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Examining the owners and manager's perceptions of the determinants that influence the effectiveness of SME: Evidence from Kosovo

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Abstract

Small and medium-sized enterprises (SMEs) play a crucial role in decreasing unemployment and have a direct impact on the economy's growth. Thus, the overall focus of this research is to evaluate the gender composition of entrepreneurs, education, prior experiences, business planning, R&D investments, and the invention of new products and services in the effectiveness of SMEs. This survey has a qualitative design, with 52 total questions categorized into three main components. The sample includes 336 questionnaires completed by business managers/owners throughout March and April 2022. Logit and multinominal regression were used to ascertain the impact of specific parameters on the efficacy of SMEs. The study has discovered that gender composition, education, business plan, prior experience, and investments in research and development positively influence business effectiveness, while the invention of new products and services results are insignificant. The research will benefit these structures by focusing on the components that are managed within their capabilities to improve the business effectiveness. Regards to its scientific contribution, the research offers the most recent empirical evidence in the setting of Kosovo's economy, utilizing specific variables and an appropriate technique via the logistic model. In terms of scientific contributions, this study makes use of certain variables and a suitable methodology via the logistic model to provide the most recent empirical evidence in the context of Kosovo's economy.

1. Introduction

Small and medium-sized enterprises (SMEs) are presented with a high percentage of the worldwide scale, while performing a specific activity in the global system, which is influenced by complexities, primarily ever-increasing competitive pressure. This contributes to three directions: increasing economic development, minimizing the unemployment rate, and attempting to promote a green economy. (Gancarczyk & Gancarczyk, 2018; Krasniqi, Jashari Goga, & Mehmeti, 2022; Muller et al., 2015). Even though, SMEs have the flexibility and adaptability to easily adapt or generate innovative products or services utilizing advanced technologies to overcome challenges that might have a serious influence (Alexander & Van Knippenberg, 2017; Pisani, Caldart, & Hopma, 2017; Wu, Lin, & Perng, 2022). As a consequence of these contexts, globalization and the adoption of advanced technologies has opened up new opportunities for SMEs. Due to their adaptability and efficiency, it is also acknowledged in European Union (EU) countries, by designing where a constitutional framework was designed for the support and promotion of SMEs to remove the obstacles of to their development.

It is worth mentioning that recently, the socioeconomic environment has created the most advantageous prerequisites for the effectiveness of SMEs, especially in the expansion of possible prospects for the future and continual business process improvements. As stated by the European Commission (2022), according to the annual report on the assessment of the effectiveness of SMEs as well as sustainable environments, the pandemic had a detrimental impact on SMEs in the EU-27 in 2020, especially micro businesses, but they recovered in 2021 with a growth of 8.0 percent and an increase in employment compared to the previous year. In the context of our study, the perspective of Kosovo would be explored, although it is not a member of the EU in terms of achieving the required standard for a range of reasons, it is important to mention that Kosovo is geographically part of Europe.

The main purpose of this research is to discover whether the specified determinants affect the effectiveness of SMEs in the context of Kosovo employing logistic models (ordered logit and multinominal). We have broken down the determinants such as gender composition, education, prior experience, business plan, Research and development (R&D) investments, and innovations in products or services to provide a more comprehensive overview of which of the applied determinants affects the effectiveness of SMEs. To conduct this academic research, we used data from a questionnaire distributed to 336 business owners/managers throughout March and April 2022, with a total of 52 questions. Hence, the research questions have been developed with the exclusive goal of obtaining the most convincing proof:

RQ1: How would gender diversity and education affect the effectiveness of SMEs?
RQ2: Do previous experience and business plans affect the effectiveness of SMEs?
RQ3: Do SMEs in Kosovo invest sufficiently in R&D and product innovation?

