

## THE MANAGEMENT OF GOVERNANCE ANALYSES AND PERFORMANCE OF SME'S GROWTH IN ALBANIA

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### ABSTRACT

All businesses are facing difficult economic and financial situations, many countries are facing bankruptcy situations of many activities, many economies are failing because they are unprepared for what awaits them. The COVID-19 situation brought the whole world to its knees. SMEs are most affected, as in the game of competition and market they fight for survival. These are the hypotheses that we will analyze in this scientific paper. We want to focus on a worrying issue for small Albanian businesses, and help these entrepreneurs find new ways and solutions to save them from bankruptcy. In this paper, the basic methods of conducting research are the combination of quantitative method and qualitative method. Qualitative research generally includes data in the form of words, descriptions, while quantitative research uses numbers and measures things. The decision to choose between quantitative research, qualitative research, or both depends on a number of factors, but the most important are: the field of research, the problem of research, and the perspective of the researcher.

In the case of this paper, this combination has been realized as the analysis of the literature and the evaluation of the measures by the Albanian government towards university education requires the qualitative method. On the other hand, quantitative methods are needed to measure the effectiveness of these measures. In the analysis of our work we will focus on the concrete situation, as from the research we have seen that many small businesses (about 67% have gone bankrupt) Let us not forget that SMEs are the backbone of a country's national economy, and Albania is in great need of their economic and social impact.

Therefore, we as professors of these disciplines request that through this research to bring in the focus of analysis the emergency situation in our country with the desire to serve entrepreneurs in new ideas of reviving their businesses.

**Key words:** *Management, structure of Small and Middle Enterprises, national economy, Albania economy, Covid 19 and social impact*

### GENERAL INTRODUCTION

All organizations today exist to fulfill a key mission in their life cycle and a set of specific objectives. If an organization wants to fulfill its mission and objectives, it must first act. When organizations are large and complex, organizational activities are more difficult to define and coordinate. The analysis of this scientific paper that we are presenting, focuses on the role of SMEs in the economy of a country like Albania, its organization and its most important forms, bringing it with a practical case study. SMEs are the pillars of the economy, pose challenges for managers and are

very important for those organizations that strive to achieve excellence in today's highly competitive environment and tomorrow's management.

The development of SMEs and their contribution to long-term economic stability depends on their size and structure. This allows them to have the flexibility and ability to adapt to the conditions of fierce competition in the conditions of well-developed markets. Small and medium business management enterprises are considered as the "Moving Force" of modern economies due to their multiple contribution in terms of technological innovations, job creation, export promotion, etc. In Albania, until recently there was no clear definition of micro-enterprises. Moreover, unlike many countries in Central and Eastern Europe which had a steady activity of the private sector, in Albania before the 90s there was no sign of this sector because it was prohibited by law. The birth and development of the private sector in Albania occurs with the collapse of the centralized economy system and the opening of the doors to the market economy. In this period, small and medium enterprises had a special development, which in the 20-year history of economic transition that our country has experienced, have played a crucial role in the economic development of the country. During the transition to a market economy, as for any other country, small and medium business is the backbone of the country's economy. Small businesses act as catalysts in terms of economic growth, as well as for the development of other such areas. such as arts, human resources, manufacturing and the sports sector.

Studies show that SMEs are important because their potential to create new jobs and distribute wealth, which has multiple effects on a country's socio-economic activities, ultimately results in socio-effects. -economic in the development of a country's activities. The development of the private sector is essential in ensuring the continuity of economic growth. Of course, given that the vast majority of the private sector consists of small and medium enterprises, it is understandable that the multidimensional support of their development is at the heart of the development philosophy of this sector. The development of small and medium enterprises is a primary element for creating a sustainable economic development, reducing poverty and alleviating social problems by bringing about a more equal distribution of income and an increase in employment.

Small businesses are often very innovative companies. They can introduce new products, new management styles and new promotional strategies. A large number of new products are created precisely by small businesses. On the other hand, an increasing number of small businesses make society and the economy more flexible. This can facilitate technological innovations, provide new opportunities or ideas, and enable the development of skills for implementing these ideas. As in many countries of the world and especially in transition countries like Albania, small businesses constitute the main pillar of the economy. Small and medium enterprises in Albania occupy over 98% of enterprises and employ about 80% of the workforce.

