duties, free trade of charge with the European Union for almost all goods (under the Stabilization and Association Process), the high purchasing power through financial transfers from the outside world. However, it ranks among the last places to do business, recording lower levels of FDI than its real opportunities. FDI's greatest interest has been in the privatization of small, medium and large state-owned enterprises. As far as states from which foreign investors come to Kosovo, they are different, but from the east, the map of investors does not go far beyond Turkey. In addition to the countries in the region such as Albania, Macedonia, Turkey or Croatia, most of the investors in Kosovo are from Western Europe. The number of businessmen who have chosen Kosovo to invest from Western Europe is high and they are mainly from Switzerland, Germany, France, Great Britain, and even the United States of America.

Although Kosovo has a very favorable geographic position, and should consider the low cost of labor, fiscal favors, membership in the three main banks, but there have been some factors that have hampered foreign investment such as: corruption that is present in all areas, political instability, lack of laws and high interest rate.