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Catalysts of Sustainability: The Transformative Role of Small and Medium Enterprises in ESG Practices of EU Candidate Countries

Merisa Kurtanović
University Sarajevo, School of Economics and Business, PhD Candidate in Business Economics
merisa.kurtanovic@unsa.ba

Esad Kadušić
University Sarajevo, Faculty of Educational Sciences
ekadusic@pf.unsa.ba

Abstract

Environmental, Social, and Governance (ESG) criteria have emerged as pivotal benchmarks for assessing corporate sustainability and ethical business practices. This study investigates the transformative role of small and medium-sized enterprises (SMEs) in advancing ESG practices, with a particular emphasis on countries aspiring to European Union membership. Employing a quantitative methodology through a survey questionnaire the research analyzes the challenges and opportunities associated with ESG implementation. Data collected from 51 SMEs across the Balkan region reveal substantial benefits of ESG integration, notably in enhancing operational efficiency and market reputation, with transparency and strategic planning identified as critical drivers. However, SMEs face significant obstacles such as complex regulatory frameworks, limited access to financing, and inadequate training resources.

Paper type: Research article

Received: December 05, 2024
Accepted: December 27, 2024

Citation: Kurtanovic, M., & Kadusic, E. (2024). Catalysts of Sustainability: The Transformative Role of Small and Medium-Sized Enterprises in ESG Practices of EU Candidate Countries. *Journal of Forensic Accounting Profession, 5*(1), pp. 34 - 51

DOI: https://doi.org/10.2478/jfap-2024-0008

The article proposes targeted strategies to strengthen SME capacity, emphasizing investment in education, technological solutions, and partnerships with key stakeholders. By adopting ESG standards, SMEs not only contribute to sustainable development but also bolster their competitiveness and resilience in a rapidly evolving global market.

Keywords: *ESG, small and medium-sized enterprises, sustainable development, transparency, Balkan countries, EU integration, operational efficiency, strategic planning*

1. Introduction

Countries aspiring to join the European Union (hereinafter EU) are at a critical crossroads in their economic and social development, facing a challenge that is both demanding and inevitable: the implementation of environmental, social, and governance (hereinafter ESG) practices. In economies where small and medium enterprises (hereinafter SMEs) form the backbone of economic activity and employment, there is no viable alternative to sustainable development other than the adoption of global best practices for ESG standards. SMEs are not only the cornerstone of economic growth but also pivotal agents in the transition toward sustainable business models, which are essential for competitiveness in the EU's single market.

At the same time, the EU is introducing stringent regulatory frameworks such as the Corporate Sustainability Reporting Directive (hereinafter CSRD), which requires companies to demonstrate accountability in environmental, social, and governance domains. SMEs in EU candidate countries face the challenge of aligning with these requirements, often operating in environments with limited resources and insufficient institutional support. However, ESG practices should not be seen as a barrier but rather as a strategic opportunity to foster innovation, enhance reputation, and secure better access to international markets. By adopting advanced methodologies and frameworks such as the Global Reporting Initiative (hereinafter GRI) standards, the new standards of the International Sustainability Standards Board (ISSB), and alignment with the Sustainable Development Goals (hereinafter SDGs), SMEs can develop sustainable business strategies that directly contribute to transparency, efficiency, and resilience.

This research explores how SMEs can overcome obstacles such as financial constraints, regulatory complexity, and underdeveloped institutional capacities while leveraging ESG integration for long-term competitiveness and economic stability. The study focuses on analyzing best practices and innovative solutions that enable SMEs in EU candidate countries to become drivers of sustainable development. Through an examination of key economic, regulatory, and social aspects of ESG standards, the research provides a comprehensive insight into strategies these countries can adopt to accelerate EU integration, improve the resilience of their economies, and contribute to the global sustainability agenda.

This research is not just an analysis but a call to urgent action. SMEs in the Balkans face an existential challenge. ESG integration is no longer a luxury or an option - it is a critical battle for survival and progress. The aim of this research is not only to assess the impact of ESG practices on operational efficiency and market reputation but also to highlight the risks of further delays in this field.

