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FACULTY OF ECONOMICS

DEPARTMENT: MARKETING AND BUSINESS MANAGEMENT

MASTER THESIS

THEME:

**SAVINGS AND LOANS OF COMMERCIAL BANKS IN THE REPUBLIC  
OF KOSOVO**

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## INTRODUCTION

In this master thesis will be attempted to dismount the main reports that exist in the business of each commercial bank in Kosovo in the free market economy. The commercial bank as one of the institutions of contemporary financing structure that constitute the financial sector has the basic importance for the functioning of the market economy making the transfer of the capital between the general sectors of the economy. During this action commercial banks tent to allocate their own capital and accumulated deposits to the individual sectors and programs for which it is believed and expected to use these means rationally and efficiently and will create a new monetary base. Thus, commercial banks as financial intermediary accumulate through deposits basis and capitals with different structure and expiration which later will be placed to those sectors and individuals which are lacking money and capital. In this way, while creating sources of means (in the first place in forms of deposits from the citizens and economy) they create their loans or potential and that as the basis of their business is also the main source of the cash production. In the processes of economic development and financial intermediation commercial banks gradually change the structure of deposits sources in terms of relative reduction of transactional deposits towards the growth of termed deposits. At the same time it is attempted to make changes with the structure of loans or placements in terms of intensive growth of borrowing deadlines. Except depository and lending activities commercial banks increasingly is dealing with out-balance activities as are: guarantees, letters of loans , FX works, leasing works, and a certain number of innovative works which slowly are becoming a source relatively obtained of banking revenues. From these works banks are collecting revenues in the form of growth. Thus, in this scientific paper we have attempted to represent the forms, ways and actions that commercial banks make in the Republic of Kosovo to increase their revenues through the successful management of deposits and through lending by engaging maximally in decreasing of certain risks that follow the banking business in our country.

## **FINAL REVIEW AND PROPOSED RECOMMENDATIONS**

Based on data of the central bank of the Republic of Kosovo for the study period 2010-2013, we can freely conclude that our economy however that has been permanently under the influence of pressure from the free market it has had a relatively respectable increase (comparing with the macro-environments of the countries emerged from the war. We will argue this finding with the increase of deposits from year to year (of economic subjects and citizens). Thus, for the period 2010-2013 deposits have had an average trend of the increase for 8.85%. During this period we also have movements and average positive increase of deposits in family economies for 3.19%. It is worth mentioning that in the context of overall deposits, the deposits of family economy are dominating with an average percentage of 64.64% and with a maturity not very desirable for the bank (up to one year) with a percentage of 64.75%. In the overall potential apparently the first place belongs to family economies which are also in the first place with the maturity of 0-1 year that obviously determine the policies of commercial banks. Based on the data appears that maturity deposits from family economies has trend of the reduction which directly influences on the loans over one year that for development programs it is a real obstacle of lending. Even deposits (savings) of the citizens as a very specific category but at a good barometer for the pick-onward and insurance of banking business in the Republic of Kosovo during the study period has no trend of growth but declines and latency stagnation that clearly reflect a relatively high uncertainty of commercial banks to us. Thus, population even with begging has a high dose of distrust and insecurity of the banking business conditionally local. Even other depositors ranked by the criteria of the central bank of the Republic of Kosovo show a very small movement in the change of quantity and maturity during the study period (2010-2013) I can even say that in economic terms it has had decline and stagnation tendencies that apparently send requests to the banking management that the existing policies in the management of the passive and active banking and it must be made fundamental changes for example:

Substitution of constitutional policy towards depositors

Harmonization of interest rates with real supply and demand in the capital market

Determination of benefits and incentives for loyal latent and major depositors

Harmonization of interest rates between the active and passive and especially the stable and attractive formation of policies to depositors as the basis for the future loans

To try the application of rates and standards of development countries within the euro zone because the deposits in the Republic of Kosovo are mainly in euro

The increase of the amounts and values of deposits of funds must be done as soon as possible for the insurance of deposits in Kosovo as a precondition of the increased confidence of depositors in commercial banks (multiple models and modalities exist of which banks can conduct on the positive way)

The loans in all the possible forms that the commercial banks have applied in the Republic of Kosovo for the study period have a relatively positive trend of the increase from year to year of an average of 9.20% . Also in the framework of all loans, loans s are dominant and are the first in terms of absolute values and percentages (1.458,700,000 euro – 1.805, 800,800 euro or 59.40% - 64.10% )

According to the classification of the published data in the reports of the central bank of the Republic of Kosovo for the study period 2010-2013, the structure of users is constituted by these ethnicities: enterprises, family economies and others.

According to such classification it appears that the biggest lending in absolute value and in percentage has “The enterprises” then following “Family economies” and others respectively the citizens. These reports throughout the study period they have always maintained the same rankings meaning that we didn’t have any extraordinary or unexpected movements. Within this sequence the movements have been cyclic with increase or decrease within the listed place but as an entirely throughout the study period has been increased. The most actual maturity I would say it has been up to one year meaning that enterprises and family economies have mostly exploited the borrowings and loans s mainly for means turnover and much less for investments. This phenomenon mainly appears in enterprises and family economies, but in the category “the others” we have the use of loan phenomenon and loans s for the period of three or more years with a relatively respectful percentage of 26% - 30%. It is worth mentioning the borrowing with a period of 5 to 20 years for the purchases of houses-apartments leaving them as a form of hostage. This form of lending is always attractive because the new houses or apartments have very little opportunity cost to be converted into money. In the reports of the central bank have not been published the loans potential of commercial banks even though with a correct analysis we will notice that the difference between the deposits and placements it is in an average increase of 34.70% for the entire research period. Also on the balances of the success commercial banks organized as a scientific society they rarely distribute the dividend with justification that it will increase the material basis, respectively the lender potential, which in reality does never happen, but the phenomenon of tax evasion happens by the net profit of banks. Why it is like that? This is a question with which the tax authority should deal in the first place. It is worth mentioning a certain number of reviews and final claims as they are listed below:

The high rate in the permitted loans and loans s comparing with the region countries

Unstable reasoning of the commercial banks management that high norms in loans and credits are as consequences of high risks in which have been subjected the banks in the Republic of Kosovo. In case we do a concrete study for certain risks and in the first place for the loans risk or the place risk wherein risk we use management structure as a main reason for the collection of the first norms it appears that because of the factual state of the Republic of Kosovo, commercial banks have not lost any cent until now. While the risk of loans respectively of the not returning the loan it has resources in the great thirst of banks for benefit at all costs while not respecting

the norms and the well-known worldwide standards for the policies of lending. This means that there exist a certain number of rules and standards to whom, how and for which purpose and time the loan is allowed while taking into account warrantors and hostages of a higher quality. For commercial banks it almost has become practical to not compete in terms of not changing the policies of lending, those almost without exception for all the loans and other services for their clients (whether they are economic or civic subjects) they calculate the percentage and the provision almost completely identical. Well here it stops every sense for a different action for a healthy logical competition and progressive to the benefit of customers. We got an impression that commercial banks are here to win undoubtedly without considering the fact that they do not compete with each other in terms of the harmonization norm of the active interest with the norm of the passive interest. I wish that all the institutions and individuals that deal with the economic and financial policy-making to ask themselves and others if the Republic of Kosovo is the richest country in Europe? When we pay the highest norms of interest in all forms of lending and credit. As a result of this paper it appears that every year and further the number of enterprises and individuals which are failing is increasing and the potential number of loan seekers and borrowings in general is shrinking, primarily because of the extremely high norms in loans and credit.