The purpose of this paper is to analyze the financing strategies used mostly by small and medium businesses in the city of Tirana, Vlora, Durres, Fier, and to analyze the financing challenges that these businesses face most at a time when economic growth is negative.

More specifically the objectives of this study are:

- a. To present the financing methods which are mostly used by small businesses in the city of Tirana, Vlora, Durres Fier.
- b. To present the level of investments made by small and medium businesses.
- c. To present the challenges and barriers faced by small businesses in the city of Tirana, Vlora, Durres, Fier.
- d. To present the level of loans received by small businesses in the city of Tirana, Vlora, Durres, Fier.
- e. Analyze the impact that the tax burden has on credit to enable the expansion and incentive of businesses.

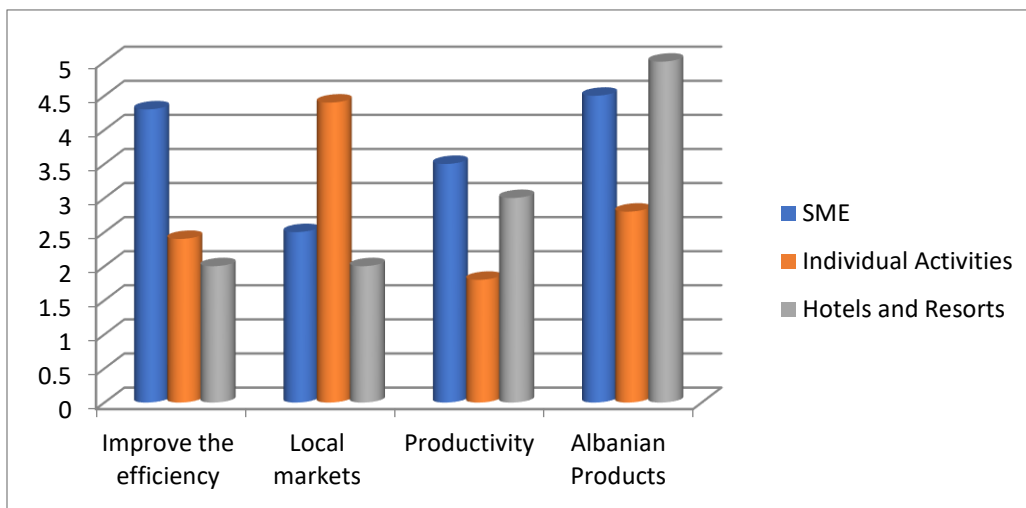
In the study hypothesis we will focus on the research question such as: What strategies do small businesses use in Albania in order to increase profit and attract new customers?

- a. What are the most successful SMEs in Albania and the strategies they use?
- b. What impact is the COVID-19 pandemic having on these businesses?

In order to fulfill the purpose of the study and return an answer to the research question, the hypothesis of this study is set out below.

## LITERATURE REVIEW ON SMES AND THEIR CHARACTERISTICS

The role of SMEs in developing countries such as Albania is essential for revenue generation and economic growth. The definition of SMEs is important for two reasons. First, researchers need to make sure that the issue they are studying is the same as that of other researchers in the field. Second, small and medium-sized government policy makers need to have a clear and concise definition in order to ensure that all funds spent are properly oriented. For example, if a government policy could be to help small businesses with their health insurance problems, a business with 100 employees would have very different problems compared to a business with no employees, except owner. (Osteryoung & Derek, 1993)



