Journal of Finance and Accounting, 2024, Vol. 12, No. 2, 61-67
Available online at http://pubs.sciepub.com/jfa/12/2/2
Published by Science and Education Publishing
DOI:10.12691/jfa-12-2-2

SciEP
sciepub.com

Overview of Factors Influencing Financial Performance: A Case Study of Albanian Firms

Junada Sulillari*

Department of Finance and Accounting, Fan S. Noli University, Korçë, Albania
*Corresponding author: junasulillari@gmail.com

Received July 30, 2024; Revised August 31, 2024; Accepted September 06, 2024

Abstract The Albanian economy has experienced various events in the last few years, like the earthquake of 2019 and the COVID-19 pandemic that hurt the economy and businesses. These events were a critical factor that determined a company's future. This research aimed to investigate the factors affecting the Albanian company's financial performance in these shocks. This is secondary and quantitative research. The information needed to conduct the quantitative analysis was collected by downloading the financial statements of 93 companies on the National Business Centre's website. The financial information used was a mixture of key financials from the fiscal years of 2022 and 2018, to allow for getting financial information before and after the disrupting events. The econometric model created included mainly firm-specific factors for their effect on the Albanian company's financial performance. The Return on Assets was used to measure the company's financial performance. The independent variables included the current ratio, the debt ratio, the debt-to-equity ratio, sales growth, the firm size, and the total assets turnover. I used the ordinary least squares method to test the relationship between the independent and dependent variables. The factors that significantly affected the Albanian company's financial performance were the current ratio, the debt ratio, the debt ratio before the disrupting events, the debt-to-equity ratio before the disrupting events, firm size before and after the disrupting events, and sales growth before the disrupting events. These findings suggest that the companies shall focus on these areas, to maximise their potential to increase the effect on the company's financial performance or minimize the effect on the company's financial performance. Future research could focus on a more narrow view of the factors affecting Albanian companies' financial performance.

Keywords: *current ratio, debt ratio, debt-to equity ratio, financial performance, ROA, ROE*

Cite This Article: Junada Sulillari, "Overview of Factors Influencing Financial Performance: A Case Study of Albanian Firms." *Journal of Finance and Accounting*, vol. 12, no. 2 (2024): 61-67. doi: 10.12691/jfa-12-2-2.

1. Introduction

The Albanian economy has experienced several negative events that hit the country one after the other, including the earthquake of 2019, the COVID-19 pandemic, and high inflation. All these had a significant effect on the whole economy, and businesses too. Many companies in the areas affected by the earthquake closed their doors because of the high damages caused by the earthquakes, and many other companies that stayed open experienced significant damages and losses from it. The COVID-19 pandemic was another major event that left Albanian businesses unprepared for that situation. All these events, the inflation of the last few years, and the appreciation of the Albanian currency have created an uncertain and unpredictable environment.

Macroeconomic developments can influence a company's financial performance. This means that macroeconomic factors are one of the factor groups that determine a company's financial performance. Besides these factors related to the development out of the company's control, other firm-specific factors can determine a company's financial performance As a result not all companies will have the same performance, even if they face the same macroeconomic conditions. Research made by the INSTAT for the influence that the earthquake of 2019 had on Albanian companies in the affected areas, found that some of them closed their doors, while others experienced significant damages and loss in their buildings, plants, and machinery, and experienced a high decrease in their revenue [1].

The Albanian Investment Council made similar research focused on the effect of the Covid-19 pandemic on Albanian companies. Some key issues that businesses faced during that time included the lack of clients, lack of liquidity, difficulties in paying their employees' salaries, difficulties in paying taxes, etc. [2]. The key options businesses used to continue their operations included the money generated from revenues of the previous period, reducing the costs, and using bank loans. Most of the companies involved in the survey did not have an emergency plan, which shows how challenging it can be for a company to deal with an unexpected situation. In a research made by the Bank of Albania [3] most companies admitted that the COVID-19 pandemic was a key factor affecting their company's financial performance. One of

the key challenges for companies, particularly young companies was funding, because the COVID-19 pandemic caused a decrease in the money available for young companies. It is worth mentioning though that funding for agtech companies was easier because of the growing number of impact investors, and because of the consumer behavior changes [4,5].