The study employs a quantitative analysis to illuminate real barriers and opportunities. The section “Methodological Approach and Results Analysis” provides a detailed review of the findings from empirical research, analyzed through the lens of relevant theoretical frameworks and standards. It includes key insights derived from surveys and interviews. A structured presentation of the results identifies the main challenges SMEs face in implementing ESG practices and highlights innovative solutions designed to enhance their sustainability in the European context. Subsequent chapters delve deeper into the analysis, situating these findings within the broader framework of existing theories and standards, thus enabling a comprehensive understanding of identified issues and potential solutions.

The section “Conclusions and Recommendations” summarizes the key findings of the research, emphasizing the main challenges and opportunities in implementing ESG practices within SMEs. Alongside an analysis of the current state and outcomes of the applied methodological approaches, directions for further research are proposed, including a deeper sector-specific analysis, the long-term impacts of ESG strategies on business performance, and the development of innovative tools for sustainability monitoring and reporting.

2. Literature review

Previous research on ESG practices in SMEs offers insight into the complexity of their implementation, particularly in the Western Balkans, where key challenges and opportunities have been identified. The focus is on analyses exploring the potential of ESG standards to enhance economic stability and competitiveness of SMEs through innovative financial instruments and alignment with the European regulatory framework. Simultaneously, studies examine the relationship between ESG practices and financial performance, highlighting their impact on long-term profitability, reputation, and sustainability of SMEs in a changing business environment.

Lukšić et al. (2022) investigate the role of ESG indicators as drivers of sustainable development in the Western Balkans. Using innovative financing methods, such as green bonds, they conclude that a lack of domestic capacity and fiscal instability are the primary obstacles to the application of ESG standards. However, alignment with European regulatory frameworks offers significant potential for economic progress and sustainability. Zhang and Chang (2024) analyze differences in ESG rating systems and their impact on investment decisions. The study underscores the necessity of standardization and transparency in reporting to reduce uncertainty and enhance the global competitiveness of SMEs. Special attention is given to the visualization of ESG data as a tool for making more effective decisions. Hasani Limani (2024) examines the barriers and drivers of green finance in the Western Balkans. The research emphasizes that regulatory deficiencies and weak institutional support hinder SMEs in implementing ESG standards. The study recommends the creation of a precise legislative framework aligned with EU regulations to promote the sustainability and competitiveness of SMEs. Delova-Jolevska et al. (2024) investigate the interdependence of ESG factors and economic growth in the Western Balkans. The results indicate that ESG indicators currently do not significantly impact the GDP of the region, while in EU member states, factors such as life expectancy and labor force participation contribute to sustainable growth. This highlights the need for long-term investments in ESG practices. Frecauntan and Nita (2022) examine the complexity of the EU ESG regulatory framework compared to global standards such as GRI, SASB, and Task Force on Climate-related Financial Disclosures (hereinafter TCFD). The study highlights the advantages of harmonizing local practices with EU regulations, particularly in preventing fragmentation and enabling SMEs to access international markets. An analysis of additional research clearly points to the multiple benefits for SMEs that integrate ESG practices into their operations. Implementing ESG principles not only reduces capital costs through better access to financial resources and lower risks but also significantly improves operational efficiency by optimizing resources and processes. Additionally, SMEs achieve a notable increase in reputation, further strengthening the trust of key stakeholders, including investors, customers, and local communities. Utilizing recognized international standards, such as International Organization for Standardization (hereinafter ISO) 26000 and the Global Reporting Initiative (GRI), enables SMEs to respond to increasingly complex regulatory requirements while strategically positioning their businesses for sustainable growth and long-term competitiveness (Delova-Jolevska et al., 2024). Domanović (2022) analyzes the relationship between ESG indicators and the financial performance of public enterprises in Serbia. The research reveals no clear correlation between ESG practices and traditional financial results, indicating the need for improved ESG reporting and institutional support in the public sector. The integration of ESG criteria into SMEs is becoming an increasingly important topic in contemporary research. Recent studies highlight the significance of ESG factors in improving the long-term profitability and reputation of firms. For example, Yébenes (2024) emphasizes that the application of ESG criteria has become critical in the financial world, underscoring the need to understand and assess risks associated with ESG factors and their impact on investment decisions. SMEs represent the backbone of the European economy, significantly contributing to overall employment and added value in sectors outside the financial market (European Commission, 2019).

