

REFLECTIONS ON THE ENTREPRENEURSHIP ECOSYSTEM IN ALBANIA

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Abstract

Entrepreneurship and innovation are essential to any country's economic development. Albania has taken important steps over the last ten years to create a supportive ecosystem for entrepreneurship, with a special focus on young people and technology. Public and private institutions have contributed to the creation of innovation centers, enterprise, and start-up financing programs.

This paper will present the current situation of small businesses in Albania influenced by public policies undertaken in the last 10 years. By studying the development of the entrepreneurship ecosystem during the last ten years, this study aims to identify the successes and challenges of the policies followed, as well as to give recommendations for their improvement in order to help the economic development of the country through these changes.

Keywords: entrepreneurship policy, innovation support, business development, economic growth, government incentive

JEL: L26, O31, O38, M13, H25

Introduction

In the context of Albania's economic development, the role of entrepreneurship and innovation is considered an important issue for the whole country. The dynamic interplay between these two components is influenced by many factors, including the educational landscape, the role of women in entrepreneurship, and the challenges faced by Small and Medium Enterprises (SMEs). Through new support policies for SMEs, the Albanian government has aimed to improve the business climate and increase the integration of new technologies (INSTAT, 2023).

For young people, entrepreneurship is not only a means of self-employment but also an opportunity to contribute to the innovation and modernization of

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the country's economy. Many young people see entrepreneurship as a path to economic independence and the realization of their creative ideas. According to the Global Entrepreneurship Monitor (GEM), the percentage of young people involved in entrepreneurship in Albania has increased over the past few years, showing that Albania has considerable potential for further development of its entrepreneurial ecosystem (GEM, 2022).

In a globalized environment with rapid technological changes, the role of institutions in supporting entrepreneurship and innovation becomes increasingly important. Policies that promote innovation include funding research and development, creating regulatory frameworks that favor innovation, and building the right infrastructure for start-ups and small enterprises. The Albanian government has approved programs such as "Start-Up Albania" that aim to facilitate access to financing for young entrepreneurs, emphasizing the importance of technology and digitalization (StartUp Albania, 2023).

Another key factor is entrepreneurship education, where specialized programs in universities and high schools in Albania have begun to play an important role in preparing young people for the challenges of the global market and the innovative opportunities it offers.

Through the development of an innovative ecosystem, Albania can expand its capacity to generate value-added products and services, helping to diversify the economy and reduce dependence on traditional sectors (European Commission, 2022). Furthermore, the integration of technology in various sectors such as agriculture, tourism and industry can improve Albania's productivity and international competitiveness.

The purpose of this paper is to analyze the development of the entrepreneurship ecosystem in Albania over the last decade, focusing on the impact of public policies, institutional support, and technological advancements. By identifying successes and challenges within the ecosystem, this study aims to provide actionable recommendations for policymakers and stakeholders to foster a more sustainable and innovative environment for entrepreneurship.

Literature review

The role of entrepreneurship in promoting economic growth and innovation has drawn more and more attention. The idea covers a broad spectrum of activities, such as transnational social businesses and cross-border e-commerce.

Public Policies for Entrepreneurship and Innovation

Public policies for entrepreneurship and innovation are essential elements for creating a supportive environment for economic development, especially in the

context of encouraging new and innovative enterprises. These policies vary depending on the economic development of countries, creating significant differences between developed and developing countries. While developed countries have built sophisticated ecosystems for innovation through advanced support for research and development (R&D), developing countries face structural challenges and more limited capacity to support entrepreneurs.

The combination of entrepreneurship and innovation results in innovative ventures: new firms based on new (inventive) ideas, and sometimes, but not always, research-based. Such firms often have relatively high growth potential and may become future successes. Thus, encouraging innovative entrepreneurship has attracted the attention of policymakers and academics (Dahlstrand and Stevenson, 2010). Public policies that promote the development of entrepreneurship must consider an adequate combination of institutional variables according to the characteristics of the population, which, together, can promote economic development based on entrepreneurial capacity, where entrepreneurship education takes a decisive role (Porfirio et al., 2023).

