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The Influence of Managerial Competence on the Successful Listing of Small and Medium Enterprises in Stock Markets

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Abstract

This study examined how managerial competence influences the successful listing of Small and Medium-sized Enterprises (SMEs) on the Dar Es Salaam Stock Exchange in Tanzania. Particularly, the study assessed the influence of managerial expertise, leadership skills, and financial literacy on SMEs' ability to meet listing requirements. The study was grounded in the Resource-Based View (RBV) and Agency Theory and adopted a quantitative approach using survey data collected from SMEs owners who attended trains conducted by the Dar es Salaam Stock Exchange (DSE) through its Enterprises Acceleration Program (DEAP). Structural Equation Modeling (SEM) with Partial Least Squares (PLS) was used for analysis. The results show that all three dimensions of managerial competence have positive and significant effects on SME listing outcomes. Leadership skills exhibited the strongest influence ($\beta = 0.363$, $p = 0.000$), followed by financial literacy ($\beta = 0.271$, $p = 0.002$) and managerial expertise lastly ($\beta = 0.228$, $p = 0.016$). These findings indicate that SMEs with stronger leadership capacity and financial knowledge are better positioned to navigate listing procedures and requirements. The study highlights the importance of internal managerial capabilities in facilitating access to capital markets and provides empirical support for RBV and Agency Theory in the context of SME financing. However, the focus on DSE-trained SMEs may limit generalizability. Future studies could expand the sample and examine additional factors influencing listing decisions. The findings offer practical insights for policymakers and SME stakeholders, particularly on the need to strengthen leadership and financial management skills to improve equity market participation.

Keywords: Managerial Competence, Small and Medium-Sized Enterprises (SMEs), Stock Market Listing, Financial Literacy

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SDG alignment
SDG 8 (Decent Work and Economic Growth): The study identifies managerial capabilities that enhance SME access to equity financing and sustainable business growth.

SDG 9 (Industry, Innovation and Infrastructure): The findings strengthen SME preparedness for capital-market participation.

SDG 17 (Partnerships for the Goals): The study informs collaboration among regulators, stock exchanges, and SME-support institutions to improve listing readiness.

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Introduction

Small and Medium-sized Enterprises (SMEs) are important contributors to economic growth, employment and entrepreneurship, particularly in developing economies (Enaifoghe & Ramsuraj, 2023). In Tanzania, SMEs contribute about 35% of Gross Domestic Product (GDP) and account for more than 80% of employment, demonstrating their importance to the national economy (NBS, 2022; ILO, 2023). Despite this economic significance, SMEs remain underrepresented in formal capital markets. The Dar es Salaam Stock Exchange (DSE) established the Enterprise Growth Market (EGM) to provide smaller and growing enterprises with access to equity financing under relatively flexible listing requirements. The DSE has also introduced initiatives such as the DSE Enterprises Acceleration Programme and ENDELEZA, which support SMEs in areas including financial management, strategic planning, corporate governance, talent management and investor access. Nevertheless, SME participation in the EGM remains limited (DSE, 2023).

The limited participation of SMEs in stock markets reflects a wider financing challenge in emerging economies. Although stock-market listing can provide firms with access to long-term equity capital, greater visibility and enhanced credibility, it also requires substantial organisational preparedness, including financial discipline, credible reporting, governance arrangements and the ability to satisfy regulatory requirements. In Tanzania, Ndayisenga (2022) found low awareness of the EGM among SMEs, while listing costs and ownership considerations influenced their willingness to pursue listing. Similarly, Magambo (2024) reported that inadequate information and knowledge, together with difficult listing conditions, contributed to SMEs' reluctance to use the EGM. These findings indicate that external market conditions alone may not explain limited SME participation; internal managerial capabilities may also determine whether firms can effectively respond to listing requirements.

Managerial competence is therefore potentially important in determining SME listing prospects. It encompasses the knowledge, skills, experience and decision-making capabilities required to manage resources, respond to strategic challenges and coordinate organisational activities (Mitchelmore & Rowley, 2010). Extant literature supports the organisational relevance of managerial capabilities. Appiah-Kubi (2024) found that management knowledge contributes to sustainability reporting among Ghanaian SMEs, while Appiah-Kubi et al. (2024) demonstrate the importance of organisational capabilities and control environments to SME outcomes. Similarly, Whajah and Adenutsi (2024) and Abdallah et al. (2024) establish the importance of financial literacy to SME performance. Such capabilities may be particularly important when SMEs transition from relatively informal business structures towards the greater transparency, accountability and financial discipline associated with capital-market participation.

Despite these contributions, existing research has largely examined SME financing, performance, governance and the effectiveness of the EGM rather than directly examining whether managerial

capabilities influence SMEs' prospects of stock-market listing. In Tanzania, previous evidence has primarily emphasised listing awareness, costs, financing constraints and market conditions (Ndayisenga, 2022; Magambo, 2024). Consequently, limited attention has been given to how the internal capabilities of SME managers enable firms to prepare for financial, governance, disclosure and strategic demands associated with listing. This study addresses this gap by examining whether managerial expertise, managerial leadership skills and managerial financial literacy influence SME listing prospects on stock exchanges in Tanzania.

