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**A nation's mission of housing and food consumption: An analysis of household budget survey expenditures in Kosovo**

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**Abstract**

*In the digital and artificial intelligence intensification era where up to 2/3 of Gross Domestic Product (GDP) is generated from the service sector, nearly 3/4 of household budget is spent by the Kosovo families in food and accommodation. This is a larger and greater share than in the neighboring countries to which Kosovo approximately has the same level of income per capita. At the same time, for some years spending for education until the recent available data remains below 1%, showing another difference with the neighboring countries in volume as well as in total share of household budget expenditures. Using the secondary data from the Kosovo Agency of Statistics (KAS) on household survey, this paper finds that the ongoing high share of income spending in food and accommodation at the expense of other sectors becomes a source of inefficiency. Moreover, this issue might plunge the households into unaffordable debts and problems with their future payments. The population on a large scale consider much of their life mission only through available incomes for food and housing (construction of houses and buying furniture) as a wealth. In contrast to the previous studies, the recommendations from the findings of our work address recommendations to the population, because the government, state and public institutions are a product of this people whose primary life objective is in buildings and consumption on individual, family and clannish bases.*

**Keywords:** Kosovo, household budget survey, housing, consumption, education

**JEL Classification:** D19, G51

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## 1. Introduction

Household as a cell of social and economic organization is also a component of the economy as producer and consumer. Despite a distinction between household and family, this paper uses them interchangeably as per data on household survey and family economies as one unit. A family is also a household that is identified by its members such as parents, children, or siblings living in the same house and jointly owning the property, but a household often cannot be a family as the members living in the same house or apartment are not related by family such as tenants who have their own separate economic life. The family economy has become a branch on her own which until the 1960s, regardless of superficial references, has not been studied as a separate discipline or was not given the due weight of research. Both family and household have evolved during different historical stages and the circumstances occurring in the world. In developed countries, there is a tendency of small size families, low birth rates, late marriage, increased life expectancy, and a good network of social security. This trend is likely to be followed by the developing countries upon their greater economic development.

After the 1999 war in Kosovo, what is known as the family economy was more identified with the economy in rural areas, mostly focused on agriculture and livestock breeding. A survey in 2004 with 1 000 Kosovo families divided into 542 in rural and 458 in urban areas, analyzed their social and economic aspects. At the time, crediting in rural areas was exceptionally low, where agriculture took part by only 2% in the total volume of loans. Of all families surveyed, only 5.7% in rural areas received loans compared to nearly twice that share (10.3%) in urban areas. The total amount of loans delivered to family economies, 64% in villages and 46% in rural areas, had a payback period of one year. The amount of loans for the majority of the families was below €5 000, and this was the case for 77% in rural and 57% in urban areas (Riinvest, 2004).

The number of family economies in Kosovo since 1948 has constantly risen along with the total number of the population as well as family size. An exception is made after the 1999 war or in the 2011 census, and this may be due to the change in social and economic conditions of the population. The average number of members per family in Kosovo as per the 2011 census was 5.9, down from 6.9 in 1981. The overwhelming majority of the families had children, with a dominant group of four members. Out of 1,738,402 inhabitants registered in Kosovo (excluding the Serbs who boycotted the census), 50.3% were males and 49.7% females, living in 297,090 family economies. The total number of families was higher (415,090), and this figure differs from the lower number of family economies and households since there are families without economies and children, who live by renting the apartments, somewhere inside Kosovo, or in asylum of social housing for the elderly (Kosovo Agency of Statistics – KAS, 2013).

This discussion study focuses on the areas of how and where the family budget is spent, i.e. household budget survey expenditures. Besides, it is associated with investigating the source of incomes, loans, and household debts accumulated. The rest of the paper is organized as follows: first, a note about methodology and data used; the second section provides a literature review on household budget survey; HBS is analyzed in third section where a comparison with the neighboring countries were made as appropriate in a subsection; and, the last section concludes with some remarks about future research.