Source: Albanian report, 2022-2023

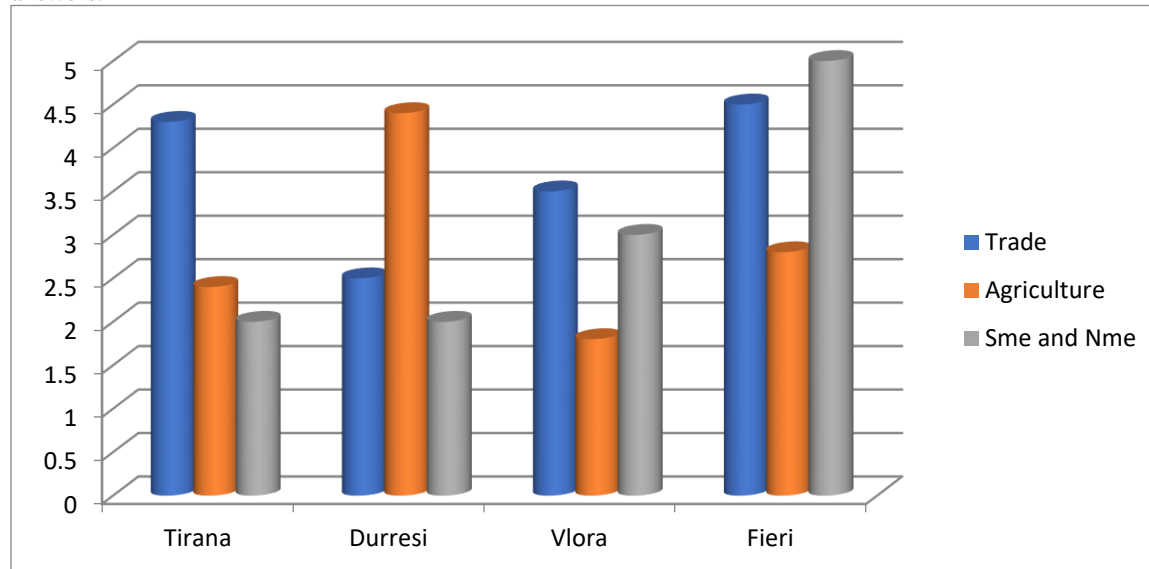
They can be an important factor in fostering competition, and market efficiency. SMEs also improve the efficiency of local markets and productively use limited resources such as capital. Small and medium enterprises are very important for the Albanian economy. They make up about 99% of all companies registered in the country. They contribute to increasing competition and the presence of Albanian product in European markets. SMEs are the leading private enterprises that continuously generate employment and contribute to sectoral restructuring, service development and the production of goods.

## METHODOLOGY

Research can be considered exploratory or confirmatory. Confirmatory research tests hypotheses. The results of these tests aid in decision making, suggesting a specific course of action. Exploratory research takes different approaches. They may be needed to develop ideas, leading first to the development of research hypotheses.

Some researchers often discover the reactions and activities of respondents using marketing research methods. Marketing research is a systematic process of planning, collecting, analyzing and interpreting data and information related to marketing problems. There are various methods that enable researchers to "enter into the mind of the consumer", through primary data.

A questionnaire consists of a set of questions which are presented to the respondents. Because of its flexibility, the questionnaire is the most common instrument used to collect primary data. Before completing them in the field, researchers develop and test to all small and medium businesses in the city of Fier, Vlora, Tirana, Durresi, them to adjust the questionnaires from uncertainties. The form, wording and sequence of the questions can affect all the answers.



Source: Albanian report, 2022-2023

The closed questions give all the possible answers to be interpreted and organized in tables easily. For this study, a questionnaire structured by me was developed and implemented, with the help of the leading pedagogue, and was addressed to all small and medium businesses in the city of Fier, Vlora, Tirana, Durresi, which include questions in which information was collected based on objectives, questions. research and hypotheses raised in this study.

In this study, due to the nature of the research, structured questionnaires were used in the survey, which were completed through social networks, where the interviewer is not in front of the respondent and thus the respondents are explained in advance in the initial description of the questionnaire which is its purpose and the reason why we chose that citizen. In the case of my paper, the respondents are students as they are affected by this situation. Secondary data. For the realization of this study a methodology was used that combined primary data with secondary ones. Among the secondary data, an important place is occupied by the contemporary literature on the impact of the pandemic in the world and its impact on businesses, especially SMEs, taking Albania as a concrete case. Primary data. Special attention was paid to the primary research conducted online which is a novelty for this study. Often times the information needed to solve the problem is not found in the internal or secondary data so we have to rely on the primary data. The research was designed in such a way as to ease the cost of gathering information and at the same time to achieve satisfactory results that would help to draw the most accurate conclusions. Primary data include the questionnaire conducted with the help and advice of the lead lecturer. After structuring it and working on Google Dosc, it was possible to provide primary data.

