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# The impact of human capital on the development of startup enterprises in Kosovo

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**Abstract:** The purpose of this study is to analyze the impact of human capital on the development and success of startup enterprises in Kosovo. In an economic context marked by structural challenges and a lack of sustainable investments, startups represent significant potential for job creation and long-term growth. However, their success is often determined by the level of human capital—a key component that includes the skills, knowledge, experience, and education of founders and employees. A quantitative methodology was employed in this study. Data were collected from 150 startup enterprises in Kosovo through structured questionnaires and analyzed using statistical methods via SPSS. The study measures the relationship between components of human capital (education, training, and experience) and performance indicators (revenue growth, number of employees, startup longevity). The findings indicate a strong positive correlation between the level of human capital and the development of startups. In particular, startups led by founders with higher education levels and prior managerial experience tend to achieve faster market expansion and operational sustainability. The theoretical implications of this research confirm the critical role of human capital in economic development models. Practically, the results offer valuable insights for policymakers and economic development institutions in designing training and education schemes tailored for entrepreneurs. The originality of this paper lies in its focus on Kosovo, a developing economy with unique cultural and institutional features. The study contributes to the existing literature by providing empirical evidence on the importance of human capital in determining startup success in a Balkan context.

***Keywords:*** *Development policy, Economic development, Education, Entrepreneurship, Experience, Human capital, Kosovo, Managerial skills, Startup enterprises, Startup performance.*

## 1. Introduction

### *1.1. Background and Significance of the Topic*

In recent decades, startup enterprises have become a cornerstone of economic development, especially in developing countries. They serve as sources of innovation, job creation, and enhanced competitiveness in open markets. In the context of Kosovo, a newly established country with a transitional economy, the development of startups has gained particular importance as a mechanism to address challenges such as unemployment, youth migration, and the lack of economic diversification. However, the success and sustainability of these enterprises depend not only on financial opportunities or infrastructure but fundamentally on the level of human capital.

Human capital, as a concept, encompasses the experience, skills, knowledge, and education of individuals who constitute the organization. It represents a vital source of competitive advantage for startups, particularly in their early stages of growth. Often, the success or failure of a business idea


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depends not solely on the idea itself but on the founder's ability to manage, adapt, and innovate in uncertain market conditions. In this context, studying the impact of human capital on the development of startups in Kosovo is not only relevant to academic literature but also valuable for policymakers, educational institutions, and entrepreneurs themselves.

*1.2. Research Problem and Study Questions*

While the international literature is rich in studies linking human capital to organizational performance, there is a noticeable lack of in-depth studies addressing this relationship in the context of developing countries, particularly Kosovo. Startup development in Kosovo remains in its early stages, with most ventures characterized by limited experience, restricted access to mentoring and training, and institutional constraints. This brings the central research question into focus:

What is the impact of human capital on the development of startups in Kosovo?

Based on this central question, the following supporting research questions are formulated:

1. Does the educational level of founders influence the sustainability and growth of a startup?
2. Is prior managerial experience positively associated with startup performance?
3. How does professional training and skill development affect the operational outcomes of startups?
4. What barriers hinder the utilization of human capital potential within Kosovo's startup ecosystem?

*1.3. Academic and Practical Contribution*

This study aims to fill a significant gap in entrepreneurship literature in the Balkan region and contribute to the development of human capital theory through an empirical analysis of Kosovo's situation. From a theoretical perspective, this paper builds bridges between classical human capital theories and modern approaches that position it as a strategic factor in startup success. From a practical perspective, the study's findings can be utilized by:

- Policymakers, to design educational and training programs for entrepreneurs;
- Universities and innovation centers, to develop curricula aligned with the real needs of startups;
- Non-governmental and international organizations, to focus support on human capacity development;
- Individual entrepreneurs, to reflect on the importance of continuous professional growth.

*1.4. Structure of the Paper*

The paper is organized into several key sections to meet JEMI's academic standards and offer a comprehensive approach to the topic:

- Section 1 – Literature Review: Summarizes existing concepts and studies on human capital and startup development, including theoretical frameworks such as the Resource-Based View (RBV), institutional theory, and empirical approaches in similar contexts.
- Section 2 – Methodology: Describes the quantitative research design, sampling process (150 startups), statistical analysis methods using SPSS, and measurement instruments.
- Section 3 – Results: Presents structured data through tables and figures without interpretative commentary.
- Section 4 – Discussion: Provides in-depth analysis of the results, comparison with existing literature, and extraction of theoretical and practical implications.
- Section 5 – Conclusions and Recommendations: Offers a general summary of findings, discusses methodological limitations, and proposes directions for future research.
- Section 6 – Additional Sections: Includes acknowledgments, author biographies, conflict of interest statement, and authors' specific contributions.