## **2. Methodology and data**

Registering and measuring the family economies is not an easy task, in part due to their ambiguous definition with households. For a research purpose, family economies are mostly analyzed in terms of household surveys like in many other countries. The base inclusive profile was created by the population census as stipulated by the Law No. 03/L-237 on Population and Household Census 2011, approved by the Kosovo Assembly on October 7, 2010. The census was carried out in 2011 by the KAS. Another database from the KAS on family economies was through Household Budget Surveys (HBS). They are supplemented by the data of the Central Bank of the Republic of Kosovo (CBRK), namely those related to the loans and debts by family economies compared to businesses. KAS and CBRK directly translate family economies from Albanian as households, and that is why the data are used as being for one of the same category. In terms of regional perspective, all Kosovo's neighboring countries such as Albania, Montenegro, North Macedonia, and Serbia are included for descriptive comparative analysis in several indicators limited to household share of expenditures by categories, loans, and accumulated debts or the focus of the paper. Bosnia and Herzegovina is left out from consideration due to her more specific political status (consisting of two entities) having many of their economic statistics separate, and not bordering Kosovo.

## **3. Theoretical consideration and studies on household survey**

Early economists were mostly interested in how individuals contribute to social production, which translated into how much work they do in the labor market, but domestic production was not the only one that received systematic treatment from early economists. The family as an economic unit have been known since the time of Adam Smith, but did not attract enough attention of scholars until the 1960s, when it began to be studied as an integral part of economic research and theory (Schultz, 1974). In modern times, there is an increasing tendency for production to take place in the family as part of the development economics. Parente *et al.* (2004) introduced household production into a neoclassical model of economic growth to examine its implications. Their results showed that the inclusion of household products according to the neoclassical growth model can improve the ability to calculate differences in per capita income for different countries. Therefore, an increase in income differences caused by different economic policies and the market situation (monopolies, cartels, market failures, tax rates, price impacts, etc.), can be reduced, among others, by promoting and supporting household production, whether for the market or other reasons, such as consumption within the family. Why for consumption? Because, the incomes that the family would spend to buy goods in the market, can save it for itself, so the money would not go elsewhere in any business that would affect the increase in income differences.

The marginalist school, developed in the late 19<sup>th</sup> century, shifted the focus of the economy away from the family. The focus of early marginalists like Leon Walras, Stanley Jevons, and Alfred Marshall was on market transactions, thus any work by household was not of interest. On the contrary, in the 1920s and 1930s, some economists argued that household production was an important part of national production and without its inclusion, gross national product (GNP) could not be a complete indicator of the national level (Jefferson and King, 2001). Despite its importance, economists often try to avoid dealing with family or household economics. They justify this by arguing that everyone in the family has the same interests, or if their interests change, the family has a dominant member who decides for the rest. In many countries, women receive less food, less

free time, less education, and fewer inputs from their parents than their brothers. These discrepancies are greater in large families. Thus larger families mean that inequality between generations in terms of resource allocation is greater (Bauer and Mason, 1993). Larger families living in the same household have a strong incentive to keep their older children at home for work, denying them the future benefits of education. This pattern leads to earlier marriage, higher birth rates, and higher poverty cycles. When girls from large traditional families reach adulthood, they are more likely to perform traditional roles, have less knowledge of the world around them, less profitable skills, and will be less able to access their resources. As a result, they will have less bargaining power within the family, will be more dependent on their husband and children, and less likely to use modern contraceptive methods and have more children (Lloyd, 1994).

The financial balances of the families were deeply affected by the 2007-8 global financial crisis. When the effect of the crisis began to be felt, the family debts were relatively high compared to disposable incomes. Despite increased attention for consumer loans in the media and Wall Street, it did not become the main focus of the economists who were largely dealing with the national economic consequences of the crisis. In deep contrast to the view that an increase in consumer loans negatively impacts the economy, a consensus appears that such an increase is positively associated with future consumption. There is little evidence that debt servicing of family economies is positively related to future consumption, despite that some theoretical models suggest a more complicated relationship can be operational. The heavy burden of debt servicing in particular, can make family or household consumption more vulnerable (Maki, 2002). Other studies have found that the families change the composition of their portfolio, such as the risk level as a consequence of the financial crisis. Ramb and Scharnagl (2011) found that households in Germany have reduced their stock holdings since the financial crisis by increasing the preference for more liquid assets at the expense of assets at risk. As a result, overall stock holdings have fallen in the portfolios, while savings deposits have shown an upward trend. At the same time, mutual funds have increased in popularity as a result of the demand for risk diversification.

