

BUSINESS STRATEGY FOR COMPETING IN KOSOVO BANKING INDUSTRY: Case Study « TEB Bank »

Sokol Berisha¹

¹*Department of International Business, Faculty of Economics, Prilep, North Macedonia*

^{*}*Corresponding author e-mail: sokolberisha@gmail.com*

Abstract

Kosovo continues to be one of the countries with the most undeveloped economy in the region and with negative indicators of economic development, high unemployment, a negative trade balance, and non-favorable macroeconomic policy to guarantee faster development. Even though it has marked positive economic trends in recent years they have not been sufficient to reduce poverty and decrease the unemployment rate. However, it can be said that the bank system apart from all other segments in Kosovo's economy has recorded a very positive development in recent years, and this happened, apart from other things, because of the impact that foreign investors gave through their investments in this sector.

The positive trend of business development of banks, the bank system in general, and the financial stability of bank industry is a very important precondition to guarantee and support a faster trend of an overall economic development. The increase of the number of competitors in bank system through inflow of new incomes from foreign investors and the continuous tendency of banks to increase the competitive ability has given positive effects in increasing the quality of service through the implementation of new strategies and technological innovations. This enables a better quality of the services for the citizens with lower cost.

The purpose of this paper aims to explain the effect of foreign investments in the banking system and the implications on competition in the financial sector. This paper is focused on researching the strategy of the entrance of the “Türk Ekonomi Bankası” Bank on competition in Kosovo's market. Another very important objective is to raise awareness of the relevant decision-makers and to all readers that the results of this analysis and the successful example should be followed in other sectors of the economy, by emphasizing the crucial importance of foreign investment for a country and underdeveloped economy targeting a strategic goal for faster development.

Keywords: Banking Sector, Business Strategy, TEB Bank, Entry Mode

1. Introduction

The development trend of the financial market has its repercussions in other socio-economic developments. The operation of financial market segments affects the country's economic system and the level of interest rates in general. Increased quality management of deposits improves the confidence of customers towards banks and increases the credit potential, which in turn directly impacts the improvement of investments and reduction of the unemployment rate in the host country.

Increased investment initiatives also affect the growth of budget revenues and improve the tax system efficiency of the country. In this sense, consequences that may arise from the informality

reduction must be accepted. These indicators are related to each other and have multiplying effect on numerous financial and economic outcomes. Industries with a high level of profitability that are focused on several companies (multinational partnerships) are investments in the banking sector in Kosovo. Precisely the investment of some large partnerships from 2000 until today is the objective of this research in the environment with minimal competitiveness in Kosovo after the war with a somewhat ineffective financial system and which should have risen from scratch. It is a challenging environment for bold decision-making by “players” implementing international business strategies by addressing the components and sub-components of the political, economic, and financial risk categories of a war-torn society and the lack of opportunities to measure the degree of risk exposure.

After 2000, several multinational enterprises (MNE) have invested in the banking sector in Kosovo. Despite the rapid development of the banking sector in Kosovo that is considered as one of the most successful ones in Kosovo’s economy, the impact of micro policies and governmental policies, including the high interest rates, have reflected in sluggishness of entrepreneurial initiatives. From 2000 to 2008, banks in the Kosovo banking system operate in a harsh monopolistic form, holding interest rates of around 15%, then after new entrances competition begins to grow and we have a significant cut of interest rate up to about 7%. Irrespective of a considerable number of banks operating today in Kosovo (10 banks), this sector remains still quite concentrated, since around 90% of total assets, more than 88% of deposits, and around 80% of loans are concentrated in the four largest banks with foreign capital which are operating with very high yearly profit rates.

This paper focuses on the analysis of the competitive environment in the banking system in Kosovo from 2003 to 2008 under the conditions of insufficient competition and from 2009 to 2016 when we have new entrances in the market and the significant increase of the competition. In this context, the analyses of these two periods and the findings contain an indispensable basis to argue that the increase of the real competition offers higher quality services and low-cost products. So, the paper finds differences in the price of the products and services and the similarities of the influencing factors in both periods and highlighting the factors of the competitive environment or the elements of the security of the investments in both periods which have been expressively the same, while the prices for the products and services were different.

The other part of the paper is organized as follows: In section 2 we will discuss the literature of Kosovo and the region which has treated the problems of foreign investments in the form of a joint venture in the banking sector. Section 3 will present the data and the statistical indicators. Brief Background and IB strategy of “TEB Bank” is included in section 4. The empirical findings are discussed in section 5. Conclusions are presented in section 6.

2. Theoretical background

“Three key units of analysis in IB theory over the past fifty years have been the country, the firm (MNE) and the subsidiary” (Alan M. Rugman, 2011). As the field of IB has matured, there have been shifts in the core unit of analysis. In the pre Hymer (1960) era, international economists dominated the field and focused on national competitiveness at the country level, using national statistics on trade and foreign investment. During the 1970s, the focus shifted to foreign direct investment by the multinational enterprise (MNE) and the transfer across borders of its firm-specific advantages (FSAs), both stand-alone competencies (such as patented R&D knowledge and brand names) and higher-order capabilities. As of the 1980s, more attention was devoted to the MNE as a differentiated network with the MNE subsidiary as the unit of analysis. Hymer (1960), as the intellectual father of the second stage in modern IB studies, pioneered a fundamental change in the unit of analysis adopted in IB studies: he positions the MNE and its FSAs at the core of his analytical approach (Alan M. Rugman, 2011). Hill (2007, p. 486-497) describes the six ways a firm can obtain internationalization. There is no right or wrong ways to go abroad, it all depends on the firm’s size, age, resources, commitment to market and the market itself. Each of the six entry modes has disadvantages and advantages that make the manager team make their decision on how to internationalize (Masum&Fernandez, 2008).

After the 2008 global economic crisis that happened because of the economic shrinkage on a global scale, despite the worries for political and economic unsteadiness in specific countries, the development of investments in the Balkans has not been affected in a negative way (FULYA&YÜCE, 2016). “Only Kosovo is subject to “lower middle income” country definition among Balkan states having advantages such as economic reforms and regional position; the other states are subject to “high” or “upper middle” income country definition” (Uno&Sakuma, 2014). Foreign direct investments are decreasing almost fifty percent since Kosovo has declared its independence in 2008. Kosovo has faced bribery and organized crime, attracted the attention of foreign investors, and negatively affected their investments. (KPMG, 2014).

Kosovo’s massive trade deficit is negatively impacting GDP growth, current account deficit, job creation, and poverty decrease. The most important challenge for Kosovo’s economy is to decrease this deficit. “One method to do so is by forceful export promotion through FDI and joint ventures” (Aitken, Brian, G. Hanson, and A. Harrison, 1997). (Foreign direct investment in Kosovo is primarily regulated by Law No. 04/L-220 on Foreign Investment, whose purpose is to promote, protect, and attract foreign investment in Kosovo, primarily by providing fundamental rights, protection measures, and guarantees for foreign investors. The main aim of this law, which repealed Law No. 02/L-33, is to improve the business climate and conditions to attract foreign investments and ensure fair treatment of investors in accordance with international standards. The law regulates all aspects of foreign investments, addressing non-discrimination, expropriation, compliance with obligations/standards and laws, and, among others, mechanisms for the resolution of investment disputes (Pula, Loxha, Elshani, 2016). Kosovo has recorded steady economic growth rates over the past years, albeit from a low base, that can be largely attributed to public investments in post-conflict reconstruction, donor assistance, and remittances (World Bank, 2013). Kosovo remains the poorest country in Southeast Europe (SEE), with persisting high levels of poverty. According to the latest data, 29.7 percent of the population lives in poverty, whereas 10.2 percent live in extreme poverty (Kosovo, Statistical Office of, 2011).

In recent years, the Government of Kosovo has undertaken several reforms aimed at improving the business environment as a means of promoting enterprise development, increasing

employment, improving welfare, and reducing poverty. However, according to the latest World Bank Doing Business Report 2015, (W.Bank, 2015), Kosovo still ranks very poorly in this regard. Compared to other SEE and developing countries which have shown serious commitment to attracting FDI, this has not been a government priority in Kosovo. The FDI inflows in Kosovo in 2012, 2013, and 2014 have been the lowest in the SEE region. Contrary to expectations, FDI inflows declined after Kosovo's declaration of independence in 2008. In 2013 Kosovo had an FDI percentage of 5% of GDP while in 2007 it was over 13% of Kosovo's GDP (Badivuku, Zogijani, 2015). Although the decline in 2009 has been mainly attributed to the financial crises all over Europe (CBK, Report of financial stability, 2012) From 2011 until 2014, FDI in Kosovo continued to decline although Kosovo's ranking in the "Doing Business and Corruption Perception Index" improved (WorldBank). According to CBK, the drop in FDI can be mainly attributed to the Eurozone crises that led European countries, which constitute the largest share of FDI in Kosovo, to invest less in Kosovo (CBK, Annual Report, 2012). According to IMF Report (2013), the banking sector in Kosovo is dominated by foreign banks but majority of funded deposits are domestic (Zogijani&Kelmendi, 2015).