An initial public grant increases the rate at which ventures obtain private investment capital over time, but decreases the rate at which ventures grow revenue over time. This relationship also varies by firm size (Bradley et al., 2021). Small and new firms with limited patent portfolios are more likely to pay for faster patent examination illustrating the strategic importance of patent system policy for new ventures (Bradley et al., 2021).

Policies in Developed Countries: Focus on R&D and Advanced Technologies

In developed countries, public policies often aim to support innovation through dedicated funding for research and development, as well as through the creation of favourable conditions for technological enterprises. These policies include subsidies for scientific research, tax credits for innovation, and the creation of collaborative networks between universities and the private sector (Berezniak and Shabranska, 2020). Designing and evaluating public policies to promote innovative entrepreneurship presents unique challenges, stemming from the nature of entrepreneurship and innovation. Entrepreneurs are creating new ventures, inventing new products and services, experimenting with new business models and creating new markets (Du and Kim, 2021). They operate under high levels of uncertainty, in 5 environments characterized by causal ambiguity, novelty and complexity (Eberhart et al., 2017). In developed countries, the integration of policies centred on research and development (R&D) and advanced technologies within the entrepreneurial ecosystem is a pivotal factor for economic vitality and in-

novation. R&D funding, significantly supported by government and institutional policies, is a substantial driver of entrepreneurship, particularly in high-tech sectors. Empirical evidence indicates a positive correlation between increased R&D expenditure and the emergence of innovative ventures, suggesting that firms allocating resources to research are more likely to launch new products, a crucial factor in fostering entrepreneurial activities and securing per capita economic growth (Benlaria et al., 2023).

Developed countries implement mission-oriented policies that promote breakthrough innovations through strategic priorities. They utilize a mix of fiscal and direct support instruments, enhancing access to financing and transparency, thereby fostering research and development in advanced technologies.

Universities, on the other hand, play a critical role in bridging the knowledge gap between research outputs and market needs, thereby driving the commercialization of innovative ideas and cultivating a new generation of entrepreneurs who are adept in digital technologies and global opportunities (Skute, 2019; Lukita et al., 2023). Policy frameworks encouraging collaboration between academia and industry are essential in creating robust ecosystems that nurture entrepreneurial talent and facilitate technology transfer (Fauzi et al., 2020; Olurina et al., 2023).

New entrepreneurship means an increased impact on the ecological value, which requires policymakers to write political clusters that include entrepreneurs from countries with high economic development as well as those with medium and low development (Porfirio et al., 2023).

Technology as an Opportunity for Young Entrepreneurs

Technology has fundamentally changed the way young people can engage in entrepreneurship. The digital platform and new technologies have lowered barriers to market entry, enabling young people to create and manage low-cost enterprises. The development of technologies such as artificial intelligence, blockchain, and data analytics has created new sectors for innovation and entrepreneurship. Startup-India, for example, has helped young entrepreneurs take advantage of technology opportunities to build global businesses by creating an environment where technological innovation is supported with public policy and structural support (NASSCOM, 2018).

Methodology and results

The methodology aims to analyse the supportive policies for entrepreneurship and innovation in Albania, with a focus on recent developments over the last decade. The central focus is the identification of successful strategies, the improvement of the innovation ecosystem, and a comparison with global practices. In addition

to understanding the effectiveness of existing policies, the methodology assesses how these policies can strengthen access to finance, technology development, and the empowerment of the diaspora as an important source for innovation.

The methodology involves a systematic approach to analysing existing datasets on entrepreneurship and innovation in Albania through existing theories. This method is based on a set of clearly defined procedures that help researchers tackle complicated issues (Ryabchikov et al., 2020).