Household loans are provided and taken to improve the living standards of citizens, but also to expand economic capacity. In the first case, they are known as consumer loans. To increase consumption, households need different investments, and investments require financing. Financing can be internal or from household savings, but in most cases, they need external financing which can be provided by the banks and non-bank lending financial institutions. Consumer credit can be defined as money, goods, or services provided to an individual in the absence of immediate payment. The cost of the loan is the additional amount over the borrowed amount, which the borrower has to pay. Some costs are mandatory, required by the lender as an integral part of the loan agreement. Other costs, such as those for securing the loan, maybe optional, where the borrower chooses whether or not to be part of the arrangement. Interest rates and other payments are presented in different ways, but under many legislative regimes, lenders must quote all liabilities in the form of an annual interest rate (Finlay, 2009).

Studying family finances is challenging because family behavior is difficult to measure and families face limitations that are not captured by textbook models. There is some evidence that households understand their limitations and avoid financial strategies for which they feel unqualified. Many families seek advice from financial planners and other experts, however, some families make decisions that are difficult to agree with this advice or any standard model. This response leads to the view that behavioral financing theory describes the choices that families currently make, while standard finance theory describes the choices that maximize the family well-being and that the families can be educated to make choices. Another important aspect of

household financing is borrowing restrictions. Households need to take into account the fact that their future consumption can be determined not only by wealth and investment opportunities, but also by their expected net income if they are forced into borrowing. Borrowing restrictions may be more important for new households than for older ones that have built up some retirement savings. Aspects of the family finance life cycle also complicate normative theory because stationary infinite horizon models cannot be used, but instead more complicated finite horizon models that capture the evolution of financial strategy should be used as families refill and accumulate financial wealth (Campbell, 2006).

Since mortgages make up the bulk of household debt in all countries, choosing the type of mortgage is likely to have a significant impact on family well-being. Although other forms of mortgages at fixed and adjusted rates are present, and mortgage contracts can vary across several dimensions (e.g. maturity, prepayment options, refinancing options, etc.), most mortgages are held by the households are fixed or customized. For example, based on 2007 data in the U.S., 17.2% of mortgage holders had adjusted rates and the vast majority kept fixed rates (Hypostat, 2009). In a fixed-rate mortgage, the borrower pays a constant nominal amount over some time and is thus subject to inflation risk. Also, fixed rates carry the risk premium. If the mortgage contains a prepayment option, borrowers can reduce their risk exposure by exercising it and moving to the current moment with nominal market rates. Adjusted-rate mortgages are free from inflation risk, but they are subject to income risk. Since adjustable rates are indexed to the short-term rates that track inflation, the real value of the mortgage payment changes over time. However, to the extent that nominal incomes are subject to fluctuations, and not fully at the same time indexed to inflation, variations in nominal rates can cause significant declines in household consumption (Guiso and Sodini, 2013).

To sum up this section, household and family economy are more complicated and with diversified impacts in the national economy than the attention they receive by the scholars. The complication arises from mixing, measuring, and reporting households and the family economies as one. Certainly, there is a difference between them, and this can be proven by definition and empirical research if they are considered separately.

#### **4. Analyses and results**

As noted in the methodological part, the database and figures used in this paper come from the KAS, first from the 2011 census, and second from the HBS. Most households in Kosovo have children, and the largest number of these families have between 4 and 5 members, with an overall average of 5.9 members (see Annex I for a more detailed summary). HBS provides the statistics on consumption, income, and other figures related to the standard of living by the households in Kosovo. Amongst the important summary results of this survey were the consumption, expenditures, and household income for 2013-2017, and living conditions during this period. The survey sample included 2 400 randomly selected households. Household income, consumption, and expenditure have wide dimensions. Let us first look at the total consumption.

*Table 1. Total consumption in Kosovo, 2013-2017*

Year	in € million	Consumption in € per household	Consumption in € per capita
2013 <sup>a)</sup>	2,382	7,625	1,402
2014 <sup>a)</sup>	2,471	7,611	1,386
2015 <sup>a)</sup>	2,461	7,503	1,432
2016 <sup>b)</sup>	2,321	7,539	1,430
2017 <sup>b)</sup>	2,340	7,803	1,511

Source: a) KAS (2016), Table 1, p. 6.; b) KAS (2018), Table 1, p. 6.