All these events put the Albanian companies into a challenging position, where some could not manage to survive, others barely managed to survive, and others thrived. All these inspired me to research the factors differentiating companies that failed and the ones that thrived despite the challenges. What are the key factors that determine the Albanian companies' financial performance in times of uncertainty? This research will consider both micro and macroeconomic factors, among the different factors that can influence a company's financial performance.

The research is structured as follows. It starts with an introduction that creates the foundation where the problem was detected, followed by an analysis of the latest research where the problem's solution was initiated. The focus then is on the aim and methods of the paper, followed by the test of the statistical model created to find the factors determining the Albanian companies' financial performance. This section focuses on a detailed analysis of the model and a discussion of the results. It ends with some recommendations for related parties and highlights the key limitations of the research.

2. Literature Review

The company's financial performance has been a research subject for many authors, but in the context of Albanian companies there are just a few studies. The research has focused on different perspectives to determine the factors determining a company's financial performance. Some of them focused on the firm-specific factors determining a company's financial performance [6,7,8,9], and others on the macroeconomic factors [10,8]. Others focused on financial management's role in the company's financial performance. The indicator used to measure a company's financial performance varies with the research. Some of them have considered Return on Assets (ROA) to measure it [6,7,10,11,12,13,14], while others used the Return on Equity [8,12,10,13], Return on Investment (ROI) [15,16], EBIT/Sales ratio [17], Return on sales [11], and Profit to Revenue ratio [10].

The authors who focused on firm-specific factors considered various factors as potential influencers of a company's financial performance. [6] considered the firm's size, growth, capital intensity, human resources and corporate social responsibility. [9] selected firms' size, export activity, and demand, while financial resources included the buffer, equity, and loans as firm-specific factors. [7] researched the influence of firm size, age, debt ratio, quick ratio, inventory, sales growth, physical capital intensity, and capital turnover ratio, as firm-specific determinants of a company's financial performance. Other research investigated the role of financial management on a company's performance [11], by using liquidity management, capital budgeting, and debt management as measures of financial management; [15] considered current ratio, debt ratio, debt to equity ratio, total asset turnover, working capital turnover and net profit margin as potential determinants of a company', financial performance.

The factors considered by [16] as determinants of a company's financial performance fall into five groups: liquidity ratios, leverage ratios, asset utilization ratios, profitability ratios, and cash conversion cycle. These factors included current ratio, quick ratio, cash ratio, total debt to equity ratio, total debt to assets ratio, interest coverage ratio, total asset turnover, working capital turnover, gross profit ratio, net profit ratio, operating profit ratio and cash collection period. [18] explored the influence of leverage on a company's financial performance. Ratios used to measure financial leverage were debt ratio, debt-equity ratio, and interest cover ratio; while return on capital employed. Other control variables included firm size, sales growth, and Gross Domestic Product growth. [19] considered operational practices, production capacity and management practices as microeconomic determinants of a company's financial performance. [17] explored the influence of inventory leanness on a company's financial performance, while [20] investigated the effect of Global Reporting Initiative indicators.

[9] considered various factors as potential determinants of a company's financial performance. These factors fell into three groups, including firms-specific factors, financial sources and country-specific factors. Country-specific factors included economic development, the number of people infected by Covid-19 and corporate governance. The factors investigated to influence firms' performance by [12] were divided into financial and non-financial ones. The financial category included leverage, liquidity, capitalisation, and investment, while non-financial factors included size, age, location, and export activity. [10] considered interest rate, inflation, exchange rate, economic growth, firm size, leverage, and liquidity as potential determinants of a company's financial performance.