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*1.5. Justification for Choosing Kosovo as a Case Study*

Kosovo presents a unique case study for several reasons:

- It has a young population that can be leveraged for economic development through startups.
- Despite positive developments, the labor market remains informal and has high unemployment, particularly among recent graduates.
- Public institutions and international donors have initiated support programs for startups, but outcomes are mixed due to internal factors.
- The level of professional education and entrepreneurial practice is still evolving, requiring empirical research to understand what truly drives startup success.

## 2. Literature Review

*2.1. Understanding Human Capital*

Human capital is one of the most essential concepts in analyzing factors that influence economic and organizational development. Classical theorists such as Becker [1] laid the foundations of this concept by defining human capital as "the skills, knowledge, and accumulated experience of individuals that contribute to economic productivity." According to these theories, investment in education, training, and health constitutes a crucial component of long-term economic development.

In the context of startup enterprises, human capital plays an even more critical role due to the dynamic and uncertain nature of the markets in which they operate. In contemporary literature, human capital is viewed not only as a set of individual skills but also as a strategic organizational resource that shapes its culture, structure, and innovative capacity.

*2.2. Human Capital in Startups: Theory and Empirical Approaches*

Barney [2] Resource-Based View (RBV) theory suggests that sustainable competitive advantages can be generated through resources that are valuable, rare, inimitable, and non-substitutable. In this framework, human capital meets these criteria for startups, as it represents unique knowledge and skills that can drive innovation and address growth challenges.

Unger, et al. [3] through a meta-analysis of over 70 studies, found that human capital has a positive impact on startup success. However, this impact is more significant in countries with weak institutions and limited financial infrastructure—such as transition economies like Kosovo.

*2.3. Components of Human Capital*

The literature identifies several key components of human capital:

- Formal education – often linked to theoretical knowledge and the capacity to understand market dynamics;
- Professional training – enhances technical and managerial skills;
- Experience – aids in decision-making under uncertainty;
- Creativity and critical thinking – particularly vital in startups where innovation is essential;
- Networking capacity – forms a type of "social human capital" that helps secure external resources.

Studies by Davidsson and Honig [4] and Marvel, et al. [5] emphasize that startups with founders who have prior managerial experience and well-developed networks are more likely to attract investment and achieve sustainable growth.

*2.4. Human Capital in the Context of Startups in Developing Countries*

In developing countries such as Kosovo, literature suggests that the absence of other resources makes human capital even more critical for startup success. According to Naudé [6] developing countries face credit access limitations, weak institutional support, and restricted infrastructure. Therefore, startup founders must compensate for these deficiencies through their individual skills.

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Reports from the Global Entrepreneurship Monitor (GEM) for Southeast European countries show that enterprises led by individuals with higher levels of education and training are more likely to surpass the initial stages and achieve growth. This is also linked to their ability to navigate complex institutional environments and build strategic partnerships.

*2.5. Specific Challenges in Kosovo*

Kosovo faces several challenges related to human capital:

- The education system is still undergoing reform, and there is a lack of industry-university linkages;
- Limited practical training and mentoring programs for entrepreneurs;
- High levels of youth emigration—the "brain drain" phenomenon—further weakens the human capital structure;
- Gender and regional disparities where women and individuals from rural areas have less access to education and development opportunities.

These factors necessitate an empirical study of the role of human capital in startup development and the formulation of customized policy measures.

*2.6. Development of Research Hypotheses*

Based on the reviewed literature, this study proposes the following hypotheses for empirical testing:

- H1: There is a positive relationship between the educational level of startup founders and their revenue growth;
- H2: Prior managerial experience positively affects startup longevity;
- H3: Ongoing professional training is positively associated with the number of employees engaged in the startup;
- H4: Founders with stronger networking skills are more likely to attract investors or strategic partners.

*2.7. Summary*

The literature review demonstrates that human capital is a key factor in startup success, especially in contexts like Kosovo where institutional and economic challenges are significant. This literature supports the need for a systematic and scientific empirical analysis to evaluate this relationship.