An analysis of the aforementioned studies and relevant articles clearly recognizes the growing importance of implementing ESG practices for the economic and sustainable development of SMEs. Studies point to the numerous benefits of the ESG approach, including reduced capital costs, improved reputation, and alignment with regulatory frameworks. At the same time, key obstacles, such as insufficient institutional support, fiscal instability, and fragmented standards, highlight the need for more precise legislative frameworks and standardized reporting practices. Given the complexity and dynamism of ESG frameworks, it is necessary to rely on a theoretical approach that will enable SMEs to better understand and adapt to ESG requirements. The next chapter focuses on the theoretical framework for implementing ESG practices in SMEs, analyzing key theoretical models, such as institutional theory and dynamic capabilities theory, and their significance for the successful application of ESG standards.

3. Theoretical Framework for Implementing ESG Practices in SMEs

The theoretical framework for implementing ESG practices in SMEs can be analyzed through several theoretical approaches. Institutional theory emphasizes the role of institutional pressures, including regulatory requirements and investor expectations, in shaping organizational behavior.

In the context of ESG practices, SMEs are under pressure to comply with increasingly stringent regulations, such as the CSRD (European Commission, 2021). This theory explains why SMEs adapt to environmental demands by adopting ESG criteria to respond to institutional pressures.

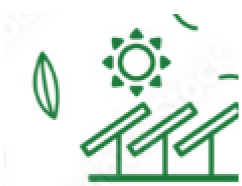
Dynamic capabilities theory focuses on an enterprise's ability to identify and seize opportunities through innovation and adaptation. The introduction of ESG practices requires the development of dynamic capabilities, including technological innovation and inter-organizational compatibility, to meet the needs of markets and regulators (Teece, 2007). ESG practices directly influence the fulfillment of expectations of key stakeholders, including consumers, investors, and communities. Sustainable business operations enable SMEs to enhance stakeholder relationships and ensure long-term success (Aisjah et al., 2023).

Figure 1: ESG Criteria - Overview of Sustainable Investment Areas

Source: US SIF Foundation's Report on US Sustainable Investing Trends, 2022.

These theoretical approaches enable the analysis of how SMEs can respond to regulatory pressures and adapt to changing market conditions through the implementation of ESG practices. The focus is on SMEs in countries aspiring to EU membership, where regulatory requirements and market pressures play a crucial role in shaping business strategies. Additionally, transparency and reporting, as well as the role of international standards such as GRI and ISO, are essential in supporting SMEs to align with best practices and meet regulatory requirements. Recent initiatives, such as *"Navigating ESG Regulations: A Guide for Small and Medium Enterprises (ESG-REG),"* are aimed at providing critical support to SMEs in understanding and complying with the latest corporate sustainability reporting requirements.

Table 1: ESG Practices and Standards Relevant for Implementation in the SME Sector

Environmental (E)	**Social (S)**	**Governance (G)**
		
Climate Change & Emissions Reduction	**Labor Standards & Diversity**	**Board Structure & Accountability**
Scope 1, 2, 3 emissions, Net-zero targets (GRI 305, TCFD recommendations), ETS compliance	Diversity, inclusion, human rights (UNGP), workplace safety (GRI 403)	Independent board members, sustainability committees (OECD Principles of Corporate Governance)
Resource Use & Circular Economy	**Community Impact & CSR**	**Transparency & Reporting**
Water efficiency, waste management, biodiversity protection (GRI 303, GRI 306)	CSR initiatives, local community support, product impact (ISO 26000)	Public disclosure, whistleblowing mechanisms, audit standards (ISO 37002, GRI 102)

