

CONTRIBUTION OF SME-s TO DEVELOPMENT AND THE NEW CHALLENGES IN ALBANIA

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Abstract

Recent empirical studies show that SMEs contribute to over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. The studies also show that the relative importance of SMEs and the informal sector are inversely associated with economic development. In low-income countries, especially in the least developed economies, the contribution of SMEs to employment and GDP is less than that of the informal sector, where the great majority of the poorest of the poor make a subsistence level of living. Therefore, an important policy priority in developing countries is to reform the policies that divide the informal and formal sectors, so as to enable the poor to participate in markets and to engage in higher value added business activities.

In Albania, the micro and SME's registered and operating in the economy make up to 95% of total firms operating during 2014. In these conditions, this paper analyzes the contribution of SMEs to economic development of Albania, the performance and competitiveness of firms, macroeconomic environment. To achieve this analysis, it has been based on surveys and data provided by the relevant national and international institutions. This paper also highlights the most problematic factors of doing business in Albania, barriers to investment, financing SME's, by comparison with other countries in the region.

In conclusion, some recommendations are very important for economic policies in Albania: tackle the informal sector; enhance access to finance; work with business on investment climate measures; enhance trade and cross border cooperation.

Keywords: *SMEs, low-income countries, informal sector, competitiveness of firms, barriers to investment.*