

## The Impact of Human Capital on Assets Profitability: Evidence from Enterprises in Kosovo

Arta Jashari Goga<sup>1\*</sup>, Ismail Mehmeti<sup>2</sup>, Sokol Krasniqi<sup>3</sup>

<sup>1</sup>Department of Management, University of Applied Science Ferizaj, Ferizaj, Kosovo; Email: [arta.jashari@ushaf.net](mailto:arta.jashari@ushaf.net)

<sup>2</sup>Department of Management, University of Applied Science Ferizaj, Ferizaj, Kosovo.

<sup>3</sup>Department of Management, University of Applied Science Ferizaj, Ferizaj, Kosovo.

**\*Corresponding Author:** [arta.jashari@ushaf.net](mailto:arta.jashari@ushaf.net)

**Citation:** Goga, A. J., Mehmeti, I., & Krasniqi, S. (2025). The Impact of Human Capital on Assets Profitability: Evidence from Enterprises in Kosovo. *Journal of Cultural Analysis and Social Change*, 10(3), 2625–2632. <https://doi.org/10.64753/jcasc.v10i3.2815>

**Published:** December 04, 2025

### ABSTRACT

This study explores how small and medium-sized enterprises (SMEs) in Kosovo can enhance their asset profitability by strategically managing human capital through key human resource management (HRM) practices, including flexible rewards, job stability, equality, and employee involvement. Data were collected from Kosovo SMEs using a structured survey and analyzed through advanced statistical techniques to examine the relationships between HRM practices and assets profitability. Using assets profitability as an objective indicator of organizational performance provides a clear link between human capital management and financial outcomes. Our findings reveal that HRM initiatives significantly enhance employee performance, which in turn positively influences assets profitability. Employee involvement, emerged as the most influential practice in driving both employee and financial success. The results highlight the critical importance for SME managers to strategically invest in HRM approaches to maximize employee potential and strengthen asset-based financial performance. Also, can foster long-term growth, competitiveness, and organizational resilience. This study reflects the state of enterprises in a developing economy such as Kosovo, which faces numerous challenges in the effective management of its most valuable resource. In this context, we analyzed the approaches these enterprises apply and the benefits they gain from them. Additionally, the study contributes to the literature by integrating a financial performance indicator into HRM strategy.

**Keywords:** Human Capital, Assets profitability, SMEs, Kosovo.

**JEL Classification:** M12; L25; M10.

### INTRODUCTION

To ensure sustainable and effective functioning, an enterprise must understand the importance of its employees contributions. The achievement of organizational success is significantly determined by employee engagement and their effectiveness in fulfilling job responsibilities. HRM practices especially flexible reward systems, job stability, equality, and employee involvement in decision-making process are not only essential for the continuous improvement of staff performance but also serve as strategic tools to enhance assets profitability. HRM is increasingly recognized as a key driver of financial success. Recent studies shows that the application of appropriate approaches in human resource management within an enterprise creates high financial value for the organization, especially when attracting, developing, and retaining high-performing employees (Joo et al., 2022). Through the implementation of HRM practices, organizations can positively impact financial indicators such as

assets profitability (Sanders et al., 2019). Rather than relying on isolated practices of HRM, the financial contribution of HRM is maximized when these practices are part of a coherent system aligned with the organization's strategic goals (Huselid, 2023). In this light, flexible reward systems, job stability, equality, and employee involvement are understood not merely as operational necessities but as long-term strategic investments that support organizational resilience and growth. Organizations that acknowledge the strategic role of their workforce invest in continuous capacity building and the development of a supportive organizational culture. Flexible reward systems help tailor motivation to individual needs, job security reduces workplace stress, equality in the other hand fosters a sense of fairness and inclusion while employee involvement enhances responsibility and organizational belonging. These elements contribute collectively to building an adaptive, innovative, and committed workforce capable of driving strategic success. Despite the growing international evidence on the positive link between human resource management practices and financial outcomes, there remains a gap in understanding how these practices function in the context of transitional economies. Particularly in Kosovo, where small and medium-sized enterprises (SMEs) form the backbone of the economy, there is a need to explore how HRM can contribute to financial success. SMEs in transitional contexts face unique economic, institutional, and labor market challenges that can affect the effectiveness of human resource management. This study will also examine the impact of the educational level of HR managers on the successful implementation of Strategic Human Resource Management (SHRM) practices. This aspect is crucial because managers with higher education possess more advanced skills to implement complex strategies, utilize digital technologies, and link HRM practices with the financial performance of organizations. Analyzing this factor helps to understand how the human capital of managers can influence organizational success and reinforce the positive effects of HRM practices on assets profitability.