Kosovo's largely foreign-owned banking system is broadly sound. The banking sector remains well-capitalized and liquid, despite credit growth and a shift toward shorter deposit tenors with falling interest rates. It also remains profitable as lower interest income has been offset by higher fee income and lower operational costs. However, the implementation of IFRS9 (Classification of Financial Instruments) will require more provisioning with little space to increase fees further. Aggregate asset quality is strong by international comparison – the system's NPL (Nonperformance Loans) ratio has halved in the past two years to below 3½ percent as banks have proactively collected on bad loans and the CBK has implemented stricter write-off standards (IMF, 2017). Kosovo needs to improve its current image; foreign investors perceive Kosovo as unattractive for investment, given its vast deficiencies in rule of law and widespread corruption. Political instability, corruption and unfair competition, improper implementation and weak law enforcement, lack of financial incentives and poor infrastructure, poor business climate, and high poverty rates are reported to be some of the obstacles deterring foreign investors from investing in Kosovo. (KIDA.N, 2015). In the 2010 and 2011, EC Progress Report for Kosovo, the limited access to finance was identified as a barrier in developing SMEs (MTI, 2013). In particular, Austrian investors in Kosovo have reported that high corruption, insufficient support for foreign investment, and administrative procedures are some of the main problems they have encountered in Kosovo (Austrian. F. Chamber of Commerce, 2014). Kosovo's nominal GDP remains low compared with neighboring economies. For example, the nominal GDP of Macedonia – with a similar population – is almost double than of Kosovo's (EUR 7.4 billion vs. EUR 4.6 billion). A key challenge for Kosovo's economy is its labor market. It has the highest unemployment rate in Europe, consistently over 45%. More than 30% of the population lives below the poverty line, on less than EUR 1.42 per day (European Commission, 2011) (OECD, 2013). These economic parameters encourage migration and the informal economy in the country, which is around 1 billion euros, and an uncollected fiscal evasion by collecting mechanisms in the amount of 300-400 million euros, annually (Friedrich Ebert Stiftung & Riinvest, 2011). Improving the business climate may help to attract new, job-creating foreign investment. The World Bank's Doing Business 2017 ranks Kosovo as 60th among the 190 economies it evaluated. This is worse most other SEE6 countries: Macedonia (10), Serbia (47), Montenegro (51) and Albania (58) are each rated higher; Bosnia and Herzegovina (81) are lower (Cojocar, 2017). Considering all this cited literature in relation to the business environment in Kosovo we can highlight several failures that

directly is impacting political and economic risk rating components and subcomponents, like key factors of improving the environment for doing business successfully in all sectors of the economy.

The literature studied during the preparation of this paper and in particular, the cited literature reveals that the banking sector in Kosovo during these years of prolonged transition has functioned well and has maintained considerable positive indicators.

Viewed from the macroeconomic aspect in the function of the national economy, it has not been done sufficiently. During these years, business and new initiatives financing opportunities have been difficult, access to loans has been limited due to very high-interest rates and hence direct or indirect liability institutions CBK or the government through development-oriented policies with the aim of increasing the economic development trend were not at the level of duty.

Analyzed from the perspective of developing an initiative or international business this environment has been conducive to limited participants in this market. By critically evaluating and citing passingly, both external and internal sources of the quoted literature, and those that have dealt with this topic, such as the World Bank, the International Monetary Fund, the Austrian Chamber of Commerce, KPMG, Friedrich Ebert Stiftung & Riinvest, Assessment of Kosovo from the OECD, also the highly focused study of the Riinvest institute entitled “Banking Sector: Facilitator or Barrier” etc. all have common denominators, high unemployment over 45%, extreme poverty, negative trend of foreign investments, unfavorable climate for foreign investors, organized crime and high corruption. All this is in line with my claim that a banking sector so concentrated, with unfair competition as well as with an unfavorable climate for foreign investors, not only in the banking sector but also in other sectors of the economy, is an unenviable situation for Kosovo. Also, this situation is not in line with the immediate requirements for accelerated economic development.

Therefore, from the aspect of international business, the analysis and further elaboration of the following research for CSA (Country Specific Advantage) in the case of research to decide on investments abroad.

3. Research Methodology and data collection

The purpose of a study can be classified into two major categories: descriptive and explanatory. It is very important to choose the appropriate data collection method for a particular study to complete the research successfully. The selected method determines how the data are collected. Interviews, questionnaire, documentation, observations, standardized tests, archival records are some of the frequently used methods for data collection. According to Sekaran (1992), there are two categories of data; primary and secondary. Primary data are the ones that a researcher collects himself for a specific purpose or study. They are often collected through direct observations, surveys, and interviews. Secondary data refers to the data that are collected by another researcher for another purpose or study; so, it is collected from external sources (Masum&Fernandez, 2008).

For this case study, primary data have been collected by conducting closed interviews. In this respect 10 senior credit risk managers have been interviewed, 7 of them are part of large groups represented foreign investment: ProCredit Holding – PCH (Germany), Raiffeisen Bank International – RBI (Austria), Nova Ljubljanska Banka- NLB (Slovenia), and partnership between BNP Baripar & Türk Ekonomi Bankasi (TEB) from Turkey which all together in June 2017 represents 77.5% of assets on the banking sector and 3 of others interviewed are part of domestic banks. The gathered data enabled us to observe, understand and analyze preconditions for competing and managing the risks also better understanding the trends of key indicators in the banking sector of Kosovo.

This research adopts secondary data or archival records from Central Bank Kosovo from specific documents: official yearly annual reports, annual financial stability reports. This is based on the reasoning that this data archive consists of official information collected, processed, and published by the central bank of Kosovo as the oversight body of the financial system in Kosovo. Other sources of secondary data used are annual reports published on web site of the TEB Bank, and Riinvest Institute, edition 2015 “Banking Sector: Facilitator or Barrier”.

4. Empirical data and analysis

The banking sector in Kosovo was established from scratch, immediately, after the war in 1999, no banks were operating in Kosovo whereas transactions were developed in cash. The first bank established in January 2000 was Micro Enterprise Bank (MEB), now named ProCredit Bank, which was mainly owned by the development agencies and foreign financial institutions. Between March and November 2001, the banking sector in Kosovo registered an increase in the number of banks, as six other banks were established which in turn contributed to the increase in competition in the provision of banking services. The period of 2000-2001 was characterized by new bank entries. As of December 2004, the banking sector in Kosovo consisted of seven commercial banks: ProCredit Bank (PCB), Raiffeisen Bank of Kosovo (RBKO), New Bank of Kosovo (BRK), Bank for Private Business (BPB), Economic Bank (BE), Kasabank (KSB), and Credit Bank of Pristina (BKP). In 2006 there was one bank bankruptcy (*Credit Bank of Pristina (BKP)*) and in 2007-2008 there were new entries as: “Banka Kombetare Tregtare” from Albania, “Komercijalna Banka” from Serbia, also “Türk Ekonomi Bankasi” (TEB) from Turkey it was another merger from two banks (Kasabank (KSB) and Banka e Re e Kosovës (BRK) under the name of NLB, owned by a Slovenian company. Therefore, the period of 2002-2005 was characterized by a stable structure of the banking sector making an interesting case for comparing countries with and without stable structures (Toçi, 2009). Banks are a major buyers of government bonds injecting liquidity into banks and their obligation to increase the capital base are just two movements by EU authorities aimed at protecting the banking sector against the recession in the future. New capital adequacy requirements, like those already in force in the US, are more stringent than ever before and banks started to fulfill those requirements in mid-2012. The global crisis 2008-2011 has also negatively affected the Balkan region, while the epicenter was Greece. Exactly with the onset of the financial crisis, TEB starts the initiative in Kosovo. Regarding Kosovo, the economy has remained relatively untouched by the financial crisis in the Eurozone, partly due to the country's limited integration into the global financial markets. Increasing imports, tax revenues, and private sector loans all alluded to strong domestic demand. Inflation is declining rapidly, following double-digit growth in figures towards mid-2011. Thanks to excellent performance, the fiscal plan objectives were exceeded, where the year ended with a deficit overall of 1.8% or about 1% -point lower than the budget target of 2.9%. While many countries injected additional capital and liquidity into the banking system to save their economies from recession, the financial sector in Kosovo remained capitalized, liquid, and profitable (TEBBANK, 2011).