This research intends to contribute in diverse ways. *First*, it will reflect the advancement and extension of the literature on the determinants that affect the effectiveness of SMEs by employing data obtained in 2022. *Second*, it aspires to resolve ambiguities from prior research that produced contradictory results by offering consistent evidence on which determinants affect the effectiveness of SMEs. Experience the power of econometric analysis with our cutting-edge approach to binary data ordered according to Likert's methodology. Our logistic regression techniques provide the perfect solution for your data analysis needs. The research is divided into 4 parts: introduction, the background of the literature, econometric analysis, and lastly findings.

2. Background of the Literature Review

2.1. Attributes of Measuring the Effectiveness of SMEs

The primary objective of the governing and political structures is to promote a robust framework for conducting business within the small and medium-sized enterprise (SME) sector while ensuring stability, positivity, and competitiveness in performance. Creating a favorable environment for business is one of the most significant components of economic development in a country because it is recognized as an essential driver for the expansion of competition, projected expansion, and long-term prosperity (Martin, 2020). Using a variety of studies performed in the academic and scientific disciplines, the research on the effectiveness of SMEs is directly or indirectly associated with the growth of SMEs, overall performance, or the increase in the level of sales. There seems to be generally clear agreement among academics that the most widely used indicator to evaluate SMEs is their growth, and that in our specific instance, the effectiveness of SMEs has been measured by comparing the year 2022 to the year 2021. Such a consensus does not exist among researchers when using the related approach to evaluate the effectiveness of SMEs, we have a division into two groups. One group advocates for the utilization of a quantitative approach to evaluate the efficacy of small and medium-sized enterprises (SMEs). This approach involves the examination of various financial indicators, such as fluctuations in sales over time, profitability metrics, production levels, liquidity levels, production costs, and other relevant factors (Anggadwita & Mustafid, 2014; Cicea, Popa, Marinescu, & Cătălina Ştefan, 2019; Zimon, 2018). The second group, which mostly promotes the qualitative approach, evaluates the effectiveness of SMEs by using a range of resources, including organizational effectiveness, management styles, education, work experience, training, marketing skills, management capacity, business plan, and some other factors (Durguti, Krasniqi, & Krasniqi, 2020; Gopang, Nebhwani, Khatri, & Marri, 2017; Gupta, Guha, & Krishnaswami, 2013; Krasniqi, Durguti, & Krasniqi, 2020; S. Krasniqi et al., 2022; Kunoviku-Demiri, Tmava, & Durguti, 2021).

2.2. The Factors that Affect the Effectiveness of SMEs

In terms of measuring the effectiveness of SMEs, there is no doubt that it is of particular importance, but it is also important to focus adequately on the determinants that affect the effectiveness of SMEs. To survive and succeed in an extremely competitive environment, SMEs must creatively secure and combine their resources, especially with tangible, intellectual, and other interconnected resources (Lonial & Carter, 2015). Through this approach, SMEs can demonstrate competitive advantages in the medium term by creatively integrating these resources based on prior experience (Krasniqi et al., 2020). Generally, a considerable variety of variables can have an impact on the effectiveness of SMEs, but the focus of this investigation will concentrate on gender diversity, education, prior experience, business plan, R&D, and innovation. Gender diversity and its relevance in the leadership of SMEs have been examined from many perspectives to evaluate their effectiveness. Authors Shava and Rungani (2016) examined developing economies using descriptive statistics and testing of hypotheses

through a chi-square test and concluded that gender diversity has a substantial influence on the effectiveness of SMEs. Another very interesting finding is that there is no divergence in the effectiveness of SMEs in terms of gender between females and males. Furthermore, the authors Vershinina et al. (2020) discovered that this variable positively affects the effectiveness of the SME, and they further asserted that the female gender is more devoted to upholding the legal framework than their male counterparts.