The systematic approach evaluates pre-existing datasets in order to extract insights pertinent to entrepreneurial processes and innovation capacities is used at this case. This analytical approach is especially useful for comprehending the dynamics of entrepreneurship in a variety of situations, including educational institutions, specialized sectors, and micro, small, and medium-sized businesses (MSMEs). So, through this theory we would like to verify the following research question:

How have the public policies implemented during the last ten years influenced the development of entrepreneurship and innovation in Albania?

In order to perform a comprehensive analysis of SME performance, it is necessary to utilize a range of reliable sources to obtain accurate data on SMEs. For instance, the INSTAT is a valuable resource, as it publishes detailed economic data, including SME performance indicators such as income growth, employment and sectoral distribution. International reports from institutions such as the OECD, the World Bank and Eurostat provide aggregated data on SME performance, including income, employment, exports and innovation. This data can be used for comparative analysis. In addition, industry reports from chambers of commerce or other business organizations can provide valuable data on the performance of SMEs in specific sectors. The selection of variables that are important for SME performance is also a key consideration. Some important variables may include: Revenue growth Profit margin Number of employees Capital expenditure Export growth Investment in R&D Institutional and economic indicators may include: access to credit, tax incentives, grants or subsidies from the government, regulatory burden, adoption of innovation, etc.

Handling a comprehensive analysis of the policies implemented by the Albanian state to support entrepreneurship and innovation during the last decade. The focus will be on the main strategies, programs and initiatives aimed at promoting business development, including efforts to improve the investment climate, ease the administrative burden and improve access to financing. Also, the analysis will include legal documents and reports of the relevant institutions, creating a complete picture of the progress achieved and remaining challenges.

An Analysis of Albania's Entrepreneurship Ecosystem

According to studies, SMEs that adopt innovative practices tend to perform better and contribute more significantly to economic growth (Alhattali et al., 2023; Domi et al., 2020). However, these businesses frequently face obstacles like limited access to finance, inadequate infrastructure, and a challenging regulatory environment, which can stifle their innovative potential (Alhattali et al., 2023; Qosja, 2014). Resolving these issues is essential for improving SMEs' competitiveness in the global market.

A combination of political, economic, and social factors has contributed to the significant development of the entrepreneurial ecosystem in Albania over the past decade. These factors have influenced the progress of young entrepreneurs and start-ups in the country. The number of active businesses in Albania has shown a continuous increase, reaching approximately 127 thousand (Entrepreneur, 2023; GEW Albania, 2023). The technology, e-commerce, and fintech sectors have been particularly dynamic (Entrepreneur, 2023; GEW Albania, 2023). This growth can be attributed to initiatives that have created incubators and accelerators, providing support to young entrepreneurs.

Despite its relatively small market and partially developed infrastructure, Albania has demonstrated a commitment to fostering an entrepreneurial environment through legal reforms and the promotion of new enterprises, particularly in the technology and services sectors. However, significant challenges persist, including access to funding, bureaucratic barriers, and the absence of well-structured institutional support. Uncertainty can impact business formation in various ways. First, consistent with real options theory, uncertainty exerts a substantial influence on the decision-making processes of businesses, households, and financial markets. Uncertainty can affect business formation in different ways. First, according to real options theory, uncertainty has an impact on the decision-making processes of business decision-makers, households, and financial markets. The entrepreneurial ecosystem in Albania is underdeveloped compared to countries such as Estonia and Lithuania. There is a strong correlation between a favourable startup ecosystem and the number of active startups. To make this difficult for entrepreneurs, Albania needs to improve its overall business climate, which is conducive to new ventures. One support is the number of successful startups in the country (Mehmeti et al., 2024).

The entrepreneurial ecosystem in Albania is influenced by social capital, cognitive biases, and environmental externalities. Challenges include bureaucratic barriers and their financing, given the positive motivational factors such as incentives and training received above. Cultural, social, and economic elements in localities shape the actions of entrepreneurs, indicating the need to increase social capital and refine the business environment for entrepreneurs to become entrepreneurs (Guga and Peta, 2023).