By the end of 2017, total consumption was lower than in all previous years except in 2016. Consumption per household has been falling steadily and for three years in a row (2014-2016) remained lower than in 2013. Only in 2017, this figure recorded the highest level compared to previous years. The same trend has followed consumption per capita. It may be an indication that Kosovo households were in crisis or recession during 2013-2016 and they began to recover in 2017. Though an important indicator, consumption as a whole does not tell a clearer picture, but its sources or by type where the households spend, tells a lot and becomes central with chain effect for the rest of this paper.

*Table 2. Distribution of total consumption by the type of consumption 2013-2017 (in %)*

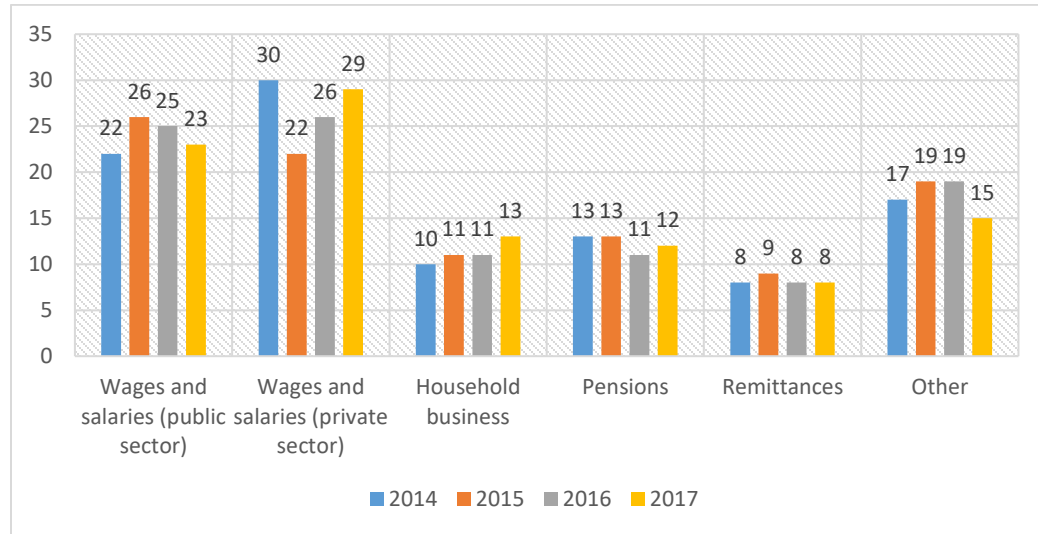
Consumption in	2013 <sup>a)</sup>	2014 <sup>a)</sup>	2015 <sup>a)</sup>	2016 <sup>b)</sup>	2017 <sup>b)</sup>
Food and beverages	45	44	43	42	40
Housing	30	28	30	29	29
Household food	6	6	7	6	5
Education	1	1	1	0	0
Other	18	21	19	23	26
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: a) KAS (2016), Table 2, p. 7; b) KAS (2018), Table 2, p. 7.

Housing includes construction or renovating a house, furniture, household appliances, renting and associated expenses such as electricity and water supply bills. Household food is related to subsistence agriculture, while education to the amount by the household for their children spent in public and/or private schools, training, conferences, seminars, research, and so on. The most notable feature is a higher share of food and beverages in total consumption which in 2013 made up to 45% and in 2017 by 40% (where meat accounts for 20% of its subtotal), to be followed by housing. These two alone accounted for 75% or  $\frac{3}{4}$  of total consumption by the households in 2013, and in the last year of reporting (2017) around 60%. It implies that the overwhelming majority of consumption goes for food and housing. A striking indicator is the share of education in spending as total consumption, which from 1% for three years in a row has dropped to 0% in recent years. These figures are rounded percentage, e.g. when it was greater than 0.5% equaled as 1% and below 0.50% as 0%. How much further down can it go than 0%? A reader will find this share as an alarm to the future of this society. And indeed it is. This can be proven by the OECD (2019) report about PISA (Programme for International Student Assessment) where Kosovo in 2018 ranked somewhere at the bottom (75) out of a total of 78 countries. The most recent report by the World Bank (2020) also indicates a worrisome situation with education in Kosovo. A child born in Kosovo when grown will be only 57% productive. In harmonized test results Kosovo has 374 or just 74 points more than the minimum compared to the European average of 479. The average of effective learning is 7.9 years and 5.3 years of schooling are lost. Even worse, it is warning in a narrower sense and probably, as this paper will later show, one of the main causes of debts in which Kosovo households are submerging to, more than in any other neighboring

countries with similar levels of income per capita. The households get the money for their consumption from two main sources: i) incomes (various sources) and, ii) loans or debts. First, let us have a look at the distribution of their incomes.