The study is primarily grounded in the Resource-Based View (RBV), which conceptualises managerial knowledge, skills and experience as internal resources capable of strengthening organisational capabilities (Wernerfelt, 1984). Agency Theory provides a complementary perspective by explaining how competent management can strengthen accountability, reporting and communication between owners and prospective investors, thereby reducing information asymmetry and agency costs (Jensen & Meckling, 1976). Together, these perspectives position managerial competence as both a strategic organisational resource and a governance mechanism relevant to SME capital-market participation.

Methodologically, the study adopts a quantitative, cross-sectional survey design. Data were collected using structured questionnaires from SME owners and managers participating in the DSE Enterprises Acceleration Programme. The relationships between managerial expertise, managerial leadership skills, managerial financial literacy and SME listing prospects were examined using Partial Least Squares Structural Equation Modelling (PLS-SEM) in SmartPLS. PLS-SEM is appropriate for examining relationships among multiple latent constructs and for prediction-oriented research (Hair & Alamer, 2022).

The study contributes by moving beyond the identification of institutional and financing barriers to examine the firm-level managerial capabilities that may facilitate SME participation in Tanzania's capital market. The findings provide implications for SME managers, the DSE, regulators and SME-support institutions concerning the capabilities that should be strengthened to improve listing preparedness and access to equity financing.

Literature Review and Theoretical Underpinning

Theoretical Framework

The study draws on the Resource-Based View (RBV) and Agency Theory. Wernerfelt (1984) introduced the RBV perspective by shifting attention from products to the resources controlled by firms. The perspective suggests that internal resources can provide the basis for stronger organisational capability and competitive advantage. In the SME context, managerial expertise, leadership capability and financial knowledge constitute important intangible resources because they influence strategic planning, resource allocation, compliance and responses to external market requirements. Mitchelmore and Rowley (2010) similarly identify managerial and entrepreneurial competencies as important capabilities associated with business growth and success. The RBV therefore supports the expectation that SMEs with stronger managerial capabilities will be better positioned to satisfy the demands of stock-market participation.

Agency Theory, developed by Jensen and Meckling (1976), focuses on conflicts arising from the separation of ownership and control and the information asymmetry between principals and agents. For SMEs seeking external equity, these concerns become important because prospective investors require reliable information about financial condition, governance, strategy and future prospects. Managerial competence can strengthen financial reporting, accountability and decision-making, thereby reducing information problems and increasing organisational credibility. Evidence from SME governance also shows that governance arrangements in smaller firms frequently rely on owner-manager practices and informal mechanisms (Handley & Molloy, 2022).

The two theories therefore provide complementary explanations. RBV explains why managerial competence constitutes a valuable internal capability, whereas Agency Theory explains why competent management can increase credibility and reduce information problems when SMEs seek external investors. The combined perspective leads to the expectation that managerial expertise, leadership skills and financial literacy should improve SME readiness and prospects for stock-market listing.

Empirical Literature and Hypotheses

Managerial Expertise and SME Listing

Managerial expertise concerns the knowledge, experience and decision-making capability required to manage business activities and respond to strategic challenges. It is relevant to SMEs because managers often perform several strategic and operational functions simultaneously. Mitchelmore and Rowley (2010) identify management and entrepreneurial competencies as important capabilities for business growth and organisational success. More recent evidence also indicates that managerial knowledge influences the quality of organisational practices in SMEs. Appiah-Kubi (2024), for example, found that management knowledge contributes to sustainability reporting among Ghanaian SMEs. Similarly, Afolabi and Aghaunor (2024) associate managerial capability with stronger SME outcomes, while Ramadan et al. (2024) highlight the importance of sound managerial practices, including effective cost control and inventory management, for organisational stability and growth. These findings indicate that managerial expertise extends beyond technical business knowledge to include the capacity to make informed decisions, allocate resources effectively and respond to changing organisational demands.

The relevance of managerial expertise is also clear in the Tanzanian capital-market setting. Listing on the EGM requires firms to navigate regulatory requirements, financial information, business planning, corporate governance and investor engagement. The DSE itself identifies business planning, corporate governance, financial management and other organisational capabilities as important areas of SME preparation. Ndayisenga (2022) further found that Tanzanian SMEs had low awareness and limited listing potential, while listing costs and other conditions affected their willingness to list. These findings suggest that firms with stronger managerial knowledge may be better able to interpret listing requirements, prepare appropriate documentation, evaluate financing alternatives and make informed listing decisions. In this respect, managerial expertise can reduce the practical difficulties associated with transitioning from private ownership to participation in a regulated capital market.

The relationship is also consistent with the Resource-Based View, which regards managerial knowledge and experience as intangible organisational resources that can strengthen a firm's ability to respond to demanding market conditions. Competent managers are more likely to recognise listing opportunities, mobilise the resources required for preparation and coordinate activities across finance, governance and operations. From an Agency Theory perspective, managerial expertise can further support transparency, accountability and credible communication with owners, regulators and prospective investors. Thus, managerial expertise may simultaneously strengthen the internal capacity of SMEs and reduce information asymmetry during the listing process

Accordingly, the study proposes:

H1: Managerial expertise positively influences SME listing prospects on stock exchanges.

