

THE IMPACT OF COVID-19 ON ECONOMIC ASPECTS OF BUSINESS ENTERPRISES: THE CASE OF KOSOVO

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Received: 21. 12. 2020

Accepted: 22. 4. 2021

DOI <https://doi.org/10.30924/mjcmi.26.si.4>

Preliminary communication

UDC 616-036.21:334.7 (497.115)

338:616-036.21

Abstract

Apart from causing a global pandemic, COVID-19 has also affected many industries worldwide, causing the economic position of businesses to weaken. This study provides an empirical assessment of the impact of COVID-19 on the economic position of micro, small, medium, and large business enterprises in Kosovo. While COVID-19 has been detrimental to many businesses, many of them have adapted to the possibilities, created by the new situation. Our findings indicate that almost all enterprises have reported a financial loss, and more than one-third have laid off employees. More than one-half of

the enterprises have changed product delivery methods, and more than one-third have reorganized and changed their organizational structure. Meanwhile, around one-sixth of enterprises have changed their primary activity and have declared the need for new employees. Furthermore, surveyed enterprises have reported issues in retaining applicable contracts, supply of materials, trust in supply chain partners, and product placement, among others.

Keywords: *COVID-19 pandemic, economic impact, business enterprises, Kosovo*

1. INTRODUCTION

Since COVID-19 (coronavirus pandemic) was first announced in December 2019, in addition to spreading, the virus has also impacted the society and the economy of the affected countries. According to the World Bank estimates (2020), the COVID-19 pandemic is considered to have caused the largest global recession in eight decades. In particular, the measures for

restriction of movement globally synchronized, and the shock that financial markets encountered, affected each other and led to an unprecedented economic halt. For this reason, the global recession caused by COVID-19 is unique.

Considering that the COVID-19 situation might continue, assessment of its impact, both for society and the economy, is important for planning the measures

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to minimize damages and ensure recovery from the crisis. Like other countries, Kosovo has also been affected by this virus, which first appeared in early March 2020. In this case, the response of the relevant institutions with supportive policies of short-term character was immediate. However, it was the first time that Kosovo, since its independence, was facing an economic shock that hit the economy, which was already quite fragile. This will have consequences in the future, because many of the enterprises have lost their partners and customers, and have been damaged with their efforts to try to change sectors. The pandemic outbreak's impact on economic activity is expected to be long-standing: it may even bring businesses to permanent closure and employees to lose their jobs (World Bank Group, 2020).

Kosovo enterprises have undergone a radical change during the period of an extraordinary pandemic situation. There have been major changes, in terms of human resource management, adaptability, and adaptation to regulations, instructions issued by state institutions, management of emergencies, etc. However, while COVID-19 has caused challenges for doing business, it simultaneously introduced opportunities for innovation. For instance, to avoid physical interaction and at the same time preserve market continuity, organizations had to reorganize and search for digital alternatives to deliver their goods and services. Those, that could adapt to these changes, could survive through the crisis.

As one needs to identify and assess the effects of the new situation, our research is focused on presenting the perspective of Kosovo business enterprises (including micro, small, medium, and large), when confronting the COVID-19, and on assessing the economic impact that the crisis had on

these enterprises. Respectively, our research addresses the impact of COVID-19 on business enterprises, in terms of financial damage, laying off employees from their workplace, reorganization and change in organizational structure, primary activity re-development, adoption of alternative ways for goods and services delivery, and the need for new employees during this time. In addition, various other business issues such as difficulties in retaining applicable contracts, supply of operating materials, trust in supply chain partners, and product placement will be presented, among others.

This research intends to contribute to a better understanding of the economic impact of COVID-19 in general while focusing explicitly on Kosovo business enterprises. We consider that its findings are important in the sense that, first and foremost, they add up to a more comprehensive knowledge of the pandemic impact worldwide. On the other hand, relevant institutions and the business community can use them to reduce the negative effects of the crisis. Simultaneously, the findings might help to gain new insights on how to react to crises, as to minimize the effects on the economy. Lastly, we consider that this study provides enough data and information to be a benchmark for other research in this field.

The rest of this research paper is organized as follows: first, the research method and related literature are presented, followed by a discussion of empirical results, and, finally, conclusions and recommendations are provided.

2. METHODS

This research is based on primary data, which were collected through a questionnaire, administered online in June 2020.

Participants were recruited via e-mail and social sites, with their consent. The analysis was conducted on a valid data set of 205 respondents (i.e. business enterprises). In addition, peer-reviewed literature and relevant reports of state institutions were included, as they were considered to provide valuable data on the subject matter.

The data is quantitative and has been analyzed by using the *Statistical Package for the Social Sciences (SPSS)*, specifically by using the descriptive data analysis (descriptives, frequencies, cross-tabulations). The following table presents the sample, which was stratified.

