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# **E-BUSINESS AND ITS APPLICATION IN KOSOVO**

JEL classification: L15, L63, L86

## ***Abstract***

*The development of Internet Technology has enabled the development of economic branches that use the Internet to realize a successful business. So the internet has influenced in the creation of a market which is growing so quickly as by doing business but also in the communication between consumers and business partners. Nowadays, almost all companies have access to the Internet and most of them use the internet to sell their products or provide their services across the world. This way of doing business is called "e-business" and refers to all forms of business that are conducted online. While for Kosovo, which is my case of study e-business is a new field and almost unknown to a large part of its residents. The Kosovars are known as very large users of the Internet, but they have not yet gained the culture and the trust to begin with purchases and sales through internet. Best known model of e-business in Kosovo is the e-banking, although we can see some small movement towards the development of other models despite the lack of market for this area of business.*

***Key words: electronic business, information technology, e-business models***

## **1. INTRODUCTION**

With the spread of global communications, the Internet and the business world has changed the way of her work. The Internet has played and plays a major role in business development, using it as an instrument which transferred and formed a huge global market. The Internet has created an opportunity for the advancement of organizations working on a broader market, reducing costs, increasing their efficiency, by meeting customer needs and increasing cooperation with their partners and competitors.

The XX century is known as evolution, evolution in all fields, especially in electronics and information technology field. With the introduction of new electronic tools headed in a direction the world took another. Electronics and computers give a contribution to the development and progress of economy and business.

So e-businesses using Internet technologies to improve productivity or profitability of the business. E-business is significantly changes the economic structure, market and industry, market values, products and services and their turnover, customer profiling, customer behaviour and labour market (Gottschalk, P., 2006), (Turban, E., 2002), (Svedic, 2004). With the introduction of new electronic tools the world took a different direction. Also especially electronics and computers give a contribution to the development and progress of economy and business. In today's economy based on economic growth is knowledge, education, innovation, scientific research and the use of computer networks. In this society of information and knowledge, they have earned the role of power as well as money and are doing things to be desired by all enterprises as never before. We are experiencing a business world in which almost all companies today are doing business electronically, such as banks, insurance companies and venture companies which provide a variety of services. Simply, e-business in a way or another is a common and indivisible in the course of the majority of enterprises. The global nature of business and advances in communication technology has forced corporations to apply new technology to business in order to remain competitive (Kavitha, S., 2012), (Jelassi, T., 2009). In recent years, electronic business has been adopted by many corporations to improve efficiency and strengthen their competitive position. So, through the internet or online business, we can say that represents the efforts of a company to be competitive, to market its products, its services, and to build relationships with customers via Internet.

## **2. BACKGROUND OF THE DEVELOPMENT OF E-BUSINESS**

As a result of technological development and the increasing importance of the Internet has been a drastic change in the development of economic branches where it was realized a successful method of doing business. The

Internet has created a market that is developing rapidly and has enabled communication and contacts are carried out quickly and easily between people and business partners. Beginning of e-business dating back to 1970, when large companies began to create their own private networks which enable them to deliver information to business partners and their suppliers. This process known as Electronic Data EDI and was broadcast Interchange- streamlined and standardized data in the procurement process between businesses. With the advent of the World Wide Web or "web", traditional business organizations that were based on sales through catalogue enabled a new method of sales. In (Doci, 2010, p24) we notice that nowadays the web is considered as the best place to put information to service clients, such as manuals and guides as well as well as a place that helps to create a consistent corporate image .

Businesses began to use internet marketing sites immediately after the design of web pages with graphic content in early 1990. Most of these sites have served to give visitors basic information about the products and services of the company and included contact information, such as phone numbers, addresses and e-mail, so that help customers to contact a company for services it provided.

The meaning of the term "electronic business" has changed over time (Beheshti, 2006). As it is mentioned above originally referred to commercial transactions in electronic form or EDI technology, which was used to send commercial documents in digital form. Following then added other functions, from buying products or services using the WWW (World Wide Web) then using secure servers to exchange the realization of online payment such as credit card payments.