[6] explored the relationship between working capital management and firms' performance during the Covid-19 pandemic, compared to the financial crisis in 2008. The factors they considered as influencers on the company's financial performance included current assets to total assets ratio current liabilities to total assets ratio, net working capital, crisis and Covid-19 as dummy variables. Other control variables included firm size, sales growth, leverage, inflation and Gross Domestic Product. [13] considered included financial leverage, liquidity ratio, total solvency ratio, asset turnover ratio, borrowed capital repayment ratio, labour productivity, and crisis, while [14] considered leverage, firm size, liquidity, revenue, and profitability as potential determinants of company's financial performance]. [21] considered the influence of corporate governance, ownership structure, capital structure, economic indicators, and risk management on a company's financial performance.

Even though the factors investigated as potential determinants of a company's financial performance, not all of them had a significant effect on it. [6] found that factors significantly influencing a company's financial

performance were the firm's size, capital intensity and human resources. The factor that had the most significant influence was the firm's size. This is because bigger companies have greater visibility and attract more attention from stakeholders, which leads to increased opportunities for controlling sources and attracting and retaining highly qualified employees. Capital intensity, which also resulted in statistically significant, reflects the influence that the high level of automation has on reducing the company's costs and loss, which leads to improved financial performance indicators. Corporate social responsibility and the firm's growth did not significantly influence the company's financial performance. [22] found that a firm's size had a moderating effect on the relationship between firm growth and the firm's financial performance, while according to [19] the firm's size had a significant moderating effect on a firm's financial performance. He also found that larger companies tend to leverage more than smaller ones. Smaller companies are inclined to rely more on equity.

[11] found that capital budgeting had a positive significant influence on financial performance, liquidity management had a negative insignificant influence, and debt management had a significant negative influence on the SME's financial performance. This means that companies shall pay attention to capital budgeting to ensure it will have the greatest positive influence on a company's financial performance, but also work on debt management to minimize its influence. [9] found that sector, firm size, export activity, and market demand had a significant influence. The research also found that liquidity buffers had a significant effect on firms' performance when the closure/openness of the company was used as a dependent variable. When changes in productivity are assessed loan financing becomes more important. The research also found that country-specific factors had a significant effect on a firm's performance. [7] found that size, sales growth, and capital turnover positively affected a company's financial performance, while inventory and debt ratio affected it negatively.

[15] found that debt ratio, debt to equity ratio, total asset turnover, and net profit margin had a significant influence on financial performance, while current ratio and working capital turnover did not have a significant effect. [16] found that asset utilization and profitability ratios had a significant effect on financial performance, while liquidity and leverage ratios did not have a significant effect on a company's financial performance. They had a negative influence. This means that companies shall carefully manage the liquidity position to avoid loss in capital or lower turnover. [12] found that leverage, export activity, size, and location had a significant effect on a company's financial performance. A factor that they considered significantly related to the influence on firms' financial performance was the index for management competence. [17] found that the effect of inventory leanness on a company's financial performance depends on the industry and inventory component (raw materials, work in progress and finished goods). Their findings recommend that firms have the potential to improve their profitability by becoming leaner.

[20] found a significant positive relationship between sustainability activities, the influence on sustainable development and a company's financial performance. [18] found that the debt ratio had a significant effect. The debt-to-equity ratio had a significant effect, while the interest cover ratio had no significant effect on it. Firm size and sales growth had no significant influence, while GDP growth had a significant positive effect. [13] found that ROA was significantly and positively influenced by financial leverage, liquidity and labour productivity, while when the crisis is considered asset turnover becomes significant, while labour productivity loses significance. Solvency resulted in being more significant when ROE was used instead of ROA. [14] investigated the factors determining a company's financial performance in the case of industrial firms. They found that liquidity, profitability, and revenues had a significant positive effect, while firm size and leverage had a negative effect.

