

INTEREST RATES IMPACT AND LOAN SYSTEM IN THE ECONOMIC DEVELOPMENT IN REPUBLIC OF KOSOVO

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ABSTRACT

The Republic of Kosovo is now at the end of the transition period and namely the commercial banks were the biggest contributors of the extinction of centralized system towards a free market economy. The way how commercial banks and other financial agents performed and whether the impact was the biggest possible one, is a matter of analysis and conclusions from the macroeconomic aspect. Due to the recent global crisis that have occurred in recent years throughout the world, it was thought that they will affect in great deal the banking sector of the Republic of Kosovo, since most of the commercial banks operating in the country are banks with foreign capital, but the stability shown by them, was of the highest level, thus minimizing the delivery of the crisis to other economic agents. Unattractive loan interest rates had an impact in businesses to have requests for decrease of interest rates which they consider as high, therefore finding modalities and drafting of more convenient loan policies for local NVM and especially for start-up businesses is the key point in building a healthy economic development within an economy which is marching slowly. This paper will treat analytically and give modest conclusions regarding the possibilities and steps that need to be taken in order to create a favourable environment not only for the banking system, favourable legal infrastructure, but also for other economic and social agents.

Keywords: Interest rates, SME, NPL, Legal system .