
THE ROLE OF LOCAL GOVERNMENT IN PROMOTING ENTREPRENEURSHIP AND EMPLOYING YOUNG PEOPLE

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Abstract: The governance system in Kosovo is separate from the central level of governance at the local level. But these two are interconnected. Therefore, considering the influence of local government in many different spheres, the purpose of this paper is to describe the role of local government in promoting entrepreneurship and the influence of entrepreneurship on youth employment.

Initially this paper analyzes the support that local government provides to enterprises through various forms such as infrastructure, administrative procedures, various subsidies, and then employment of young people in these enterprises.

The study included 500 enterprises of the Republic of Kosovo, where from the findings of this study we conclude that the local government has an average impact on the promotion of enterprises as it does not offer as much opportunity for enterprises due to limited competences in economic development. In addition, youth employment is low.

The primary data collection is through the forms provided by Google, while data analysis is done with the SPSS program where the measurement of results is done with techniques like correlation. Various statistical variables were identified from the variance analysis.

Keywords: Local government, promotion, enterprise, youth employment

INTRODUCTION

Since local government has the competence when it comes to the local interest to promote enterprises through various forms such as various subsidies and grants, infrastructure regulation, economic zone provision etc, then it would be of wider interest since to analyze whether local government through these forms can affect the development of enterprises and to increase the number of young people employed.

Therefore, the purpose of this paper is to analyze and describe the role that local government can play in promoting entrepreneurship and youth employment through various strategies.

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This survey is of utmost importance because, apart from presenting the situation, the various forms that the local government applies to promote the business environment, we will see whether this support impacts the enterprises to develop more, extend the scope of action and own source revenues. And then through the correlation will be shown the impact of all this on the growth of employed youth.

The study was built by pushing two hypotheses and answering two research questions:

H1: Local Government Affects the Promotion of Entrepreneurship.

Research Question 1: Does local government provide access to enterprises through subsidies and grants, improve infrastructure, and build economic zones?

H2: Entrepreneurship promotion affects young people's employment.

Research question 2: Promoting your enterprise through the conditions that the local government has provided, has it affected you to grow by this to increase the employment of the employees?

METHODOLOGY

Local government can influence the promotion of enterprises in various forms, but those analyzed here are: granting subsidies and grants, infrastructure investments, and building economic zones. For the realization of this paper we are based on primary and secondary data. The primary data derived from the questionnaire realized in 30 municipalities of Kosovo, where each municipality was distributed by 16 questionnaires. A total of 500 were distributed. As secondary data were sparked by various literature that addressed various issues about local government support versus enterprises and employment of young people, etc.

Questionnaires were created through Google Forms, and as such are distributed to enterprises through various forms. Then the data processing was done with the SPSS version 20 program, which is the statistical program for social sciences (SPSS). For the evaluation of the results of all statistical tests, the level of statistical significance is set .05

REVIEW OF LITERATURE

Kosovo remains the poorest economy in the region and faces high levels of poverty, mass unemployment (averaging 45%, as opposed to Macedonia by 37% and Albania by 14%), heavy dependence on imports and with very small export sector, and lack of energy. (World Bank, "World Development Indicators", 2012). The LFS report in 2017 contains data on employment and unemployment by age, sex, employment status, economic activities, occupations and other areas of the labor market. In 2017, the employment rate is 29.8%, the unemployment rate is 30.5%, while the rate of non-activity is 57.2%.

As regards labor force participation, which is 42.8% in this period, the number of women belonging to the workforce was 20.0% while the male was 65.3%. The unemployment rate among young people is 52.7%. Long-term youth unemployment (15-19), who have been unemployed for more than 12 months for this year, is 44.6%. Percentage of young people who are not employed, either in education or in training - NEET (respondents aged 15-24) is 27.4% (Kosovo Agency of Statistics, Labor Force Survey, 2017)

Table 1. Key Labor Market Indicators (Source: ASK, Labor Force Survey 2017)

Main labor market indicators (%)	Males	Females	In total
Rate of participation in the workforce	65.3	20	42.8
Degree of inactivity	34.7	80	57.2
Employment rate	46.6	12.7	29.8
Unemployment rate	28.7	36.6	30.5
Unemployment rate among young people (15-24 years)	48.4	63.5	52.9
Percentage of young people NEET in the youth population (15 - 24 years)	23.8	31.4	27.4
Percentage of unsustainable employment to employment in general	24.4	18.3	23.1

The Organization for Economic Co-operation and Development (OECD) states that local employment and training agencies can play an integral role in drafting strategies to promote job creation and productivity growth, but only when effectively integrated with economic development (OECD, 2013).

Local governments try to create a suitable business climate through incentives because some supply-side theories emphasize that firms will be placed where they minimize spending, thus increasing local employment credits. Business Attraction Strategies are the first wave of economic development practice where localities try to target firms with money and money supply in the form of subsidized loans and tax exemptions to encourage their relocation. (Cray, A., Nguyen, T., Pranka, C., Schildt, C., Sheu, J., & Whitcomb, E. R.)