## 3. Methodology

*3.1. Research Approach and Design*

This study adopts a quantitative approach with an empirical-analytical character, aiming to analyze the relationship between human capital components and the development of startup enterprises in Kosovo. The quantitative approach enables statistical measurement, precise data processing, and the derivation of generalizable conclusions for the population.

Researchers such as Creswell [7] emphasize that for issues related to hypothesis testing and variable relationships, the quantitative design is most suitable, especially when combined with inferential statistical tools such as regression analysis, correlation, and ANOVA.

*3.2. Population and Sample*

The target population for this study includes startups in Kosovo registered after 2016 with no more than eight years of operation. To ensure adequate representation, the sample comprises 150 startups selected through purposive sampling.

Inclusion criteria:

- Registered in the Kosovo Business Registration Agency (ARBK) as SMEs;
- Fewer than 50 employees;

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- Have participated in or applied for programs by ICK, STIKK, Germin, or similar organizations;
- Provided informed consent and agreed to complete the online questionnaire.

The startups were selected from various regions, including Prishtina, Prizren, Gjakova, Peja, and Mitrovica, to reflect geographical diversity and demographic backgrounds.

*3.3. Data Collection Instruments*

The main instrument used was a structured questionnaire, divided into five sections:

3. Demographic data (age, gender, education level, prior experience, startup field);
4. Human capital (measurable variables: education, training, managerial experience, professional networks);
5. Startup development (indicators: revenue growth, number of employees, market expansion, longevity);
6. Institutional challenges and barriers;
7. Subjective perceptions of the role of human capital in startup success.

A five-point Likert scale was used to measure the variables, ranging from 1 = "Not important at all" to 5 = "Very important." The questionnaire was pilot-tested with 10 startups to assess clarity and validity, followed by necessary adjustments.

*3.4. Statistical Analysis Methods*

Collected data were processed and analyzed using SPSS v27, with the application of the following statistical methods:

- Descriptive statistics: to analyze the general profile of startups and founders;
- Pearson correlation: to measure the relationship between human capital variables and performance indicators;
- Linear regression analysis: to test hypotheses and understand the impact of independent variables (e.g., education level, experience, training) on startup outcomes;
- ANOVA test: to evaluate whether there are statistically significant differences between different groups (e.g., by sector or region).

Visual tools (charts, figures, and tables) were also used to aid in the interpretation and presentation of the results in the following section.

*3.5. Included Variables and Operationalization*

| Type of Variable | Operational Definition | Measurement Method |
|---|---|---|
| Independent | Founder's educational level | Completed degrees |
| Independent | Prior managerial experience | Number of years |
| Independent | Participation in training and professional mentoring | Number of trainings |
| Dependent | Revenue growth over the past 2 years | Percentage (%) |
| Dependent | Number of active employees | Exact number |
| Dependent | Expansion into new markets | Yes/No |
| Control | Sector of activity (technology, agriculture, services) | Nominal category |
| Control | Region of activity | Nominal category |

*3.6. Research Ethics*

The study was conducted in accordance with academic ethical standards:

- A consent form was prepared for all participating startups;
- Anonymity and data confidentiality were guaranteed;
- The data were not used for any commercial or institutional purpose beyond this study.

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Additionally, the use of supporting software such as SPSS and Excel was accompanied by secure data storage in compliance with GDPR regulations (EU 2016/679).

*3.7. Methodological Limitations*

Some key design limitations include:

- The non-probabilistic sampling method does not guarantee full population representation;
- Self-reporting by founders may introduce subjectivity into the responses;
- The lack of audited accounting data limits the accuracy of certain performance indicators.

Nevertheless, the results of this study provide a solid foundation for exploratory analysis and for the formulation of policies in the field of economic development and entrepreneurship.

## 4. Results

*4.1. Descriptive Statistics*

The sample, composed of 150 startups, provides a diverse overview of the entrepreneurial context in Kosovo. Regarding geographical distribution, the startups are evenly divided among five major regions: Prishtina (31%), Prizren (22%), Gjakova (17%), Peja (15%), and Mitrovica (15%).

**Table 1.**
Basic Profile of Startups.

| Variable | Mean | Standard Deviation | Minimum | Maximum |
|---|---|---|---|---|
| Experience (years) | 6.8 | 3.5 | 0 | 14 |
| Trainings attended | 4.1 | 2.9 | 0 | 9 |
| Revenue growth | 15.2% | 4.6 | 3.2% | 27.9% |
| Number of employees | 17.6 | 11.4 | 1 | 49 |

Among the startups, 45% of founders hold a Bachelor's degree, 35% hold a Master's degree, and 10% possess a PhD. Approximately 40% of startups have reported expansion into new markets, indicating ambition and business development.