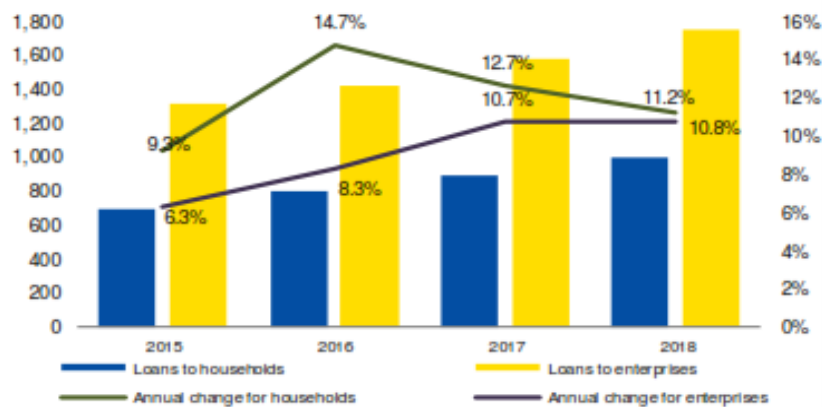
Figure 1. Sources of households' income, in %.



Source: a) For 2014-2015, KAS (2016), Table 2, p. 7; b) For 2016-2017, KAS (2018), Table 5, p. 17, and Authors' own calculations.

The household sector appears to be quite reliant on the wages and salaries it receives from the public sector, which has increased slightly in favor of the private sector in the following years. The sector which is its own, household business or family economy, has a relatively small share, growing from 10% in 2014 to 13% by 2017, roughly at the same share with pensions. Remittances are the fifth largest share of incomes for households by 8%. During the period 2014-2017, the trend and volume of loans to households and enterprises appear as in the figure below.

Figure 2: Enterprise and household loans 2014-2017



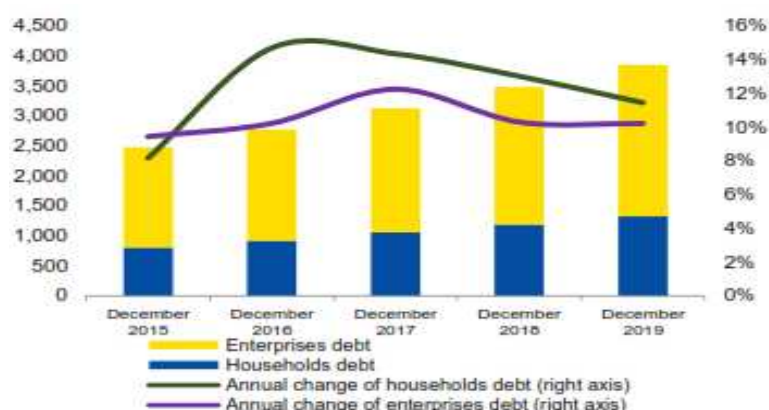
Source: CBRK (2019), figure 20, p. 36.

The volume of loans to households, but also to enterprises has increased gradually. The growth rate of loans to households was always higher than that of enterprises, reaching 14.7%



growth in 2016, and 12.7% in 2017. In enterprises, the volume of loans was higher, the rate of growth between the smallest years but there was a continuous growth trend reaching 10.7% in 2017. The increase in loans also means the accumulation of debts by entities that have received and used them. Figure 3 gives an overview of debts from loans to enterprises and households, which can be superficially compared to loans received.

Figure 3: Debt trend of enterprises and households



Source: CBRK (2020), figure 1, p. 17.