The principle of subsidiarity is a powerful principle that enables municipalities to act and regulate areas where central or regional government does not act and where goals can be better achieved by acting at the municipal level. Article 17 of the Law on Local Self-Government in Kosovo specifies that municipalities "have full and exclusive competencies with respect to the local interest, while respecting the standards set out in the applicable legislation, in the following areas: a) local economic development; h) provision of public pre-primary, primary and secondary education, including registration and licensing of educational institutions, employment, payment of salaries and training of instructors and education administrators; (Law No. 03 / L-040 on Local Self-Government).

To facilitate business performance, in 2009, the Government of Kosovo adopted the Law on Economic Zones, which aimed at the creation of certain areas, where businesses would have better conditions compared to other parts of Kosovo to develop their business activities. respectively, easier access to transport, energy, water and other services essential for businesses. From the experience of developed countries, it is understood that the functioning of economic zones has been an important element in the overall development of the country. And this practice should also be useful for Kosovo (Law No. 03 / L-129 on Economic Zones, 2009.)

However, in addition to adopting a legal basis for the creation of economic zones, their functioning in Kosovo has not been so successful so far. Therefore, before analyzing the efficiency of business parks and their impact on the country's economy, one should look at how effective they are. Today most of the business parks are semi-functional, there is stagnation in the construction of park infrastructure, there is a mixture of business activities within a park whether they are both dangerous to each other. One problem faced by Kosovar businesses that have invested or planning to invest in these areas is physical infrastructure, which has not been as planned and promoted. Extension of work and excessive procedures have led to losing the interest of local or foreign businesses (Gap, Policy Analysis of the Law on Economic Zones, Its Impact on the Development of Business Parks, May 2012). In addition to economic zones, the importance of infrastructure for a country's development is almost self-evident. Studies show that the quantity and quality of infrastructure is the main factor determining the readiness of a business to invest in a

country. A business and a community cannot succeed if there is no regular energy supply or ways through which the goods can be marketed. Over the last few years, Kosovo has achieved significant results in improving road infrastructure, especially international connections. But the lack of financial capacity has left the rail network once and for all. The biggest challenge remains the provision of sustainable and cheap electricity supply, (Sustainable Development Plan, "National Strategy for Development 2016-2021 (PRC)" Pristina, January 2016)

In addition, the government and various donors provide grants for small businesses according to programs based on their own strategies. In addition to grants for existing businesses, there are also grants schemes that help small businesses with small amounts to facilitate business start-ups. Such programs in Kosovo are provided and provided by various organizations: Ministry of Culture and Youth, Ministry of Trade and Industry, Ministry of Agriculture and Forestry, Municipality of Pristina, European Union Office in Kosovo, International Organization for Migration (IOM) The United States Agency for International Development (USAID), the MDA Foundation, the Business Support Center (BSCK), the Kosovo Innovation Center (ICK).

Usually, most of these grants' programs are characterized by specific and highly specific criteria. In most cases, businesses are required to be creative and innovative and provide opportunities for expansion outside their location. (Information obtained from the municipal office for business support - Municipality of Shtime).

DATA AND ANALYSIS

After collecting data from 30 municipalities in Kosovo where 500 questionnaires were distributed, out of 16 in each municipality, we have the following results: Initially, we start with the gender of respondents where we note that 63% were men and 37% were women. As for the factors that measure the role of local government promotion of entrepreneurship and youth employment, we have the following results:

Table 2. Descriptive data on the factors affecting the promotion of entrepreneurship

Local government influences the promotion of entrepreneurship	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
I have benefited enough from subsidies and grants	500	3.308	1.152	0.052	3.207	3.409	1	5
The procedure for granting grants or subsidies is transparent	500	3.446	1.005	0.045	3.358	3.534	1	5
If I did not receive subsidies, I would not invest in my business	500	3.504	1.073	0.048	3.410	3.598	1	5
The subsidies I received helped to expand my business activity	500	2.834	1.185	0.053	2.730	2.938	1	5
Sufficient drinking water	500	3.784	1.166	0.052	3.682	3.887	1	5
Public lighting is regulated where the business operates	500	3.512	1.073	0.048	3.418	3.606	1	5
Business has access to regional and national roads	500	3.216	1.138	0.051	3.116	3.316	1	5
Business taxes and fees are reasonable	500	3.240	1.098	0.049	3.144	3.336	1	5
Power supply is very good	500	2.814	1.279	0.057	2.702	2.926	1	5
The construction of economic zones is a support that local government provides	500	3.426	1.218	0.054	3.319	3.533	1	5

The first indicators that measured the influence of local government in promoting entrepreneurship were investments in infrastructure, the financial support that local government provides to businesses through subsidies and grants, and the construction of economic zones where they are a very important element because these areas offer many opportunities and facilities for businesses, especially in the early years of action. The situation was such that businesses are being supported by local government through these forms, but there are areas that need more investment in infrastructure, namely rural areas, because there is a lack of electricity supply and lighting is not in the level of demand. The lack of energy causes dissatisfaction, does not promote the businesses at all, so that's where the productivity of the activity falls. But Kosovo is moving towards improving the infrastructure as it is one of the priorities of every local government of the Republic of Kosovo.