Human resource capital is a crucial factor that greatly impacts the success of SMEs. It comprises the owners/managers' prior experience and education, which play a significant role in driving growth and prosperity. Discover the significant impact on SME productivity through extensive research conducted in both past and present years. As a result, Eugene McManus (2014) examined the pedagogical paradigm, concentrating on the topic of motivation and creativity received through education to bring fundamental values to business. The conclusion from this study is that the owners/managers who have higher education, prior experience, and training have the creative abilities to be more flexible and competitive compared to those who have lower education. Other important research performed in recent years by Krasniqi et al. (2020) investigating SMEs in Kosovo during the year 2020 through 536 questionnaires and the adaptation of Ordinary Least Square (OLS) has argued that the level of education, business plan, and prior experience has vital significant and positive effects on the context of Kosovo. In a similar context, Krasniqi et al. (2022) investigated whether education and prior experience, training, and business plan, as well as certain other characteristics, influenced the effectiveness of SMEs in Kosovo by employing a binary approach through the multinomial regression model. This investigation's findings validate the conclusions from the apostrophized research and indicate that these two characteristics are particularly more important in measuring the effectiveness of SMEs. SMEs suffer from a variety of obstacles, the most noticeable of which are access to finance funds, the mobilization of sufficient funds that are used to carry out R&D expenditures, and expenditures in innovative products. In this regard, numerous studies suggest a comprehensive strategy that takes into account both internal and external environmental factors in order to reflect a synergy on the performance of SMEs. As stated by the authors, Aceleanu, Trasca, and Serban (2014), the degree of impact on the effectiveness of SMEs is determined by three categories of hazards: (1) the macroeconomic environment, which is directly or indirectly related to Gross domestic product (GDP), (2) the structural specifics of the economy, which are reflected in the level of technologies used, public and private investments in R&D and innovative products, and (3) macroeconomic factors. Additionally, to determine the impact of R&D and innovative product expenditures, the authors Vagnani, Proietti, and Gatti (2022) investigated 350 SMEs utilizing a conceptual model that bridged the gap between resource orchestration and competency-based viewpoints. Empirical research suggests that involvement in R&D and product innovation is essential for the effectiveness of SMEs. On the other hand, Zhang and Li (2022) using panel data in several districts of the economy in China observing the period 2009-2017, have explored the effect of R&D and their effect on green economy advance. According to their findings, every investment in R&D accelerates economic growth and improves the conditions for the long-term growth of the green economy.

3. Data and Methodology

3.1. The Sample

The data used to conduct this research was obtained from a recent survey by E & E Consulting in March and April 2022. The study population is designed to examine general challenges and determinants that affect the effectiveness of SMEs, and managers'/owners' expectations for the degree of profitability in 2022, compared to 2021. The sample overall reflects 1.5 percent of the population of active SMEs, and the list of active enterprises is retrieved from the Tax Administration of Kosovo. A list of active firms was used to select the sample, and those that were dormant throughout the research period were removed. The study sampled all business activities in seven (7) districts of Kosovo. The sample was stratified in two distinct ways: a) by sector (production, trade, and services), and b) by business size (small and medium-sized) as determined by current legislation and European Union directives.

The surveys were made face-to-face with the responsible actors (company owners or managers), with the primary aim of obtaining the most trustworthy information. The survey contains details on gender composition, education, the activity where they perform the activity, prior experience, whether they have drawn up a business plan, potential challenges, investments in R&D, innovations in new products or services, profitability expectations for the year 2022, etc. The respondents were presented with a list of certain topics and encouraged to prioritize them on a 1-5 Likert scale. KMO and Bartlett's tests were used econometrically to analyze the sample's fitness. It is confirmed that the samples and data are sufficient due to the findings of this test displayed (Table 5), which has a coefficient of 0.530. An additional argument in pursuit of this argument is that Bartlett's test has a significance level of $\rho = 0.000$.

3.2. Variables Analysis

The selection of parameters for the effectiveness of the latest research is a challenging paradigm in the development and creation of determining models, as well as the measurement and perception of the effectiveness of SMEs. Generally, there is no consensus on the methodology or configuration of selection for constructing the precise variables for measuring owner/manager perceptions of SMEs' effectiveness. As a result, based on