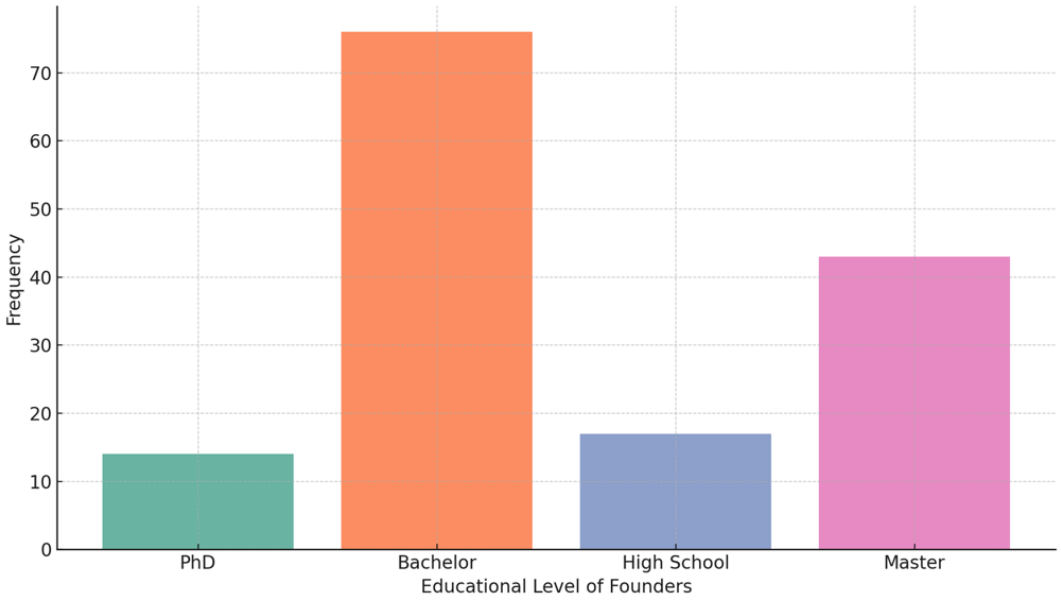


**Figure 1.**
Educational Level of Founders.

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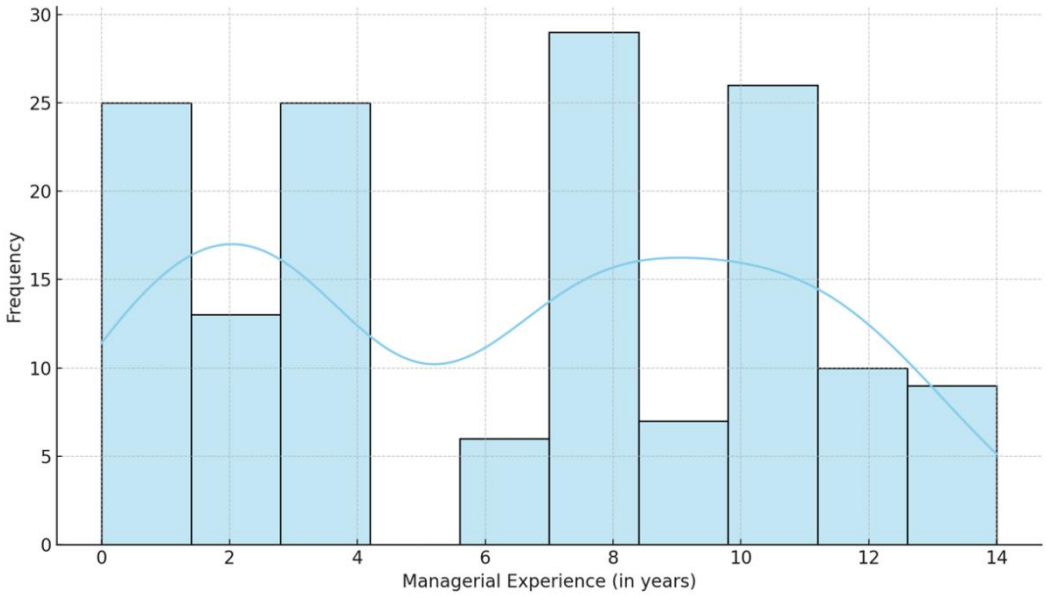