Table 1: The trend of key indicators in the banking sector in Kosovo (2003 – 2008) Mil. eur&%

| Nr | Indicators | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----|----------------------------|-------|-------|-------|---------|---------|---------|
| | Years | | | | | | |
| 1 | Assets of commercial banks | 601.0 | 816.5 | 984.3 | 1,163.3 | 1435.0 | 1,808.0 |
| 2 | Incomes | 48.6 | 73.4 | 94.3 | 114.0 | 157.3 | 195.0 |
| 3 | Expenses | 40.8 | 58.8 | 77.9 | 88.5 | 115.0 | 145.0 |
| 4 | Deposits | 515.8 | 692.3 | 836.6 | 926.3 | 1,143.1 | 1,444.1 |
| 5 | Loans | 232.7 | 373.7 | 513.8 | 636.6 | 892.1 | 1,183.4 |
| 6 | Net Profit | 6.8 | 12.9 | 13.2 | 20.2 | 33.5 | 36.4 |
| 7 | Loans Interest Rates | *** | *** | 15.5% | 16.1% | 15.6% | 13.8% |
| 8 | Deposit Interest Rates | *** | 2.7% | 3.1% | 3.1% | 4.0% | 4.4% |
| 9 | NPL | *** | *** | *** | 4% | 4% | 3.3% |
| 10 | Provisions for NPL | *** | *** | *** | 119% | 113% | 135% |
| 11 | Net margine of interest | 4.4% | 5.5% | 6.7% | 6.4% | 7.1% | 6.8% |
| 12 | Capital Adequacy Ratio | 17.1% | 16.7% | 14.7% | 16.6% | 17.5% | 16.7% |
| 13 | ROAA | 1.3% | 1.9% | 1.5% | 1.8% | 2.6% | 2.4% |
| 14 | ROAE | 17.3% | 21.7% | 20.1% | 23.1% | 28.70% | 24.7% |

Source: (CBK, Annual Reports, 2003-2008)

CAR³⁹ ; CAR⁴⁰ ; Interest Rates Deposits and Loans⁴¹ ; ROAA⁴² ; EURIBOR⁴³ ; Incomes⁴⁴

Table 2: The trend of key indicators in the banking sector in Kosovo (2009 – 2016) Mil. Eur &%

| Nr | Indicators | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|----|----------------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| | Years | | | | | | | | |
| 1 | Assets of commercial banks | 2,204.0 | 2,455.0 | 2,660.0 | 2,829.3 | 3,060.0 | 3,186.6 | 3,387.3 | 3,636.8 |
| 2 | Incomes | 201.5 | 217.2 | 240.0 | 246.9 | 247.6 | 244.2 | 238.2 | 231.1 |
| 3 | Expenses | 171.3 | 179.3 | 197.8 | 224.6 | 219.6 | 184.2 | 143.5 | 155.6 |
| 4 | Deposits | 1,744.9 | 1,937.0 | 2,102.3 | 2,279.1 | 2,449.0 | 2,537.0 | 2,701.4 | 2,897.9 |
| 5 | Loans | 1,289.0 | 1,458.7 | 1,698.1 | 1,763.4 | 1,805.8 | 1,882.3 | 2,019.4 | 2,230.0 |
| 6 | Net Profit | 27.4 | 32.8 | 37.0 | 18.5 | 26.0 | 60.1 | 94.7 | 75.5 |
| 7 | Loans Interest Rates | 14.4% | 14.6% | 14.1% | 13.4% | 12.4% | 9.2% | 7.7% | 7.2% |
| 8 | Deposit Interest Rates | 4.3% | 3.7% | 3.5% | 3.6% | 2.4% | 1.1% | 1.2% | 1.2% |
| 9 | NPL | 4.3% | 5.9% | 5.7% | 7.5% | 8.7% | 8.3% | 6.2% | 4.9% |
| 10 | Provisions for NPL | 139.9% | 114% | 117% | 112% | 110.6% | 114% | 115.1% | 126.50% |
| 11 | Net margine of interest | 7.0% | 6.3% | 6.3% | 6.0% | *** | *** | *** | *** |
| 12 | Capital Adequacy Ratio | 17.9% | 18.7% | 17.5% | 14.2% | 16.7% | 17.8% | 19.0% | 17.9% |
| 13 | ROAA | 1.4% | 1.5% | 1.5% | 0.7% | 0.9% | 1.9% | 2.9% | 2.6% |
| 14 | ROAE | 13.0% | 14.9% | 14.9% | 7.1% | 9.4% | 20.2% | 26.4% | 22.2% |

Source: (CBK, Annual Reports, 2009-2016)

³⁹ 8% it was minimum of Capital Adequacy Ratio from 2000-2012

⁴⁰ 12% it is minimum of Capital Adequacy Ratio established by the CBK from 2012

⁴¹ The interest rate is a weighted average

⁴² ROAA is measured using net profit after tax

⁴³ The interest rate on the EURIBOR European interbank market till 2008 it was up to 2.5% and after financial crises this rate it was going down till 0.72% at end of 2009. In order to increase liquidity in the financial sector, the increase of state guarantees for deposits and injections of public funds for recapitalization of banks. Also the European Central Bank (ECB) lowered its key interest rates, thus reducing by 1.0 percent in the first half of 2009.

⁴⁴ Banking sector incomes continue to rely largely on incomes from interest on loans which in September 2009 represented 75.3 percent of total incomes.

⁴⁵ Net profit 2014, 2015, 2016

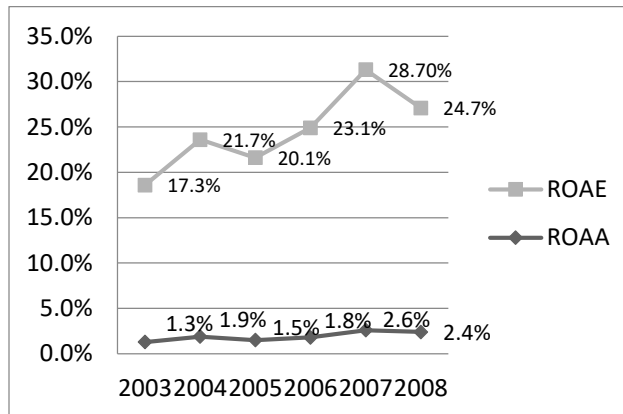


Figure 1. The trend of ROAA & ROAE
The banking Sector in Kosovo 2003-2008
Source: CBK Annual Reports 2003 – 2008

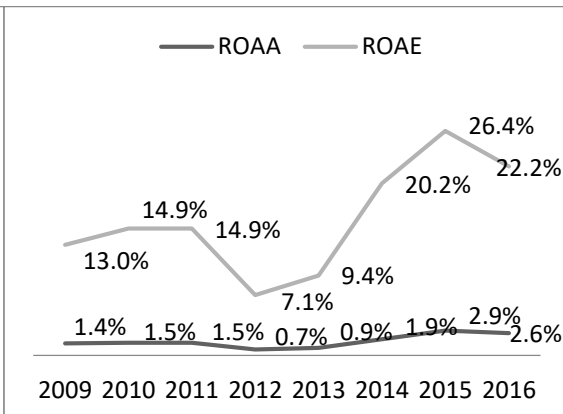


Figure 2. The trend of ROAA & ROAE
The banking Sector in Kosovo 2009-2016
Source: CBK Annual Reports 2009 - 2016

ROAA average return on assets and ROAE average return on equity are two of the most important indicators that have marked a strong positive trend reflecting the stability and growth of the banking system in Kosovo during these years. Despite the negative trend from 2009 to 2013, affected by shortages in the global financial market, starting from 2014 until the end of 2016, profitability indicators in this sector continue to remain at a high level of return on assets (ROA 2.6%) and return on equity (ROE 22.2%) (Figure 1&2).

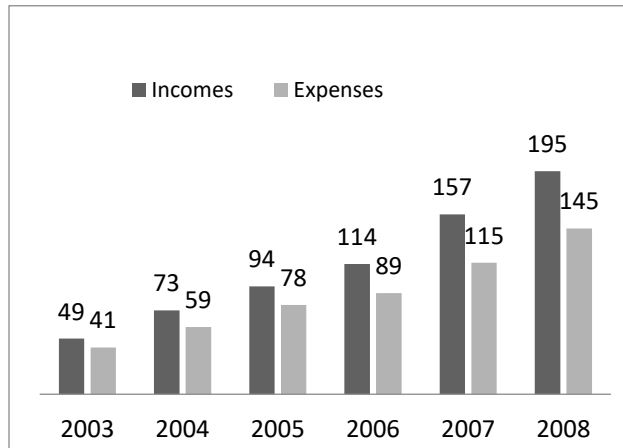


Figure 3 The trend of Incomes & Expenses
The banking Sector in Kosovo 2003-2008 - mil. Euro
Source: CBK Annual Reports 2003 – 2008

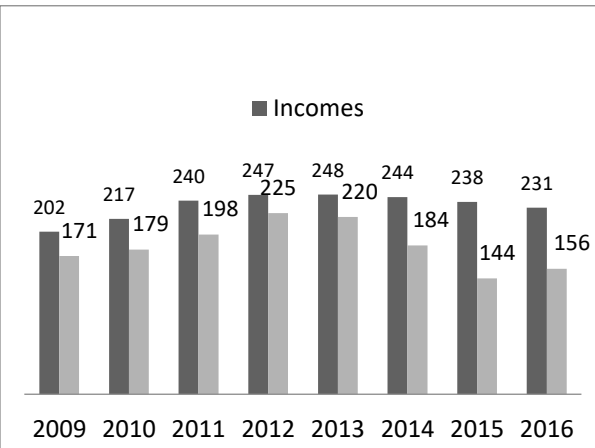


Figure 4 The trend of Incomes & Expenses
The banking Sector in Kosovo 2009-2016 - mil. euro
Source: CBK Annual Reports 2009 - 2016

During the period of time 2003 -2008 positive trend of income it was 32% on average and during 2009-2016; 2%AVG While Trend of Expenses During period 2003 -2008 it was 29% average and during 2009- 2016; 1% AVG (Figure3&4).