Managerial Leadership Skills and SME Listing

Managerial leadership skills refer to the ability to provide strategic direction, coordinate organisational resources, make timely decisions and mobilise employees and stakeholders towards organisational objectives. These capabilities are important when SMEs undertake major organisational changes such as formalisation, governance improvement and preparation for external equity financing. Mitchelmore and Rowley (2010) identified leadership and managerial competencies as central elements of entrepreneurial capability. Existing evidence also shows that managerial expertise in financial literacy, equity management and decision-making can influence SMEs' financing decisions and their capacity to meet requirements associated with external financing (Mutamimah et al., 2021; Semenya, 2021). Extant literature further indicates that managerial effectiveness is associated with stronger organisational outcomes among MSMEs. For example, Priyaadarshini and Jena, (2024) examined managerial self- and role-efficacy as mechanisms supporting managerial effectiveness in MSMEs. This suggests that effective leadership is not limited to directing employees but also involves the ability to translate managerial knowledge into coordinated organisational action.

Leadership is also relevant to governance, strategic planning and investor confidence. SMEs preparing to enter a regulated capital market must coordinate financial reporting, governance arrangements, employee responsibilities, resource allocation and communication with external stakeholders. Leadership therefore provides the coordination mechanism through which different organisational activities can be aligned with listing objectives. The DSE's SME acceleration initiatives explicitly include strategic planning, corporate governance and talent management as areas requiring capacity development. Appiah-Kubi (2024) further indicates that sustainability reporting can strengthen organisational credibility, while Afolabi and Aghaunor (2024) show that leadership combined with financial literacy can improve SME outcomes. These findings suggest that managers who can integrate financial, governance and strategic considerations are better positioned to organise the internal changes required for capital-market participation.

Beyond coordination, leadership capabilities may influence the long-term organisational strength required to attract and retain investors. Purnamasari and Adriza (2024) demonstrate that firms employing advanced capital budgeting techniques, such as net present value and internal rate of return, achieve stronger financial performance than those relying on basic methods. Effective leadership is therefore important in ensuring that financial knowledge is translated into sound investment and resource-allocation decisions. Similarly, empowering leadership and effective knowledge transfer can improve financial and social outcomes, supporting SME competitiveness (Pett et al., 2024). Digital leadership and structured human-resource practices may also improve organisational efficiency and stakeholder trust, which are increasingly relevant as SMEs adopt more formal and technology-supported business processes (Wang et al., 2024). Financial and digital capabilities further support sustainable resource management and organisational resilience (Sualeh Khattak et al., 2024), while managerial ability and technological adaptability can influence access to finance, which is an important consideration for firms seeking external equity (Khan et al., 2024).

From the RBV perspective, leadership capabilities such as strategic vision, decision-making, coordination and digital competence represent valuable organisational resources that can strengthen SME competitiveness and preparedness for capital-market participation. Agency Theory complements this argument by suggesting that effective leadership can improve alignment between managers and owners through stronger governance, accountability, disclosure and stakeholder communication. Leadership therefore operates both as an organisational capability and as a governance mechanism. SMEs with

stronger leadership may consequently be better able to mobilise resources, coordinate listing preparations, satisfy regulatory expectations and build confidence among prospective investors.

Therefore:

H2: Managerial leadership skills positively influence SME listing prospects on stock exchanges.

Managerial Financial Literacy and SME Listing

Managerial financial literacy concerns the ability to understand and apply financial concepts in planning, reporting, financing and investment decisions. Financial knowledge is increasingly recognised as an important component of human capital. Lusardi and Mitchell (2023) describe financial literacy as a form of human-capital investment that influences financial decision-making. At the SME level, empirical evidence supports its organisational relevance. Whajah and Adenutsi (2024), using 392 SMEs in Ghana and PLS-SEM, found a positive relationship between financial literacy and SME financial performance. Similarly, Abdallah et al. (2024) found that financial literacy significantly influences SME performance. These findings suggest that financial literacy extends beyond personal financial decision-making and can influence how managers plan, allocate and control organisational resources.

Financial literacy is relevant to stock-market participation because listing involves financial planning, capital-structure decisions, financial reporting, business valuation and disclosure. Managers seeking to prepare an SME for listing must understand the implications of different financing options, assess the costs and benefits of equity financing, maintain appropriate financial records and communicate the firm's financial position to investors, advisers and regulators. Inadequate financial knowledge may therefore constrain a firm's ability to assess whether listing is appropriate and to prepare effectively for the process. In Tanzania, the EGM was specifically established to provide SMEs with access to equity capital, yet evidence indicates that inadequate knowledge and difficult listing conditions continue to discourage participation (Magambo, 2024). Financially competent managers should therefore be better positioned to evaluate equity financing opportunities, prepare reliable financial information and communicate effectively with investors and professional advisers.

Managerial financial literacy also has implications for the financial stability and credibility of SMEs before and after listing. Effective financial planning enables managers to monitor liquidity, control costs, assess investment opportunities and make informed capital-structure decisions. These capabilities can help firms demonstrate financial discipline and reduce concerns regarding their ability to meet continuing financial and reporting obligations. Conversely, weak financial knowledge may result in inappropriate financing decisions, inadequate financial controls and difficulties in producing information required by external stakeholders. Financial literacy can therefore contribute to the broader organisational preparedness needed for successful participation in formal capital markets.

From the Resource-Based View, managerial financial literacy represents an intangible managerial capability that can strengthen the firm's ability to utilise financial resources and respond to the demands of capital-market participation. It provides managers with knowledge that may be difficult to substitute when making complex financing, investment and reporting decisions. From an Agency Theory perspective, financial literacy can improve the quality and credibility of financial information communicated to owners, investors and other stakeholders, thereby helping to reduce information asymmetry. The combination of these perspectives suggests that financially literate managers can strengthen both the internal financial capacity and external credibility of SMEs seeking stock-market participation

The study therefore proposes:

H3: Managerial financial literacy positively influences SME listing prospects on stock exchanges.

