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FACULTY OF ECONOMICS - MASTER STUDIES

DEPARTEMENT: FINANCIAL MARKETS AND BANK

MASTER THESIS

THEME:

**FINANCING OF SMALL AND MEDIUM ENTERPRISES IN KOSOVO
THROUGH BANK CREDIT**

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INTRODUCTION

Small and medium enterprises as business entities play an important role in the economy of a country. These types of enterprises are the main generators of employment. To develop normal business activity and to be competitive, SMEs need to find the best ways of financing. One of the types of financing is through bank loans. This Master thesis aims to analyze the business financing of SMEs in Kosovo through bank loans from commercial banks.

Financing the business of the small and medium enterprises in Kosovo is faced with many problems in previous years. After the last war in Kosovo, SMEs restarted their activities with many problems. This fact shows the difficulties of Kosovan entrepreneurs for reconsolidation of their activity. Financing of their business from commercial banks has been very mature and conservative. It has become quite challenging for SMEs given that in the moment when they mostly needed help and materials support in certain cases banks have not financed their activities.

So the essence of this paper is the research of the financing mode of small and medium enterprises in Kosovo through bank loans. To identify the challenges and difficulties SMEs are faced by. The objective of the research is to analyze the possibilities for overcoming of barriers in financing the business activity of the small and medium enterprises in Kosovo.

SUMMARY OF RESULTS, RECOMMENDATIONS AND LITERATURE

1. Summary of research results

Analysis of the conditions and circumstances based on which the bank credit are allowed by banks in Kosovo was the main purpose of this master thesis. Small and medium enterprises face numerous difficulties during their efforts to have access to funding sources. External funding sources are quite limited. Often enterprises are obliged to make solutions with their own capital as a result of constraints on the sources of funding.

During the research that we have done it is noticed that most entrepreneurs have expressed their disappointment with the many aspects of business financing of their enterprises from commercial banks.

The most important aspect of this research is the level of interest rates. It is expected that over the years to gradually reduce the interest rates, but there was no serious movement in this regard.

The maturity of loans is considered quite unfavorable. Commercial banks consider credit risk to allow longer maturities. Long-term credit and relatively high interest are not at all favorable for companies operating in Kosovo.