Legislative Reform and Supporting Policies

Over the past few years, the Albanian government has undertaken several reforms to create a more favourable environment for young entrepreneurs and investors. The Law on Start-ups, approved in 2022, has been an important step in this direction, providing fiscal incentives for new entrepreneurs and easing some of the bureaucratic obstacles that entrepreneurs encounter when registering their businesses. In addition, the creation of Start-up Funds and the promotion of projects supported by international donors have created opportunities for Albanian entrepreneurs to receive financing for their innovative projects (INSTAT, 2023). These policies have been mainly focused on the technological and service sectors, where growth has been most visible.

Institutional Support and Infrastructure for Innovation

In Albania, institutional support for entrepreneurs still remains limited. While some projects and programs supported by the government and international organizations have started to provide training and mentoring to young entrepreneurs, the lack of a real infrastructure for innovation, such as accelerators and incubators, has been a major obstacle to the further development of the ecosystem of start-ups. In countries like the USA and Israel, accelerators and incubators have played a decisive role in the growth of new enterprises, while in Albania these mechanisms are still in their early stages. Tirana Innovation Hub and several other similar programs have tried to fill this gap, but a more systematic approach is needed to create a sustainable ecosystem for entrepreneurs.

Since 2009, Albania has implemented the Innovation Strategy, which focuses on the process of digitalization in all spheres of life and the economy to ensure high security levels for information networks and to integrate and computerize services in the public and private sectors (MIPA, 2020). As the real plan solely focuses on young capacity training and service digitization, the outcomes are not particularly encouraging (Kozak and Muça, 2020).

Access to Financing and Risk Capital

One of the main challenges for the entrepreneurship ecosystem in Albania remains the limited access to financing. Albanian entrepreneurs often have difficulties in finding sufficient financing to support their innovative ideas. Traditional banks are reluctant to provide loans to start-ups due to the high risk and lack of financial history of these businesses. Instead, Albanian entrepreneurs often rely on alternative sources of financing, such as family capital, crowdfunding platforms or projects supported by international organizations (World Bank, 2022).

However, venture capital and angel investors are very limited, making it more difficult to develop new enterprises, especially in high-growth sectors such as technology and digital innovation.

Technology Development and Digitalization

A positive aspect of the entrepreneurship ecosystem in Albania is the growing interest in technology and digitization. Albania has a relatively young population with a good attitude towards technology, which has encouraged the development of new enterprises in the information technology and digital services sectors. Platforms like Gjirafa and e-commerce websites are successful examples of Albanian companies that have benefited from the rapid development of technology and digitization in the region. Moreover, projects like Tirana Smart City have begun to apply new technologies to improve urban infrastructure and public services, creating new opportunities for innovative entrepreneurs (INSTAT, 2023).

Technology has had a big impact on tourism, management, and services. E-commerce is common in the global market and tourism is influenced by this. Tourism products are promoted electronically and reservations and payments are facilitated by technology. Digital transformation has become an inevitable phenomenon, influencing the tourism sector's expansion (Muça et al., 2022).

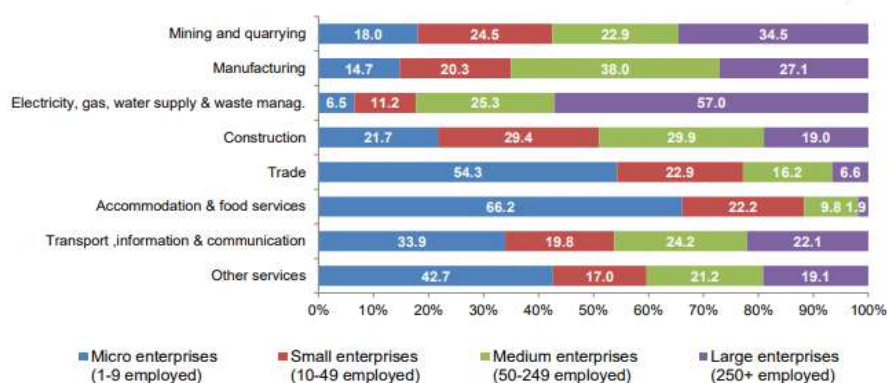
The Role of Diaspora and Internationalization