Table 1. Stratified sample characteristics

Enterprises by no. of employees ¹		Years of operations		Region of operation		Enterprises by economic sectors	
1-9	56.1%	0-2	17.1%	Prishtinë	53.2%	Retail	16.1%
10-49	34.1%	3-5	23.4%	Gjilan	16.6%	Services	19.5%
50-249	7.3%	6-9	16.1%	Prizren	13.7%	Production	29.3%
>250	2.4%	>10	43.4%	Ferizaj	5.9%	Gastronomy/ Hotels	12.2%
				Pejë	5.4%	Technology	12%
				Mitrovicë	3.4%	Textile	9%
				Gjakovë	2%	Wholesale	8.8%
						Education	2.4%
						Transport/ Logistics	1.5%

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

Note: The questionnaire consisted of 18 questions. Of these, 8 questions were demographic, 2 related to employees, 8 questions related to the financial condition of the enterprise, activities, and operations.

3. LITERATURE REVIEW

The COVID-19 pandemic has already put the economy and the labor market in an unfavorable situation, negatively affecting not only the supply (goods and services produced) but also the consumer demand (consumption and investment). All companies, regardless of their size, are facing serious challenges, particularly those in the transport, tourism, manufacturing, and

service industries, being realistically threatened with significant declines in revenue, non-solvency, and layoffs.

A variety of scientific papers have addressed this issue and measured the impact of the pandemic. In an initial assessment, according to IMF estimates (2020a), the COVID-19 pandemic has shifted the 2020 global growth outlook, from the projected growth of more than 3% worldwide to a

¹ Categorization of enterprises by size is based on Kosovo Agency of Statistics (Kosovo Agency of Statistics, Q2 2020b)

rapid decline of 3% that is even worse than the loss seen during the 2008–09 global financial crisis. Fernandes (2020) found a median GDP decline of -2.8% in 2020, when estimating the potential global economic costs of COVID-19 and the GDP growth of 30 countries, while in other scenarios, GDP could fall by more than 10%, and, in some countries, by more than 15%.

Empirical research worldwide shows that lockdowns have forced half of all small businesses to temporarily stop trading and 60% of SMEs risk emptying their cash reserves (Cowling, Brown, & Rocha, 2020; Giupponi & Landais, 2020). The resources that SMEs use, such as bank and equity finance, venture capital, and business angel finance (Brown & Lee, 2019), fall sharply during times of crisis and recession (Howell, Lerner, Nanda, & Townsend, 2020), including the COVID-19 pandemic.

A study by Fairlie (2020) indicates that only from February to April 2020, the number of actively operating businesses in the U.S. decreased by 3.3 million, or 22%, due to COVID-19. As for economic activity, the number of active businesses in most major industries, such as construction, hospitality, transportation, and personal services experienced a downfall, as a consequence of the pandemic. Shafi et al. (2020) found that enterprises in Pakistan have been affected in terms of financing, supply chain disruption, decrease in demand, as well as a reduction in sales and profit and that 83% of them were not prepared and had no plans to manage the situation.

Results from another study on the effects of coronavirus on small businesses, conducted in the United States by Bartik et al. (2020), show that 41.3% of surveyed businesses were temporarily closed as a result of the pandemic, while a considerably smaller number (1.8%) claimed to be

permanently closed. Only 1.3% stated that they are temporarily closed, due to other reasons, while 55.5% stated that they are still operational. According to this research, the decline in active businesses has come as a shock to America's small firms and has affected all industries.

Micro, small, and medium enterprises are negatively affected in case of catastrophes, even if it does not affect them directly, and this is attributed to the interruption of the worldwide supply chain (Prasad, Su, Altay, & Tata, 2015). Brown (2020) noted that, among Scottish SMEs, small businesses are the most affected, with the greatest negative effect coming from the uncertainty, caused by the crisis. Responses from small businesses, in a study by Bartik et al. (2020), show that 38% felt it was doubtful, or only likely, that they would be operating at the end of 2020. A study conducted in China, by Lu, Wu, Peng & Lu (2020), shows that many SMEs faced cash-flow risks, because, although they had little or no revenue, they still had to pay for fixed costs. This study also shows that the pandemic resulted in a substantial drop in market demand, with about 35.5% of SMEs and close to 40% of SMEs in the primary and tertiary sectors considering this to be the main reason to close their companies. Moreover, it was also found that raw material shortages were a concern for approximately 30% of SMEs, coming from primary and secondary industries, while cash flow shortages were a concern for 35.9% of primary industry SMEs and 29.5% of new economy SMEs (Lu et al., 2020). In addition, according to the same study, under current conditions of cash flow, for approximately 60% of SMEs, it was impossible to survive for more than three months, and 80% of them stated that they will not be able to survive over six months if the impact of the pandemic continues.

A paper by Buffington et al. (2020), shows that COVID-19 has harmed the activity of 89.9% of small businesses in the U.S., from which 51.4% have experienced a major negative effect and 38.5% a moderately negative effect. Other estimates from this study indicate that 44.9% of businesses faced disruption in their supply chain. Furthermore, to continue their operation, about 15.2% of businesses (especially those of the food service industry and retail) implemented the home delivery method as an alternative for generating income (Buffington et al., 2020).