⁴⁵ (Net profit during years 2014,2015,2016)The increase in profit resulted from the sharp decrease in the banking sector expenditures. One of the reasons of reducing the expenses is cutting also number of employers because of implementing of innovations New ATM-s 24/7 extending working hours and also implementing E banking services.

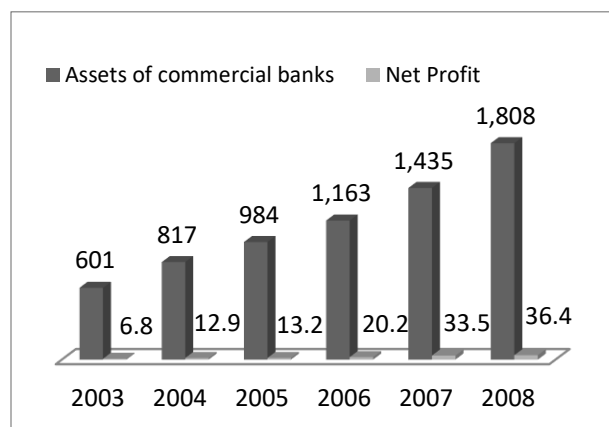


Figure 5. The trend of assets from commercial banks & Net profit
The banking sector in Kosovo -2003-2008 - mil euro
Source: CBK Annual Reports 2003 – 2008

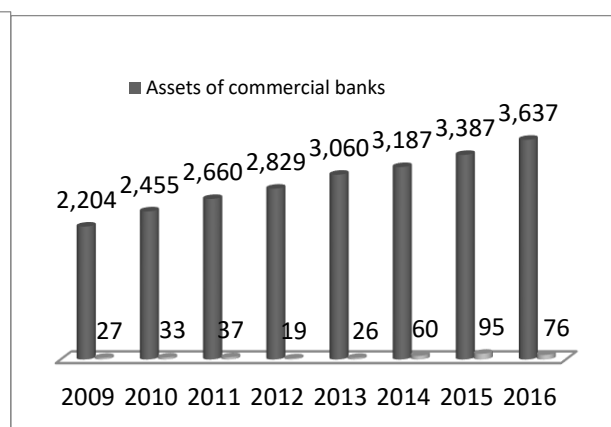


Figure 6 The trend of assets from commercial banks & Net profit-
The banking sector in Kosovo -2009-2016 - mil euro
Source: CBK Annual Reports 2009 - 2016

Through figure 5 and 6 we can see the positive trend of assets in Kosovo's banking system over the years, marking the following: (for the period from 2003-2008 average increase of 25%); and (for the period from 2009-2016 average increase of 7%). Net profit increase for the period 2003 – 2008 was 46 percent, and the positive trend has been recorded during period 2009-2016 with a profit increase of 27% which mainly results from the decrease of expenses. The ratio of liquid assets to short-term liabilities stood at 41.5 percent, which is well above the regulatory minimum of 25 percent.

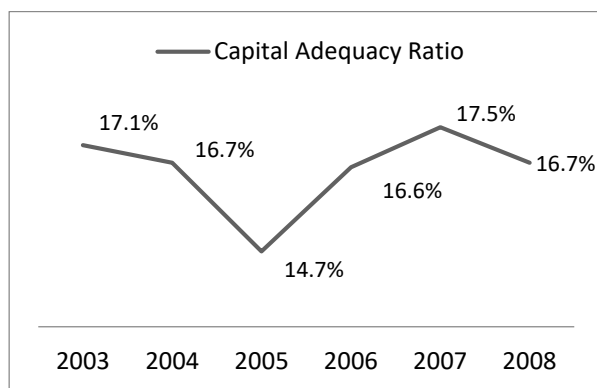


Figure 7. The trend of Capital Adequacy Ratio
The banking Sector in Kosovo 2003-2008
Source: CBK Annual Reports 2003 – 2008

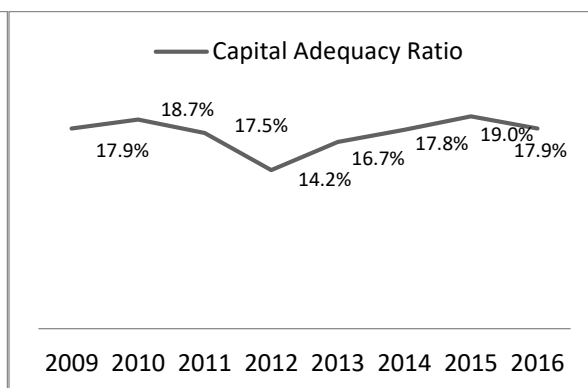


Figure 8. The trend of Capital Adequacy Ratio
The banking Sector in Kosovo 2009-2016
Source: CBK Annual Reports 2009 - 2016

Analyzing figure 7 and 8 we can see the trend of CAR and this data are showing that the banking sector continues to have a high level of capitalization, where the capital adequacy indicator stood at 17.9 percent in December 2016 (CBK, Annual Report, 2016). The banking sector's liquidity position continues to be at a steady pace, despite accelerated lending growth. From figure 7 and 8 trends, it is evident that the banking system in Kosovo during the whole period 2003 – 2016 has been well-capitalized for both minimum criteria 8% and 12%.

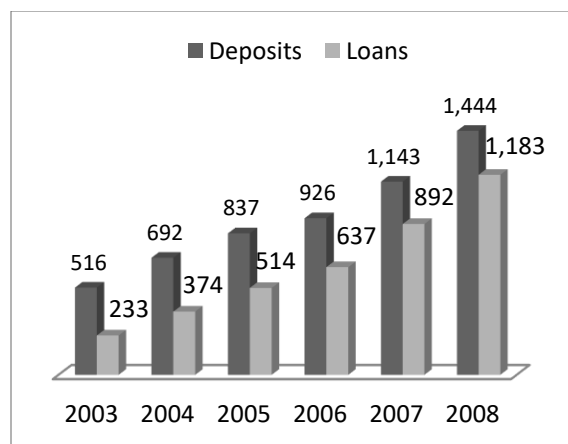


Figure 9. The trend of Deposits and Loans
The banking Sector in Kosovo 2003- 2008 - mil euro
Source: CBK Annual Reports 2003 – 2008

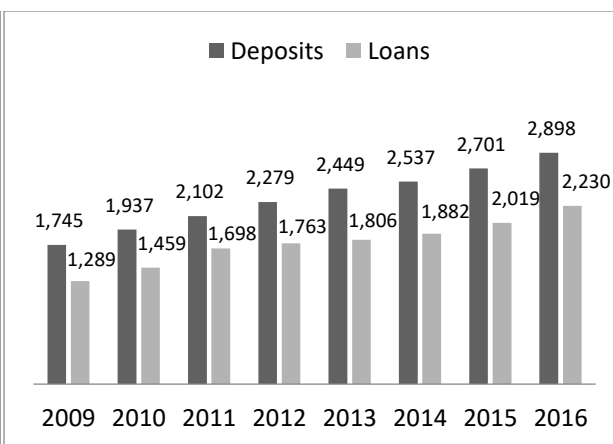


Figure 10. The trend of Deposits and Loans
The banking Sector in Kosovo 2009- 2016 - mil euro
Source: CBK Annual Reports 2009 - 2016

By analyzing figures 9 and 10 it can be noticed that the trend of deposits was positive for the period 2003 -2008 recording a 23% average increase and also from 2009 to2016 with an 8% average increase. Also, the trend of loans was positive recording a 39 percent average increase for the period 2003 – 2008 and an 8 percent average increase during the period 2009-2016. Deposits continue to represent the main source of financing for commercial banks in the country, representing 79.6 percent of total banking sector liabilities. The main part of the loans continues to be dominated by long-term maturity loans. Loans with maturity over 2 years in December 2014 represented 69.2%. Short-term maturity loans, i.e., 'up to 1 year', continued to be the second-largest share of 23.5 percent in total loans (25.0 percent in December 2013). Meanwhile, medium-term maturity loans, i.e., '1 to 2 years, continue to have the lowest share of total loans, representing 7.3 percent in December 2014.