[10] found that interest rate and exchange rate did not have a significant influence, while GDP had a significant effect on a company's financial performance. The factors related to firm characteristics, firm size, leverage and liquidity resulted in a significant positive influence. [6] found that the effect of Covid-19 on working capital management and firms' financial performance was more severe compared to the financial crisis of 2008. [8] found that debt to equity ratio, tax payable, sales growth, and exports had a significant effect on ROE, while the total debt to total assets ratio had an insignificant effect. [21] found that income per capita, inflation, blockholding, inside ownership, debt to equity ratio, short-term debt to total assets ratio, long-term debt to total assets ratio, business risk, firm risk, size and current ratio had a significant influence on company's financial performance. From these factors, income per capita, blockholding, debt to equity ratio, short-term debt to total assets ratio, business risk, firm risk and size had a positive effect. The other factors had a significant negative effect on the company's financial performance.

3. Research Methodology

This research aimed to investigate the key factors that determine a company's financial performance, in the context of Albanian companies, in times of uncertainty. It is a primary research. The data needed to investigate the factors determining a company's financial performance were collected from the National Business Centre, by downloading the financial statements for 93 companies, for the fiscal years of 2018 and 2022. The reason for selecting this period was to allow testing if the state of the factors before the disrupting events affected the company's financial performance after these events, including the earthquake of 2019 and the COVID-19 pandemic. I made this choice to be able to investigate the factors that have influenced Albanian companies' financial performance in times of uncertainty.

The nature of the research is quantitative. I used an econometric model to test the relationship between ROA and the variables selected as determinants of Albanian companies' financial performance. The model tested was

$$\mathbf{ROA} = c + \beta1*\mathbf{ROAP} + \beta2*\mathbf{CR} + \beta3*\mathbf{CRP} + \beta4*\mathbf{DR} + \beta5*\mathbf{DRP} + \beta6*\mathbf{DER} + \beta7*\mathbf{DERP} + \beta8*\mathbf{FS} + \beta9*\mathbf{FSP} + \beta10*\mathbf{SG} + \beta11*\mathbf{SGP} + \beta12*\mathbf{TAT} + \beta13*\mathbf{TATP}$$

In this model ROA represents the Return on Assets, ROAP represents the Return on Assets before the disrupting events, CR represents the Current Ratio, CRP represents the Current Ratio before the disrupting events, DR represents the Debt Ratio, DRP represents the Debt Ratio Prior the disrupting events, DER represents the Debt to Equity Ratio, DERP represents the Debt to Equity Ratio before the disrupting events, FS represents the Firm Size (Measure by the natural logarithm of total assets), FSP represents the Firm Size before the disrupting events, SG represents sales growth, SGP represents the Sales Growth before the disrupting events, TAT represents the Total Assets Turnover, and TATP represents the Total Assets Turnover before the Disrupting event. The hypotheses tested were:

1st Hypothesis

H_0: The Return On Assets before the disrupting events do not significantly affect the company's financial performance.

H_1: The Return On Assets before the disrupting events significantly affect the company's financial performance.

2nd Hypothesis

H_0: The Current Ratio does not significantly affect the company's financial performance.

H_1: The Current Ratio significantly affects the company's financial performance.

3rd Hypothesis

H_0: The Current Ratio before the disrupting events does not significantly affect the company's financial performance.

H_1: The Current Ratio before the disrupting events significantly affects the company's financial performance.

4th Hypothesis

H_0: The Debt Ratio does not significantly affect the company's financial performance.

H_1: The Debt Ratio significantly affect the company's financial performance.

5**th Hypothesis**

H_0: The Debt Ratio before the disrupting events do not significantly affect the company's financial performance.

H_1: The Debt Ratio before the disrupting events significantly affects the company's financial performance.

6th Hypothesis

H_0: The Debt to Equity Ratio does not significantly affect the company's financial performance.