The questionnaire, as explained above, was piloted, so there was no ambiguity regarding the questions posed in the completed questionnaires. It was then built into Google Forms and distributed electronically to applications such as: email, linkedin, facebook, instagram, whatsapp. The disadvantage of this technique was that the owners / managers could not be contacted in shopping malls, supermarkets, markets, streets, houses, workplaces as the situation itself does not allow us to be close to other people and have close contact with them. Maybe this was a limitation to fill out more questionnaires, but the important thing was that his goal was achieved.

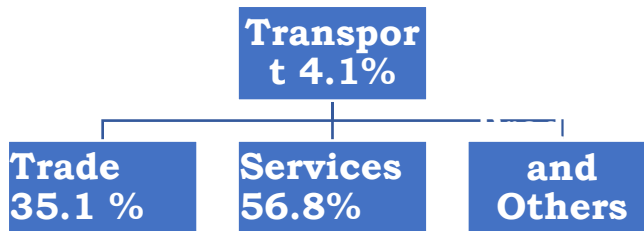
## DATA ANALYSIS

This study, by its very nature, has focused on descriptive analysis. The most basic statistical analysis is descriptive analysis. Through this analysis we make the initial transformation of the data, in order to describe the basic characteristics such as: central tendency, distribution and densities. One of the most effective ways of presenting information, especially numerical ones, is to construct and present the data obtained through graphs. This, also because many people are confused by the appearance of numbers.

Below is the data analysis of the distributed questionnaires.

In the first question the respondents were asked what kind of activity their SME takes place. In the following graph we notice that the activity which predominates more in the city of Tirana, Vlora, Durres Fier, is the activity of services. Knowing that this city is held for tourism, we can say that the answer was expected.

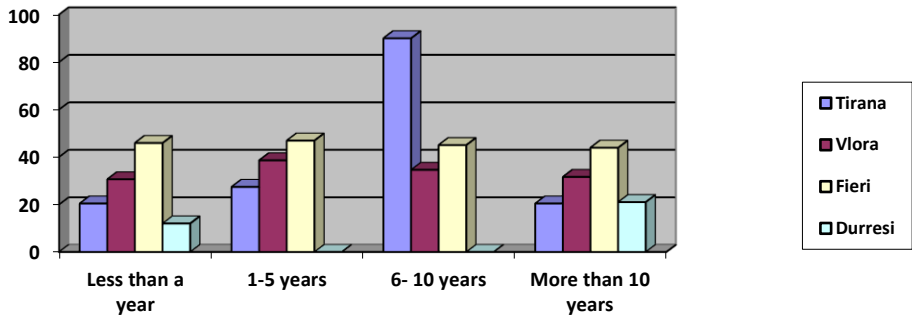
See Tab 1 below:



Tab1: The percentage of activities according to the field of activity of SME perform

In the following question we want to know the contribution that SMEs make in our country. We saw it in the third chapter where SMEs in Albania served as catalysts and regulators of the Albanian economy. Also their indicators were more positive sides and opportunities, than negative sides and threats. Therefore, in the second question of the questionnaire, the respondents were asked how many years they have been operating in the Albanian market. From the graph below we see that the highest percentage is occupied by the period 1-5 years with 51.4%.

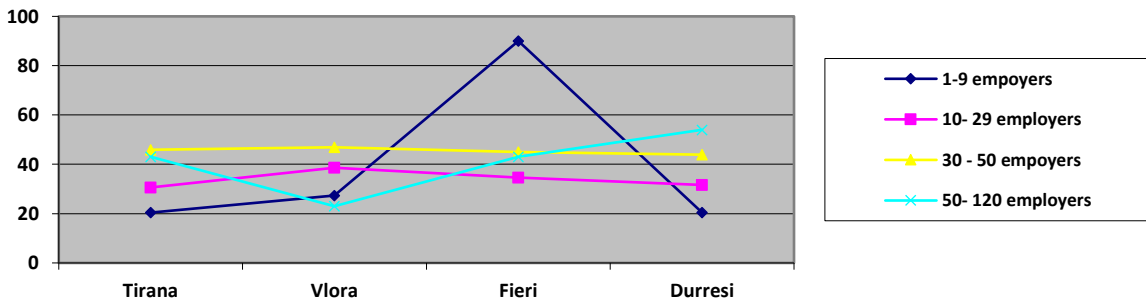
See Graph 1 below.