### **3. USING THE INTERNET IN KOSOVO**

With the Internet we can communicate with anyone and from anywhere, we can read, can be educated, can informed, can buy and sell goods and services, pay various bills, to publish, to download, to study the interface vocational training and other daily things of science, technology, culture and many good information needed. Besides the numerous benefits that the Internet brings to people, there are also that who use the internet for harmful purposes, not moral, but after this entire one thing is very clear that today we cannot imagine a world without the Internet (Doci, 2010, p24).

Kosovo Regulatory Authority (ART) regularly collects information regarding Internet penetration of Internet service providers through a questionnaire, which meet every three months. ART is the official source of information about the state of telecommunications in Kosovo (including Internet penetration), and serves as the main source of information in this sector for different companies and institutions, global and regional.

Kosovo is known for its high use of the Internet, figures which are the same in many countries of Europe and in the Balkans, Kosovo ranks fourth behind Greece, Croatia, Bulgaria, and is before Albania, Macedonia and Montenegro.

The following are present some data on Internet usage in some Balkan countries, which are derived statistics at the end of 2013.

Table

Internet use in several Balkan countries / Europe

	<b>Residents / 2014 Estimates of Internet Users</b>	<b>December 2014%</b>	<b>% Penetration</b>
Kosovo	1,859,203	1,424,149	76.6%
Albania	3,020,209	1,815,145	60.1%
Bosnia	3,871,643	2,628,846	67.9%
Montenegro	650,036	369,220	56.8 %
Macedonia	2,091,719	1,280,132	61.2%

According STIKK (Association of Information Technology and Communication), a factor that explains this high degree of Internet penetration in Kosovo is the unregulated market of internet services provision. The other fact, no less important, is the diaspora of Kosovo, which wants to maintain links with their families in Kosovo, and therefore provide computers and perhaps cover the costs of connecting to the Internet for them (Doci, 2010, p24)..

The data show that currently 52% of households of the study participants are provided with a laptop or desktop computers (Cohen. A.2011),(Chaffey, D., 2009). It is important to note that 37% of households are in possession of a second computer, and that nearly 9% of them have even a third computer. Note that possession of computers in Kosovo is lower than in European countries, where the proportion is 68%. However, Kosovo has figures comparable with other countries in the region, such as Romania (53%), Hungary (54), and Greece (55%) (Doci, 2010, p24), (Svedic, 2004).

#### **4. E-BUSINESS ENTERPRISES IN KOSOVO**

From the beginning into its transition to a market economy, Kosovo is constantly faced with obstacles of different nature that, in one way or another, reflected in the business environment and as a result has prevented the development of the private sector in the country. Despite some recent reforms, Kosovo still ranked 86th out of 189 countries in the Doing Business Report of the World Bank in 2014, worse than all neighbouring countries except Albania. Macedonia, for example, ranked 25th, or 61 positions higher than Kosovo.

Moreover, Kosovo's businesses operate in an environment of unfair competition, corruption, non-functioning judicial system, and other harmful factors, constitute "the dominant rules of the game". This unfavourable business climate has been a burden for existing businesses to Kosovo (54% have decreased their sales), while at the same time sent a negative signal to potential foreign investors, reducing the flow of foreign direct investment (FDI).

Electronic business is a reality and represents an opportunity which is current for business development on a global scale. But e-business is not yet applied in Kosovo and the country still has not have the necessary infrastructure for the development of complete electronic business, although there are some initiatives for the development of e-business in the country.

Knowing the past through which Kosovo has passed it is very natural that Kosovo lags behind in terms of the use of information technology. But Kosovar enterprises in recent years, there is a positive indicator in the increased use of computers and the Internet. This is encouraging and demonstrates that the business community has realized that in modern conditions for business development, creation of a company's trade image, identity creation and promotion of business, the use of the Internet has a special significance.

Moreover, some companies have developed their online services, which make their business more quickly to consumers (Jackson. P, 2003). However, although in the world of B2B business model of electronic business has great use, in Kosovo this type of business, it has not yet become a reality, and there is very little movement, which are set for the development of this type of electronic business.

Using the Internet and other electronic services by Kosovo businesses it can be considered that is at the stage of education of the population. Using the equipment of the time that more than anything reduces cost and time of a business activity, it remains a form still very limited for many reasons subjective. This has to do not only with the location of the business, or that they have access to various services and internet, but is also related to the facilities offered and the cost of installing these services.