Energy Transition	**Supply Chain Management**	**Anti-Corruption Policies**
Energy efficiency, renewable energy, decarbonization (SASB standards)	Ethical sourcing, responsible procurement, fair trade (ISO 20400)	Policies on bribery, fraud prevention, regulatory compliance (ISO 37001)
Climate Adaptation & Risk Management	**Employee Training & Development**	**Strategic Sustainability Oversight**
Strategies to manage risks associated with climate change (TCFD recommendations)	Upskilling programs, employee satisfaction (GRI 404)	Integration of sustainability in corporate strategy (ISO 26000)
Pollution Control	**Stakeholder Engagement**	**Conflict of Interest Policies**
Air, soil, and water pollution mitigation (GRI 305, GRI 306)	Transparency and collaboration with stakeholders (AA1000SES)	Guidelines to prevent and manage conflicts of interest (OECD Principles)
Sustainable Land Use	**Data Privacy & Cybersecurity**	**Digital Risk Management**
Land use optimization and sustainable forest management (GRI 304)	Protection of customer data and digital infrastructure (ISO/IEC 27001)	Policies for managing cyber and digital risks in governance (ISO 31000)
Green Innovation & Clean Technologies	**Health & Safety**	**Ethical Guidelines for Leadership**
Development and adoption of green products and technologies (SASB, GRI 302)	Occupational health programs and safety measures (GRI 403)	Principles for ethical decision-making by management (ISO 26000)

Source: Author's research

Table 1 provides an overview of the key dimensions of ESG practices and the corresponding standards used for evaluating and implementing sustainability in business operations. This systematization enables a clearer understanding of the wide range of activities encompassing Environmental (E), Social (S), and Governance (G) aspects. Each dimension includes specific topics, key initiatives, and internationally recognized standards, providing a reliable foundation for implementing and monitoring ESG practices.

The Environmental (E) dimension includes measures for reducing greenhouse gas emissions (GRI 305, TCFD) and sustainable resource use, such as water efficiency and waste management (GRI 303, GRI 306). The Social (S) dimension emphasizes labor standards, diversity, and inclusion (UN Guiding Principles on Business and Human Rights, GRI 403), as well as supply chain management (ISO 20400). The Governance (G) dimension focuses on transparency, anti-corruption measures, and ethical decision-making standards (OECD Principles, ISO 37001).

The objective of this table is to highlight the comprehensiveness of ESG practices and their associated standards while offering a structured overview that can be utilized for analysis and further application in small and medium enterprises (SMEs) in developing countries.

4. Methodological approach and analysis of results

During May and June 2024, a comprehensive survey was conducted across five Balkan countries: Bosnia and Herzegovina, Serbia, Montenegro, Albania, and North Macedonia, ensuring balanced representation from each. Initially, the dataset included responses from a broader group of companies, but for the purposes of this study, only small and medium-sized enterprises (SMEs) were retained for detailed analysis. These SMEs represented 66.7% of the sample, while large enterprises (12%) were excluded as statistical outliers to align with the study's focus on SMEs. This approach ensured methodological rigor and maintained the analytical integrity of the research by concentrating on firms whose characteristics and challenges align with the study objectives.

The analysis, conducted using STATA software, encompassed descriptive statistics, ordinal regression, and the Mann-Whitney U test to explore the relationship between ESG (Environmental, Social, and Governance) practices and key business performance indicators. Descriptive statistics revealed substantial heterogeneity among participating SMEs, particularly in terms of sectoral representation, employee experience, and the adoption of ESG practices. To accurately capture these dynamics, ESG reporting and Transparency were measured using a validated 5-point Likert scale, enabling a nuanced assessment of these constructs.

The regression analysis quantitatively assessed the impact of ESG practices on operational efficiency, with the implementation of the ISO 14001 standard serving as the constant variable.

This methodological framework provided robust insights into the interplay between ESG adoption and organizational performance. The findings, detailed in Table 2, highlight the critical role of structured ESG frameworks in driving operational efficiency, sustainability, and long-term competitiveness in SMEs. These results contribute to the growing body of evidence supporting the integration of ESG practices in smaller firms, offering actionable insights for industry stakeholders and policymakers.