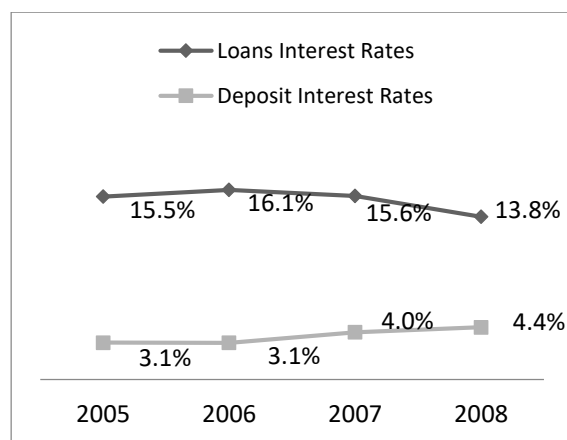


Figure 11 The trend of interest rates deposits & Loans
The banking sector in Kosovo 2005- 2008
Source: CBK Annual Reports 2003 – 2008

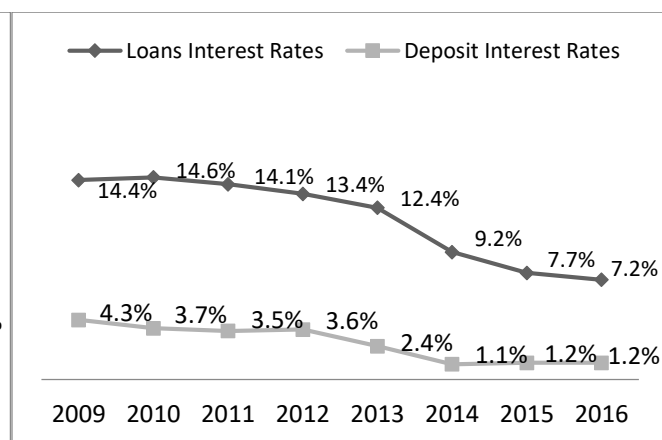


Figure 12 The trend of interest rates - deposit and loans
The banking sector in Kosovo 2009- 2016
Source: CBK Annual Reports 2009 - 2016

From figures 11 and 12 we will see the interest rates on loans and deposits continued to decline in 2014. The average interest rate on loans declined to 9.2 percent in December 2014 from 12.4 percent as it was in December 2013. The decline in the interest rate on loans reflects the

competitive growth in the banking market, resulting in the facilitation of bank criteria for loan conditions. We also have a decline in the deposit interest rate this year from 2.4% to 1.1%.

Figure 13 illustrates the competition in the banking sector in Kosovo and the challenges faced by the TEB bank:

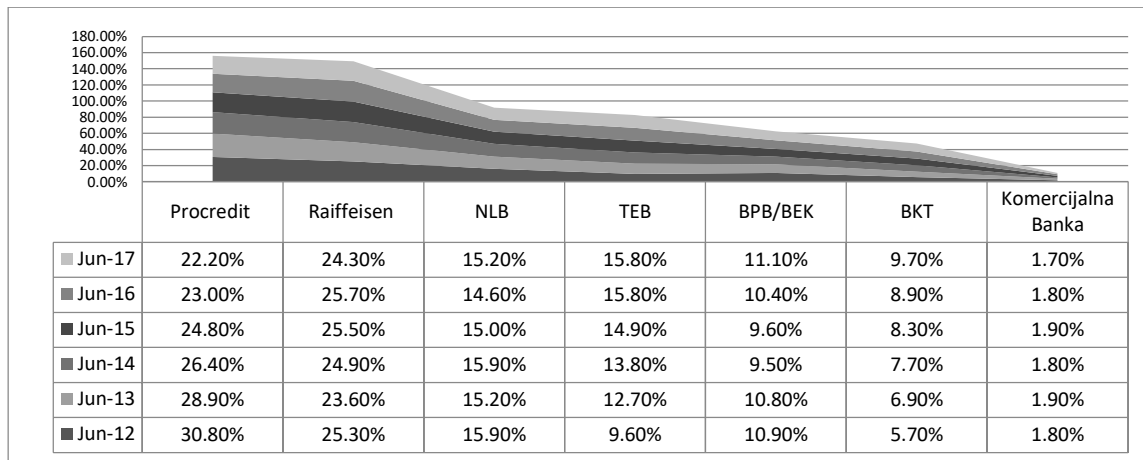


Figure 13. The structure of banking sector assets, by ownership

Source: CBK "Reports Of financial stability", 2012- 2017

Analyzing figure 13 the structure of banking sector assets by ownership we see that TEB Bank after 8 years of business achieved a market share of 15.80% in a growing competition now with shareholdings from EU countries. This solid participation in the asset structure of the Kosovo bank's industry gives us the impression that the reasonability of decision-making to finance outside the country's borders is not much more questionable especially in the case of non-developed markets. In 2008 when TEB Bank entered Kosovo, interest rates (2005-2008) were as follows (CBK, Annual Report, 2009): The running of Kosovo's banking system mainly relies on financial resources of the country's economy, namely deposits collected from citizens within the country. In 2015 the overall deposits in the Kosovo banking sector amounted to EUR 2.7 billion, marking the annual growth by 6.5 percent (3.6 percent during 2014). The main source of deposits in the Kosovo banking system remains the household deposits, which in 2015 amounted to EUR 1.9 billion (72.7 percent of total deposits) (CBK, Annual Report, 2008).

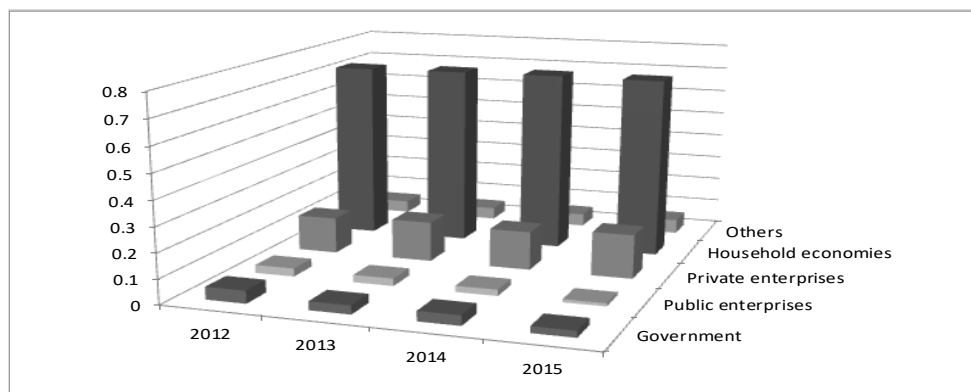


Figure 14. Structure of deposits by sector in percentage

Source: CBK Annual report 2015

From this graphic presentation fig. 14, we see that in the timeline 2012-2015 the structure of deposits is mainly dominated by household deposits (with 72.7%). This indicator does not show a good level in the development of micro, small and medium enterprises, as well as the Kosovo business in general. The following is a comparison of Kosovo's interest rates with the countries of the region and the EU:

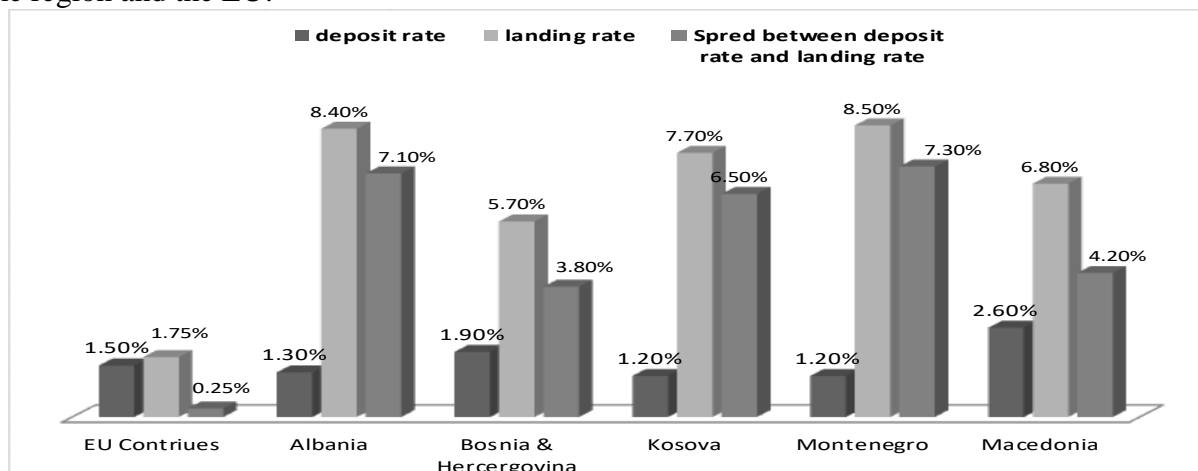


Figure 15. Interest rates on deposits and loans in some countries of the region and the EU

Source: Annual Report 2015 CBK

From the figure 15, we can see that there is still a high level of interest rates, with the fact that compared to the above period there is a large workload, and this has forced the increase of competitors.