A slightly larger development of electronic business in Kosovo is going from banking institutions, which have developed their services and e-banking. With the development of e-banking for conducting online services, banks in Kosovo have increased the prices of services which are carried out their points, and this is done with the aim of encouraging their customers to use e-banking for conducting transactions different.

While other companies, not financial institutions in Kosovo model developed e-business is the model of e-shop, where several companies now have presence in Kosovo online with their websites where from their customers can custom make goods. Some of these companies are: Topshop-Ks, Smart-online, Maxi hypermarket, ecommerce and commerce24.

Following my paper will speak and will present some of the first companies that started to use electronic business models, will also speak for e-banking and its development in Kosovo banks.

#### **4.1. Electronic market in Kosovo**

Electronic commerce or e-commerce represents the processes of purchase, sale, and exchange of products, services and information through computer networks using the Internet. Electronic commerce enables contact directly with customers or business associates without having to open any new branches or representative offices. In the e-commerce world has for years used and the amount of transactions carried out through e-commerce achieves very high amount. Global trends of development of e-commerce had a continuous growth and developed day by day even more because of the benefits that this model of e-business offers.

As far as electronic commerce in Kosovo, unlike countries of the world, the experience of doing business through electronic commerce is still lacking and I can say that this kind of business is only in its beginning. In Kosovo there are some companies who have begun the implementation of electronic commerce although it is still at an early stage but the business as a business is not yet fully established as a business which deals with electronic commerce. Many companies have access to the Internet with their websites where customers can see their updates and services that they provide.

In addition to providing e-banking services to clients, ProCredit Bank Kosovo is the first bank in Kosovo which provides businesses and traders in Kosovo the possibility of selling their products and services on the Internet. Through this service, businesses can accept payments from all VISA cards.

Service e-Commerce will open entirely new opportunity sales and will enable Kosovo businesses placing their products and services to a large audience in the country and the region. This is a very efficient way to increase the sales in a very efficient manner, promoting products or services on websites and accept online payments in order instant. Any business that wants to expand sales on the Internet through the services of ProCredit Bank is likely to become part expressed interest to business consultants dedicated to their business.

With security platform support 3-D Secure (Verified by Visa), ProCredit Bank creates a safe environment to launch the first steps of this activity in the Kosovo market. From the perspective of card holders in Kosovo launching e-commerce service implies the addition of a new and very convenient to purchase products and local service from their home or office 24 hours a day, seven days a week. Security technologies used prevents storage of personal data of the card by third parties.



Figure 1. ProCredit Bank- E-commerce

*ProCredit Bank will continuously efforts in cooperation with local businesses to create as much value for citizens in Kosovo cards, enabling payment of as much as products and services from the Internet.*

## 4.2. E-banking in Kosovo Commercial Banks

For conducting electronic transactions, the first step that must be taken is the opening of bank accounts by the customers. According to some statistics in Kosovo which are issued by the CBK (Central Bank of Kosovo) the number of people who have bank accounts is washed.

In Kosovo today operate nine commercial banks account for 72.6 percent of total financial sector assets (Doçi, I., Ramaj, V., 2009). Products and services include bank accounts, loans, domestic and international payments, bank cards, bank guarantees, letter of credit, e-banking.

Access to services provided via these banks currently 305 branches and sub-branches, 493 ATMs and POS 9.039 and 113.171 e-banking accounts.

14 ATM-s first in Kosovo have started work in 2002 and in 2012 this number reached 483, while the number of POS see who are operational in 2005 by 8.592 1.046 reached in 2012 (Beqiri, E., 2002).

In (Doçi, I., Ramaj, V., 2009) it is mentioned that the number of credit cards from 11.139 in 2008 reached 95.942 in 2012, while the number of debit cards from 105.713 in 2008 has reached 599.651 in 2012. The number of bank accounts with e-banking service in 2005 was 837 while in 2010 this number was 55.292 and in 2012 this number increased to 97.089.