Graph 1: Separation of group activities according to the time created

In the next question, respondents were asked about the number of employees in their business. What we notice is that the highest percentage is occupied by the group 1-9 employees. We can say that it is an appropriate number and expected response given that the activity exercised were mostly service.

See Graph 2 below.

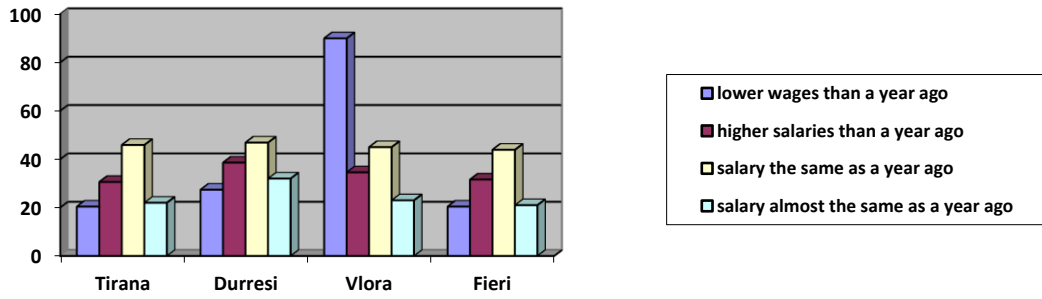


Graph 2 Number of employees in the cities where the study is conducted. Division into categories with maximum density.

The next question belongs to the second section called “Financial Performance of SMEs. The impact of SMEs on the economy is very high so they are a very important link, but what can we say about the financial resources of businesses in Tirana, Vlora, Durres, Fieri? We will see the answers in the next questions.

In the first question of the second section, respondents were asked about their income, compared to the previous visa. So how much was their income last year?

See Graph 3 below.

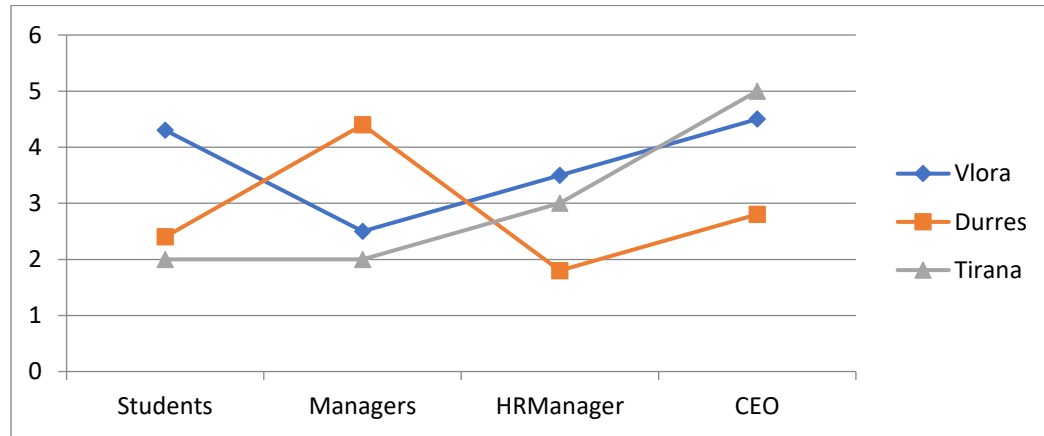


Graph 3 The indicators of wage movement during the covid- 19 situation

While in the following question they are asked about the current year. So how much are their sales this year? These questions are conducted in order to see the importance of SMEs in our country and the support that should be given to them by the government. From the figure below we see that the respondents have high confidence and have expressed that this year, despite the pandemic caused by COVID-19 their sales will increase.