Another factor that has influenced the development of the entrepreneurship ecosystem in Albania is the engagement of the Albanian diaspora. Diaspora has played an important role in financing new projects and connecting Albanian entrepreneurs with global business and innovation networks. The Albanian Diaspora Project for Economic Development has supported start-ups through the creation of international partnerships and the provision of mentoring by successful Albanian entrepreneurs in the world. This involvement has helped in the internationalization of some Albanian start-ups, creating opportunities for further development in international markets (World Bank, 2022).

The entrepreneurship ecosystem in Albania has made significant strides forward in the last decade, but major challenges still remain to ensure that young entrepreneurs have sustainable and sufficient support to develop their ideas. While technology and digitization have created new opportunities, access to financing, bureaucratic barriers and the lack of the right infrastructure for innovation remain obstacles to the full development of this ecosystem. With stronger institutional support and a more structured approach to innovation, Albania can become a hub for young entrepreneurs in the region.

Analysis results of SMEs in Albania

The government has undertaken several reforms to creating a more favourable environment for new entrepreneurs and investors. Start-ups has been an important step in this direction, providing fiscal incentives for new entrepreneurs and easing some of the bureaucratic obstacles that entrepreneurs encounter when registering their businesses. Chart 1 reflects an economic mosaic where enterprises of different sizes play specific roles in key sectors. It reveals the dynamics between micro, small, medium and large enterprises, highlighting their relative importance for different sectors.



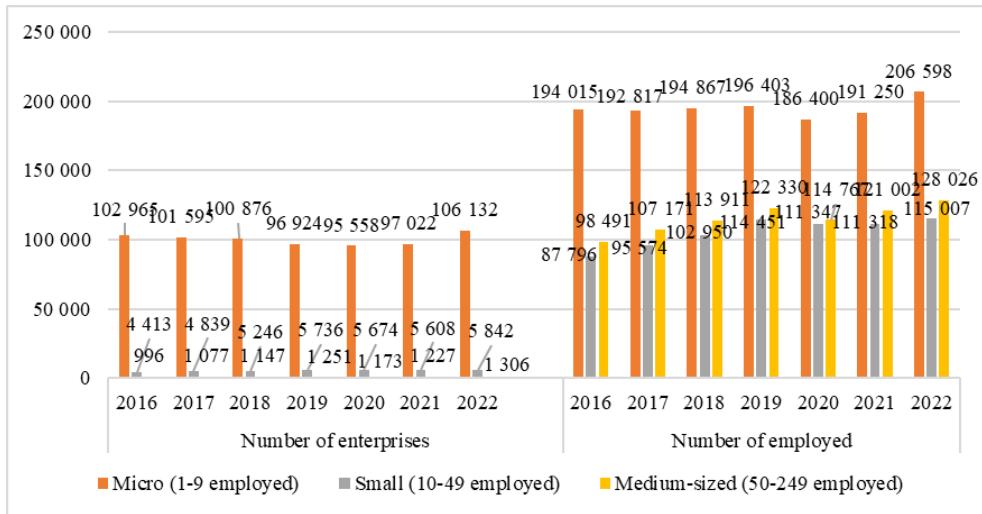
Source: INSTAT (2023).

Figure 1: Structure of employment by economic activity and size class of enterprises, 2022

Micro-enterprises dominate sectors that require direct and often personalized interaction with the customer, such as trade and accommodation. This emphasizes an economy based on close human contact and the ability to adapt services to the demands of the community. In the energy and waste management sectors, large enterprises create a strategic axis of the economy, building a basis for stability and innovation. This sector illustrates the importance of significant investment and sustainable approaches in this area.