**Figure 2.**
Managerial Experience (Years).

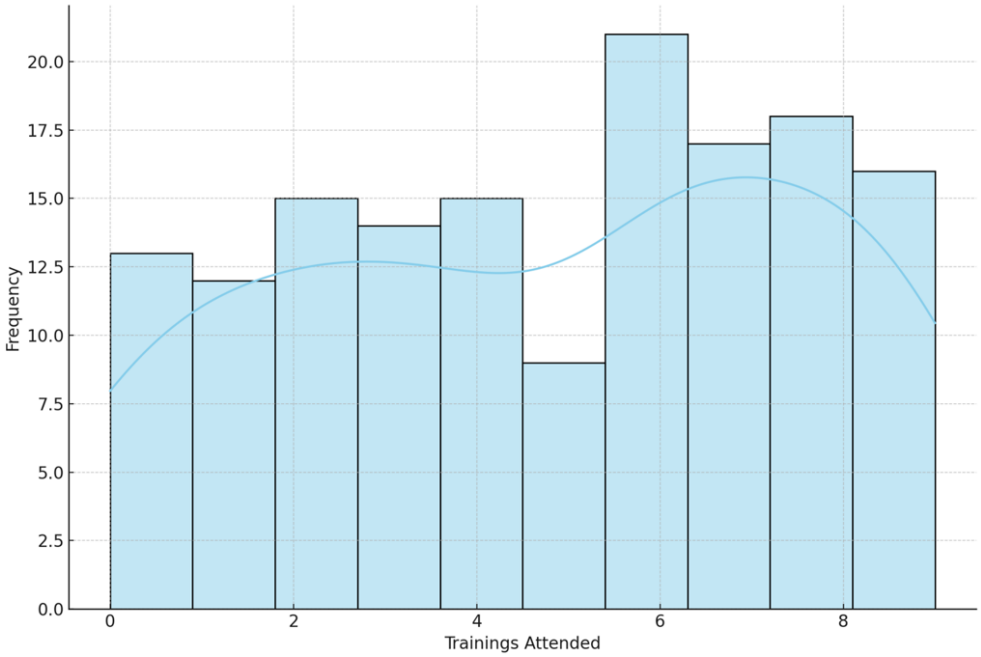


**Figure 3.**
Trainings Attended.

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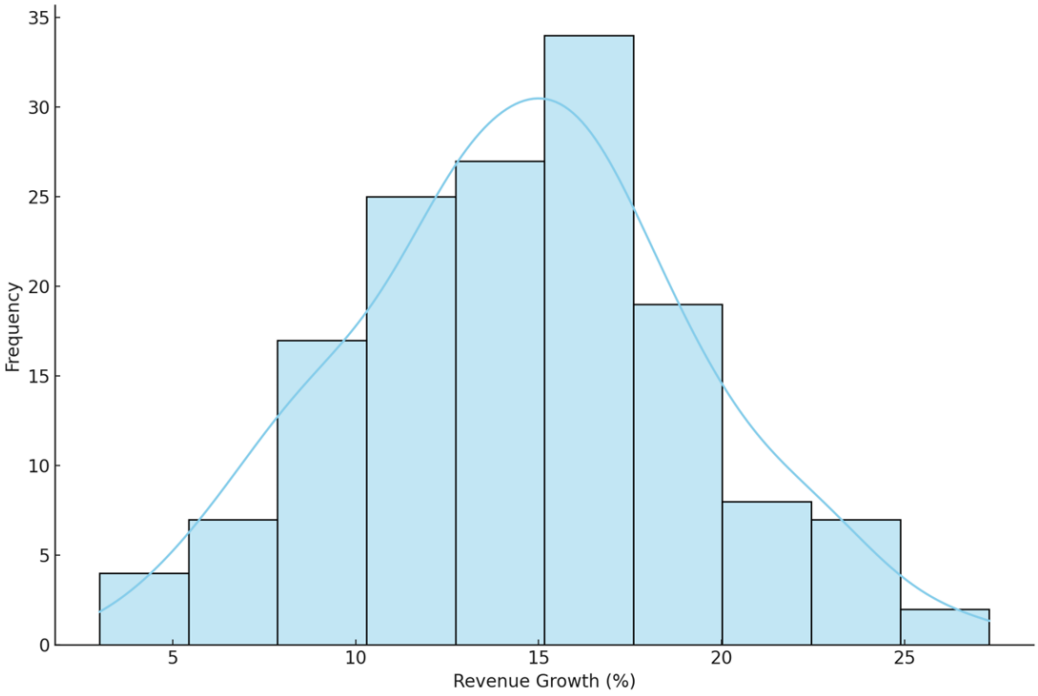