Based on (Doçi, I., Ramaj, V., 2009) during the last years in Kosovo are:

- *ATM* - 497
- *POS* - 8.550
- *Credit card* -102.639
- *Debit Card* - 628.173
- *e-banking accounts* -121.806

Increasing the number of use of these instruments is in proportion to the increase in the number of inter-bank payments in Kosovo, a fact that speaks to the continued growth of confidence in the banking system and massive use of payment instruments.

## 5. RESEARCH

Periods that Kosovo slip and the current state of its economic development, companies operating in this country and certainly not enough space for the realization of their business, when I say this not only for electronic business is to develop business in general.

The business climate in Kosovo occur as companies and enterprises operating in an environment where they are present unfair competition, corruption, non-functioning judicial system and other harmful factors, which led to these organizations to lag in the way of doing business.

In addition to these that i mentioned above, these factors are causing huge loss to companies and self-Kosovo economy. These negative factors are affecting the terms of foreign investment in Kosovo although a significant number of foreign investors, but it is losing their faith, the opportunity of globalization of Kosovo companies and their cooperation with other international or regional companies.

### Number of registered businesses

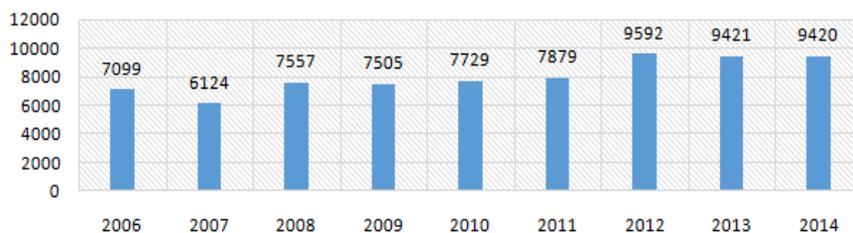


Figure 2. Number of registered businesses 2006-2014

The data gained from this research are used to show and prove my hypothesis and especially the second hypothesis that “*Kosovo is not on par with European countries and regional e-business application*”. For this hypothesis we rely on development of businesses in Kosovo and also in its current economic situation.

Also through this research we show the current state of Kosovo businesses in relation to electronic commerce. We notice the interest of businesses to apply this business model and the globalization of these businesses.

### 5.1. Different profiles of companies

Profiles of interviewed companies which were different from ranging from online stores that are located in Kosovo, banks, companies dealing with information technology, insurance companies, agencies, construction companies and businesses that deal with the sale of various products electronic, electrical, clothing, food etc.

Table.2

Profiles of companies expressed as a percentage

<b>Profile</b>	<b>Percent</b>
Banks	24%
Information technologies	28%
Online stores	20%
Others...	28%

Persons who have aimed to interview have been responsible for the information technology department, but because many businesses do not have such a department, interviewing the manager have performed well and in some cases companies with business owners because they had the role of managers in their companies.

Table.3

Contact persons expressed as a percentage

<b>Contact persons</b>	<b>%</b>
Manager of the Company	60%
The owners	28%
Others	12%

## 5.2. Registration of companies

Regarding the year of establishment of companies interviewed most companies are established or registered after 2000, because as we know until that period of time, Kosovo was in a state of severe political and economic, but thankfully after this period no changes many large companies began their work in Kosovo. Following chart shows the year of registration of businesses interviewed.

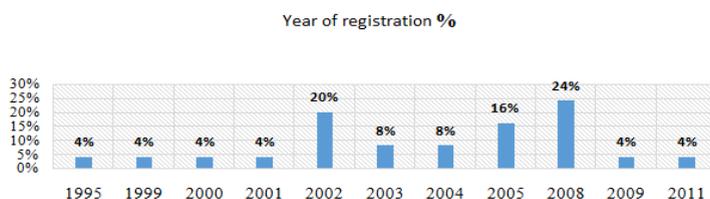


Figure 3. Year of registration of companies expressed as a percentage

Among the most successful companies in Kosovo are also businesses that deal with the provision of internet services, mobile telephony and cable television. Their performance of the business is very high because the services that they provide are very satisfied their customers. Also high performance of business in Kosovo are financial institutions to some extent the companies which offer services online through the Internet.