the literature research in general, variable selection is subjective, with a lack of explanation in certain empirical research. However, it is important to highlight that many studies suggest using quantitative methods of measurement or evaluation, and there are numerous academicians who support this approach (Anggadwita & Mustafid, 2014; Ben Jabeur, 2017; Gupta & Batra, 2016; Valaskova, Tomas, Lucia, & Peter, 2018; Zimon, 2018). Conversely, the other group reinforces their results using a qualitative technique that examines characteristics like managers'/owners' perceptions, leadership styles, education, business strategy, R&D, and inventions (E. Durguti et al., 2020; Expósito & Sanchis-Llopis, 2019; Krasniqi et al., 2020; Krasniqi et al., 2022; Kunoviku-Demiri et al., 2021). As a result of this paradigm, our study is directed toward the qualitative approach as determined by the logistic model and the data we have collected. Table 1 summarizes the variables and acronyms that were proposed.

Table 1. Description of variables and acronyms.

	Variables	Acronyms
Predicted variable	Perception of the SMEs' effectiveness in 2022 compared to 2021	PSE
Independent variables	Gender	GEN
	Education	EDU
	Prior experience	PE
	Business plan	BP
	Investments in research and development	IR&D
	Development of new products/Innovation	DNP&I

3.3. Model Specification

Throughout this section, an econometric model (logit and multinominal regression) was constructed to investigate each determinant specified in the study and their influence on the managers/owners on the effectiveness of SMEs, in the context of Kosovo.

The predicted variable is an examination of SMEs' effectiveness, and it takes the value 1 if the perception is that they're going to be more effective in 2022 than in 2021, and it takes the value 0 if the perception is the reverse. According to this attribute, we employed logistic regression to evaluate the likelihood of evaluating the effectiveness of SMEs.

Throughout the context of binary model selection, we want to determine the likelihood (P_i) of an event occurring $(Y_i = 1)$; - the evaluation of the highest efficiency over the period 2021), as a function of a vector of covariates (X_i). Additionally, we propose the unifying framework described by the latent factor (Y_1^*). Equation 1 expresses the fundamental binary equation for the logistic regression model. The linear vector function is expressed through the last variable.

$$Y_1^* = \beta_0 + \beta_i X_i \tag{1}$$

To obtain the single value 0 or 1, we propose the following econometric model:

$$\ln\left(\frac{P}{1-P}\right) = \beta_0 + \sum_{i=1}^{k-1} \beta_i X_i \tag{2}$$

This scenario may also be expressed as a function of (P_i) as specified:

$$P = \frac{\exp(\beta_0 + \sum \beta_i X_i)}{1 + \exp(\beta_0 + \sum \beta_i X_i)} \tag{3}$$

In our scenario, the solution is as follows:

$$Y_i = 1 \quad if \quad \beta_i X_i + \varepsilon_i \geq 0 \; (better \text{ effectiveness than 2021}$$
$$Y_i = 1 \quad if \quad \beta_i X_i + \varepsilon_i \leq 0 \; (worse \text{ effectiveness than 2021} \tag{4}$$

The econometric paradigm applied in this research is derived from the model inspired by Durguti and Arifi (2021) and Krasniqi et al. (2022). Therefore, as a consequence, relying on the equations explained previously and the approach utilized by other scholars, particularly as emphasized in the previous paragraph, the final equation before presenting the study's hypotheses is:

$$SME's_{effectiveness}\left(SME's_{effectiveness,i} = 1|X_i\right) = \alpha + \beta_1 GEN_i + \beta_2 EDU_i + \beta_3 PE_i + \beta_4 IR\&D_i + \beta_5 DNP\&I_i + \mu_i + \varepsilon_i \tag{5}$$

3.4. Research Hypotheses

Following data treatment, variable analysis, as well as elaborations on the econometric methodology employed in this investigative article, and finally the summary of the methodology, the study proposed the following hypotheses:

H₁: The gender of entrepreneurs positively affects the effectiveness of SMEs.
H₂: Education has a positive influence on SMEs' effectiveness.
H₃: Prior experience has a beneficial impact on the effectiveness of SMEs.
H₄: Investments in R&D positively affect the effectiveness of SMEs and
H₅: The advance of new products & services positively affects the effectiveness of SMEs.