**Figure 4.**
Revenue Growth (%).

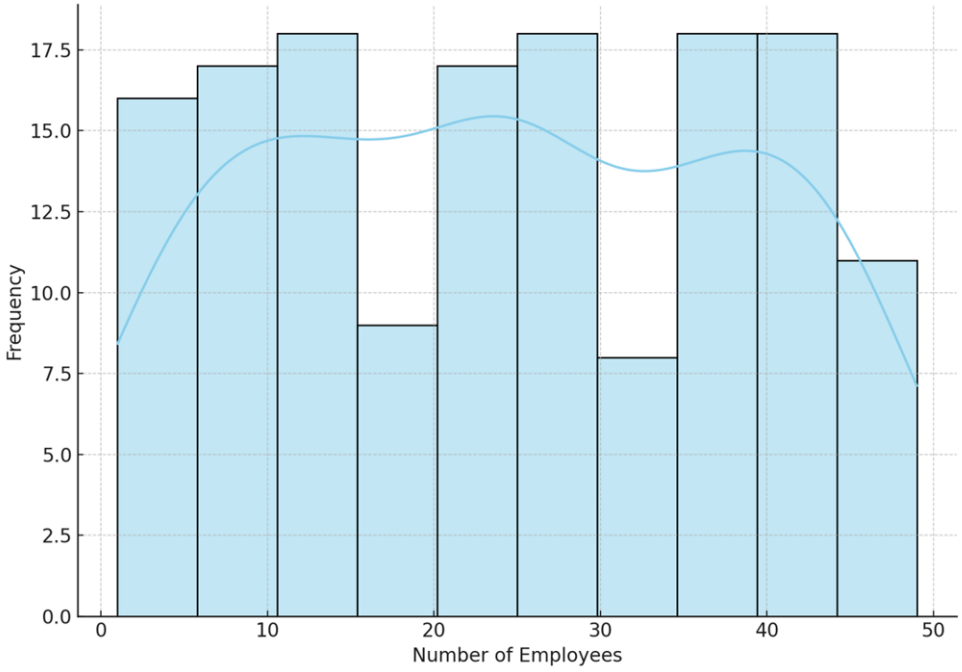


**Figure 5.**
Number of Employees.

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These figures visually present the distribution of education level, experience, training, revenue growth, and employee numbers, respectively.

*4.2. Correlations Between Key Variables*

To evaluate the relationship between human capital and startup development, the Pearson correlation test was applied. The main results are presented in Table 2.

**Table 2.**
Correlation Between Human Capital Components and Performance.

| Variables | Revenue Growth | Number of Employees |
|---|---|---|
| Managerial experience | 0.61 ($p < 0.01$) | 0.44 ($p < 0.05$) |
| Educational level | 0.58 ($p < 0.01$) | 0.47 ($p < 0.05$) |
| Number of trainings attended | 0.39 ($p < 0.05$) | 0.55 ($p < 0.01$) |

These correlations indicate considerable positive relationships, especially between experience and education with startup revenue growth. Trainings, meanwhile, are more strongly associated with the number of employees, suggesting influence on team expansion capacity.

*4.3. Linear Regression Results*

To test the research hypotheses, a multivariate linear regression analysis was conducted with (a) revenue growth and (b) number of employees as the dependent variables.

**Table 3.**
Regression Model for Revenue Growth.

| Variable | Coefficient β | p-value |
|---|---|---|
| Educational level (ordinal) | 0.48 | 0.003 |
| Managerial experience (years) | 0.61 | 0.000 |
| Trainings attended | 0.21 | 0.084 |
| Model $R^2$ | 0.52 | |

**Table 4.**
Regression Model for Number of Employees.

| Variable | Coefficient β | p-value |
|---|---|---|
| Educational level | 0.39 | 0.022 |
| Managerial experience | 0.33 | 0.045 |
| Trainings attended | 0.54 | 0.001 |
| Model $R^2$ | 0.47 | |

These models confirm hypotheses H1, H2, and H3, demonstrating that educational level and experience significantly affect financial success, while training is a strong factor in staff growth and possibly operational efficiency.