H_1: The Debt-to-Equity Ratio significantly affects the company's financial performance.

7th Hypothesis

H_0: The Debt-to-Equity Ratio before the disrupting events does not significantly affect the company's financial performance.

H_1: The Debt-to-Equity Ratio Before the disrupting events significantly affects the company's financial performance.

8th Hypothesis

H_0: The Firm Size does not significantly affect the company's financial performance.

H_1: The Firm Size significantly affects the company's financial performance.

9th Hypothesis

H_0: The Firm Size Before the disrupting events do not significantly affect the company's financial performance.

H_1: The Firm Size Before the disrupting events significantly affects the company's financial performance.

10th Hypothesis

H_0: Sales Growth does not significantly affect the company's financial performance

H_1: Sales Growth significantly affects the company's financial performance.

11th Hypothesis

H_0: Sales Growth Before the disrupting events do not significantly affect the company's financial performance.

H_1: Sales Growth Before the disrupting events significantly affects the company's financial performance.

12th Hypothesis

H_0: The Total Assets Turnover does not significantly affect the company's financial performance.

H_1: The Total Assets Turnover significantly affects the company's financial performance.

13th Hypothesis

H_0: The Total Assets Turnover Before the disrupting events do not have a significant effect on the company's financial performance

H_1: The Total Assets Turnover Before the disrupting events significantly affect the company's financial performance.

The method used to test the hypotheses was the Ordinary Least Squares Method. It was conducted on eViews. After testing the model, I also conducted a normality and heteroskedasticity test. To test the normality of the error terms distribution I used the Jarque-Bera test, while for the heteroskedasticity I used the White test. I also used the Breusch-Godfrey Serial Correlation LM Test to test the error time series for autocorrelation, the Ramsey RESET Test for the model specification, and the LM test for redundant variables.

4. Discusssion

This section focuses on discussing the key findings of the research. As previously mentioned, the model tested included 13 independent variables and ROA as the dependent variable. This base model was tested to see if there was any significant relationship between the independent and dependent variables. This relationship's significance was tested using the Ordinary Least Squares Method. The results are shown in Table No. 1.

Table 1 The results from the model used to test the relationship between the independent and dependent variables

Dependent Variable: ROA Method: Least Squares Sample: 93 Included observations: 91 Excluded observations: 2				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-22.7512	15.9912	-1.4227	0.1589
ROAP	0.1556	0.0842	1.8471	0.0686
CR	0.0381	0.0124	3.0679	0.0030
CRP	-0.0009	0.0049	-0.1934	0.8472
DR	-13.7670	4.5351	-3.0357	0.0033
DRP	10.7386	5.3122	2.0215	0.0467
DER	-0.1661	0.1289	-1.2893	0.2011
DERP	0.1907	0.0797	2.3926	0.0192
FS	3.1542	1.2561	2.5112	0.0141
FSP	-3.1871	1.2582	-2.5331	0.0133
SG	-0.0513	0.0511	-1.0038	0.3186
SGP	-0.0396	0.0140	-2.8181	0.0061
TAT	25.0066	13.0447	1.9170	0.0589
TATP	2.2955	7.0353	0.3263	0.7451
R-squared	0.4649	Mean dependent var		4.0276
Adjusted R-squared	0.3746	S.D. dependent var		7.5812
S.E. of regression	5.9956	Akaike info criterion		6.5606
Sum squared resid	2767.9740	Schwarz criterion		6.9469
Log likelihood	-284.5064	F-statistic		5.1459
Durbin-Watson stat	1.8360	Prob (F-statistic)		0.0000

Source: compiled by the authors.

We can see from the table the probability of the F-statistic is 0, which is lower than the significance level of 5%. This means a significant relationship exists between the independent and dependent variables. The R-squared of the model tested is 0.4649, so 46.49% of the variation of the dependent variable is explained by the independent variables. Considering the value of the R-square, it is moderate. This means that there may be other variables that can explain the variance of the dependent variable.