4. Empirical Findings
4.1. General Characteristics of the Examined Involved in Research

This segment covers numerical outcomes, initiating with an overview and processing of the data exploited in the research and progressing to the key descriptive information. Then, proceed with the associated treatment to discover the relation across the variables, as well as the regression outcomes and diagnostic tests.

Table 2. Case processing summary.

Description of variables		N	Marginal percentage
Perception of the SMEs' effectiveness in 2022 compared to 2021	1	208	61.6%
	2	129	38.4%
Gender	1	86	25.6%
	2	250	74.4%
Education	1	33	9.8%
	2	236	70.2%
	3	67	19.9%
Previous experience	1	251	74.7%
	2	85	25.3%
Business plan	1	154	45.8%
	2	182	54.2%
Investments in research and development	1	180	53.6%
	2	156	46.4%
Development of new products/Innovation	1	169	50.3%
	2	167	49.7%
Valid		336	100.0%
Missing		0	
Total		336	

Table 2, in detail, presents the number of questionnaires included in this research, and the applied methodology of ranking the variables (ranked 1, 2, 3) as well as the percentage of answers provided by the respondents. From the initial findings, it results that 61.6 percent of the managers/owners expect the year 2022 to be more effective compared to 2021. From the standpoint of gender composition, it is clear that this sample is primarily made up of men, with 25.6 percent of the sample being female. The other factor, which is essential to the efficiency of SMEs, led to 70.2% of respondents completing the faculty level, 9.8% completing high school or professional school, and 19.9% earning a master's degree. Work experience has a significant impact on SMEs' performance. In our scenario, it was discovered that 74.7 percent of respondents have work experience of at least five years and they have created a business plan, whereas it was discovered that 54.2 of SMEs do not have any business plan. And the two variables that are considered quite challenging for SMEs in Kosovo are R&D and the development of new products, 53.6 percent of SMEs make investments in R&D, while 50.3 percent have developed or modified products.

Table 3. Descriptive statistics.

	N	Min.	Max.	Mena	PCA
Perception of the SMEs' effectiveness in 2022 compared to 2021	336	1	3	1.75	0.372
Gender	336	1	2	1.74	0.637
Education	336	1	3	2.10	0.573
Previous experience	336	1	2	1.25	0.720
Business plan	336	1	2	1.54	0.455
Investments in research and development	336	1	2	1.46	0.733
Development of new products/innovation	336	1	2	1.50	0.693

Table 3 displays a breakdown of descriptive statistics, beginning with the research observations and ending with the mean, min, as well as max values. Correspondingly, this part includes the result of the Principal Component Analysis (PCA), which grounded on the last column of Table 3, is observed that all the predicted variables in the context of the examination have a value of more than 0.5 ($\alpha \geq 0.5$) which gives us indications that the variables are well composed within the database (Bartholomew, 2010).

An analysis of the correlation between the variables and the signals of the effect they have on one another has been done in respect to the apostrophized topics above. The analyzed findings presented in Table 4, show output that GEN and PE have a positive association, while EDU, BP, R&D, and DNP&I have turned out to have a negative association. These results are also used to analyze the multicollinearity between these factors, and based on the generated output it is observed that no constant exceeds the value above 0.5. The authors

71

support their result by using this as consistent evidence that the data do not raise issues with multicollinearity. (Pituch & Stevens, 2016).

Table 4. Correlation analysis.

	PSE	GEN	EDU	PE	BP	IR&D	DNP&I
PSE	1.000						
GEN	0.089	1.000					
EDU	-0.105	-0.207	1.000				
PE	0.091	-0.161	-0.008	1.000			
BP	-0.058	0.035	-0.116	0.164	1.000		
IR&D	-0.170	-0.001	-0.042	0.035	0.150	1.000	
DNP&I	-0.143	-0.017	0.001	0.024	0.090	0.567	1.000