In Kosovo, the economic activity, due to the global pandemic had been forecasted to decline by 8.8% in 2020, and its impact was expected to carry over into 2021 (World Bank Group, 2020). Furthermore, CBK forecasted a real decline of 2.9% in consumption in 2020, while investments were expected to have a real decline of 12.1% in 2020; public investments 22.1%, and private investments 9 % (Central Bank of Kosovo, Q 1/2020). If we compare the second quarter (Q2 2020) to the same quarter of the previous year (Q2 2019), in terms of GDP, it has decreased by -9.28% (Kosovo Agency of Statistics, Q2 2020a).

The spread of the pandemic in Kosovo, combined with the restriction of movement and the closure of many businesses had an immediate impact on unemployment, as well. For example, the number of job seekers went from 114,439 in March 2020, up to 185,371 in June 2020 (Kosovo Agency of Statistics, 2020c). In other words, there was an increase of 62% in the number of job seekers during this period. On the other

hand, the number of registered enterprises in the second quarter (Q2 2020) compared to the same quarter of the previous year (Q2 2019) has decreased by -23.4% (Kosovo Agency of Statistics, Q2 2020b).

The region of the Western Balkans is also facing an economic crisis in the period of the pandemic, which (except for Serbia), according to the IMF (2020b), was expected to have a decline of 5.2% in economic activity in 2020. Unemployment has always been a problem for the entire Western Balkans region, although in 2019 unemployment figures for the entire region were improved: e.g., in Kosovo, unemployment decreased by 3.8%², compared to the previous year. By June 2020, however, the unemployment rate in the region (estimated to be 15.9%), except for Serbia, compared to June 2019, increased by 0.5 pp, with 139,000 jobs lost, and businesses, challenged by the situation, had shortened employee working hours (World Bank Group, 2020). These figures indicate the impact of the crisis on the economy and business operations.

4. RESULTS AND DISCUSSION OF THE EFFECTS OF COVID-19 ON KOSOVO ENTERPRISES

4.1. Demographic profile

To assess the effects of COVID-19 on Kosovo business enterprises, we collected demographic data, providing a more complete insight into our sample, consisting of 205 respondents.

² Calculation: 29.5 percent (2018) minus 25.7 percent (2019) = -3.8 percent (World Bank Group, 2020)

Table 2. Demographic profile of respondents (in %)

Gender		Level of education		Age group	
Male	74%	High school	18%	18 – 24	12%
Female	26%	Bachelor	44%	25 - 34	42%
		Master	33%	35 - 44	32%
		PhD	5%	45 – 54	10%
				55 – 64	4%

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

As shown by the previous table, women own 26% of the surveyed enterprises, while men own 74%. Our research has confirmed the gender structure of business founders in Kosovo, which approximately corresponds with the data in the Statistical Repertoire of Economic Enterprises in Kosovo (Kosovo Agency of Statistics, 2020, Q1), according to which, about 76% of registered enterprises in Kosovo are owned by male owners and 21% by female owners. The remaining 3% have mixed ownership. Regarding education, 77% of respondents have either a Bachelor's or a Master's degree, i.e. the qualification structure is quite satisfactory, which could be encouraging, since company leadership must be well prepared to identify and evaluate the developments during the global pandemic, as well as develop crisis strategies. There is only a moderate percentage (18%) of businesses, managed by respondents with high school degrees. Assuming that these firms operate for a long time and have substantial expertise, they should be able to effectively resolve the situation by using the appropriate financial assistance.

Data from the surveyed business enterprises also show that the responding entrepreneurs belong predominantly to the younger age groups and have an appropriate educational background. The average age of these entrepreneurs is between 25 and 44 years, with 74% of respondents, belonging

to this age group. This is promising because these managers have both the knowledge and the skills to manage the challenges of their enterprises during and after the pandemic, and to win back markets and consumers. The only downside may be the insufficient experience in dealing with economic crises of this nature.

4.2. Employee layoffs

Kosovo's employment situation, marked by the unemployment rate of 25% (Kosovo Agency of Statistics, 2020b) has always been unfavorable, causing it to enter the economic crisis, caused by the coronavirus outbreak, with the delicate labor market. COVID-19 has affected most sectors of Kosovo's economy, weakening the economic power of enterprises, which, for a very short time fell into a shock from isolation, along with the inadequate opportunities to produce or provide services. As a result, the revenues began to decline, while the liabilities to banks and other partners were still active, creating preconditions for bankruptcy. In this scenario, due to the failure to pay the workers, a vast number of employers were forced to lay off a large number of employees, either on a permanent, or a temporary basis, thus, leaving workers with no income. This is the point, where the chain effect occurred, causing a decline in buying power and a drop in consumer demand.