Based on the above discussion, this study aims to answer the following research questions:

1. Do SME managers see the impact of HR practices on performance as important?
2. How do Human Resource Management practices, such as flexible reward systems, job stability, equality, and employee involvement, influence asset profitability in SMEs?
3. To what extent does the educational level of HR managers affect the successful implementation of HRM practices in organizations?

## LITERATURE REVIEW

Strategic human resource management approaches constitute a fundamental aspect of enterprise management, as they aim to create an appropriate, fair, and inclusive environment that fosters the improvement of organizational performance. The impact of HRM initiatives is boost when they are applied in an integrated manner, which collectively enhance engagement, reduce turnover, and improve task effectiveness (Joo et al., 2022). Flexible rewards motivate employees by aligning effort with organizational goals, while job stability ensures retention and preserves organizational knowledge. Equality fosters a fair and inclusive work environment, increasing satisfaction and commitment also employee involvement in decision-making promotes accountability, innovation, and proactive problem-solving. Unlike traditional HRM, which focused primarily on administration and recruitment, Strategic Human Resource Management (SHRM) has evolved into a strategic function that directly links management practices to organizational objectives. The integration of digital tools improves performance monitoring, employee development, and data-driven decision-making, increasing staff productivity, engagement, and strategic contribution (Nastase et.al 2025).

Digital transformation is fundamentally reshaping human resource management: technologies such as artificial intelligence, automation, big-data analytics and cloud computing are increasingly embedded into HR processes, enabling organizations to redesign recruitment, performance management, learning, and employee services in more agile and strategic ways (Zhang & Chen, 2023).

The successful implementation of human resource management in enterprises is strongly influenced by the educational level of managers. Managers with higher education tend to have a deeper understanding of HRM concepts, such as strategic recruitment, performance appraisal, and employee engagement, allowing them to manage effectively (Karadag, 2017). Higher education equips managers with analytical and problem-solving skills, enabling alignment of HRM practices with organizational objectives and supporting broader integration with functions like finance and operations. This professionalization fosters transparency, reduces errors, and strengthens a culture of continuous improvement (Svendsen et. al. 2013).

In transition economies such as Kosovo, although SMEs play a major role in economic activity, they face unique challenges in utilizing human capital. Many SMEs operate without dedicated Human Resources departments, and HR responsibilities are often managed informally by owners or general managers, limiting the systematic management of human capital (Spahi et el., 2022). Additional constraints include limited availability of highly qualified employees, skill mismatches with labor market needs (Voca & Havolli, 2019), and financial limitations that restrict investment in training, technology, and innovation (Ahmeti & Marmullaku, 2015).

HRM practices significantly influence employee performance and financial outcomes in SMEs. Flexible rewards increase motivation, job stability supports retention, equality promotes inclusion, and employee involvement fosters engagement and innovation. These practices, when applied strategically, improve organizational performance and drive financial indicators such as assets profitability. Assets profitability measures a company's ability to generate profit relative to its total assets, reflecting resource efficiency (Brigham & Ehrhardt, 2023).

### Research Hypotheses

H1: There is a significant difference in the adoption and implementation of HRM practices depending on the professional qualifications and educational background of managers or owners.

H2: Human Resource Management (HRM) practices have a positive impact assets profitability.

## RESEARCH METHODOLOGY

Quantitative methodology was applied to analyze data from structured questionnaires that were collected from manufacturing enterprises in the country. The enterprises analyzed in this paper are small and medium-sized enterprises in the manufacturing sector, which in our country constitute about 12.8%, 5832 enterprises registered according to the Kosovo Agency of Statistics.