Table 2: Results of Regression Analysis for ESG Practices and Operational Efficiency

Variable	Coefficient	Standard Error	t-value	P - value	95% Confidence Interval	Significance
ESG Reporting	-0.1851	0.1922	-0.96	0.340	-0.5715 to 0.2013	Not significant
Transparency	0.4478	0.1776	2.52	0.015	0.0906 to 0.8050	Statistically significant
Constant	2.0521	0.6865	2.99	0.004	0.6718 to 3.4323	Statistically significant

Source: Author's research

The total number of observations in the analysis was 51, with an R-squared value of 0.1368 and an adjusted R-squared value of 0.1008. These results indicate that the model explains approximately 13.68% of the variability in operational efficiency based on the ESG practices examined. The results of the regression analysis revealed that ESG reporting did not have a significant impact on operational efficiency, with a coefficient of -0.1851 and a p-value of 0.340, indicating there is no statistically significant relationship. Conversely, transparency had a positive and significant impact on operational efficiency, with a coefficient of 0.4478 and a p-value of 0.015, suggesting that greater transparency contributes to improved operational efficiency of ISO 14001 standard implementation in enterprises. The constant value in the model was 2.0521, which was also statistically significant, with a p-value of 0.004, representing the baseline efficiency of ISO 14001 implementation when all other variables are set to zero.

This research advances existing literature through the following aspects:

- A deeper analysis of the microeconomic impact of ESG practices on SMEs in EU candidate countries;
- The development of specific strategies that enable SMEs to overcome financial and regulatory barriers through innovative solutions;
- Identification of transparency as a critical factor contributing to operational efficiency and enhancing the reputation of SMEs.

The results of the analysis indicate that transparency has a significant impact on the operational efficiency of SMEs, while current approaches to ESG reporting are not effective enough to drive meaningful changes in practice. This underscores the need to redefine strategies to position ESG practices as a core business priority, with a stronger emphasis on technological innovation and employee education. Without these changes, SMEs risk marginalization in an increasingly competitive global market. As previously highlighted, ESG transformation represents not only a challenge but also an opportunity to build sustainable competitive advantages and achieve long-term prosperity.

5. Discussion: ESG – Delaying is no longer an option

Previous studies on the implementation of ESG practices among small and medium enterprises (SMEs) provide valuable insights into the key barriers and opportunities for improving sustainability in the Western Balkans. However, there are notable differences between this research and prior studies. For instance, earlier studies, such as those by Delova-Jolevska et al. (2024), focused on the impact of individual ESG factors on economic growth at the state level, with findings indicating a limited effect on annual GDP growth. In contrast, this study centers on the operational efficiency and market reputation of SMEs in the context of their alignment with European ESG standards, such as the CSRD directive (European Commission, 2021). This approach delves deeper into the microeconomic impact of ESG practices on the business performance of SMEs rather than just their aggregate contribution to economic growth.

Hasani Limani (2024) highlighted regulatory and institutional barriers as the primary obstacles to the development of green finance. This study, however, identifies specific challenges faced by SMEs, such as the complexity of regulatory frameworks, limited access to financing, and lack of training, while also providing practical strategies for overcoming these barriers. These strategies include investments in education, technological solutions, and partnerships with key stakeholders.

Unlike studies that emphasize general ESG indicators and risks, the results of this research indicate a significant positive impact of transparency on operational efficiency (coefficient 0.4478; p-value 0.015). This finding contrasts with Domanović's study, which did not find a direct correlation between ESG indicators and financial performance in the public sector in Serbia (Domanović, 2022). This difference highlights the importance of tailoring ESG strategies to the specific needs of SMEs rather than merely replicating universal approaches.

Most prior research views ESG implementation as merely a challenge for SMEs. In contrast, this study redefines ESG practices as a "catalyst for sustainability" emphasizing their potential to enable innovation, improve market positioning, and secure a competitive advantage in the global economy. This innovative perspective, underrepresented in the literature, is a key scientific contribution and opens new possibilities for SMEs.

The application of institutional theory and dynamic capabilities theory uncovers deeper causes of success or failure in ESG transformations. Strategic investments in innovative resource management methods and adaptive organizational capabilities distinguish SMEs that successfully respond to ESG challenges from those that remain stagnant. However, the low level of integration of ESG principles into strategic planning and employee training highlights a serious neglect of key dimensions of sustainable development.