According to a study, conducted by BSCK (Krasniqi, 2020), on a sample of 250 enterprises, in the period from 1 to 15 April 2020, the private sector in Kosovo had temporarily laid off about 60-70% of employees, and if the pandemic situation continues to be the same over the next three months, firms had reported that they would be forced to permanently cancel job contracts of about 40% of employees. On the other side, according to Statistical Repertoire on Economic Enterprises in Kosovo (Q2 2020b), a total of 2,033 enterprises were registered in the second quarter of 2020. The number of registered enterprises decreased by -12.03%, as compared to the previous quarter (Q1 2020), and by -23,4% compared to the same quarter of the previous year (Q2 2019). These statistics further affirm the difficult position of business enterprises during the time of isolation, as well as the unfortunate effect on

employment. These development apply to the reporting period only.

From the survey we conducted in the enterprise sector of Kosovo, 63.4% of respondents declared that they had not laid off any employees, while 36.6% have done so (see Figure 1). If we break it down by the number of employees, 24.9 % of enterprises have laid off 1-4 employees, either in the short or long term, whereas there are appx. 8% enterprises, laying off a larger number (five to ten) of employees. Meanwhile, 3.4% of enterprises terminated 11-90 employees (see Figure 1). We must be aware, however, that there is a high percentage of micro-enterprises in Kosovo that hire a small number of workers, or where workers belong to the family circle, and that this percentage does not necessarily represent the actual state of the loss of work in the Kosovo enterprise sector.

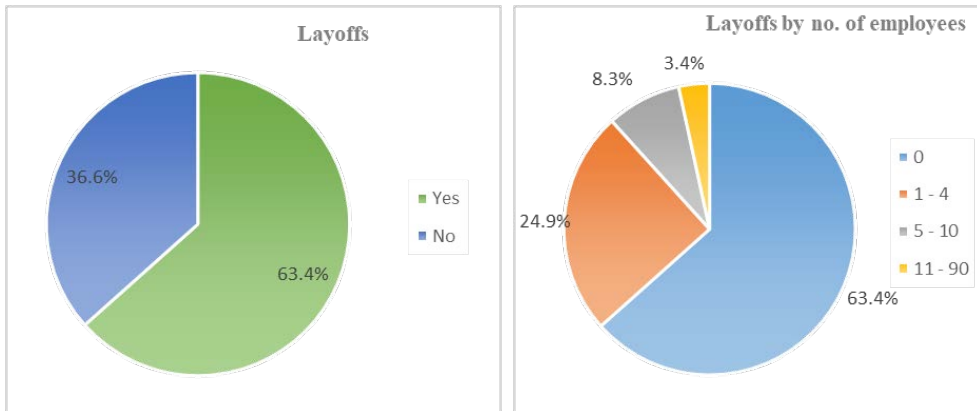


Figure 1. Number of enterprises reporting layoffs and the number of laid-off employees, due to COVID-19

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

If we relativize the number of business enterprises, which have not laid off any employees, such as micro-enterprises, we may assume that the data is not statistically significant, because those are, most likely, to be family-type enterprises. Therefore, the statement that no workers have been laid

off is accurate, but statistically not significant. Of course, this topic involves other issues, related to the nature of informal employment or non-declaration of employees, among others. After the pandemic phase, however, the continuation of these enterprises is believed to be difficult, but

simultaneously promising, depending on their entrepreneurial potential.

4.3. Need for new employees

Though COVID-19 has introduced difficulties in doing business, at the same time, it has created innovation prospects for businesses. In general, the pandemic has influenced the essence of doing business, particularly the way services and products are offered in the market. Businesses that have found a way to innovate have also had the

opportunity to hire additional staff during this time. In this regard, the findings of our study indicate that the majority of surveyed enterprises did not need to recruit new workers. In response to the question “Did you have to hire new employees during COVID-19?”, 15% of surveyed enterprises responded positively. The remaining 85% stated that they did not need any new employees during this period.