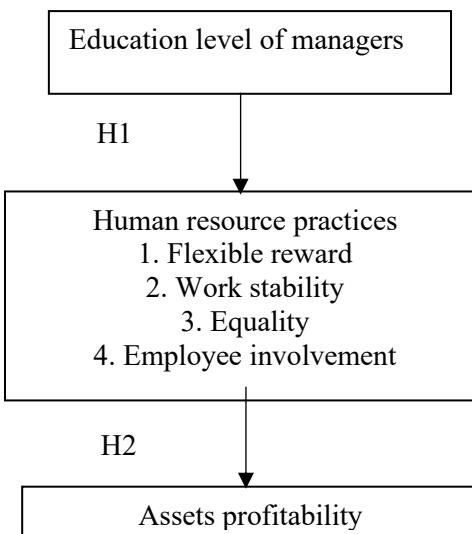
A representative sample of 361 enterprises was calculated using a 95% confidence level and a 5% margin of error.

Data were collected through a structured questionnaire, divided into sections on HRM practices and assets profitability.

Assets profitability was measured by the company's ability to generate net income in relation to its total assets. This indicator reflects how efficiently firms use their resources to create financial returns. Return on assets was measured by the company's ability to generate net income in relation to its total assets. This indicator reflects how efficiently firms use their resources to generate financial returns. This indicator is calculated using the following formula.:

$$\text{Assets profitability} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100$$

This ratio expresses the percentage of profit generated for every unit of assets owned by the enterprise, providing a clear and comparable measure of financial performance (Gitman & Zutter, 2015). Analyses were performed using SPSS 25.0.



**Figure 1.** Research Model of Variables.

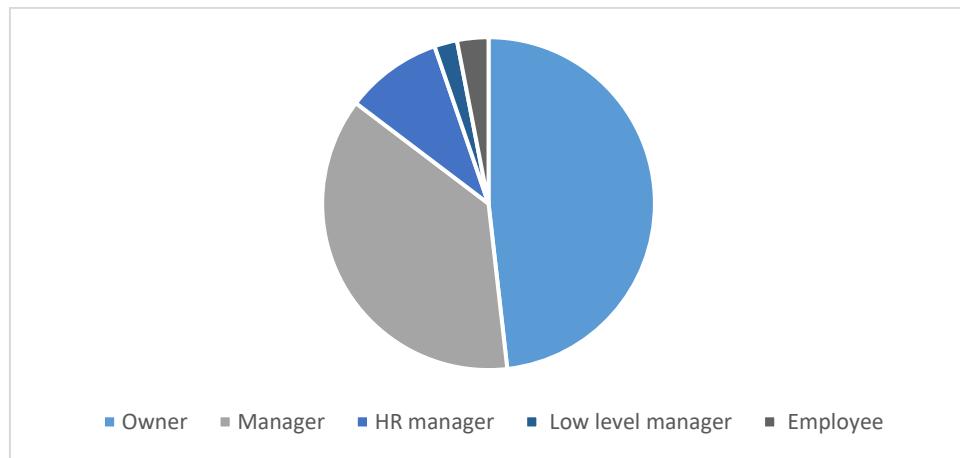
## RESULTS

The distribution of respondents according to their position within the company is presented in the table below. Out of 361 respondents, the majority are enterprise owners (48.19%), followed closely by general managers (42.0%). HRM managers represent (10.7%) of the total, while low-level managers and employees account for 2.5% and 3.4%, respectively. This indicates that the data covers a wide range of positions within the enterprises, providing a comprehensive perspective on HRM practices and perceptions at the organizational level.

**Table 1.** Position of respondents in the enterprise.

Position in enterprise	Frequency	Percentage (%)
Owner	174	48.19
Manager	134	42.0
HR manager	34	10.7
Low level manager	8	2.5
Employee	11	3.4
Total	361	100.0

**Source:** Authors elaboration.



**Figure 1.** Respondent position in the enterprise.

**Source:** Authors elaboration.

The graph visually presents the structure of the positions of the respondents, making it easier to notice the dominance of owners and managers in the sample. The visual comparison clearly shows that the majority of participants hold high decision-making roles, which suggests that their responses reflect the perspective of the company's leaders.