The construction and other services sectors offer a more balanced distribution between different sizes of enterprises. This reflects the resilience of these sectors and the ability to include actors from all economic scales. The distribution of enterprise sizes suggests an economic diversity that challenges a centralized economy. It contains a structure where small and large enterprises not only coexist, but also complement each other in different sectors. This picture is not just a statistical breakdown, but a reflection of the economic and social relations that build the basis of the national economy.

The number of micro businesses shows a slight decrease from 2016 to 2020, with the lowest point being in 2020. After 2020, in the following years there was an increase in the number of these businesses, an increase which is related to the increasing elasticity against the influential factors of the pandemic. There is a continuous increase in small businesses from 2016 to 2019, followed by some fluctuations between 2020 and 2022. This stability shows that small businesses have the ability to cope with economic changes better than micro businesses. Medium-sized businesses show stable growth over the years, representing a strengthening trend over time.



Source: INSTAT (2023) and author contributions

Figure 2: Main indicators by size class of enterprise 2016 – 2022

The number of micro businesses shows a slight decrease from 2016 to 2020, with the lowest point being in 2020. After 2020, in the following years there was an increase in the number of these businesses, an increase which is related to the increasing elasticity against the influential factors of the pandemic. There is a continuous increase in small businesses from 2016 to 2019 followed by some fluctuations between 2020 and 2022. This stability shows that small businesses have the ability to cope better with economic changes than micro businesses. Medium businesses have shown stable growth over the years, representing a strengthening trend over time. The largest number of employees appear to be active in the micro sector with a considerable difference compared to the small and medium business sector. The number of unemployed in the small and medium-sized sectors appears more equal, with the medium-sized sector being somewhat higher than the small sector.

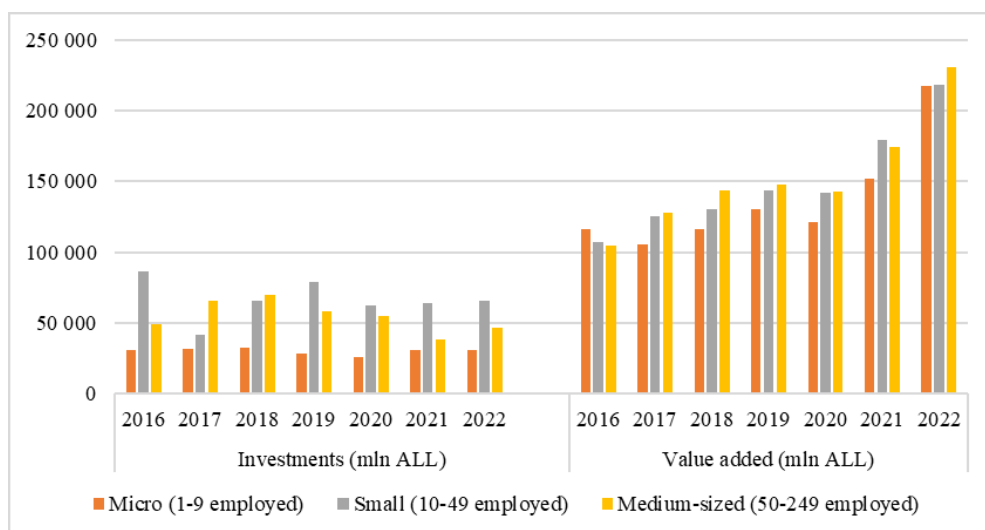
Employment trends closely match the number of businesses, showing a decline until 2020, followed by recovery in 2021 and 2022. The correlation suggests that microbusinesses significantly affect employment, especially during periods of economic stress or recovery.

In the small business sector, employment appears to be directly related to the number of businesses, with their number increasing from 2016 to 2019. After 2019, employment stabilizes even though we have a fluctuation in business activity. We understand this as an improvement in efficiency or improvement in employment practices to cope with economic changes. Employment in the medium-sized business sector is growing steadily and in 2020 it will decrease in parallel with the number of businesses. This continuous increase in employment shows that medium-sized businesses are essential for job creation.