Although industries such as energy and construction lead in ESG implementation, sectors like manufacturing and retail lag significantly, creating systemic risks for the region's economic development. These data are not just statistics-they reflect deep structural weaknesses that, if unresolved, could lead to a loss of competitiveness on the global stage. The results leave no room for doubt for inaction has run out. SMEs in the Balkans must be transformed from inertia to action, recognizing ESG not just as an opportunity but as an existential necessity. This is not merely about competitiveness but survival. Without immediate and decisive harmonization with EU standards, SMEs in the Balkans face a tangible threat of economic isolation. This scenario not only jeopardizes their position in global markets but could also lead to prolonged economic stagnation and marginalization of the entire region. Harmonization is not merely a recommendation-it is an existential necessity. Uncompromising political will, coordinated institutional support, and rapid action are essential to prepare SMEs for the challenges of a sustainable economy. Any delays or inertia will have irreversible consequences for the future.

Financial institutions and governments must create precisely designed mechanisms that provide targeted funds, subsidies, and favorable loans for SMEs committed to ESG transformation. This is not a luxury or an option-it is an obligation for long-term prosperity. Financial support is not just an economic imperative but also a moral responsibility. Without it, SMEs will face increasing pressures that could destabilize local economies and provoke social crises. Financial inertia is no longer sustainable-urgent action is needed to ensure the competitiveness and sustainability of SMEs.

Education is not merely an instrument of growth; it is a fundamental prerequisite for survival. Mandatory training programs on ESG practices for managers and employees are no longer optional-they are a necessity. Companies that fail to invest in the education and development of their teams risk stagnation, while more advanced competitors use knowledge as a lever for success. Neglecting education will not only widen the gap between leaders and laggards but will irreversibly weaken the entire economic system of the region.

In an era of rapid technological change, digital transformation enables SMEs to operate more efficiently, improve their products and services, enhance innovation capabilities, and adapt more easily to market demands. It provides them with a competitive advantage, opportunities to expand their markets, improve the quality of their products and services, and increase customer satisfaction. Integrating digital technology with the real economy can reduce costs and improve efficiency in areas such as information gathering-supporting data-driven management and decision-making. The use of advanced digital solutions for tracking greenhouse gas emissions, energy efficiency, and waste management is no longer optional - it is an urgent obligation. Data clearly shows that 35% of companies that invested in technologies have achieved significant innovation breakthroughs. SMEs that ignore this technological revolution risk becoming irrelevant in a rapidly changing world.

Advanced ESG data monitoring software is not just a tool for regulatory compliance - it is a driver of optimization, cost reduction, and enhanced investor trust. Technological innovations enable SMEs to be faster, more precise, and more flexible, which is critical in a global environment that does not forgive slowness or obsolescence. Technological innovations must become a central element of ESG strategies, as they enable companies to improve their operational capacities and focus on sustainable business practices. Innovative development and application of digital information technologies, represented by cloud computing, big data analytics, Internet of Things (IoT), Artificial Intelligence (AI), and blockchain technology, provide effective technical means for improving the ESG capabilities of companies. Technologies such as NB-IoT (Narrowband Internet of Things) play a particularly significant role in this, enabling the connection of a large number of devices with minimal energy consumption and long battery life. This not only reduces environmental impact but also creates space for innovative business solutions. According to the research presented in this paper, the integration of NB-IoT technology into IoT (Internet of Things) platforms offers SMEs easier implementation of IoT solutions, enabling scalable and secure connections to optimize business processes (Kadusic et al., 2022).

This approach not only contributes to achieving ESG goals but also provides companies with a technical foundation for making strategic decisions that drive digital transformation and sustainable growth. It is a clear example of how digital technologies can be a tool for addressing key challenges in ESG strategies, ensuring long-term benefits for both companies and society. SMEs that take ESG practices seriously will not only survive but become leaders of change. ESG is not a cost-it is an investment in long-term success. Companies that fail to recognize this reality risk complete marginalization. Leaders among SMEs who identify ESG as a strategic priority will create an undeniable competitive advantage and become models of sustainability in the region and beyond.