Before we start commenting on the results of the econometric models, it is crucial to examine and discuss the diagnostic tests on the stability and suitability of the model. To fulfill this criterion, we performed a chi-square test for model fitting and Pearson & Deviance chi-square for the goodness of fit. Besides the outcomes of these tests according to the logit model have resulted in $\rho = 0.000$, (see Table 5) and Pearson & Deviance has an insignificant value $\rho = 0.107$, which provides evidence that the model is well defined (Pituch & Stevens, 2015). On the other hand, the same results were confirmed according to the multinominal model, chi-square $\rho = 0.000$ and Pearson & Deviance $\rho = 0.115$. Additionally, Pseudo R-Square was used to examine the level of variation, based on McFadden's discoveries (value according to logit 0.432 and multinominal 0.573), which demonstrates that the greater this coefficient the better the model and the variables fit the data. (Menard, 2011).

Table 5. Estimation results.

Variable	Logit regression			Multinominal regression		
	β	Wald	Sig.	β	OR	Sig.
GEN	0.516	3.963	0.047	0.814	1.575	0.184
EDU	1.063	6.459	0.011	1.246	2.288	0.020
PE	0.648	6.785	0.009	0.748	2.113	0.023
BP	0.437	3.951	0.047	-0.300	0.741	0.013
IR&D	0.472	3.368	0.066	-0.828	0.437	0.021
DNP&I	0.165	0.415	0.520	-0.193	0.824	0.576
Diagnostic tests on model stability						
Kaiser-Meyer-Olkin test	0.530			-		-
KMO and Bartlett's tests	$\rho = 0.000$			-		-
Bartlett's test of Sphericity	$\rho = 0.000$			-		-
-2 Log likelihood	$\rho = 0.000$			-		$\rho = 0.000$
Pearson	$\rho = 0.107$			-		$\rho = 0.115$
Deviance	$\rho = 0.098$			-		$\rho = 0.101$
McFadden	0.432			-		0.573

Note: Link function: Noteworthy at less than 1,5, and 10%.

To examine the impact of the determinants adopted in this study on the effectiveness of SMEs, four (4) of the five determinants were found to have a significant impact using the logit model, while three (3) were found to have a significant impact using the multinominal model. Therefore, at a probability level of 1 percent, gender composition has a considerable influence on managers'/owners' perceptions of SMEs' effectiveness for the year 2022, compared to 2021. The results are consistent with the researcher's expectations and support its premise *(H₁)*. The same conclusions are derived from a study performed by Shava and Rungani (2016) that examined the impact of gender composition on the effectiveness of SMEs in emerging economies. The conclusions of this study reveal that gender composition has a positive impact, nevertheless, there are no divergences concerning males and females. The scholars Vershinina et al. (2020) obtained the same conclusion, however, the scholars emphasize another attribute in which females are more devoted to the rules than males.

Education, on the other side, has demonstrated an impact on the effectiveness of SMEs with a confidence level of 1 percent and predicated on the odd ratio of 1.063 depending on the logit model and 1.246 depending on the multinominal, they prove that for each increase in the level of education, there is an impact on the increase in the effectiveness of SMEs by 1.063 units, respectively 1,246 units. The research results confirm the hypothesis *(H₂)* and the expectations. The research's evidence is consistent with Eugene McManus (2014) study, which contends that the greatest grade of education provides managers/owners with wider creative and analytical capabilities to stay competitive. The researchers Krasniqi et al. (2022), using the multinominal regression technique, support the argument that the grade of education has a beneficial influence on the effectiveness of SMEs in the context of Kosovo. Besides education, an essential component is experience gained in previous

years (see Table 5), which has produced empirical proof that it has a positive influence according to logit regression as well as multinominal regression. This result validates the hypothesis (H_3) and corresponds to the predicted outcomes. The results are in the spirit of the authors' study (Frese & Gielnik, 2014; Krasniqi et al., 2020; Krasniqi et al., 2022) which contends that SMEs with experienced employees succeed those with less experience.