There is a direct correlation between the number of businesses and the number of employees in each sector and this direct relationship is particularly evident in micro and medium-sized businesses. In recent years, the number of businesses has decreased, followed by a decrease in the number of employees and vice versa. This is less noticeable in the medium-sized business sector, which can be explained by the resilience to cope with economic changes and the challenges of employment in economic changes at a representative level.

The size of businesses is seen as a key factor in coping with economic fluctuations while maintaining the level of employment. Medium and small businesses show a higher stability than micro businesses in this aspect. What micro businesses manage to dictate is the recovery after 2020, highlighting their flexibility and role in economic recovery. Medium businesses show a stronger growth in both number and employment, being identified as the main drivers of long-term economic expansion.

The investment rate has been increasing in micro businesses until the pandemic (2019) when there is a decline. From 2021 there is an increase in investments that are stabilizing near the levels of the first 2019. For small businesses, continuous validity is characteristic of the investment levels during these years. The investment rate of the last years in small businesses is seen in steady growth. Medium-sized businesses have their investment peak in 2018. Then a decrease in the level of investment is observed in this business sector. This shows that medium-sized businesses are cautious in spending or have resource constraints as a result of the pandemic. However, the level of investment in 2022 has increased but again below previous levels. The added value of all three business sectors appears similar among them. The growth of added value seems to have a setback in 2019 and 2020. Added values in 2021 and 2022 is presented at high levels and reaches the highest value in recent years. This is explained by the increase in production efficiency or resource allocation. We can say that the pandemic has made businesses more cynical about production resources by using them better.



Source: INSTAT (2023) and author contributions

Figure 3: Main indicators by size class of enterprise 2016 – 2022

Fluctuations in investments do not translate in parallel with the added value of businesses. The increase in the added value of medium and small businesses from 2020 onwards shows that businesses do not need to spend much on investments but rely more on operational improvements or favorable market conditions. The same is also reflected in micro businesses but with a slightly more direct relationship than in small and medium businesses.

Over the past few years, Albania has undertaken a series of reforms to reduce administrative barriers and improve the business environment. As confirmed by the World Bank's Doing Business Ranking (see table 1), progress has been made in increasing access to credit and strengthening insolvency resolution procedures. Albania has also made it easier to connect to the electricity grid, obtain construction permits, and pay taxes.

Albania has also streamlined the business registration and license application process by reducing the number of documents and steps required for review. Entrepreneurs in Albania register their businesses and apply for licenses and permits at the National Business Center, which operates as a one-stop-shop in 33 municipalities and communes. Albania has also consolidated the digitalization of government services. Since the beginning of 2020, businesses and citizens have access to 474 online applications for public services through the e-Albania platform, e.g. for building permits, customer service and tax payments. A dedicated system for the interaction of institutions has been built, with the aim of electroni-

cally exchanging data and documents with electronic signatures. Albania ranked 82nd out of 190 countries in the 2020 Doing Business report, ranking higher than Bosnia and Herzegovina (90) but lower than North Macedonia (17), Serbia (44), Montenegro (50), and Kosovo (57). The total score was 67.7, an increase of 7.2 points compared to the 2016 report, where Albania ranked 97th.

Table 1: Scores and rankings in the Ease of Doing Business in Albania

Indicator	2016 Report		2020 Report	
	Scores	Ranking	Scores	Ranking
Starting a Business	90.1	58	91.8	53
Dealing with Construction Permits	0.0*	189	52.7	166
Getting Electricity	43.7	162	71	107
Registering Property	58.5	107	63.4	98
Getting Credit	65	42	70	48
Protecting Minority Investors	73.3	8	46	111
Paying Taxes	62	142	65.2	123
Trading Across Borders	91.6	37	96.3	25
Enforcing Contracts	57.4	96	53.5	120
Resolving Insolvency	63.4	42	67.7	39

Source: World Bank (2020).

Albania demonstrates a strong performance in terms of the ease of starting a business (see table 2), with a score of 91.8 and a global ranking of 53. This places it above the regional average for Europe and Central Asia, which has a score of 90.5 and an average ranking of 57, indicating that Albania is more business-friendly than many other countries in the region, making it an attractive destination for investors and investors.