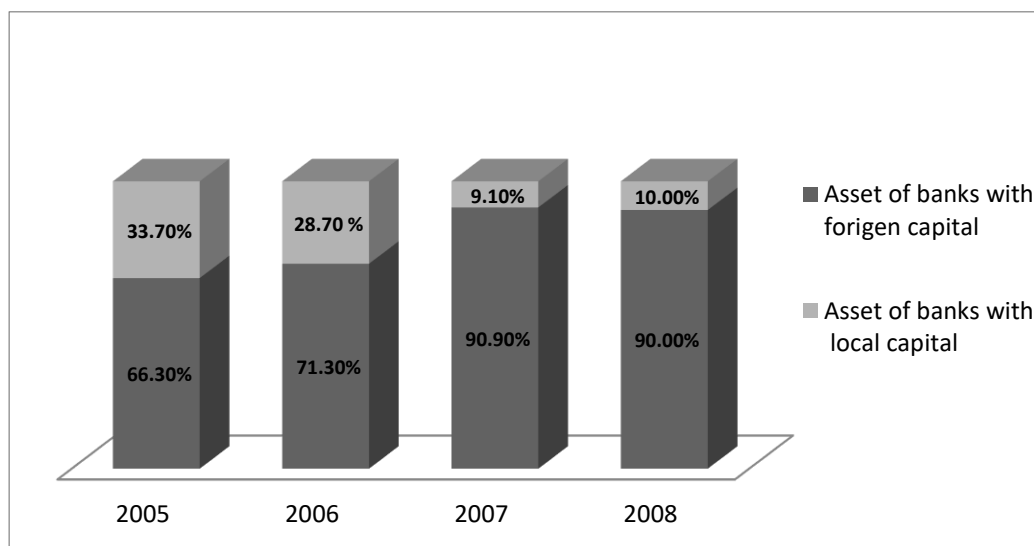


Figure 16. The structure of foreign assets compared to domestic in the Kosovo banking industry

Source: CBK Annual Report 2009

The entry of new banks into the market has also stimulated increased competition in the Kosovo banking sector, which to some extent can be expressed through a drop in concentration. In 2008, the Herfindahl-Hirschman Index HHI (a concentration indicator in an industry) fell to 2,747 compared with 2,862 in 2007. The increase in the degree of competition in the Kosovo banking sector can be noted by the narrowing of the gap between interest rates on loans and

deposits and the provision of new products in the market. The net profit rate trend for the period 2013-2016 was as follows:

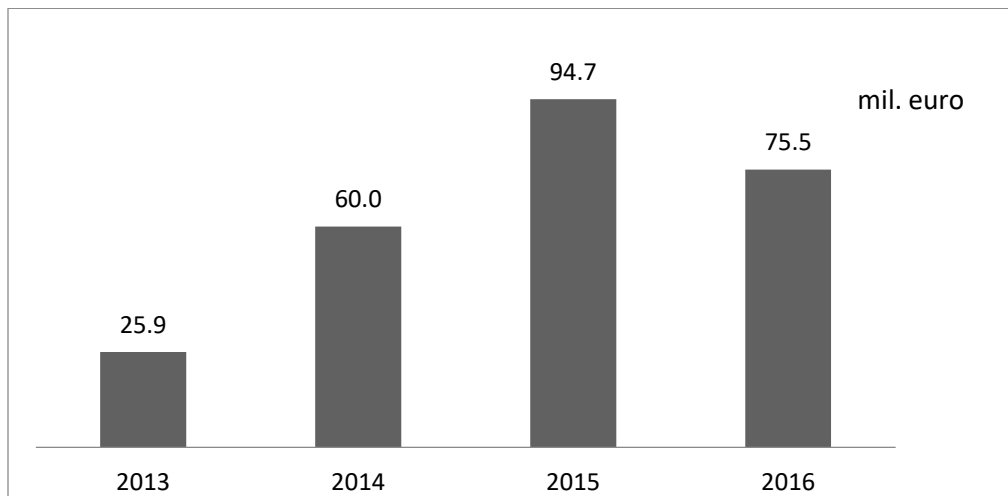


Figure 17. The net profit of the banking sector in Kosovo

Source: CBK Annual Report 2016

Retained net profit of TEB bank on the balance sheet on 31.12.2016 was 18.3 million euros or 24.23% of the total net profit of the banking sector (TEB, Annual Report, 2016). Investment outside the border is important because the return on investment, return on capital and profit are high. In figure 18 we can see indicators for NPL (Non-Performance Loans) for the region. The data indicate that TEB's decision to invest in Kosovo has been intentional because we see that this indicator is also the lowest in the region analyzed during 2015 also analyzing the trend of NPL from the period 2005-2011 compared to the countries in the region, Kosovo is in the best position with only 6.2% of non-performing loans (NPL) (CBK, Annual Report, 2015).

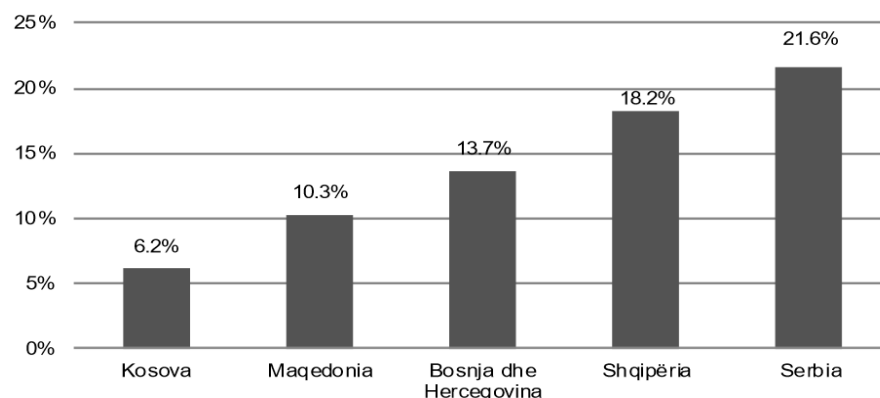


Figure 18. Rate of nonperformance Loans in Kosovo compared to region countries during 2015

Source: Annual Report 2015 CBK (IMF -Central Bank of respective countries) 2016

The quote of non-performing loans is still too low in Kosovo compared to other countries in the region. However, there remains a high degree of coverage through banking fees.

The renowned world economist Irving in his book "The Theory of Interest" (Luboteni, 2005) states that interest is determined by impatience to spend income and the opportunity to invest it". According to Fisher, the real interest rate is the price that equates to the supply and demand of

capital. Offer depends on the willingness of people to save, i.e., to postpone consumption. Demand depends on productive investment opportunities.

“Kosovars feel oppressed by high-interest rates and suspect a bank cartel. The banks respond by citing the country’s fragile status as a sovereign, making funding expensive and uncertain. Either way, costly credit is an impediment to growth, and widespread corruption adds its own obstacles”. Elliot Wilson reports (Wilson).

Table 3: Trend of Indicator: Non-Performance Loans (NPL) (in %).

| Countries | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|-----------------|------|------|------|------|------|------|------|
| Albania | 2.3 | 3.1 | 3.4 | 6.6 | 10.5 | 13.9 | 17 |
| B.&Hercergovina | 5.3 | 4 | 3 | 3.1 | 5.9 | 9.2 | 11 |
| Croatia | 6.2 | 5.2 | 4.8 | 4.9 | 7.8 | 11.2 | n.a |
| Macedonia | 15 | 11.2 | 7.5 | 6.7 | 8.9 | 9.75 | 9.2 |
| Montenegro | 5.3 | 2.9 | 3.2 | 7.2 | 13.5 | 21 | 25 |
| Serbia | n.a | n.a | n.a | 11.3 | 15.5 | 17.8 | 19 |
| Kosovo | 2 | 3.5 | 3.7 | 3.5 | 4.3 | 5.9 | 6 |

Source: Riinvest Institute, 2015 “Banking Sector: Facilitator or Barrier”p.no: 51

Table 4: Profitability ratio for 2011 (in %)

| Countries | ROA | ROE |
|------------------|------|------|
| Kosova | 1.4 | 14.5 |
| Albania | 0.2 | 2.5 |
| Bosnia | 0.3 | 3 |
| Serbia | 1.5 | 6 |
| Macedonia | 0.1 | 1 |
| Montenegro | -0.8 | -6 |
| Regional Average | 0.3 | 4 |

Source: Riinvest Institute, 2015 “Banking Sector: Facilitator or Barrier”p.no: 27 (Institute, 2015)

Nevertheless, when assessing the performance indicators of ROA and ROE for Kosovo and region countries we can see that indicator of Kosovo’s banking sector sometimes it is bigger compared to all other region countries. (Table 4).

4.1.Brief Background and IB strategy of “TEB Bank”

Turk Ekonomi Bankasi A.Ş. (TEB) is part of Çolakoğlu group one of the oldest and most reputable actors in the Turkish financial sector. Established in 1927, it has built 84 years of knowledge and expertise in the banking sector. TEB Bank today continues to be one of the strongest banks in Turkey (TEB, Annual Report, 2016). After the merger, the group began to grow rapidly in the Turkish market. The first branch out of the joint venture was in Kosovo and TEB Sh. A entered the Kosovo market in 2008 as a joint venture between BNP Paribas, one of the most powerful financial institutions in the world, and Turk Ekonomi Bankasi, one of the banks with the highest reputation in Turkey (TEB, Annual Report, 2016). Client orientation and robust financial performance once again helped TEB to get the 'Bank of the Year 2016 in Kosovo' award from Bankers and Global Finance (TEB, Annual Report, 2016).