According to the degree of compliance, 25.37% of surveyed enterprises did not agree that local government supported through the forms presented in Table 2, 27.05% of them were not sure that local government supported through subsidies and grants, with infrastructure investments and by built economic zones, while 47.43% agreed with this situation.

The indicators that measured the impact of promoting the enterprise in increasing the number of employed youths resulted in an almost equal impact on all group statements, as you can see below:

Table 3 - Descriptive data on factors affecting youth employment

Entrepreneurship promotion affects young people's employment	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Subsidies and grants have contributed to the expansion of my business	500	3.414	1.01817	0.04553	3.3245	3.5035	1	5
Through subsidies and business grants my income increased	500	3.432	0.90499	0.04047	3.3525	3.5115	1	5
Offering basic infrastructure from local power affects my business to work better	500	3.342	1.02133	0.04568	3.2523	3.4317	1	5
Amounts of taxes and fees are reasonable and do not penalize the development of my activity	500	3.306	1.02688	0.04592	3.2158	3.3962	1	5
Involving my business in economic zones would have an impact on expanding my business	500	3.414	1.1512	0.05148	3.3128	3.5152	1	5

As seen from Table 3, enterprises have been told that the forms that local government has used have positively influenced their business activity properly. Since granting subsidies has had an impact on the average to expand business, as well as increase own source revenues, offering Basic infrastructures had a great impact on the good functioning of enterprises, and the inclusion of businesses in economic areas resulted to be of widespread interest, which would have an impact on expanding activity because these areas offer business facilitations in the early years of their operations.

According to the degree of compliance, 20.77% of surveyed enterprises disagreed that the support of local government has influenced their work to function better and that their promotion affects the number of employees increase, 29.38% were unsure, while 49.67% agreed with the group's assertions.

Table 4. Correlation between the support that local government provides and the promotion of entrepreneurship.

Correlations

		Support provided by local government to enterprises	Local government affects the promotion of entrepreneurship
Support provided by local government to enterprises	Pearson Correlation	1	.683**
	Sig. (2-tailed)		.000
	N	500	500

From Table 4 we note that the support given by the local government to the enterprises influences the promotion of entrepreneurship with an impact of 0.683 or even more than 68%, which means that there is a higher positive linear relationship between them. Since there is a positive correlation between dependent and independent variables and $p < 0.01$ we automatically accept the first hypothesis is confirmed.

Table 5. Correlation between promotion of enterprises and its impact on employment of young people

Correlations

		Promoting entrepreneurship through the forms that local government has applied	Promoting entrepreneurship affects employment of young people
Promoting entrepreneurship through the forms that local government has applied	Pearson Correlation	1	.525**
	Sig. (2-tailed)		.000
	N	500	500

Regarding the promotion of entrepreneurship in youth employment from Table 6, we see that promotion affects employment of young people with $r = 0.525$. Correlation has resulted in an impact, but not so great, because the local government is not providing much assistance to enterprises.

CONCLUSIONS AND RECOMMENDATIONS

Quantitative methods were used to give answers to questions and objectives. Parts of the study were 30 municipalities of the Republic of Kosovo, where a total of 500 questionnaires were distributed. The first group of questions where the local government had provided the forms was made up of 11 statements, of which minimum 1

and maximum 5, the group's average was 3.25. So, 47.43% of all respondents agreed on investment in infrastructure provided by local government, granting grants and subsidies, and features characterized by economic zones. Also, the first hypothesis was proved by correlation, where the influence of local government in promoting entrepreneurship was over 68%.

The second group of questions reflected the factors applied by the local government in promoting entrepreneurship and youth employment, where there were only 6 statements with an average of 3.3 from the minimum 1 and maximum 5. So, 49.67% of all enterprises stated that all those opportunities provided by the local government have influenced their enterprise to expand, to increase revenues, investments in basic infrastructure have made the process of working in the catering or manufacturing enterprises to develop as it should. As the local government influences the promotion of the enterprise, we have also studied another indicator that this promotion of enterprises affects the demand for young employees to grow.

Recommendations are dedicated to local authorities, since all of these factors are under the jurisdiction of local government. Therefore, it is recommended that the investment in infrastructure continues to develop even more. It is recommended that basic infrastructure is considered more important because the lack of electricity interrupts the work and the production process, with one word paralyzes everything, in this case also the productivity of the work would be. It is then recommended to improve the conditions regarding the construction of economic zones, since the practice in many countries of the world and according to this research has shown that the existence of such areas affects the development of enterprises. It is recommended that the procedures for the creation of economic zones be simplified, be offered financial assistance to businesses and lower taxes until they begin to function well. It is important to provide physical and basic infrastructure as their absence will cause businesses to withdraw and cancel the contract as it has happened in some Kosovo municipalities. Given that the economic zones in many countries have proved to be very successful, they must be re-energized because the humans have shown that they have an impact on economic development. In addition to the development of enterprises, the economic development of the country is growing as new jobs and unemployment are declining. Our research showed how well local enterprises are promoted, then they will be expanded and will need additional staff. It is therefore recommended to be affected by these components as the possibility exists.

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