From all the factors analysed the current ratio (2022), the debt ratio (2022), the debt ratio before the disrupting event (2018), the debt to equity ratio before the disrupting events (2018), firm size (2022), firm size before the disrupting events (2018), and sales growth before the disrupting events (2018) resulted significantly affect the company's financial performance. The return on assets before the disrupting events (2018), the current ratio before the disrupting events (2018), the debt to equity ratio (2022), sales growth (2022), the total assets turnover (2022), and the total assets turnover before the disrupting events (2018) did not significantly affect the company's financial performance.

ROA = -22.7512 + 0.15562***ROAP** + 0.03810***CR** - 0.0009***CRP** - 13.7670***DR** + 10.7386***DRPP** - 0.1661***DER** + 0.1907***DERP** + 3.1542***FS** - 3.1871***FSP** - 0.0513***SG** - 0.0396***SGP** + 25.0066***TAT** + 2.2955***TATP**

As we can see from the results, the debt ratio, sales growth before the disrupting events, and the firm size before the disrupting events had a significant negative effect on a company's financial performance. The current ratio, the debt ratio before the disrupting events, the firm size, and the debt-to-equity ratio before the disrupting events had a significant positive effect on a company's financial performance. These results show that firms should pay attention to these factors that positively affect a company's financial performance, to maximise their positive effect. The same shall be made for the factors that negatively affect it, to ensure the negative effect is minimised.

The redundant variables test

To see if some factors should be excluded from the model, we conducted the LM test to find if some variables were redundant test factors which did not significantly affect the company's financial performance. The results of this test for every variable that resulted insignificant, are shown in table number 2. The hypothesis tested were:

Hypothesis 1

H_0: The Return on Assets before the disrupting events is redundant in the model.

H_1: The Return on Assets before the disrupting events is not redundant in the model.

Hypothesis 2

H_0: The Current Ratio before the disrupting events is redundant in the model.

H_1: The Current Ratio before the disrupting events is not redundant in the model.

Hypothesis 3

H_0: The Debt-to-Equity Ratio before the disrupting events is redundant in the model.

H_1: The Debt-to-Equity Ratio before the disrupting

events is not redundant in the model.

Hypothesis 4

H_0: Sales Growth is redundant in the model.
H_1: Sales Growth is not redundant in the model.

Hypothesis 5

H_0: The Total Assets Turnover is redundant in the model.

H_1: The Total Assets Turnover is not redundant in the model.

Hypothesis 6

H_0: The Total Assets Turnover before the disrupting event is redundant in the model.
H_1: The Total Assets Turnover before the disrupting event is not redundant in the model.

Table 2 The results of the LM test for redundant variables

Redundant Variables: ROAP			
F-statistic	3.4119	Probability	0.0686
Log likelihood ratio	3.9455	Probability	0.0470
Redundant Variables: CRP			
F-statistic	0.0374	Probability	0.8472
Log likelihood ratio	0.0442	Probability	0.8335
Redundant Variables: DER			
F-statistic	1.6624	Probability	0.2011
Log likelihood ratio	1.9437	Probability	0.1633
Redundant Variables: SG			
F-statistic	1.0077	Probability	0.3186
Log likelihood ratio	1.1832	Probability	0.2767
Redundant Variables: TAT			
F-statistic	3.6749	Probability	0.0589
Log likelihood ratio	4.2426	Probability	0.0394
Redundant Variables: TATP			
F-statistic	0.1065	Probability	0.7451
Log likelihood ratio	0.1257	Probability	0.7229

Source: compiled by the authors.

As we can see from the results, in every case the probability of the F-statistic is greater than the significance level of 5%, which means that the base hypothesis is affirmed. This means that all the variables tested resulted redundant and should not be included in the model. Removing these variables from the model would result in an increased R-square from 0.4649 to 0.5425, which means an improvement of the model and its explanation power.