Households as well as enterprises throughout the period observed have accumulated larger debts. This trend suggests that lending to households and enterprises is becoming less profitable, they have greater difficulty in repaying the loans, and this is further related to the purposes of using loans. This gives the impression that there are funds available from and to households, but their lending is resulting more in debts than in growth and development. The debt-to-income ratio has reached 30%, and expenditure affordability to 43%. To better understand for a longer period the issue of household lending, the following are the calculations based on the period 2007-2017, from data of the CBRK.

Table 3. Lending to households about total loans 2007-2017

Years	Loans in € mil.	Change in %	Total loans in € mil.	Change in %	% in total loans
2007	200.6	100.0	892.1	100.0	22.5
2008	281.0	140.1	1183.4	132.7	23.7
2009	343.5	122.2	1289.0	108.9	26.6
2010	434.2	126.4	1458.7	113.2	29.8
2011	514.6	118.5	1698.1	116.4	30.3
2012	546.3	106.2	1763.4	103.8	31.0
2013	567.7	103.9	1805.8	102.4	31.4
2014	625.3	110.1	1882.4	104.2	33.2
2015	697.7	111.6	2019.5	107.3	34.5
2016	799.1	114.5	2230.0	110.4	35.8
2017	900.4	112.7	2485.5	111.5	36.2

Source: CBRK (2018).

For a period of 11 years, the volume of loans to households marked a continuous growth trend. From 2007 to 2017 this volume increased 4.5 times from 200.6 to 900.4 million. Lending to this sector from year to year has had a higher growth rate than any type of sector, even in some periods where the growth of total loans is presented with the highest rate, such as in 2008 by 32.7%, in households this increase was 40.1%. Moreover, the last column in the table that presents the share of loans to households within total loans, shows a continuous and significant increase in

participation from 22.5% to 36.2%. This is also an indication that lending to households is gaining momentum. Over the period from 2007 to 2017, the cumulative household lending has reached close to €6 billion, €5,910.4 million respectively.

#### **4.1. Comparative analysis with neighboring countries**

As of 2017, the countries bordering Kosovo have significantly lower family size members, which ranges from 2.9 members in Serbia's households, to 3.2 in Montenegro, 3.6 in North Macedonia, and 3.9 in Albania (United Nations, 2017). Kosovo's neighboring households, too, have seen an ongoing increase in borrowing as well as accumulated debts. Apart from these two, the indicators for comparison in this subsection will take into account several consumption categories referred to for Kosovo earlier, and with a specific emphasis on education and how they ranked in PISA. First, the following Table provides the figures about the volume of loans delivered to the households in the neighboring countries.

*Table 4. Comparisons of loans to households with neighboring countries (in € mil.)*

Years	Kosovo <sup>a)</sup>	Albania <sup>b)</sup>	Montenegro <sup>c)</sup>	North Macedonia <sup>d)</sup>	Serbia <sup>e)</sup>
2007	200.6	395.3	222.6	386.5	4,035.2
2008	281.0	477.4	264.1	424.3	4,665.0
2009	343.5	523.5	349.0	535.6	4,927.8
2010	434.2	584.6	350.9	668.0	5,116.7
2011	514.6	716.8	325.8	781.0	5,507.1
2012	546.3	804.7	309.7	964.3	5,775.2
2013	567.7	823.2	318.0	1,257.2	6,443.0
2014	625.3	865.4	315.1	1,393.4	6,510.9
2015	697.7	873.1	308.9	1,639.4	6,763.6
2016	799.1	912.0	328.6	1,847.8	6,893.4
2017	900.4	896.5	331.0	2,065.6	7,239.3

Source:

- a) Data from the second column of Table 3.
- b) Bank of Albania (various issues). Financial stability report. Tirana. Bank of Albania. Some of the indicators were in Albanian Lek and were converted into €, while the others denominated in foreign currency were also taken as being in nominal value in €.
- c) Central Bank of Montenegro (2018), Table 4.3, p. 43.
- d) National Bank of the Republic of Macedonia – NBRM (various issues). Financial stability report for the Republic of Macedonia. Skopje. NBRM. The indicators were in Macedonian Denars and other currencies, and were converted into € according to the annual exchange rates.
- e) National Bank of Serbia (various issues). Banking sector in Serbia. Beograd. National Bank of Serbia. The indicators were in Serbian Dinars and other currencies and were converted into € according to the annual exchange rates.