**Table 2.** Human Resource Management Department in the Surveyed Enterprises.

		Frequency	Percentage (%)
Valid	Yes	147	40.7
	No	214	67.1
	Total	361	100.0

**Source:** Authors elaboration.

The data in Table 2 show that 67.1% of enterprises ( $n = 214$ ) reported not having an HRM department, while only 40.7% ( $n = 147$ ) indicated that such a department exists within their organization. These results suggest that HRM functions in many enterprises may be handled informally or integrated into other managerial roles, which could potentially limit the systematic implementation of HRM practices. The lack of formal HR structures may also affect the strategic alignment of human capital with organizational goals, especially in contexts that require higher levels of digitalization and organizational development.

**Table 3.** How important (in terms of contributing to the assets profitability) are HRM practices?

		Frequency	Percentage (%)
Valid	Very unimportant	12	3.3
	Unimportant	19	5.4
	Neutral	57	16.0

	Important	178	50.1
	Very important	89	25.07
	Total	355	100
	Mising	6	1.6
Total		361	100.0

**Source:** Authors elaboration.

Table 3 shows that a majority of respondents consider the HRM practices in their enterprise as important or very important, with 50.1% rating them as important and 25.07% as very important. Only a small portion of respondents viewed them as unimportant (5.4%) or very unimportant (3.3%), while 16% remained neutral. These results indicate that HRM practices are generally recognized as significant by managers.

To test the first hypothesis regarding differences in the use of HR practices based on the professional preparation of manager the non-parametric Kruskal-Wallis test was applied.

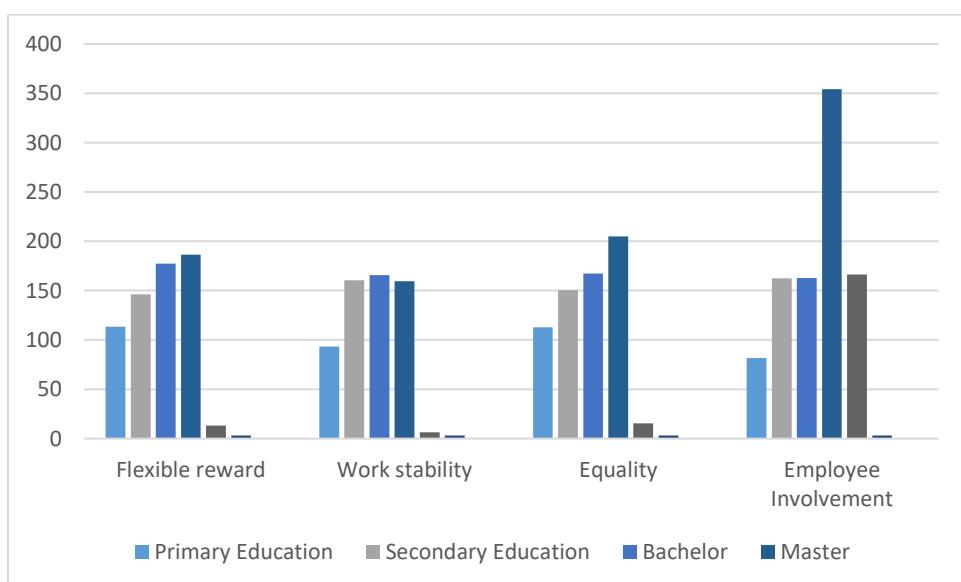
**Table 4.** Kruskal-Wallis Test: Use of HR Practices According to Respondents Professional Preparation.