The Balkans have an opportunity to become a global example of sustainable development-but only if action is taken now. Delaying is not an option. Radical action and transformation are necessary because the cost of failure is not just economic decline but total marginalization on the global stage. It is time for SMEs to recognize ESG not as a peripheral activity but as the core of their strategy and the key to their future.

6. Conclusion

The research clearly demonstrates that the implementation of Environmental, Social, and Governance (ESG) practices represents a critical turning point for small and medium enterprises (SMEs) in countries aspiring to join the European Union. An analysis of previous research and original findings has confirmed that ESG practices significantly contribute to the operational efficiency and market reputation of SMEs. Specifically, the results highlight the importance of transparency as a key factor that enhances business performance, while the lack of regulatory support and limited resources remain the primary barriers to their implementation.

The original findings of this research emphasize that SMEs integrating ESG standards not only improve their competitiveness but also contribute to the sustainability of local economies. However, the analysis reveals a significant gap between the declarative support for ESG practices and their actual implementation, underscoring the need for comprehensive reforms in legislative and institutional frameworks. Three key areas for improvement were identified: enhancing regulatory harmonization with EU standards, strengthening financial support through targeted funds and loans, and introducing continuous education programs for managers and employees.

In conclusion, this research makes a significant contribution to understanding how SMEs can overcome barriers to ESG transformation and seize opportunities for innovation and sustainability. Future research should include longitudinal studies to assess the long-term effects of ESG integration, as well as sector-specific studies to develop tailored strategies for different industries. For SMEs in the Balkans, ESG is not merely a strategic priority-it is an existential necessity in a global economy that increasingly values sustainability and accountability.

Future research should expand the geographical focus to regions such as Latin America, Africa, and Asia to capture specific experiences and challenges in implementing ESG practices across different development contexts. Longitudinal studies could provide deeper insights into the long-term impacts of ESG integration on the financial, social, and environmental performance of SMEs. At the same time, sectoral analysis should explore variations in ESG practice implementation within industries such as energy, construction, and agriculture to develop strategies tailored to sector-specific needs. Special attention should be given to the role of ESG practices as catalysts for innovation, enabling SMEs to transition toward sustainable business models. Finally, a comparative analysis of different ESG standards and reporting frameworks could identify best practices for SMEs in EU candidate countries, ensuring their competitiveness and alignment with global trends.

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Sažetak

Kriterijumi zaštite životne sredine, društva i upravljanja (ESG) su se pojavili kao ključna merila za procenu korporativne održivosti i etičke poslovne prakse. Ova studija istražuje transformativnu ulogu malih i srednjih preduzeća u unapređenju ESG praksi, sa posebnim naglaskom na zemlje koje teže članstvu u Evropskoj uniji. Koristeći kvantitativnu metodologiju putem anketnog upitnika, istraživanje analizira izazove i prilike povezane sa implementaciju ESG-a. Podaci prikupljeni iz 51 malih i srednjih preduzeća širom Balkana otkrivaju značajne prednosti integracije ESG-a, posebno u povećanju operativne efikasnosti i reputacije na tržištu, pri čemu su transparentnost i strateško planiranje identifikovani kao ključni pokretači. Međutim, mala i srednja preduzeća se suočavaju sa značajnim preprekama kao što su složeni regulatorni okviri, ograničen pristup finansiranju i neadekvatni resursi za obuku. Članak predlaže ciljane strategije za jačanje kapaciteta malih i srednjih preduzeća, s naglaskom na ulaganje u obrazovanje, tehnološka rješenja i partnerstva s ključnim dionicima. Usvajanjem ESG standarda, mala i srednja preduzeća ne samo da doprinose održivom razvoju, već i jačaju svoju konkurentnost i otpornost na globalnom tržištu koje se brzo razvija.

Ključne riječi: *ESG, mala i srednja preduzeća, održivi razvoj, transparentnost, zemlje Balkana, EU integracije, operativna efikasnost, strateško planiranje*