Methodology

Research Design and Variables

The study adopts a quantitative, cross-sectional research design grounded in positivism to examine the relationship between managerial competence and SME listing prospects on stock exchanges. Managerial competence is the independent construct, operationalised through managerial expertise, leadership skills and financial literacy. SME listing prospects constitute the dependent construct, reflecting firms' preparedness to meet financial, governance, regulatory and organisational requirements for stock-market participation.

Managerial expertise refers to the knowledge, business experience, strategic judgement and decision-making ability needed to address operational and strategic challenges (Zaika et al., 2024). Leadership skills encompass strategic direction, resource coordination, employee guidance, organisational change and stakeholder confidence. Financial literacy concerns managers' ability to apply financial information in planning, capital allocation, financing, investment appraisal, risk management and reporting. SME listing prospects reflect preparedness to meet listing requirements, comply with regulatory and reporting expectations, engage prospective investors and sustain participation in a regulated capital market (Anandan Karichalil, 2026).

Primary data were collected through a structured questionnaire administered to SME owners and managers participating in the Dar es Salaam Stock Exchange (DSE) Enterprises Acceleration Programme (DEAP). Items adapted from established literature on managerial competence, SME management and

financial capability used a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Financial literacy indicators covered financial planning, analysis, financing, investment evaluation, risk management and reporting requirements (Tuffour et al., 2022). Leadership indicators covered strategic direction, decision-making, coordination, employee mobilisation, governance and stakeholder engagement. Expertise indicators addressed business knowledge, managerial experience, strategic planning, operational knowledge and investment decisions. Listing-prospect indicators covered listing preparedness, compliance, investor readiness and organisational capacity to meet stock-market demands. Indicator VIF values were examined for multicollinearity. Values below 5 were generally considered acceptable, while values between 5 and 10 warranted attention. Although some values exceeded 5, all remained below 6; their interpretation also considered the indicators' theoretical relevance and empirical contribution.

Data and Sample

The target population comprised 100 SME owners and managers participating in the DSE Enterprises Acceleration Programme. Because the population was small and identifiable, a census approach was adopted. This approach ensured that all eligible participants were invited to participate rather than selecting a subset of the population. Of the 100 questionnaires distributed, 95 were returned and usable, giving a 95% response rate.

The sample is also adequate for the proposed PLS-SEM analysis. Recent PLS-SEM guidance emphasises model complexity, prediction and the characteristics of the proposed relationships rather than relying solely on the traditional 10-times rule (Hair & Alamer, 2022). The present model contains three exogenous constructs predicting one endogenous construct, making PLS-SEM suitable for estimating the proposed relationships with the available observations.

Research Instrument

Data were collected using a structured questionnaire developed from established literature on managerial and entrepreneurial competencies, financial literacy and SME organisational capability. Items were measured using a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. Managerial expertise captured business knowledge, experience and strategic decision-making; leadership skills captured strategic direction, coordination and stakeholder management; and financial literacy captured knowledge and application of financial planning, reporting, investment and financing concepts. Competency dimensions were informed by Mitchelmore and Rowley (2010), while financial-literacy measurement was informed by Lusardi and Mitchell (2023) and recent SME financial-literacy studies.

Definition of Variables

Managerial Expertise (ME) represents the knowledge, experience and decision-making capability of SME managers. Managerial Leadership Skills (LS) represent managers' ability to provide direction, coordinate resources, facilitate organisational change and engage stakeholders. Managerial Financial Literacy (FL) represents the ability to understand and apply financial information in budgeting, reporting, financing, investment and risk decisions. SME Listing Prospects (SL) represent the firm's preparedness to satisfy requirements and pursue stock-market participation. These dimensions are consistent with the broader competency literature, which treats managerial knowledge, skills and experience as important organisational capabilities (Mitchelmore & Rowley, 2010).

Data Analysis

The data were analysed using Partial Least Squares Structural Equation Modelling (PLS-SEM) in SmartPLS 4. PLS-SEM was selected because the study seeks to assess predictive relationships among several latent constructs using survey data. Hair and Alamer (2022) provide updated guidance on PLS-SEM, including assessment of measurement quality, structural relationships and predictive performance. The analysis involved evaluation of the measurement model followed by assessment of the structural model and hypothesis testing through bootstrapping.

Measurement Model

The measurement model was assessed using indicator loadings, internal consistency reliability, convergent validity and discriminant validity. For reflective constructs, indicator loadings, Cronbach's alpha, composite reliability and average variance extracted (AVE) were examined. Discriminant validity was assessed using the HTMT criterion. Indicator VIF values were also examined to identify problematic collinearity. The analysis followed current PLS-SEM guidance rather than relying exclusively on older threshold rules (Hair & Alamer, 2022).