Variables	Test Statistics a,b			
Variables	Flexible reward	Work stability	Equality	Employee Involvement
Primary Education	113.32	93.23	112.82	81.59
Secondary Education	146.07	160.59	150.35	162.32
Bachelor	177.44	165.57	167.16	162.63
Master	186.59	159.54	204.79	354.31
Kruskal-Wallis H	13.268	6.250	15.444	166.32
Df	3	3	3	3
Asymp. Sig	.004	.100	.001	.039

**Source:** Authors elaboration.

Table 4 presents the results of the Kruskal-Wallis test, examining differences in the implementation of key HRM practices across respondents with varying educational levels (Primary, Secondary, Bachelor, Master). The results indicate that: Flexible reward ( $H = 13.268, p = 0.004$ ), Equality ( $H = 15.444, p = 0.001$ ), and Employee Involvement ( $H = 166.32, p = 0.039$ ) show statistically significant differences among educational groups. This suggests that respondents with higher education, particularly those holding a Master's degree, tend to implement these HRM practices more consistently and effectively. Work Stability ( $H = 6.250, p = 0.100$ ) does not show a significant difference across educational levels, indicating that this practice may be influenced more by organizational policies or standard procedures rather than the educational background of the respondents.

Overall, these findings highlight the important role of managerial education in applying strategic HRM practices. Higher educational attainment appears to enhance the adoption of practices related to motivation, fairness, and employee participation, which are crucial for improving employee performance and organizational outcomes.



**Figure 2.** HRM practices and education level of managers.

**Source:** Authors elaboration.

The chart shows that respondents with a Master's degree report the highest level of Employee Involvement among all HRM practices. This suggests that higher educational attainment is associated with a greater emphasis on engaging employees in organizational decision-making.

Building on these findings, the regression analysis presented in the table examines how the application of different HRM practices influences assets profitability.

**Table 5.** Linear Regression: HRM practices and Assets profitability.

<b>Depended variable: Assets profitability</b>				
<b>Independent Variables</b>	<b>B</b>	<b>S.H.</b>	<b>B</b>	<b>Sig.</b>
Flexible reward	0.198	0.198	0.198	0.198
Work Stability	-0.030	-0.030	-0.030	-0.030
Equality	0.241	0.241	0.241	0.241
Employee involvement	0.225	0.225	0.225	0.225
Ro		0.505**		
R <sup>2</sup>		0.275		
ΔR <sup>2</sup>				0.250
F				15.900
ANOVA (Sig)				.000

**Source:** Authors elaboration.

**Note:** A double asterisk (\*\*) indicates statistical significance at the 0.01 level ( $p < 0.01$ ).

The regression results presented in Table 5 examine the impact of four HRM practices flexible reward, work stability, equality, and employee involvement on assets profitability. The overall model is statistically significant ( $F = 15.900$ ,  $p < 0.001$ ), indicating that the included HRM practices collectively explain a meaningful portion of the variance in asset profitability.

The model demonstrates moderate explanatory power, with  $R = 0.505$  and  $R^2 = 0.275$ , meaning that approximately 27.5% of the variation in asset profitability is accounted for by these HRM practices. The adjusted  $R^2$  ( $\Delta R^2 = 0.250$ ) further supports the stability and reliability of the model.

Among the independent variables, Equality ( $\beta = 0.241$ ), Employee Involvement ( $\beta = 0.225$ ), and Flexible Reward ( $\beta = 0.198$ ) show positive coefficients, suggesting that these practices positively influence asset profitability. Equality appears to have the strongest positive impact on financial performance, highlighting the importance of fairness and equity in the workplace.

Work Stability ( $\beta = -0.030$ ) shows a very small negative effect, which is statistically insignificant. This suggests that, in the studied enterprises, job stability may not directly contribute to asset profitability, or its effects could be mediated by other organizational factors such as culture, leadership, or digitalization levels.

Overall, these findings confirm that strategic HRM practices especially equality, flexible rewards, and employee involvement play a crucial role in enhancing the financial performance of enterprises, supporting the first research hypothesis regarding the positive effect of HRM practices on asset profitability.

**Table 6.** Perceived changes in assets profitability.

<b>Performance Indicator</b>	<b>Change</b>	<b>Count</b>	<b>Column N %</b>
Assets profitability	Significant decrease	3	1.0%
	Decrease	5	3.3%
	Same as before	139	38.3%
	Increase	160	43.6%
	Significant increase	54	13.8%
Total		361	100%