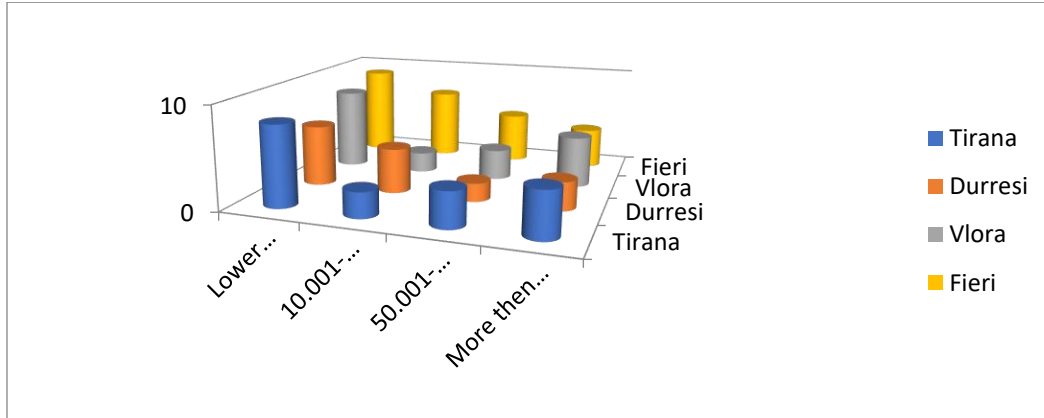
This question therefore relates precisely to this pandemic. Are SMEs in the city of Tirana, Vlora, Durres, Fier affected by the COVID-19 pandemic? Below is a table with the most common answers given by the interviewees.

See the Table 2 below.



Tab2: The Number of respondents interviewed in this study

While in the next question, the respondents were asked about investing in their business after the pandemic. They have been given several alternatives of money in Euro currency, and the highest percentage is occupied by the group "less than 10,000 Euros". See Graph 5 below.



Graph 5 the interviewees source of fundings, less than 10.000 euros or more than 100.000 euros

In the next question, the interviewees were asked about the source of funding. What we see is that almost half of them 48.6% use equity, which may come from their SME, or may be savings over the years. What we see is that the Loan and Credit alternatives are close in percentage to each other.

The following question is an open-ended question, so no alternatives are provided where respondents can select. It relates to the tactic of attracting new customers. SMEs in the city of Tirana, Vlora, Durres Fier responded that they used these tactics: See the following table where the respondents are 180 people.

Answers	Density
Marketing	21 answers
Reducing prices	25 answers
Maximum cleanliness conditions	12 answers
Hard work	18 answers
Menu expansion and service quality	4 answers
Communication and courtesy with the client	12 answers
To add products to my store	32 answers



To always be as close as possible to the customer by meeting his requirements for the service he requires, with new and quality goods	54 answers and 2 responses are indifferent
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Table 6: The new ideas and tactics of attracting new customers

## ANALYSIS AND FINDINGS

In many cases with sources of personal financing, borrowed from families or relatives, but in the vast majority of banking and financial institutions of the country. Entrepreneurial activities achieved a significant increase in 2017-2018, but the covid situation 19 found them unprepared. Many enterprises closed down as shown in the analysis of the questionnaires, many others applied dismissals, losing staff or significantly reducing salaries. In our findings, 23.9% of entrepreneurial activities were subjected to the credit system, to use these funds, for non-bankruptcy, for the continuation of staff payments as they did not want to remove qualified staff from work. The departure of staff for these entrepreneurs is considered a greater loss than the pandemic situation.

## CONCLUSION

SMEs in Albania are classified based on the number of employees and annual turnover and / or annual balance sheet. In terms of the economic importance that small and medium enterprises have, we can say that they have a great weight in the economy of a country. They contribute to growth, job creation and social development which is to be appreciated. They are considered the "locomotive of economic growth". Although the purpose and objectives of the goal have been of a different direction, based on the results and conclusions, we can say that the paper can be a good support base for policy-making on SMEs in this crisis period for all. In addition, the paper can help both entrepreneurs and policy makers as follows:

Entrepreneurs:

- ✓ to reconceptualize their enterprises and to orient themselves by creating an ambitious environment for increasing the value of their businesses.
- ✓ To evaluate data on current sources of financing, used by small business entrepreneurs and access to credit.
- ✓ To serve as a basis to further give some suggestions for taking the necessary actions for the sustainable development of this sector, as well as to increase the level of welfare.

The future of Albania is promising, not only that the leaders are recovering from this situation of difficulty, but also that this situation will serve for the birth of new innovative ideas. In the practice of fair management, a very motivating expression has been used "After every failure and decline, there is a flourishing situation, after every crisis there is a new economic birth" and so it will happen in SMEs in Albania.

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