Structural Model

The structural model, also referred to as the inner model, was assessed to determine the explanatory strength and predictive power of the proposed relationships among the latent constructs. The assessment considered path coefficients (β), bootstrapped standard errors, t-statistics, p-values and confidence intervals to establish the direction, magnitude and statistical significance of the hypothesised relationships. In addition, the coefficient of determination (R^2) was used to determine the proportion of variance in the endogenous construct explained by the exogenous constructs, with values of approximately 0.19, 0.33 and 0.67 generally indicating weak, moderate and substantial explanatory power, respectively. The f^2 effect size was examined to determine the substantive contribution of each exogenous construct to the explained variance, while Q^2 was used, where applicable, to assess the predictive relevance of the model.

Bootstrapping provided robust estimates of the sampling variability of the structural paths and enabled significance testing and confidence-interval estimation.

Common Method Bias

Because the study used a single questionnaire to collect self-reported data on both the independent and dependent constructs, common method bias (CMB) was assessed using the full-collinearity VIF procedure proposed by Kock (2015). VIF values below 5 were used as the diagnostic threshold for assessing whether common method bias was likely to pose a serious concern. This procedure has also been applied in more recent PLS-SEM studies. The full-collinearity results were interpreted as indicating that common method bias was unlikely to materially affect the findings.

Empirical Results

This section presents the empirical findings of the study based on the analysis of the collected data. It reports results on instrument validity and reliability as a basis for subsequent statistical analysis. Out of 100 distributed questionnaires, 95 were completed and returned, making a response rate of 95%, which is considered adequate for reliable analysis.

Instrument Validity

The outcomes of the pilot questionnaire are determined based on the results of validity and reliability testing. Validity test results indicated that all correlation values for statements were above a threshold of 0.30 (correlation > 0.30), thus validating all items. Reliability tests also showed that Cronbach's alpha index for all variables was above 0.70 (Hair & Alamer, 2022), hence demonstrating the strong internal consistency and reliability of the research instrument. Therefore, it was confirmed that the indicators measured met conditions for statistical data analysis and robustness, as well as the practicality of the research instrument to capture accurate and meaningful data.

Measurement Model

Indicator Loadings

The measurement model assessed whether the observed indicators adequately represented managerial expertise (ME), managerial leadership skills (LS) and managerial financial literacy (FE). The retained indicators recorded satisfactory loadings ranging from 0.639 to 0.868, supporting their contribution to the respective constructs. Indicator retention considered not only loading thresholds but also construct reliability, convergent validity, average variance extracted (AVE), content validity and theoretical relevance (Hair & Alamer, 2022). Two indicators were removed: FE2, measuring knowledge and skills in risk diversification in financing decisions, which loaded at 0.439, and LS3, assessing the importance of an appropriate SME governance structure for stock-market listing, which loaded at 0.475. Their removal was considered appropriate given their relatively weak empirical relationships with the respective constructs and their implications for measurement quality and theoretical coverage. Following their removal, all retained indicators loaded between 0.639 and 0.868 (Table 1). These results, together with the subsequent reliability and validity assessments, provided a basis for evaluating the adequacy of the measurement model and examining the relationship between managerial competence and SME listing prospects.

Table 1: Factor loading and VIF

Indicator	Statement	Mean	Std dev	Excess kurtosis	Skewness	Loading	VIF
FE1	Knowledge of capital markets enhances the readiness of SMEs to list on the stock exchange.	4.147	0.882	3.344	-1.511	0.717	1.754
FE3	The understanding of financial risks plays a significant role in SME decisions to list.	3.947	0.944	2.279	-1.341	0.748	1.985
FE4	Having a solid financial management foundation helps SMEs in meeting the listing criteria set by stock markets.	3.905	0.907	1.233	-1.014	0.762	2.016
FE5	Financial expertise of managers influences the SME's ability to fulfil the financial disclosure requirements for stock market listing.	4.021	0.995	1.200	-1.152	0.828	2.757
FE6	Financial expertise helps SMEs secure the required capital for listing	4.000	0.883	1.988	-1.214	0.815	2.539
FE7	The expertise in managing finances influences how well SMEs can handle the financial demands of a stock exchange listing.	3.789	0.893	0.238	-0.649	0.834	2.363
LS1	The EGM Capital requirement for companies encourages them to list.	3.895	0.946	0.756	-0.924	0.846	2.234
LS2	There are simple listing requirements that encourage SMEs listing.	4.000	0.795	2.246	-1.151	0.847	2.346
LS4	Listing provides opportunities for Transparency.	3.368	1.006	0.096	-0.609	0.666	1.386
LS5	Listing increases opportunities for Managers and shareholders to act in the best interest of the company.	3.505	0.961	0.641	-0.810	0.639	1.134
ME1	Knowledge of the managers to raise capital through equity affect SMEs financing decisions.	4.432	0.763	3.771	-1.643	0.676	1.63
ME2	Knowledge of the managers to diversify risk is very important for financing decisions.	3.579	0.828	-0.414	-0.313	0.768	1.958