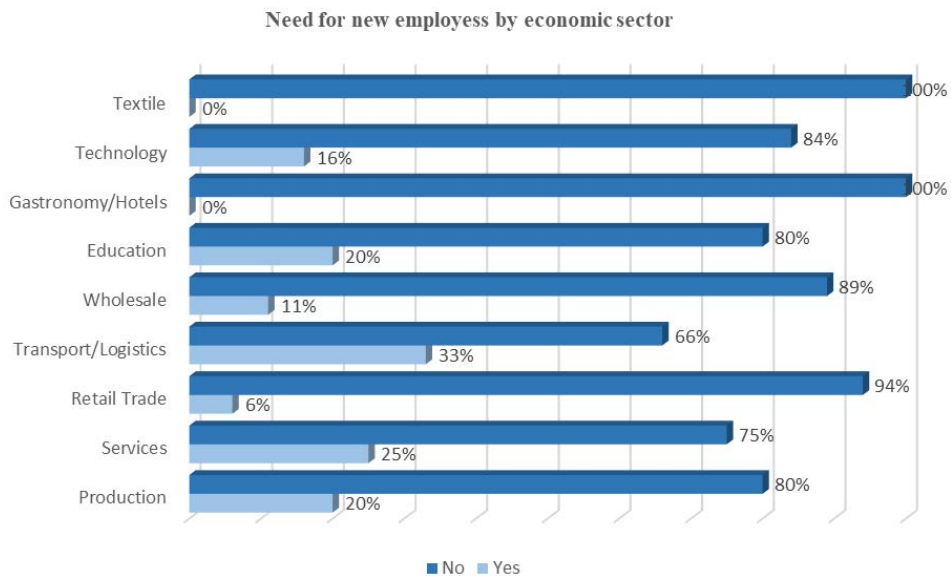


Figure 2. Need for new employees by economic sector during COVID-19

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

In terms of industry, results from the cross-tabulation of the enterprise sector and the need for new employees during COVID-19 (see Figure 2) show that gastronomy and textile production sectors did not need to hire any new employees during the coronavirus pandemic. This is reasonable, given that these industries have not been able to operate during the lockdown (due to government restrictions), and simultaneously, appear to be among the most

affected sectors in Kosovo. Similarly, data from the Kosovo Agency of Statistics (Q2 2020a) show that, among economic activities that marked a decline in the second quarter, are also accommodation and food service, which suffered a decline of -24.4%.

The sector that had the highest need for new employees is transport/logistics, with 33% of respondents declaring such a need, which is expected, given the fact that almost all other industries began delivering

their products, ordered online, directly to their clients.

Service, with the 25% of respondents needing new employees, as well as production and education with 20%, and technology, with 16%, are following in this regard, whereas the sectors that needed the least additional workers are wholesale (11%) and retail (6%).

4.4. Enterprise reorganization, change of organizational structure, and primary activity

According to studies on organizations worldwide, many businesses are reorganizing to be responsive to the crisis, by transitioning to new operating norms (Graves & Karabayeva, 2020), and developing new products and services to remain in the market (Chesbrough, 2020). We were also interested to see the transition or flexibility, shown by enterprises about their reorganization, i.e. change of the organizational structure and the primary activity, as a response to the situation that unexpectedly emerged from the COVID-19.

Our research results on the reorganization of Kosovo business enterprises indicate that surveyed enterprises are not poorly placed in this respect. To the question *“Have you reorganized and changed the organizational structure due to COVID-19?”* a considerable number (37%) answered positively, while the remaining 63% have not made such arrangements.

On the other side, the new economic conditions, brought on by the coronavirus pandemic, introduced the need for certain goods and services, while many previous

business activities became almost impossible. In fact, in this difficult time, changing the primary activity was a solution for many organizations. Most firms altered or restructured their primary activity and produced goods and services that were more required in the COVID-19 scenario. In the case of our study, results indicate that the majority of enterprises have not changed their primary activity. In response to the question *“Have you changed your company’s primary activity at the time of COVID-19?”*, 17% of surveyed enterprises answered positively, while 83% of them have not done so. The data show that despite the aggravated economic position of many enterprises, only a relatively small number of them have made changes in this regard.

4.5. Changes in product and service delivery

The new situation and the global economic slowdown have driven many businesses to search for alternative ways to provide their customers with goods and services. As new cases of infections with the coronavirus have arisen around the world, research and analyses were conducted on how to change the way, in which businesses could offer their goods and services. While the lockdown had made it impossible for many industries to continue to provide their services, others, such as education, financial services, consulting and media, as well as the back-office service providers had to adjust suddenly and began operating in alternative ways to preserve the business continuity (Carnevale & Hatak, 2020; Tuzovic & Kabadayi, 2020).

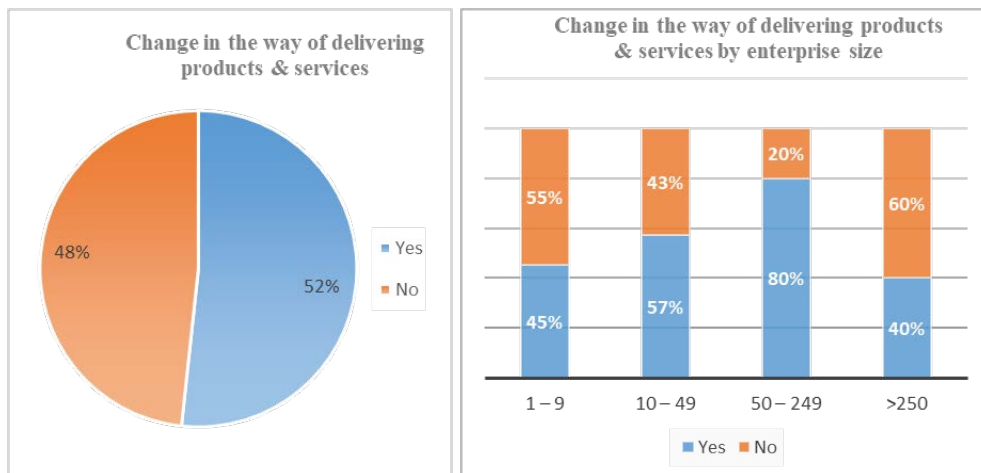


Figure 3. Change in the way of delivering products and services as a result of COVID-19

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

Our research results, related to the question “*Have you changed the way of delivering your products and services during the COVID-19 situation?*” (see Figure 3), show that 52% of the enterprises have shifted the way they deliver their goods and services, while 48% have not considered doing so. Against this background, Kosovo enterprises have demonstrated a satisfactory level of adaptability to the changing environment. These businesses have managed to meet their customer needs and keep their business continuity at the same time. On the other hand, a high amount of the remaining enterprises (48%), have not taken such actions. However, this is not necessarily linked to their will, as it is likely that many industries have found it impossible to operate in any manner.