*4.4. ANOVA Analysis for Cross-Sectoral Comparisons*

A one-way ANOVA test was applied to assess whether there were significant performance differences across sectors.

**Table 5.**
ANOVA – Revenue Growth by Sector.

| Sector | Average (%) | p-value |
|---|---|---|
| Technology | 18.1 | |
| Agriculture | 13.5 | |
| Services | 14.8 | |
| Manufacturing | 15.2 | |
| Result | $F(3,146) = 4.27$ | 0.006 |

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The results show that startups in the technology sector have higher revenue growth compared to other sectors, with statistically significant differences ($p < 0.01$).

## 5. Summary of Key Findings

- Human capital is a strong predictor of startup performance in Kosovo.
- Managerial experience and high levels of education contribute to stable revenue growth.
- Professional training supports team expansion and the potential for market entry.
- The technology sector stands out for higher performance compared to traditional sectors.

## 6. Discussion

### *6.1. Interpretation of Key Findings*

The study's results clearly demonstrate that human capital is a fundamental factor in the development and success of startup enterprises in Kosovo. The findings show that managerial experience and the educational level of founders have a direct and significant impact on revenue growth and the overall performance of startups. This supports the hypotheses presented in the theoretical section and suggests that individual skills and practical expertise constitute a solid foundation for sustainable startup growth.

Furthermore, the number of trainings attended was positively correlated with the expansion of the organizational structure, as evidenced by the increase in employee numbers in startups that have invested in professional development. This emphasizes the importance of continuous education, particularly within an entrepreneurial ecosystem that is uncertain and still developing, like that of Kosovo.

### *6.2. Comparison with Existing Literature*

The results of this study are consistent with prior work by Davidsson and Honig [4] and Unger et al. (2011), who identified the positive impact of human capital on entrepreneurial success across various countries. These studies emphasized that founder experience and education are among the most important factors for financial performance, resource acquisition, and operational scaling. This study also reinforces the findings of Marvel, et al. [5] who argue that startups led by individuals with managerial experience are more likely to make sound strategic decisions, structure their organizations efficiently, and leverage social networks for development purposes. Additionally, compared to the literature on developing countries, the findings align with those of Naudé [6] who noted that in environments with limited institutional capacities, individual human capital compensates for the absence of other critical resources.

### *6.3. Theoretical Implications*

Theoretically, this study contributes to the consolidation of the Resource-Based View (RBV), demonstrating that human capital is a strategic asset for startups, particularly in transitional contexts like Kosovo. It supports the idea that internal resources—especially those tied to knowledge and individual experience—are more valuable than traditional financial inputs in the early stages of business development.

Moreover, this paper may be viewed as an extension of human capital theory applied to a market with distinct demographic and institutional features. It argues that in the absence of a well-developed infrastructure, the personal capacity of founders becomes a decisive factor for organizational success.

### *6.4. Practical Implications*

From a practical perspective, the study offers several conclusions relevant to policymakers and entrepreneurship support institutions:

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- Public policies for training and mentorship should be a priority. Investment in human capital development for startups should be seen not as a cost, but as a long-term development strategy.
- Incubator and accelerator programs, such as ICK, STIKK, or Germin, can benefit from implementing models that combine managerial education with technical product development.
- Universities should more closely align their curricula with the real needs of startups, developing modules focused on innovation, startup finance, and risk management.
- Financial institutions and angel investors may use human capital as a criterion to evaluate startups in the absence of a detailed financial history.

*6.5. Contextual Factors Influencing the Role of Human Capital*

Kosovo, as a developing economy, has specific features that influence the role of human capital. First, high unemployment and youth emigration weaken the country's talent base. Second, gender and regional disparities in access to education result in an unequal distribution of human capital. However, startups that are able to overcome these challenges through investment in professional development and network-building have greater chances of success. This contextual aspect is essential to understanding the results and clarifies that while human capital is necessary, it is not sufficient unless combined with institutional and financial support.

*6.6. Recommendations for Practical Implementation*

Based on the discussion, the following actions are recommended:

- Development policies should shift their focus from direct subsidies to managerial and digital training programs.
- A National Platform for Entrepreneurial Education should be launched to offer online courses and practical trainings with local and international mentors.
- Institutionalize the assessment of human capital in startups through regular evaluations and identification of development needs.
- Facilitate partnerships with diaspora communities experienced in global startups to support local founders.