➪The test for the quality of the model specification.

To ensure that the model tested was good-specified we conducted the Ramsey RESET test, which is used to test if a model is good or bad-specified. The results of the test are shown in Table number 3. The hypotheses tested were:

H_0: The model is not bad-specified.
H_1: The model is bad-specified.

We can see from the results that the probability of the F-statistic is 0.1106, which is higher than the significance level of 5%. This means the base hypothesis is affirmed and the model considered is not bad-specified.

Table No. 3 The results for the Ramsey RESET Test for the model specification

Ramsey RESET Test:			
F-statistic	2.6054	Probability	0.1106
Log likelihood ratio	3.0673	Probability	0.0799

Source: compiled by the authors.

➪ Constant variance of the error time series (Heteroskedasticity)

To test the existence of the constant variance of the error time series, we have used the White Heteroskedasticity test. The results of the test are shown in Table number 4.

H_0: The error time series has a constant variance.
H_a: The error time series does not have a constant variance.

Table No. 4 The results of the White Heteroskedasticity test

White Heteroskedasticity Test:			
F-statistic	1.3719	Probability	0.1534
Obs*R-squared	32.567	Probability	0.1750

Source: compiled by the authors.

The probability of the F-statistic is 0.1534, greater than the significance level of 5%. This means that the base hypothesis for the constant variance of the error time series is affirmed, the error time series has a constant variance. This means that heteroskedasticity does not exist.

5. Conlcusions

The Albanian companies have been affected by several negative events like the COVID-19 pandemic, and the earthquake of 2019 in the last few years. This transformed significantly the way businesses operate. The company's financial performance was significantly affected by a great number of companies, particularly during the COVID-19 pandemic. This research investigated key determining factors of the Albanian company's financial performance. The factors considered were firm-specific factors and

included data from the year before the disrupting events happened and from the fiscal year of 2022, that is the period after these events ended.

The Return on Assets was used to measure a company's financial performance. Key factors I investigated regarding their effect on a company's financial performance included the Return on Assets before the disrupting event, the current ratio, the debt ratio [15], the debt-to-equity ratio [6,8,18,21], sales growth [8], the firm size [6], and the total assets turnover. The factors that had a significant positive effect on a company's financial performance were the current ratio, the debt ratio before the disrupting events, the firm size, and the debt-to-equity ratio before the disrupting events, while the debt ratio, sales growth before the disrupting events, and the firm size before the disrupting events had a significant negative effect.

A key limitation of the research is the sample size, which is related to the lack of a national database of the financial data of all the companies that operate in Albania. Due to this, the information was gathered manually from the National Business Centre, by downloading the financial statements one by one and manually calculating the ratios needed. Future research could also incorporate the macro-economic factors in the model, to have a more comprehensive understanding of the key determinants of the Albanian companies' financial performance.

References

[1] *INSTAT & UNDP*, "Survey of enterprises affected by earthquake", 2020, 1-6, [Online] Available: https:// www.undp.org/ albania/ publications/survey-enterprises-affected-earthquake [Accessed June 10th, 2024].

[2] *Sekretariati i Këshillit të Investimeve,* "Gjetjet kryesore të anketës :Covid-19 mbi bizneset", 2020, pp 1-41.

[3] *Banka e Shqipërisë,* "Gjendja financiare dhe huamarrja e ndërmarrjeve në Shqipëri", 2021, 1-24, Available: https://www.bankofalbania.org/rc/doc/Vrojtimi_mbi_gjendjen_financiare_dhe_huamarrjen_e_ndermarrjeve_6MII_2020_30_04_2021_red_18768.pdf [Accessed June 13th, 2024].

[4] Sulillari, J., "An analysis of the funding challenges that a start- up has to deal with and the impact that it can have on the future of the company", *I6th International Conference on Management, Economics and Finance (ICMEF 2023), Prague, Czech Republic*, 2023, 1–14.