The change in the way products and services are delivered may also depend on the size of the enterprise. To see if business size has been a challenge, or an advantage in

this regard, we have analyzed a cross-tabulation between the declaration of business enterprises on the change of delivering their products and the enterprise size. Results indicate that 45% of micro-enterprises, 57% of small enterprises, and 80% of medium-sized enterprises have changed the way they provide their customers with goods or services (see Figure 3). We can say that medium-sized enterprises have mostly changed the way they offer products or services, compared to enterprises of other sizes. It is worth noting that 60% of the large enterprises surveyed have stated that they have not changed the way of providing their products and services.

To determine which economic sectors have been more flexible, or had more opportunities to change the way products or services are delivered to their customers, we conducted a crosstabulation of the change in the way products and services are provided with the economic sector.

Figure 4. Declaration of enterprises on the shift in the way of delivering their products and services as a result of COVID-19 by the economic sector

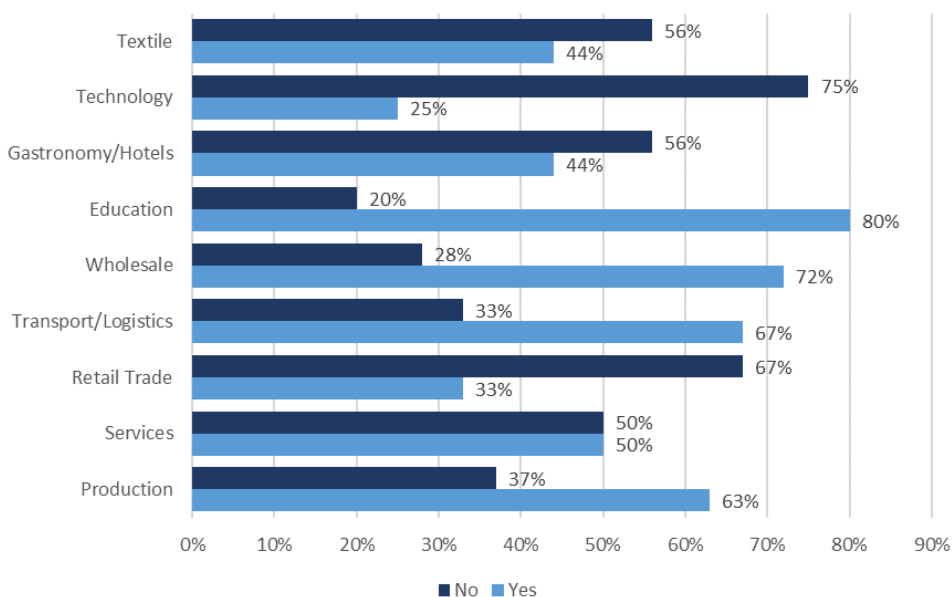


Figure 4. Declaration of enterprises on the shift in the way of delivering their products and services
Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

As demonstrated by Figure 4, the education sector has declared the largest percentage (80%) of change in the way services were offered, which relates to online learning. Organizations need to be agile and build capabilities quickly, to utilize the opportunity for digitalization and withstand the changes, induced by the environment (Seetharaman, 2020). Educational institutions are, certainly, a good example of these unexpected environmental changes. Among other sectors of the economy, trade (72%) has changed most, in terms of how goods are offered. While we notice an almost equal proportion to other sectors, in terms of changes in the way products or services,

are offered to customers, it is worth noting that 75% of enterprises in the technology sector have not changed the way they provide their goods and services.

4.6. Financial damage in enterprises caused by COVID-19

The lockdown has caused different kinds of harm for many enterprises, especially financial damage. We have asked Kosovo enterprises for their assessment of the financial damage, caused by the situation with COVID-19, and the findings show that the crisis has had a considerable impact in this regard.