TEB Bank Entry Mode Used

Joint ventures are often seen as a very viable business since the companies involved can complement their skills. Typical joint ventures where two parties are involved are 50/50 ventures, though it can also be other combinations depending on the agreements of the parties involved. Such agreements are stated in contracts, which also state the role and kind of participation each firm will commit to. The advantages stated by Hill (2007, p. 493) are as follows: a firm benefit from local partner's knowledge of the host country's competitive conditions, culture, language, and political and business systems. Costs and risks are shared. In some countries, this is the only way to enter that market. The firm can also overcome some risks by giving control of its technology to the other party involved. This kind of relationship between two companies does not give a firm tight control over the subsidiaries both local and international, leading to conflicts and battles over the control, if the strategies of both companies differ on the way things should be done to fulfill their goals (Hill, 2007. (Masum&Fernandez, 2008). We find that foreign banks must possess a relatively better screening technology to profitably enter highly competitive markets (Lehner, 2008). In this case study, we have analyzed a joint venture by two external partners, none is local and as a result, we have a new subject TEB Sh. A. The entry mode through which TEB Bank has decided to enter in Kosovo market is Joint Venture, in this case, owned by two international partners 50/50.

The main international competitors that TEB is faced with in the Kosovo market are: Procredit Bank, Raiffeisen Bank, and NLB Bank which was the main challenge of this initiative. Therefore, TEB confronts significant pressures for cost reductions and for local responsiveness. During the TEB bank entry mode process have been taken into consideration of some Country Specific Advantage (CSA) and Firm Specific Advantage (FSA) such as: the specifics of Kosovo's economy as a country out of the war and the lack of proper functioning of the developed banking system and FSA because TEB Bank has entered the market by offering more new innovative products.

4.2. "TEB BANK" Strategy in Kosovo Market

In the post-war years, after '99 the priority was to rebuild the basic infrastructure for economic development. Overall, in the 18 post-war years, Kosovo has made progress in many areas of the economy, starting with the transformation of social and public property and the first deregulation, especially in the telecommunications sector, as well as the construction of physical infrastructure and the creation of basic preconditions for mass education of youth education. However, many challenges remain, particularly in the protection of property rights, the provision of legal certainty for investors, the fight against corruption, the elimination of bureaucracy, the provision of education for labor market needs, etc. The banking sector has always been the dominant financial intermediaries' system in Kosovo, and this role of commercial banks is existed also today (CBK, Report of financial stability, 2015).

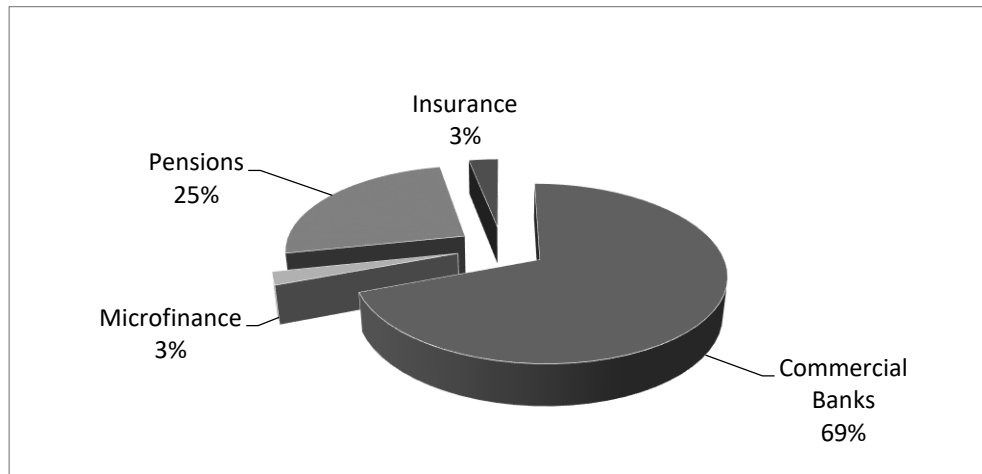


Figure 19. Structure of financial system assets Dec 2015

Source: CBK Report of financial stability, Dec. 2015

TEB Bank's strategy is to provide an exceptional and efficient banking experience for all its customers through a dedicated and creative staff. It is achieving this by providing innovative and practical products and services to ensure steady and sustained growth. TEB's offer is always based on the commitment to be a responsible bank. This is embodied in all its values and is reflected in the business it develops in the way they develop its products and services and how it presents their goals and promises (TEB, Annual Report, 2016). The TEB client base grew and exceeded the number of 135,000 by the end of 2011, including all segments, which shows market confidence in the activities and serves as proof of the quality of TEB Bank services. Judging by the results and feedback of new and existing customers, sales and marketing strategies have proven to be successful. Moreover, through dedicated professional staffing services and the introduction of marketable products, TEB Sh. A managed to create a strong name that stands above the figures achieved and distinctly distinguishes it from the competition. TEB's strategy is to provide customers with a variety of solutions that meet their banking and financial requirements. TEB wants banking services to make it easier and more convenient, offering solutions - all services at a point (TEB, Annual Report, 2016). A product that fully reflects our innovative approach to TEB Bank is "Pausing Loans" which considers unexpected events and expenses throughout the loan. This facility enables customers to pause for two months. Another feature that provides flexibility to credit clients is the "Grace Period" which takes into account the time it takes to complete the plans. Through innovative loan solutions, their exposure increased by 80% in 2011 (TEBBANK, 2011). The other innovative product that TEB BANK has launched for the first time in the Kosovo market is Star Card this is a special card that enables customers to buy installments with 0% interest and at the same time offers them the opportunity to earn bonus points for each transaction within TEB network in Kosovo. Star Card is licensed by Visa Credit Cards. The other innovative product launched by TEB BANK was SMS banking. This service enables customers to view their account balance, debt in Star card, as well as the foreign exchange rate. At the same time, consumers can make payments for Internet services and cable and television services using SMS banking. "TEB SMS Filling" is another novelty introduced by TEB Bank. It enables the customer to fill the handset via SMS in any network in Kosovo. In 2011, 20,000 customers used the SMS banking service. TEB Bank also launches the most advanced E-banking service in the market and continuously

develops and improves it, incorporating new features. Part of TEB's strategy for development orientation is the focus on the Small and Medium Enterprise (SME) service. The main principle in the banking system for SMEs is to develop long-term relationships and to contribute more to the development and growth of these clients by using experts called Portfolio Managers. The TEB SME banking system was the first in Kosovo to create a customer-centered approach. TEB bank specialists "Portfolio Managers" focus exclusively on a specific customer and sector segment so that they are both experts and better understand the customer's needs (TEB, Annual Report, 2016).

“TEB Bank” SWOT Analysis

| | |
|--|--|
| <p>Strengths</p> <ul style="list-style-type: none"> • TEB Bank is the branch of a major financial partnership between TEB and PNB Paribas. It has built 84 years of knowledge and expertise in the banking sector. • The continued increase in market share by providing about 15%. • Stable growth by providing profit share of 24.23% by the end of 2016 • Strategy based on innovative products • TEB operates in every segment of the banking sector with: Corporation, Commerce, * SME, and Banking Services for Individuals. • Each activity focuses on the client and the employee • Diversified services: TEB provides house, loan, and investment insurance services. | <p>Weaknesses</p> <ul style="list-style-type: none"> • Vulnerable to risk: Since this sector deals with finances, it is the riskiest sector that can change the fate of any business/industry • Lack of coordination: The global banking industry faces short-term uncertainty due to the debt crises that challenge several major economies. • Lack of alignment in all Kosovo municipalities • Higher liquidity costs, compared to most competitors • The direct relationship between the Bank's business development and GDP growth • Relatively high sector exposure |
| <p>Opportunities</p> <ul style="list-style-type: none"> • Extension of office network throughout all Kosovo municipalities • Rapidly developing mobile and internet infrastructure. • Expansion into rural areas and focus on agriculture loans • Increasing the number of ATM-s in rural areas • Stimulation at lower interest rates demands from the field of investment in production • More efficiently utilizing the large number of unemployed jobseekers to build massive campaigns to present their products. | <p>Threats</p> <ul style="list-style-type: none"> • Recession: It is one of the major threats to the financial system of the nation, also banks, Traumatic shock of Economic crises & collapse of the several businesses can affect the banks and vice-versa. • Stability of the system: Failure of some weak banks has often threatened the stability of the system. • Competition: Competition from NBFC's (Non-banking financial companies) like insurance companies & mutual fund companies can affect the business of Banks • Public procurement practices do not contribute to sector development and also |

| | |
|--|--|
| | <p>may affect bank clients directly or indirectly.</p> <ul style="list-style-type: none"> • Insufficient cooperation between public and private stakeholders. |
|--|--|