Compared to other European countries, Albania performs well, but is not among the leaders. For example, Greece (96.0, ranking 11) and the United Kingdom (94.6, ranking 18) lead the region with significantly higher scores and better rankings. Similarly, countries like France (93.1, rank 37), Sweden (93.1, rank 39) and Denmark (92.7, rank 45) also outperform Albania, albeit by a smaller margin. On the other hand, Albania is on par with countries like Belgium (92.3, rank 48) and Portugal (90.9, rank 63), and outperforms several others, such as Croatia (85.3, rank 114), the Czech Republic (82.1, rank 134) and Germany (83.7, rank 131). This suggests that Albania is not at the top, it is still a competitive place to start a business within the region.

Table 2: Starting a business ranking

Location	Starting a business score	Starting a business rank
Albania	91.8	53
Belgium	92.3	48
Croatia	85.3	114
Czech Republic	82.1	134
Denmark	92.7	45
France	93.1	37
Germany	83.7	125
Greece	96.0	11
Italy	86.8	98
Portugal	90.9	63
Romania	87.7	91
Spain	86.9	97
Sweden	93.1	39
Switzerland	88.4	81
United Kingdom	94.6	18
Europe & Central Asia	90.5	57

Source: World Bank (2020).

Overall, Albania's performance highlights its progress in creating a favorable business environment. Its score and ranking are better than the regional average, showing that it is ahead of many countries in Europe and Central Asia. This positions Albania as a promising location for business development and investment, especially for those seeking to operate in a region with improving economic conditions and regulatory frameworks.

Conclusions and recommendations

The analysis of the entrepreneurial ecosystem in Albania over the past decade reveals significant progress, particularly in the growth of micro, small and medium-sized enterprises (MSMEs). The data confirms that their inclusion in these studies, including tax incentives and simplified business registration processes, has led to an 8% increase in other businesses.

The study's findings show that micro and small businesses have shown resilience after COVID-19, with employment rates in small enterprises increasing by 5% and self-employed entrepreneurs increasing by 12% in 202 compared to pre-pandemic levels. However, the levels of investment recovered are not those among their enterprises, which remain cautious due to the apparent instability and uncertainty. Furthermore, only 10% of start-ups have secured funding from private investors, demonstrating a large gap in the availability of venture capital.

The role of business transformation in sustainability is reinforced by the data, with SMEs being integrated to report a 15% increase in revenue compared to traditional businesses. However, environmental infrastructure, particularly in rural areas, remains a barrier to wider adoption. Government finance training programmers and university incubators have contributed to skills training for professionals, but the adoption of technology policies among traditional ones shows the need for more targeted digitalization.

Constraints remain a key challenge, with government loans and grants covering only 25% of the total financing needs of new businesses. Slow administrative procedures and high compliance costs hinder business formation. To address these challenges, expanding financing, bureaucratic inefficiencies and increasing digital activities - issues in underserved regions - are needed to access entrepreneurship and economic integration.

From a policy perspective, these trends suggest the need for policies that strengthen the digital capacities of enterprises, especially small and medium-sized ones, which make up the majority of the Albanian economy. Investments in training for employees, subsidies for technological equipment and improving internet infrastructure, especially in rural areas, are measures that can accelerate the digital transformation. Furthermore, promoting e-commerce through the facilitation of fiscal rules and the creation of supporting platforms can help in economic development and the integration of the Albanian market into the global economy. The data shows progress, but also room for further improvements towards inclusive and sustainable digitalization.

The data suggests steady progress in innovative activities across their activities, with a particular emphasis on improving business processes and collaboration. Small enterprises have done so, showing a move to close the gap with medium-sized enterprises, while the latter maintain their advantage in overall innovation levels. Generally, such a contribution will be built to adapt to a more challenging environment and to remain competitive through innovation and partnership.

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