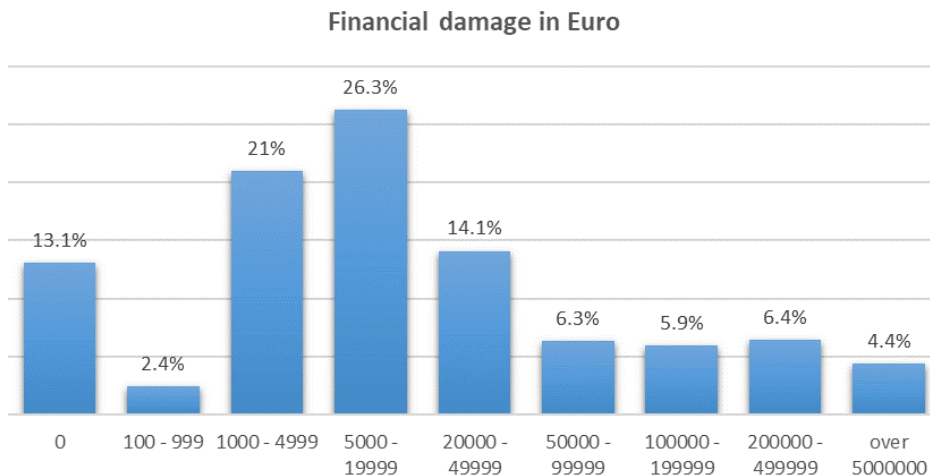


Figure 5. Assessment of financial damage of enterprises as a result of COVID-19

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

As demonstrated by Figure 5, enterprises have stated that a very large monetary damage had been caused by the coronavirus pandemic. Data from this research show that 13.1% of responding enterprises have not declared any financial damage. On the other hand, aggregated amount of 49.7% estimates their financial damage in the range from € 100 - € 19,999. There are 32.7% of enterprises, with the estimated damage in the range of € 20,000 - € 499,999, while 4.4% of the respondents estimate their damage to be higher than € 500,000.

In terms of average amounts, surveyed micro-enterprises incurred losses of € 10,348 on average; small enterprises of € 100,370 and medium enterprises of € 254,933. On the other hand, surveyed large companies had an average loss of € 274,000.

Table 3. Average financial damage of enterprises in EUR

No. of employees	1 – 9	10 – 49	50 – 249	>250
Average of financial damage estimated	10,348	100,370	254,933	274,000

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

4.7. Other aspects of business affected by COVID-19

Another aspect that affected the surveyed business enterprises by COVID-19 is the difficulty of complying with applicable contracts. According to our findings, 88% of enterprises (34% greatly; 28% somewhat, and

26% a little) reported difficulties in retaining the existing contracts. This was certainly influenced by the closure of the state borders, restriction of free movement, and municipality lockdowns, among others. In contrast, 12% of enterprises reported not having any difficulties in this regard.

Businesses that responded to our survey were also affected in terms of material supply. This is explained by the fact that Kosovo is an importing country. According to the Report on International Trade Statistics, by the Kosovo Agency of Statistics (2019), imports in April 2019 amounted to 295.4 million EUR, while in comparison, imports in April 2020 were 193.9 million EUR, or -34.4% Kosovo

Agency of Statistics (2020a), which shows a decrease in business activity, and at the same time, difficulties in securing necessary materials. It is obvious from Figure 6 that businesses have been highly influenced by COVID-19, in terms of accessibility of operating materials. In this respect, 90% of respondents (40.5% greatly, 28% somewhat, and 22% a little) claimed that they were affected, while 10% declared the contrary.

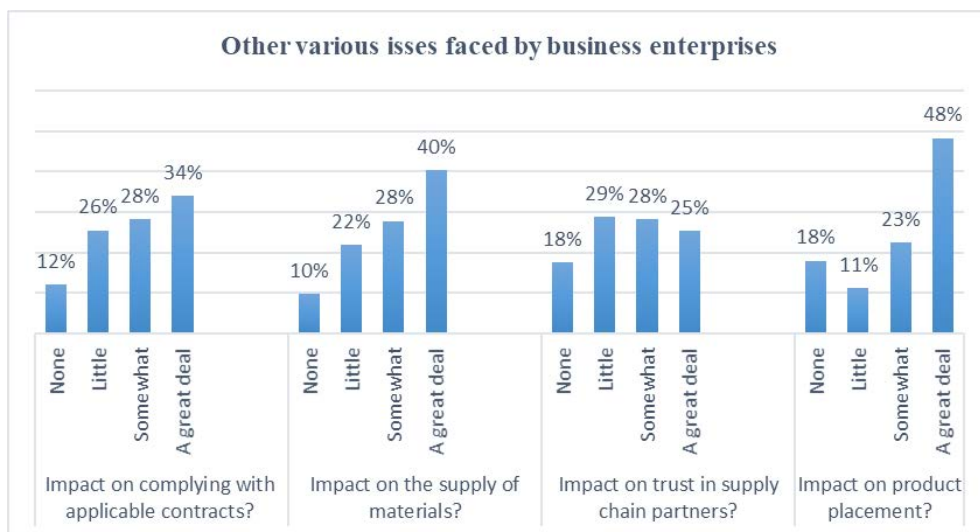


Figure 6. Various other issues faced by business enterprises at the time of COVID 19

Source: Survey conducted on the effect of COVID-19 with Kosovo enterprises (June 2020) - N = 205

Trust in supply chain partners is another question of interest in this study. This might happen, as a wide range of businesses is influenced by the COVID-19 crisis, throughout entire supply chains. Among respondents to this survey, the aggregated amount of 82% stated that COVID-19 had an impact on trust in supply chain partners, of which 25% were highly impacted. In contrast, 18% reported no impact in this regard.