According to many studies, the provision of a business plan by SMEs has a significant impact, as it is considered a map for safe travel. As a consequence, the results of our investigation reinforce the same standpoint, having a considerable influence on the confidence interval of 1 percent as well as confirming the hypothesis (H_4). These justifications show that SMEs with a business strategy perform better than SMEs without one. Based on the odd ratio, the multinominal assessment produces 0.741 with = 0.013, while the logit evaluation produces 0.437 with = 0.047. The results are under investigations carried out by Durguti et al. (2020), and Krasniqi et al. (2022). In addition to the final determinant, but not quite as important, SMEs' investments in R&D have had a substantial positive impact ($\rho = 0.066$ according to the logit, and $\rho = 0.021$- according to the multinominal). As a result, this research indicates that SMEs could perhaps invest more in R&D due to its beneficial impact on SMEs' effectiveness. Bokhari (2022) obtained similar conclusions by investigating the role of initial capital, prior experience, and R&D in the survival and prosperity of SMEs. His outcomes contend that these three determinants have an important and positive connection in terms of SMEs' survival and effectiveness. Additionally, investments in the creation of new goods and services were the last factor examined in the context of this study. The result is unexpected because these investments turned out to be minor with values of = 0.520 and = 0.576.

5. Conclusion

Beginning with an international focus on the importance of SMEs, and especially in the aftermath of the crisis (covid-19 pandemic, and developments in Ukraine), policy-making structures have consistently taken measures through various modalities to create a favorable environment for SMEs. The overall conclusion of this study is that the selection of the sample, stratification using the three criteria described in the methodology segment, sample percentage of inclusion, and selection of the appropriate model give us enough data to make future decisions. It is advised to use logistic functions (models) for the acquisition and analysis of data gathered through surveys and testing, particularly when the dependent variable contains two or more replies.

Through ordered logit and multinominal regression models, this study contributes to the exploration of some of the selected factors that have a consequence on the perception of business owners/managers in the context of Kosovo. The evaluation of the SME's effectiveness is employed as a dependent variable, whereas independent factors comprise gender diversity, education, business plan, R&D, and investments in new products. Taking into account the preliminary results reflected on the processing summary, 61.6 percent of business owners/managers predict more effectiveness in 2022 compared to 2021. The results of the ordered logit regression estimates show that the efficacy of SMEs is significantly influenced by factors such as gender diversity, education, prior experience, business plan, and R&D, however, the impact of investments in novel products is minimal. Whereas the multinomial regression model discovered that education and prior experience have a significant positive impact, business plans and R&D had a negative impact. The empirical evidence offered draws obvious implications for business owners/managers by directly revealing the variables that are within their management, which may transform them into tangible chances for boosting the effectiveness of SMEs.

The signals addressed the issues that businesses should focus on the development of real business plans, investments at an increased level in R&D, and greater creativity in the creation of innovative products is also needed. The signals stressed the need for businesses to put more effort into creating solid business plans, increasing their R&D investments, and becoming more inventive when coming up with new products. The study's findings have practical consequences at the national level, where policy-making mechanisms should focus on creating a more favorable socioeconomic environment for the development and expansion of SMEs by engaging all other players involved in this topic. Simplifying guidelines and regulatory frameworks would constantly promote the creation and expansion of SMEs. On the other side, government goals are advanced by the sustainable growth of SMEs, which encourages economic growth, lowers unemployment, and fosters a green economy. Furthermore, from an empirical standpoint, the research has limitations, including a representative sample and the reliability of providing honest responses on the question of perception and the level of effectiveness of the business managed by the owners/managers. It is advised that future studies enlarge the sample size and include other determinants that may be more important in affecting the effectiveness of SMEs.

In light of the conclusions of this investigation, both policy-making mechanisms and businesses can benefit significantly in terms of understanding gaps in current policies and redesigning them to create a more facilitating environment for SMEs. In the context of Kosovo, the government's policy redesign should concentrat on creating possibilities that encourage SMEs to invest more in R&D and innovative products, which will have an additional effect on increasing exports. Even though the Business Promotion Agency has initiated multiple programs to promote SMEs in the international arena, a solid network has yet to be established. Furthermore, the taking of actions by government structures will have a significant impact on the growth, development, and networking of these businesses in international spheres.

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