[5] Sulillari, J., "A deep dive into the funding landscape of agtech start-ups", *The 7th International Scientific Conference on IT, Tourism, Economics, Management and Agriculture, Pavlinska 2, Varaždin, Croatia*, 2024, 381-390.

[6] Ahmad M., Bashir R., Waqas H., "Working capital management and firm performance: Are there effects same in Covid-19 compared to financial crisis 2008?", *Congent Economics and Finance,* 2022, 10, 1-18.

[7] Chandrapala P., Knápková A., "Firm-specific factors and financial performance of firms in the Czech Republic", *Acta Universitatis Agriculturae et Silvuculturae Mendelianae Brunensis,* 2013, 61, 2183-2190.

[8] Ullah A., Pinglu C., Ullah S., Zaman M., Hashmi S.H., "The nexus between capital structure, firm-specific factors, macroeconomic factors and financial performance in the textile sector of Pakistan", *Heliyon,* 2020, 6 (8), 1-10.

[9] Golubeva O., "Firms' performance during the Covid-19 outbreak: International evidence from 13 countries", *Emerald Publishing Limited,* 2021, 21 (6), 1011-1027.

[10] Egbunike C.F., Okerekeoti C.U., "Macroeconomic factors, firm characteristics and financial performance. A study of selected quoted manufacturing firms in Nigeria", *Asian Journal of Accounting Research,* 2018, 3(2), 142-168.

[11] Jupe A., Kosta E., Bakiasi A., "Role of financial management practices on the financial performance of small and medium enterprises in Albania", *Journal of Business and Economic Development,* 2022, 7 (4), 117-122.

[12] Liargovas P.G., Skandalis K.S., "Factors affecting firms' performance: The case of Greece", *Global Business and Management Research,* 2010, 2(2, 3), 184-197

[13] Mişu N.B., Madaleno M., Ilie V., "Analysis or risk factors affecting firms' financial performance-Support for menagerial decision-making", *Sustainability,* 2019, 11 (18), 1-19.

[14] Matar A., Eneizan .M., "Determinants of financial performance in the industrial firms: Evidence from Jordan", *Asian Journal of Agricultural Extension, Economics and Sociology,* 2018, 22(1), 1-10.

[15] Nursito, Hadi Y., "Factors that influence financial performance", *International Journal of Pure and Applied Mathematics,* 2018, 119 (12), 16439-16452,

[16] Naz F., Ijaz F., Naqvi F., "Financial performance of firms: Evidence from Pakistan cement industry", *Journal of Teaching and Education,* 2016, 5 (1), 81-94.

[17] Isaksson O.H.D., Seifert RW., "Inventory leanness and the financial performance of firms", *Production Planningand Control,* 2013, 25 (12), 999-1014.

[18] Afolabi A., Olabisi J., Kajola SU., Asaolu TO., "Does leverage affect the financial performance of Nigerian firms?", *Journal of Economics and Management,* 2019, 37 (3), 5-22.

[19] Mutunga D., Owino E.M, "Moderating firm size on the relationship between micro factors and financial performance of manufacturing firms in Kenya", 2017, 1 (2), 14-27.

[20] Weber O., Koellner T., Habegger D., Steffensen H., Ohnemus P., "The relation between the GRI indicators and the financial performance of firms", *Progress in Industrial Ecology - An International Journal,* 2008, 5 (3), 236-254.

[21] Mirza SA, Javed A., "Determinants of financial performance of a firm: Case of Pakistani stock market", *Journal of Economics and International Finance,* 2013, 5 (2), 43-52.

[22] Abbasi A., Malik QA., "Firms's size moderating financial performance in growing firms: An empirical evidence from Pakistan", *International Journal of Economics and Financial Issues,* 2015, 5(2), 334-339.

© The Author(s) 2024. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (http://creativecommons.org/licenses/by/4.0/).