Product placement, on the other side, was another problem, encountered by businesses in the time of COVID-19. Many businesses have been unable to sell their products, due to the restrictions imposed

and have suffered heavy losses. These challenges have been reflected in the findings of this study, as well, according to which the aggregated amount of 82% of businesses have declared difficulties in this regard, while only 18% have reported the opposite.

5. CONCLUSION

This research paper provides an empirical analysis on the effects of lockdown, in response to the spread of COVID-19, on the economic position of business enterprises in Kosovo. Our findings illustrate how deeply

they have been impacted by the present crisis.

Responses to our survey indicate that the impact of the pandemic on business enterprises is quite high. Although 63% of surveyed enterprises did not lay off employees, around 37% of them did. However, a considerable number of businesses (15% of them) needed new employees, as a result of the increase in their activities during this period. In terms of the economic sector, those that did not need to hire any new employees are gastronomy and textile, while the sector that had the highest need for new employees is the transport/logistics sector, with a positive response from 33% of respondents (due to the increase in online selling applied by many businesses). Of course, many industries have not been able to operate with their full capacity or function at all, because of lockdowns and other government restrictions.

In terms of enterprises, 37% stated to have reorganized and changed their organizational structure. On the other hand, 52% of enterprises have changed the way they provide their products or services. While most sectors show an almost equal proportion, when it comes to changing the way products or services are offered to the customers, the education sector is the one that has shown a higher level (80%) in this regard, which is justified by online learning. In the trade sector, 72% of respondents have changed the way goods and services are provided, by adapting to the measures taken by the government. In contrast, 75% of enterprises in the technology sector have not changed the way services are provided. As far as the change in primary activity is concerned, 17% of enterprises have declared that they have done so. This may have occurred for two main reasons: enterprises were either forced to change

their primary activity to survive or at best, they took advantage of the opportunity to increase their revenue through other activities that were more profitable during the pandemic.

Regarding the financial consequences, 13.1% of the responding enterprises have not declared financial damages, as a result of COVID-19. In contrast, 49.7% estimate their financial damage in the range of € 100 - € 19,999. There are 32.7% of enterprises with the estimated damage in the range of € 20,000 - € 499,999, while 4.4% of the respondents estimate their damage by over € 500,000. On average, in absolute numbers, surveyed micro-enterprises have lost € 10,347, small enterprises € 100,370, and medium enterprises € 254,933. Large enterprises, on the other hand, have had an average loss of € 274,000.

Other relevant issues that business respondents have encountered at the time of COVID-19 are difficulties in retaining the existing contracts, supply with operating materials, trust in supply chain partners, and product placement. According to our findings, 88% of businesses have reported difficulties in retaining the existing contracts; 90% difficulties in obtaining operating materials; 82% stated that COVID-19 had an impact on trust in supply chain partners, and 82% of businesses have declared difficulties in product placement.

In conclusion, the responding enterprises stated a considerable impact of the coronavirus pandemic on their functioning. While COVID-19 has been detrimental to many businesses, it has also provided opportunities for many businesses to be creative in redesigning their products and services, identifying new ways of delivering their goods, by taking advantage of technology and contemporary methods of doing business.

6. RECOMMENDATIONS

Based on the empirical findings, we recommend the following:

- As a result of COVID-19, economic recovery packages should be created for enterprises, suffering economic losses, and their employees.
- In addition to financial aid, tax exemption and more specific assistance are recommended for enterprises that have employed new workers during the pandemic, as well as for companies that have innovated business processes and shown flexibility in the way they operate.
- Financial support should be given to enterprises that paid a full wage to employees at the time of isolation.
- The government and relevant ministries should take care, at least for one quarter, of the employees who have lost their jobs, due to the situation with COVID-19.
- In the emergency economic package, the government should focus on enterprises that have stated enormous economic damage, as a result of the pandemic.
- A financial plan should be developed that supports the new start-ups, to be opened after the pandemic, in the form of grants and co-financing from state institutions at both local and central levels.
- There should be an improvement in collaboration between the labor market and academic institutions. In this pandemic era, the participation of experts, as well as other individuals with integrity, such as students, professors, and universities, is essential for the business community.
- As 52% of surveyed businesses have changed the way they deliver products, this should serve as a positive learning experience for businesses to invest in advancing and developing innovation, especially in product delivery.
- Education and trade sectors have shown more flexibility in service delivery. In the future, relevant state institutions should invest more in providing a more modern and comprehensive approach to teaching and learning.
- Relevant institutions, in collaboration with commercial banks, instead of lowering interest rates on loans, should introduce more options for enterprises to compensate for losses and boost the economic recovery.
- Businesses need to create financial reserves to overcome emergencies or mitigate the effects of unforeseen scenarios such as the one with COVID-19. Thus, businesses could be better organized in terms of safeguards and quicker adaptation to social, political, and economic changes.

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