Indicator	Statement	Mean	Std dev	Excess kurtosis	Skewness	Loading	VIF
ME3	Lack of managerial competence affects SMEs financing decisions.	3.695	0.883	1.330	-0.937	0.738	1.68
ME4	Strengthening your managerial skills could positively influence the stock market listing intention of your SME.	3.621	0.861	1.418	-1.088	0.835	2.33
ME5	The knowledge of the stock market operations is necessary for stock market listing.	4.253	0.82	4.256	-1.666	0.868	2.699
ME6	The portfolio skills and financing experience of managers are very important in listing.	3.579	0.815	0.956	-0.614	0.688	1.671
SL1	The attitude of SMEs managers to prefer the use of equity market than debt for financing SMEs encourages listing.	3.768	0.989	0.491	-0.844	0.777	2.687
SL2	SMEs managers' beliefs and emotions on financing options affect their financing decisions.	3.611	0.955	0.329	-0.691	0.82	3.825
SL3	The behaviour of SMEs managers to avoid dilution of ownership or ownership transfer to public investors discourages listing.	3.463	0.960	0.213	-0.618	0.82	3.363
SL4	SMEs managers' behaviour of assuming a short-term perspective of the business instead of long-term affects their financing decisions.	3.600	0.875	0.01	-0.551	0.865	3.125
SL5	The behaviour of SMEs managers daring to take as much risk as possible to accelerate the growth of the SME business can lead to choosing equity as a source of finance.	3.947	0.875	1.636	-1.046	0.838	5.848
SL6	SMEs' managers' perception of exposing their information to the public discourages them from listing on a stock exchange.	3.979	0.882	1.453	-0.986	0.858	5.985
SL7	Companies facing unsatisfactory control issues of management can be solved when they are listed.	3.947	0.944	2.279	-1.341	0.794	2.254

Source: Data analysis. Key: Managerial expertise -ME; Managerial leadership skills-LS; Managerial financial literacy-FE and SME listing-SL

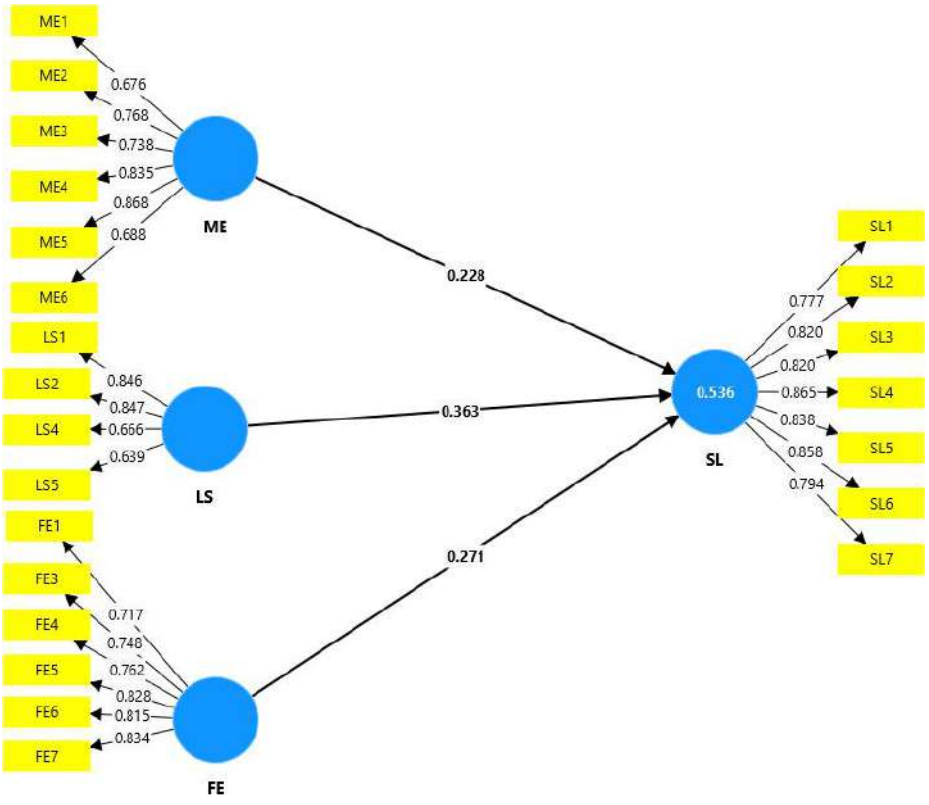


Figure 1: *Measurement model (Source: Data analysis)*

Validity and Reliability

Table 2 presents the reliability and convergent validity of the measurement model. Cronbach's alpha values range from 0.743 to 0.922, while rho_A values range from 0.750 to 0.923. Composite reliability values range from 0.840 to 0.937, indicating satisfactory internal consistency across all constructs. The AVE values range from 0.571 to 0.681 and therefore exceed the 0.50 criterion, indicating that each construct explains more than half of the variance in its indicators. These results provide evidence of adequate construct reliability and convergent validity and support the suitability of the measurement model for subsequent structural analysis. Current PLS-SEM guidance recommends assessing reflective constructs through indicator reliability, internal consistency reliability and convergent validity rather than relying on a single reliability coefficient (Hair et al., 2019; Hair et al., 2020).

Table 2: Validity and Reliability for Constructs

Construct	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
FE	0.875	0.879	0.906	0.617
LS	0.743	0.750	0.840	0.571
ME	0.859	0.890	0.894	0.586
SL	0.922	0.923	0.937	0.681

Source: Data analysis

Discriminant Validity

Discriminant validity was assessed using the Fornell–Larcker criterion and the Heterotrait–Monotrait (HTMT) ratio. Under the Fornell–Larcker approach, the square root of AVE for each construct should exceed its correlations with other constructs (Fornell & Larcker, 1981). As shown in Table 3, the diagonal values are greater than the corresponding inter-construct correlations, supporting discriminant validity. However, because the Fornell–Larcker criterion has recognised limitations, HTMT was also assessed. Henseler et al. (2015) proposed HTMT as a more sensitive approach for detecting a lack of discriminant validity in variance-based SEM.