The indicators in Table 4 for the total volume of loans to households, in addition to showing the growth dynamics by years, when taken and compared as a whole, give a clearer picture of the size of loans for each country. For more than a decade, lending to households remained with the lowest growth rate in Montenegro. From the base year (2007), lending was greater by 50% in the last observed year (2017). The next country with the second-lowest increase was Serbia by nearly 80%. In the remaining three the trend has increased rapidly from more than doubling in Albania to 4.5 times higher in Kosovo, and 5.3 times in North Macedonia. Where for what purpose did they spent such loans? The table below provides the figures only for consumption over 2015-2017, which is a separate category and not necessarily related to the loans.

Table 5. Distribution of consumption by countries and categories, in %

Countries	Years	Food and beverages	Housing and appliances	Household food and Services	Education	Other	Total
Albania	2015	48.7	15.1	5.8	2.1	28.3	100.0
	2016	45.2	15.2	6.5	4.3	28.8	100.0
	2017	44.0	15.7	6.1	3.9	30.3	100.0
Kosovo	2015	43	30	7	1	19	100
	2016	42	29	6	0	23	100
	2017	40	29	5	0	26	100
Montenegro	2015	30.7	18.3	5.2	2.5	43.3	100.0
	2016	n/a	n/a	n/a	n/a	n/a	n/a
	2017	29.7	16.8	4.9	2.1	46.5	100.0
North Macedonia	2015	38.5	18.4	4.4	0.4	38.3	100.0
	2016	40.7	18.3	4.4	0.7	35.9	100.0
	2017	37.8	16.8	4.8	0.2	40.4	100.0
Serbia	2015	35.0	20.2	5.6	0.9	38.3	100.0
	2016	34.8	20.3	5.9	1.1	37.9	100.0
	2017	34.5	21.3	6.0	1.2	37.0	100.0

Sources: Authors' own elaboration based on the national statistical agencies of the respective countries.  
n/a – data not available or the HBS was not conducted.

The share of consumption by households in Albania and Kosovo appears to be mostly concentrated in food and beverages, by more than 10% on average than in Montenegro and Serbia. As the households in neighboring countries spent more in education as a share of consumption expenditures, they also fare better in terms of education compared to Kosovo. Referring again to the PISA test results of 2018 were Kosovo ranked 75, the countries bordering her had this general rankings: Serbia 44, Montenegro 54, Albania 55, and North Macedonia 67. The figures in Table 5 appear to confirm the relation between low spending in education and low ranking in the PISA test, especially for Kosovo and North Macedonia. An exception can be made for Albania whose consumption as spending for education had the highest share, but ranks in test behind Serbia and Montenegro.

Borrowing by households in Albania has constantly risen and this has reflected into debts. Repayment ability had not changed for 60% of households during the period surveyed (2013-2017), while the rest experienced a deterioration regarding the repayment of the loans. Around 28% of the families reported that they had at least one debt not paid for (Bank of Albania, 2018). In Montenegro, borrowing by households and enterprises over 2015-2017 has increased as the interest rate on loans fell from 8% to 5.5%, but the real wages among the households fell as a result of increased debts (Central Bank of Montenegro, 2018). In North Macedonia, households are the most important clients of the banking system and the entire financial system, because their cyclical behavior proved to be important for financial stability, especially in 2015 and 2016. As in other countries in the region, most of the loans have gone for consumption, even increasing in share from year to year, from 42.9% in 2013 to 48.6% in 2017 (NBRM, 2018). Household lending in Serbia continued to grow in 2017, reaching 857.7 billion dinars (€ 7,239 million) representing 43% of total loan volume, and 20.3% of GDP. Much of this growth continued to be driven by cash loans (including refinancing loans). The trend of household lending is likely to continue to grow in Serbia driven smaller ratio of debts, competition between the banks eased lending terms and conditions (National Bank of Serbia, 2017). However, Aliu and Nadirov (2016) confirm that Kosovo banking industry is highly concentrated and interest rates on lending do not justify the risk that the banks are exposed to.

To sum up this section, Kosovo and her neighboring countries continue to increase their borrowing from the banks and other financial institutions, while at the same time households have

increased their debts. Much of the spending or household consumption expenditures is focused on food and non-alcoholic beverages with Kosovo having the highest share of it and lowest in education.