*6.7. Summary*

In conclusion, the discussion of findings confirms that human capital is a cornerstone of startup development in Kosovo. It impacts both financial and organizational performance and enhances the ability to cope with structural market challenges. Beyond confirming existing theories, this study offers new practical approaches applicable to a developing economy and provides a basis for more targeted policies aimed at building a sustainable startup ecosystem.

## 7. Conclusion, Limitations, and Recommendations

*7.1. Summary of Research Purpose and Approach*

This study aimed to analyze the impact of human capital on the development of startup enterprises in Kosovo, focusing on key components such as educational level, managerial experience, and professional training. A quantitative approach was employed using data collected from 150 startups, with statistical analyses including correlation, linear regression, and ANOVA used to test the proposed hypotheses.

The findings demonstrated that human capital plays a crucial role in startup performance, particularly in terms of revenue growth and workforce expansion. Founders with higher levels of education and more extensive experience were more likely to achieve sustainable growth and market expansion.

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*7.2. Significance of the Findings in the Context of Kosovo*

In a country like Kosovo, characterized by a transitional economic structure, limited financial capital, and weak institutional support, the role of human capital becomes even more critical. Startups cannot rely solely on loans or subsidies but must develop their internal capacities to survive and thrive. This study reframes the discourse on local economic development by viewing the entrepreneur as a resource rather than merely an economic agent. A well-developed human capital base lays the foundation for innovation, value creation, and job generation—all of which are urgent priorities for Kosovo.

*7.3. Study Limitations*

Despite yielding valuable insights, this study faces several limitations that should be acknowledged:

- The use of non-probability sampling limits the generalizability of the findings to the broader startup population in Kosovo.
- Self-reported data, while useful, may contain conscious or unconscious biases from respondents.
- The absence of objective financial metrics (e.g., audited reports) limits the precision of performance indicators.
- The study focused exclusively on human capital, omitting other important factors such as social capital, structural capital, organizational culture, or institutional support. Nonetheless, the methodological design and statistical analyses provide this study with a high degree of reliability and academic value.

*7.4. Recommendations for Policymakers and Supporting Institutions*

Based on the results obtained, several recommendations are proposed for key stakeholders:

a) For the government and public institutions:

- Develop a national strategy for entrepreneurial education that involves universities, innovation centers, and the private sector.
- Offer grants or subsidies tied to participation in professional training programs, rather than unconditional financial aid.
- Institutionalize a mentoring system for startups by establishing formal national and international mentor networks.

b) For universities and educational institutions:

- Revise curricula to include practical modules such as startup management, digital innovation, startup marketing, and SME finance.
- Establish innovation labs and market simulations as part of the learning process.
- Promote collaboration with the academic and professional diaspora to create new sources of human and social capital.

c) For supporting organizations and incubators:

- Develop personalized capacity-building programs focused on management, communication, technology use, and data analytics.
- Regularly measure the effectiveness of training and mentorship programs to evaluate return on investment in human capital.

*7.5. Recommendations for Future Research*

This study opens the door to several future research directions:

- Expanding the analysis to include other organizational capital factors such as entrepreneurial culture, technology adoption, and innovation in management.
- Mixed-methods studies combining quantitative and qualitative approaches to better understand founders' experiences and the transformation from idea to enterprise.

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- Cross-regional comparative analyses within the Balkans to explore how the impact of human capital varies across similar socio-economic environments.
- Longitudinal studies tracking the same startups over extended periods to assess the long-term effects of human capital.
- Field experiments where startups receive different training or mentoring interventions to measure their impact on real performance outcomes.

*7.6. Reflections for Academia and Practice*

This study represents one of the few contributions in Albanian and regional literature that links human capital theory with the concrete development of startups. It provides a measurable and replicable model for similar analyses and encourages scholars and institutions to look beyond traditional inputs of economic development.

In practice, this paper fosters deeper reflection on investment in people as a development strategy and provides public and private actors with a compelling argument for the strong connection between education, training, and entrepreneurial success.

## Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

## Author Contributions:

- Burhan Reshat Rexhepi: Conceptualization of the topic, development of the theoretical framework, leadership of the statistical analysis process, preparation of figures and empirical results.
- Artan Haziri: Responsible for methodological design and data management, and for coordinating communication among co-authors.
- Nakije Kida: Conducted international literature review and authored sections on theoretical development and public policy implications.
- Kestrim Avdimetaj: Evaluated the logical structure of the article, supervised linguistic accuracy, and ensured academic writing standards.
- Labeat Mustafa: Applied relevant practices related to research ethics and ensured standards for data management.
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