Table 3: Discriminant Validity: Fornell–Larcker Criterion

Construct	FE	LS	ME	SL
FE	0.786			
LS	0.540	0.756		
ME	0.481	0.686	0.765	
SL	0.576	0.666	0.607	0.825

Source: Data analysis

Table 4 presents the Heterotrait–Monotrait (HTMT) ratios for all construct pairs in the model. The reported values indicate the degree of association between the constructs and provide evidence for assessing their distinctiveness. The HTMT ratios for FE–LS, FE–ME, and LS–ME are 0.667, 0.545, and 0.834, respectively, while the corresponding values for FE–SL, LS–SL, and ME–SL are also reported in Table 4. The results demonstrate that the constructs are sufficiently distinct from one another, supporting discriminant validity of the measurement model. Thus, the HTMT assessment confirms that managerial financial literacy, managerial leadership skills, managerial expertise and SME listing represent empirically distinguishable constructs.

Table 4: Heterotrait–Monotrait (HTMT) ratio

Construct	FE	LS	ME
FE	0.667		
LS	0.545	0.834	
ME	0.638	0.79	0.647

Source: Data analysis

Structural Model and Discussion

Figure 1 presents the structural model and specifies the hypothesised direct relationships between managerial expertise, managerial leadership skills, managerial financial literacy and SME listing. The structural model was evaluated after establishing the reliability and validity of the measurement model. The assessment focused on path coefficients, bootstrapping significance, explanatory power, effect sizes and predictive relevance, consistent with established PLS-SEM reporting guidance (Hair et al., 2019).

Direct Effects

Table 5 reports the structural path estimates. Managerial expertise has a positive and statistically significant relationship with SME listing ($\beta = 0.228$, $p = 0.016$). Managerial leadership skills also have a positive and statistically significant relationship with SME listing ($\beta = 0.363$, $p < 0.001$). Managerial financial literacy likewise has a positive and statistically significant relationship with SME listing ($\beta = 0.271$, $p = 0.002$). The confidence intervals for all three relationships exclude zero, providing further support for the proposed relationships.

Table 5: SEM Estimation – Direct Effect Model

Hypothesis	Path coefficient (β)	Std Dev	T statistics	P values	95% Confidence Interval
FE → SL	0.271	0.092	2.936	0.002	[0.089, 0.453]
LS → SL	0.363	0.105	3.448	0	[0.157, 0.569]
ME → SL	0.228	0.106	2.154	0.016	[0.020, 0.436]

Source: Data analysis

These results support H1, H2 and H3. The findings indicate that listing outcomes are associated with the internal managerial capabilities available within SMEs. This interpretation is consistent with the Resource-Based View, which treats firm-specific managerial resources as potential sources of strategic advantage (Wernerfelt, 1984), and with evidence showing that managerial knowledge and financial capability influence SME organisational outcomes (Appiah-Kubi, 2024; Mogale et al., 2025).

Coefficient of Determination and Effect Sizes

The structural model explains 53.6% of the variance (Table 6) in SME listing (R^2 = 0.536). Thus, managerial expertise, leadership skills and financial literacy jointly account for a substantial proportion of the observed variation in SME listing within the study sample. The remaining 46.4% is attributable to factors not included in the model. R^2 should, however, be interpreted in relation to the research context and the complexity of the model rather than through rigid universal cut-offs (Hair et al., 2019). The f^2 values are 0.058 for managerial expertise, 0.134 for leadership skills and 0.108 for financial literacy. Using Cohen's (1988) conventional benchmarks of 0.02, 0.15 and 0.35 for small, medium and large effects, respectively, all three predictors have small effects, with leadership skills showing the largest contribution among the three.

Table 6: R-square and Q-square to assess the Quality of the structure model

Variable	R2	Q2	f2
SL	0.536	0.307	
FE		0	0.108
LS		0	0.134
ME		0	0.058

Source: Data analysis

Predictive Relevance

The Stone–Geisser Q^2 value (Table 6) was used to assess the predictive relevance of the structural model for the endogenous construct (Geisser, 1974). A Q^2 value above zero indicates predictive relevance, whereas a value of zero or below indicates its absence. As reported in Table 5 (with Table 6 referenced in the original text), the Q^2 value for successful SME listing on stock markets was 0.307, indicating medium predictive relevance. Based on the benchmarks of 0.02, 0.15 and 0.35 for small, medium and large predictive relevance, respectively, the result approaches the threshold for large predictive relevance and suggests meaningful predictive capability.

Discussion

The study examined the relationships between managerial competence and SME listing on stock markets in Tanzania, focusing on managerial expertise, leadership skills and financial literacy. All three dimensions were positively and statistically significantly associated with SME listing, suggesting that capital-market participation depends not only on external regulatory and market conditions but also on managers' internal capabilities. The findings align with the Resource-Based View (RBV), which considers managerial capabilities valuable organisational resources, and Agency Theory, which emphasises competence in improving information quality, accountability and investor confidence.

Managerial expertise had a positive and significant relationship with SME listing ($\beta = 0.228$, $p = 0.016$). This finding supports the Tanzanian evidence of Magambo (2024) and Mosupye-Semenya (2024), who identify managerial and institutional weaknesses as constraints to SME capital-market participation. While these studies highlight knowledge deficiencies and related institutional challenges, the present study extends their findings by providing quantitative evidence that managerial expertise is positively associated with listing. From an RBV perspective, knowledgeable and experienced managers are better positioned to interpret listing requirements, allocate resources and coordinate organisational changes necessary for market participation.