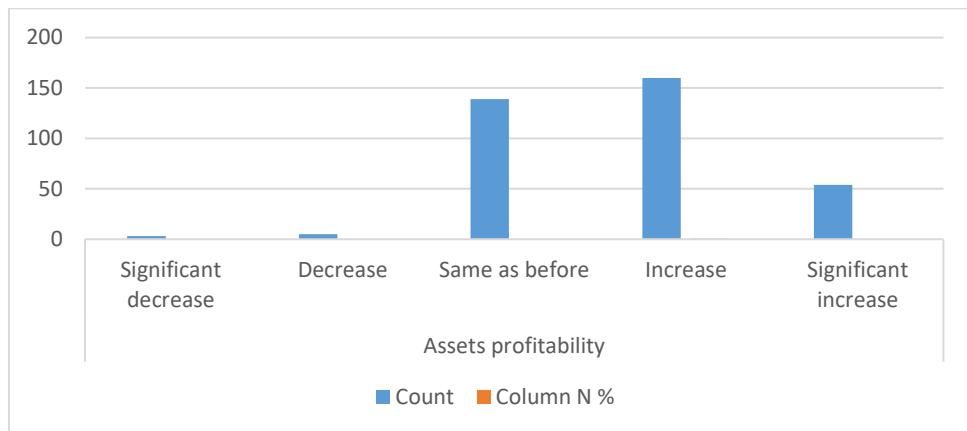
**Source:** Authors elaboration.

Table 6 presents the distribution of changes in assets profitability) as reported by the surveyed SMEs. Out of 361 valid responses, the majority of enterprises (43.6%) indicated an increase in assets profitability, while an additional 13.8% reported a significant increase. This finding suggests that more than half of the SMEs (57.4%) experienced improvements in asset efficiency, reflecting a generally positive trend in financial performance.

On the other hand, 38.3% of respondents stated that assets profitability remained unchanged, indicating stability but also signaling limited progress in resource utilization for a substantial share of firms. Only a small

proportion of enterprises reported negative changes: 3.3% experienced a decrease and 1.0% a significant decrease. These figures highlight that the adverse financial performance was relatively rare among SMEs in the sample.

Overall, the results demonstrate that a considerable proportion of SMEs in Kosovo are achieving positive returns on their assets, which may be attributed to effective application of HRM practices and strategic resource allocation.



**Figure 3.** Assets profitability.

**Source:** Authors elaboration.

## DISCUSSION

The purpose of this study was to analyses the strategic role of human capital management in improving return on assets in small and medium-sized enterprises in the manufacturing sector in Kosovo. In line with existing literature (Joo et al., 2022; Sanders et al., 2019), our results show that the adoption of key human resource management practices - such as flexible rewards, job stability, equality and employee engagement - positively affects financial results, albeit with varying degrees of impact.

Kruskal-Wallis analysis showed significant differences in the implementation of Flexible Rewards, Equity, and Employee Involvement depending on the educational level of managers. Managers with higher education, particularly those holding a Master's degree, reported greater engagement in these practices, supporting Hypothesis 1. This aligns with the findings of Karadag (2017) and Svendsen et al. (2013), who argue that managers' education provides them with strategic, analytical, and problem-solving skills, enabling more effective implementation of HRM practices. In contrast, Job Security did not differ significantly across educational levels, suggesting that job security is more influenced by formal policies and organizational norms than by individual managerial qualifications.

Regression analysis showed that Equity, Flexible Rewards and Employee involvement significantly contribute to assets profitability, supporting Hypothesis 2. Among these, Employee involvement was found to have the greatest impact, highlighting the financial benefits of creating a fair and inclusive work environment. This is linked to the fact that when employees actively engage in supporting the organization's mission and objectives contributing their ideas, expertise, and efforts to problem-solving and decision-making the organization benefits from higher levels of motivation, innovation, and collective responsibility. This confirms the theory that stronger employee involvement increases motivation, satisfaction, and retention, thereby improving organizational performance (Karadag 2017).

On the other hand, Job Security did not show a statistically significant effect on asset profitability in the SMEs included in this study. This finding may be related to the way job security measures are implemented and perceived within these organizations. In many cases, job stability initiatives may not be fully institutionalized or consistently applied, limiting their direct impact on financial performance.

In the context of Kosovo, where SMEs face resource constraints, a lack of advanced skills, and changing labor market conditions, these findings provide valuable guidance. They suggest that human capital – when strategically managed – is a key factor for financial resilience and competitiveness, supporting the economic development of transition economies.