## **5. Conclusion and future research**

Individuals and households get a kind of relief upon receiving a credit line or loan which can boost their activity for investment and consumption, if their ongoing incomes allow the payback. However, in the course of spending the loan, they are not able to anticipate if something at the national level such as market failures, financial crashes, or even a global crisis occurs. Economists on the other hand focus more their studies on national economies or cases related to businesses and corporations. This is a gap that this discussion paper has tried to build a bridge between focusing on households and their impact on various national sectors of the economy such as consumption, investment, education, and most importantly, the banks that remain for future research.

Kosovo households spend much of their incomes and loans for food, housing, and accommodation. This has led them into considerable accumulated debts, a worse situation than in her neighboring countries. The share of education by 1% or below in total consumption expenditures fits well into the theory that less educated people are more likely to be plunged into debts, and this trend continues on both fronts (more debts and less education) to worsen. The most important finding of this paper in line with the mainstream theory is that the average family size in Kosovo, as of 2011 census, is relatively large (5.9 members), and this comes at the expense of many members having less access to more education. This can be proven by double sources: first, by fairly symbolic or zero percent spending in education by the households as part of total consumption expenditures, and second, by the PISA test results which ranks Kosovo somewhere at the bottom and far behind the neighboring countries. Consequently, households have less knowledge about the loans, require assistance, do not care much about the financial crisis and market failures that may be just around the corner, but in the end, it is them who have to pay the bill or face consequences. There is little the government or the international organizations can do to reverse this unfavorable trend in the short to medium term. Therefore, the main recommendation from this discussion paper does not go to the government but to the households even on an individual basis – to convince them by a hard talk and counselor services that the source of their debts and bleak prospects for the future have their address on very small share or even no spending in education, which is worse than the debts themselves. Future research should also be undertaken separately in comparison with each other, among households and family economies as they are different, therefore have different impacts on a national economy. Finally, this paper leaves an open topic for research which it has identified from a disproportional or higher spending in housing. Will this lead to a housing bubble in Kosovo?

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### ANNEX I: Profile of family economies in Kosovo as per 2011 census

Settlement	Families	With children	No children	With 2 members	With 3 members	With 4 members	With 5 members	6>
Urban	163,232	135,076	28,156	34,291	32,381	43,201	32,894	20,459
Rural	251,858	208,743	43,115	50,830	43,666	57,282	52,277	47,785
<b>Total</b>	<b>415,090</b>	<b>343,819</b>	<b>71,271</b>	<b>85,121</b>	<b>76,047</b>	<b>100,483</b>	<b>85,171</b>	<b>68,244</b>
<b>Total in %</b>	<b>100.0</b>	<b>82.3</b>	<b>17.7</b>	<b>20.5</b>	<b>18.3</b>	<b>24.2</b>	<b>20.5</b>	<b>16.4</b>
<b>Ownership</b>								
	<b>With property</b>	<b>Private</b>		<b>Public</b>	<b>Mixed</b>	<b>Joint property</b>		<b>Other</b>
Urbane	128,131	125,774		1,025	498	295		539
Rural	168,959	167,679		235	285	375		385
<b>Total</b>	<b>297,090</b>	<b>293,453</b>		<b>1,260</b>	<b>783</b>	<b>670</b>		<b>924</b>
<b>Total in %</b>	<b>100.0</b>	<b>98.8</b>		<b>0.4</b>	<b>0.3</b>	<b>0.2</b>		<b>0.3</b>
<b>Gender composition</b>								
		<b>Members of the family economy</b>			<b>Members of agriculture</b>			
	<b>Economies</b>	<b>Inhabitants</b>	Male	Female	<b>Total</b>	Male	Female	Missing
Total	<b>297,090</b>	<b>1,738,402</b>	874,814	863,588	<b>652,956</b>	331,269	321,687	19
<b>Total in %</b>	<b>100</b>	<b>100</b>	50.3	49.7	100	50.7	49.3	-

Source: KAS (2013), "Kosovo Population and Housing Census 2011: Final Results. Pristina. KAS, Table 1.2, p.13; Table 1.6, p.48; and Table 1.9, p. 57, and Authors' own calculation.