Managerial leadership skills recorded the strongest positive relationship with SME listing ($\beta = 0.363$, $p < 0.001$). This finding extends Magambo (2024) and Mosupye-Semenya (2024) by suggesting that managerial challenges involve not only knowledge deficiencies but also the ability to translate knowledge into coordinated organisational action. Listing requires managers to mobilise employees, strengthen governance, coordinate financial reporting, engage regulators and communicate with prospective investors. Leadership skills are therefore important in translating managerial knowledge into practical listing preparedness.

Managerial financial literacy also had a positive and significant relationship with SME listing ($\beta = 0.271$, $p = 0.002$). This finding supports concerns raised by Magambo (2024) and Mosupye-Semenya (2024) regarding weaknesses in SMEs' financial and managerial capabilities. However, the present study extends their contribution by establishing a measurable association between financial literacy and listing. Financially literate managers are better equipped to interpret financial statements, evaluate financing alternatives, manage risks, understand equity-market requirements and communicate financial information to investors and regulators. These capabilities become particularly important when privately managed enterprises prepare for the disclosure and accountability requirements of public capital markets.

Taken together, the findings provide a more specific explanation of the constraints identified in the Tanzanian literature. Managerial expertise provides the knowledge needed to navigate listing requirements, leadership skills enable the coordination and implementation of necessary changes, and financial literacy supports sound financial decisions, reporting and investor communication. The study consequently extends previous evidence from identifying general managerial constraints to examining the specific capabilities associated with SME listing.

The findings also demonstrate the complementary relevance of RBV and Agency Theory. Under RBV, expertise, leadership and financial literacy represent internal capabilities that strengthen listing readiness. Under Agency Theory, these capabilities can improve reporting quality, accountability and communication, potentially reducing information asymmetry between SME owners, managers, regulators and prospective investors. The comparatively stronger coefficient for leadership suggests that coordinating and translating managerial resources into organisational action is particularly relevant to listing preparedness.

Overall, the findings reinforce existing Tanzanian evidence while demonstrating that managerial expertise, leadership skills and financial literacy are positively associated with SME listing. Efforts to increase SME participation in Tanzania's stock market should therefore complement regulatory and institutional reforms with targeted development of these managerial capabilities.

Limitations

This study has several limitations, some of which follow from the research design. Firstly, the sample comprised SMEs in the DSE Enterprises Acceleration Programme, so the findings may be most directly applicable to similar programmes and warrant caution when extended to other SMEs or contexts. Secondly, the study focused on managerial expertise, leadership skills and financial literacy; other factors, such as firm age, industry, ownership structure and market conditions, were not included and may account for part of the variance not captured here ($R^2 = 0.536$). Thirdly, indicator deletion during measurement refinement may have narrowed construct coverage somewhat, particularly for leadership skills and financial literacy. Finally, the dependent construct captured listing prospects and preparedness rather than actual listing, so whether these capabilities translate into successful admission remains to be established.

Recommendations

SME owners and managers should strengthen financial literacy, leadership, strategic decision-making, governance, and capital-market knowledge through targeted training. CMSA and SME development agencies should expand capacity-building programmes beyond DSE-supported firms, while the Dar es Salaam Stock Exchange should simplify listing procedures and strengthen pre-listing advisory services. Financial institutions and development partners should provide tailored mentorship, financial support, and governance advisory services to improve listing preparedness.

Future research should use longitudinal designs to track SMEs from listing preparation through listing and post-listing stages, and comparative studies across East African exchanges to assess institutional and regulatory differences. Studies should also examine mediating mechanisms such as listing readiness, governance quality, investor confidence, and access to finance, as well as the effects of managerial training interventions. Finally, firm age, industry, ownership structure, firm size, and institutional conditions should be examined as contingency factors influencing the relationship between managerial competence and SME listing success

Conclusions and Implications

Conclusion

The study concludes that managerial competence is an important firm-level determinant of SME listing on stock markets in Tanzania. Managerial expertise, leadership skills and financial literacy provide the capabilities required to meet listing requirements, strengthen reporting, engage investors and manage organisational change. Theoretically, the findings integrate the Resource-Based View (RBV) and Agency Theory. RBV explains how managerial capabilities strengthen internal readiness through effective resource allocation and preparation for listing. Agency Theory explains how these capabilities improve transparency, financial reporting, accountability and communication, reducing information asymmetry between managers, owners and prospective investors. Managerial competence therefore contributes to both organisational preparedness and external credibility.

Implications of the Study

Theoretically, the study establishes managerial competence as both a strategic resource and a governance mechanism in the SME-listing context. It clarifies the complementary roles of RBV in explaining listing readiness and Agency Theory in explaining investor confidence, credibility and perceived investment risk. Practically, SMEs preparing for listing should prioritise managerial development in financial management, capital-market knowledge, strategic leadership, corporate governance and regulatory compliance. Policymakers, stock exchanges and SME-support institutions should complement these firm-level efforts through targeted pre-listing training, financial advisory services, governance development and investor-readiness programmes. Such interventions can strengthen managerial capabilities, improve governance quality and support SMEs' transition into publicly listed firms.

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