5. Results and discussion

This part of the research will be presented and discussed the results achieved by two research methods: analysis of the trend based on secondary data by analyzing the main indicators of the banking system in Kosovo and presenting the results found by the questionnaire realized with the bankers. In Tables 1 and 2 we have collected the data to analyze the trend of the banking system's indicators in two periods 2003-2008 and 2009-2016. In figures 1 and 2, analyzing the ROAA and ROAE trends we found that these two indicators in both periods had a positive ROAE trend. For the first period 2003-2008 from 17.3% to 24.7%, and for the second period 2009-2016 from 13.0% to 22.2% and ROAA from 1.3% at the end of the first period to 2.4%, while the second period 2009 -2016 from 1.4% to 2.6%. In figures 3 and 4 we have presented the trend of expenditures and revenues in the banking system, and we found that: during the period 2003-2008 positive trend of income, it was 32% on avg. and during 2009-2016;2% avg. while the trend of expenses during period 2003-2008 was 29% avg. and during 2009-2016; 1% avg. In figures 5 and 6 we presented the data regarding the asset trend and the net profit of the banking system. The positive trend of assets in Kosovo's banking system over the years for period from 2003-2008 average increase of 25%; and the period from 2009–2016 average increase of 7%. Net profit increase for the period 2003–2008 was 46 percent, and the positive trend has been recorded during period 2009-2016 with a profit increase of 27%. Analyzing the results in figure 7 and 8 the findings for the trend of CAR and this data are showing that the banking sector continues to have a high level of capitalization: during the period 2003- 2008 CAR it was 17.1% and at end of the period 16.7% and during 2009-2016 CAR it is same on the beginning also at the end of period 17.9%. Results in Figures 9 and 10 show us that the trend of deposits was positive for the period 2003 -2008 recording a 23% avg. increase and from 2009 to 2016 with an 8% avg. increase. Also, the trend of loans was positive with a 39 percent avg. increase for the period 2003 – 2008 and 8 percent avg. increase during the period 2009-2016. The results of the trend analysis in Figures 11 and 12 we will see the interest rates on loans and deposits during the period 2005 – 2008. Interest rates on loans it was 15.5% and 13.8% at end of the period and during 2009 -2016 it was 14.4% at the beginning and 7.2% at end of the period. Also, the interest rate on deposits varies from 3.1% in 2005 to 1.2% in 2016. The result of the structure of banking sector assets, by ownership it is presented in figure 13 through which we clearly see that TEB Bank after 8 years of business achieves a market share of 15.80% in a growing competition now with shareholdings from EU countries. As a result of figure 14, we see that in the timeline 2012-2015 the structure of deposits is mainly dominated by household deposits (with 72.7%). As a result, in table 3 we see that Kosovo is the country with the lowest rate in the region with nonperformance loans with 6%.

Results and gathered data through interviews:

Overview of 2018/2019 Kosovo Banking Sector Survey

By summarizing the results of this survey of the bankers' opinion, we can highlight the main points in which it is strongly based on their decisive development factors:

Policy direction and economic policies of the new Government: *With the new government most bankers surveyed (41% of respondents) believe that the policy direction on the economy of the new government will have the biggest impact on Kosovo economy; the second most important factor will be Lack of foreign investments (24%).*

Growth corporate and commercial loan business *with 35% will be the top strategic goal during 2018/2019, and the second strategic goal will be to optimize assets – liability structure from 23% of respondents.*

Slower loan growth *with 37% and worsening credit quality with 29% will be the effects of high-interest rates also low profitability is an important factor in this case by 24%.*

Because we are part of a large financial institution group: *45% of bankers interviewed believe that being part of a large financial institution group affects the bank to have a higher rating.*

Increased competition: *54% of bankers interviewed stated that increase competition is the main factor of decline in interest rates in this environment. New entrants of the banks or microfinance institutions as well as the rapid growth of competition were the main impact.*

Growing fee income: *34% of the respondents have stressed that growing the fee income is the banks' main area of focus for growth in 2018/2019. The second and third top areas of focus for business growth in 2018/2019 are growing the loan portfolio by 30% and the digital channel expansion by 26%.*

Growing corporate banking: *63% of the bankers planned to focus more on growing the corporate banking loans in 2018/2019 and also SME loans with 22%.*

Credit risk *with 41% followed by liquidity risk with 31% it is the top risk management challenge for 2018/2019*

Enlarge the depositor's base: *with 70% it is the base strategy of management to address liquidity concerns during 2018/2019.*

Quick respond to enquiries and complaints: *The largest percentage of bankers surveyed 46% still consider that quick response to enquiries and complaints is most valued by customers followed by friendly, polite, and willingness to help 24%.*

Convenience and easy access branch: *The largest percentage of bankers surveyed 42% still consider that convenient and easily accessible branch is most valued by customers followed by strong internet banking 31%.*

Friends: *Personal recommendation from friends is the most important sources of information when they advise banking products and services with 42%.*

Lending: *Lending is the main area with 52% which bankers stated provides the highest turnover rate.*

Diversify your funding base: 48% of respondents have said that their strategy to address liquidity concerns is diversifying your funding base.

People development: Bankers stated that the three key strategies to manage operational risk are: people development 23% automation initiatives to reduce the manual process by 22% and the third one is the enhancement of the risk control self-assessment process by 21%.

Increase in the use of IT in all aspects of the business: 27% of the bankers predict that the IT risk will increase in 2018 whilst 26% believe that they would remain the same.

Basel III liquidity requirements: 37% of the bankers stated that the regulator should provide them with more clarity regarding Basel III liquidity requirements and 23% internal rating-based approach

Mortgage: 42% of the bankers believe that mortgage loans will be the key drive growth in consumer loans and followed by unsecured loans with 19%.

Personalized services: Most of the bankers, 23% believe that the personalized and good branch services with 17% are the main reasons for their customers to bank with them.

Internet banking & Mobile banking: Most of the bankers, 25% indicated that the investment in the internet and mobile banking 24% is their top priority in the next two years 2018/2019.

By discussing all the results by this presented research, we consider that the TEB bank's entry strategy to compete in the banking sector in Kosovo, the competitive environment analysis from 2003 to 2016, the effect of foreign investments in the banking sector and the implications of the proper competition in this sector are research questions, for which we claim that by using the trend analysis from the secondary data and the results found by interviewing the bankers, by analyzing and presenting these findings we have given the correct answer.

Entry strategy of TEB Bank: The entry mode through which TEB Bank has entered in Kosovo market was a Joint Venture. The TEB Bank's strategy was to implement an exceptional and efficient bank experience for all its customers through dedicated and creative staff. This is achieved by providing new and practical products and services to ensure sustainable growth and innovation. TEB's offer is always based on the commitment to being a responsible bank and offering personalized service. Analyzing the growth trend and the significance that TEB secured in this market by providing 15.80% market share and stable profit growth on 31.12.2016 (24.23%), we consider that it has implemented successful strategies.

Competitive environment analysis for the period from 2003 to 2016 - when discussing the two observed periods of key indicators of the banking sector, we can say that the first period 2003-2008 marks a period of stable growth of all limited number of competitors, concentrated competition and high-cost services by collecting up to 16% interest rates on loans or realizing interest rate differentials between rates on deposits and loans up to 13% in the circumstances when the nonperformance loans in this market were up to 3.7% by 2008. When we consider the other period observed for 2009-2016, we can say that the market has started to open, allowing new entries as well as a much tougher competition, resulting in better and lower-cost services.

The effect of foreign investments in the banking sector and the implications of fair competition - by allowing greater access to foreign competitors in this sector, the environment is influenced by the implications of competitors' pressure for increased presence in this market. At the same time, it was maximally utilized the possibility of most competitive and low-cost banking products and services is utilized, not only by maximizing the time-of-service delivery but also by shortening access procedures for the financing of various initiatives. This is also supported by the results of the interview with the bankers.

We consider that the findings of this research are very important because a review of a segment of the economy that has been successful despite the concentrated competition reveals an essential thing, the importance of foreign investments and the positive implications that a sector might have or even the national economy as a whole.

Through cited literature, the described situation, and findings of this research, we notice that fair competition and open market is a non-alternative development orientation.

The limitation in this research of case study is in the research and commentary of indicators through which we point out the importance of doing business outside the borders and conducting international business activity. Pointing to the success of the TEB bank either in the successful entry into the market and for a shorter time, the achievement of a market shares and the participation in the industry's profit rate is considerable. However, considering all the limitations regarding empirical data, we do believe that this study can provide the reader with a broad idea of the internationalization process of banking industry players, and it can be considered as a path and base for further extensive research on this topic.

Conclusion

If we say that we need to create a positive climate to attract foreign investment, this does not mean that we should provide or maintain the market share for market participants, it remains the task of strategic orientation and decision-making of investors who normally do all the tests before deciding whether to enter a market. The commitment to create an attractive environment for international business initiatives, aside from being a continuous challenge of underdeveloped economies, should also be a strategic goal, but when talking about the financial and banking sector, it is important to analyze the impact of the activity of commercial banks in the national economy because ultimately they are not present in an economy simply to maximize their profits, but also to accelerate the general development trend in one country.

However, when evaluating performance indicators, our research shows that during the observed period and in 2015 we have ROA with (2.9%) and ROE with (26.4%), as well as the maximum level of problem loans (6%) which make the banking sector of Kosovo safer and more profitable compared to the entire region. Indeed, when we are in front of such a proven example of the success story and this positively advanced in the second period of trend analysis 2009-2016, when the market is open for more competition, the quality of services has increased and the cost of these services decreased, then this is a grounded reason to recommend for further analysis and research in what form should this good example be followed in other sectors of the economy, enabling the creation of preconditions for foreign investors, a competitive environment as well as protection and security for investors.

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