So here it was the first part of the questionnaire that restrained only questions about the business, and we would like to continue with the analysis of the second part of the questionnaire concerned about electronic business in these companies. Among possible questions that are presented in the questionnaire were the following:

- *What is the importance of the computer for your company?*
- *Do you have internet access?*
- *Do you have a department / person responsible for information technology?*
- *The number of employees in your department's IT?*
- *How communicate with partners / customers your business?*
- *Do you have a web site?*
- *Who initiated the creation of web pages?*
- *The main reasons that created the website?*

### 5.3. Integration of electronic business in Kosovo

Integration of electronic business by Kosovo companies is still only at the beginning or in its infancy. E-banking is one of the most popular forms of electronic business in Kosovo, the model that is adopted by almost all the banks operating in Kosovo. Of these banks as I mentioned earlier the only ProCredit Bank has started with the application of electronic commerce or e-commerce.

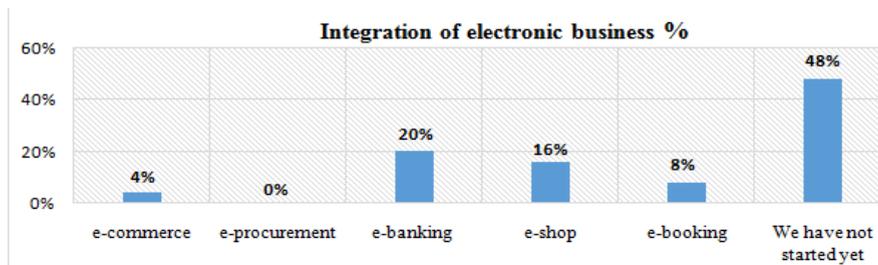


Figure 4. Integration of electronic business of the companies surveyed, expressed in percentage

That proved to be successful as this / these models of e-business for your business?

- *For payments / transactions, from your business customers, which use more methods?*
- *If you have not started with the integration of e-business or electronic commerce, which is why tell you?*

In the near future will begin with the application of e- business? In *Figure 5* we show the answers in percentage.

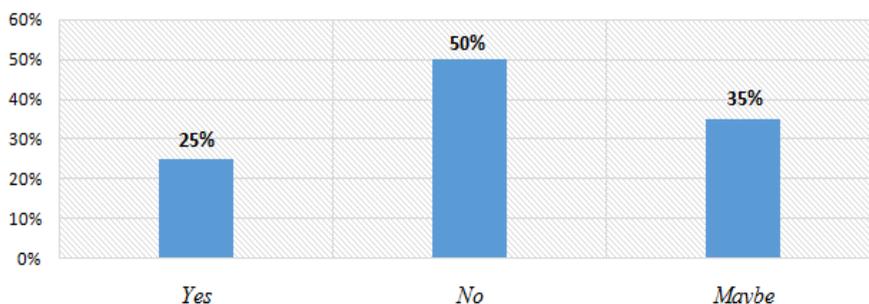


Figure 5. Will start the application of e-business in the future expressed in percentages

## CONCLUSION

The Internet has radically changed business activities. These activities such as buying, sales of products, links between companies, customers and between two or more organizations are being digitized everyday more and more. Although the success of these efforts is not guaranteed, the business landscape indeed is being digitized and as such will continue to offer to businesses and companies more possibilities to change in their way of doing business.

Since 25 years ago, the commercial Internet has grown and has become a technology with general purposes, whose influence has already left an indelible mark on history. Still moving forward, we should expect to see even more because the adoption of the Internet continues to grow globally and its connective technologies every day are improving their quality as well the performance. Perhaps some experts have right, because they believe in that the revolution of the Internet now in our time is less than 15 percent of its full utilization.

The internet has begun to be used for purchasing and other commercial services. Buying via the World Wide Web, also known as e-commerce has already become common practice. There are many websites which offer this type of purchases. Simply Internet has enabled new business models for companies, has increased the number of products, services and from all these opportunities significantly was increased comfort of consumers and in dramatic way is grown the quality of their life.

With a very high speed banks started to perform services online for their customers. They through these services can purchase, can order products from around the world, pay bills, check own accounts and provide loans and many other transactions. Manipulation with published data for purchases is quite simple. Payments are made through different tabs that allow purchases from a distance, without cash in hand. For this reason special attention being paid to data security for customers who commit bank purchases through the Internet.

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