## CONCLUSION

This study highlighted the positive impact of human resource management practices including flexible compensation, job stability, equality, and employee involvement on assets profitability. The results showed that companies that foster a fair and sustainable work environment achieve higher returns on assets.

The study contributes to the existing literature by providing empirical evidence from the context of manufacturing companies in Kosovo, a developing country where strategic human resource management often remains undervalued. Furthermore, the findings emphasize the importance of adopting a long-term approach to human capital management as a key factor for organizational competitiveness and sustainability.

Although the study provides important insights, its limitations relate to the focus on a specific sector, which restricts the generalizability of the findings.

## Ethical Considerations

This research adheres to the highest ethical principles in the collection and use of primary data involving human participants. Data gathering was conducted independently of any institutional or organizational affiliation, ensuring that participant selection was carried out objectively and without socioeconomic bias or external influence.

**Declaration of Conflicting Interests:** Authors declared no potential conflicts of interest.

## REFERENCES

Ahmeti, F., & Marmullaku, B. (2015). Human Resource Management and Practices in SMEs In Developing Countries: Practices in Kosovo. *European Scientific Journal, ESJ*, 11(7). <https://eujournal.org/index.php/esj/article/view/5330>

Agjencia e Statistikave të Kosovës (2018), Vjetari-statistikor-2018, page 172.

Brigham, E. F., & Ehrhardt, M. C. (2013). *Financial Management: Theory & Practice*. Boston: Cengage Learning.

Gitman, L., and Zutter, C. (2015). *Principles of managerial financial, brief*. Upper Saddle River, NJ: Prentice Hall.

Huselid, M. A. (2023). Integrating utility analysis and workforce strategy research: Suggestions for future work. *The International Journal of Human Resource Management*, 34(12), 2620–2635. <https://doi.org/10.1080/09585192.2023.2225281>

Joo, H., Aguinis, H., Lee, J., Kremer, H., & Villamor, I. (2022). HR's financial value from obtaining more star performers. *The International Journal of Human Resource Management*, 33(21), 4179–4214. <https://doi.org/10.1080/09585192.2021.1948890>

Karadag, H. (2017). The Impact of Industry, Firm Age and Education Level on Financial Management Performance in Small and Medium-Sized Enterprises (SMEs). *Journal of Entrepreneurship in Emerging Economies*, 9, 300-314. <https://doi.org/10.1108/JEEE-09-2016-0037>

Nastase, C., Adomnitei, A., & Apetri, A. (2025). Strategic Human Resource Management in the Digital Era: Technology, Transformation, and Sustainable Advantage. *Merits*, 5(4), 23. <https://doi.org/10.3390/merits5040023>

Pounders, K., Kowalczyk, M. C., & Stowers, K. (2016). Insight into the Motivation of Selfie Postings: Impression Management and Self-Esteem. *European Journal of Marketing*, 50, 1879-1892. <https://doi.org/10.1108/EJM-07-2015-0502>

Saunders, M., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students* (8thed.). England: Pearson Education Limited.

Sayer, A. (2000). *Realism and Social Science*. London: Sage. <https://doi.org/10.4135/9781446218730>

Svendsen, G. B., Johnsen, J. K., Almås-Sørensen, L., & Vittersø, J. (2011). Personality and Technology Acceptance: The Influence of Personality Factors on the Core Constructs of the Technology Acceptance Model. *Behaviour & Information Technology*, 32, (4), 323-334. <https://doi.org/10.1080/0144929X.2011.553740>

Spahi, J., Shala, V., & Limaj, D. (2021). Formal experience of SME owners in the field of HRM: A case study in Kosovo as a country with an emerging economy [Special issue]. *Journal of Governance & Regulation*, 10 (2), 343–351. <https://doi.org/10.22495/jgrv10i2siart14>

Voca Z., Havolli Y. (2019). The impact of human resources development on small and medium enterprises (SMEs) performance. *Journal of Economics and Management Sciences*. 2(2),5. <https://doi.org/10.30560/jems.v2n2p45>