

Managerial Competencies and Performance of Small and Medium Enterprises in Yangon, Myanmar

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Abstract

Purpose: This study explores the effect of managerial competencies on the performance of SMEs in Yangon, Myanmar.

Methods: A mixed-method approach was employed, combining qualitative and quantitative data. A structured questionnaire was distributed to 370 SMEs in Yangon, selected through a stratified random sampling technique, and regression analysis was used for quantitative data. In addition, 10 participants were interviewed for the qualitative portion, and thematic analysis was applied to the qualitative data.

Results: The quantitative findings indicate that managerial skills positively impact SME performance, although the influence of certain competencies on business outcomes differs depending on the firm's size. Qualitative analysis revealed that while most SMEs acknowledged the significance of conceptual and technological skills, they were less aware of the importance of human competencies. Furthermore, respondents highlighted the necessity of significant investment to promote business growth and innovation, but these requirements were largely neglected by the government.

Conclusions: This study found that managerial competencies significantly influence SME performance in Yangon, with technical skills being crucial for small businesses and broader competencies for medium-sized businesses. Many SME owners lack awareness of human competencies and face ongoing challenges, particularly limited government support for investment and innovation.

Limitations: This study focuses exclusively on SMEs in Yangon, which may not provide a comprehensive representation of the broader SME sector in Myanmar.

Contribution: The findings of this study are anticipated to offer valuable insights to SME operators, owners, and policymakers in Myanmar.

Keywords: *Conceptual-Competencies, Human-Competencies, Managerial-Competencies, SME Performance, Technical-Competencies*

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1. Introduction

Small and Medium Enterprises (SMEs) are widely recognized as the cornerstone of economies worldwide (Opute, 2020). In Myanmar, SMEs play a vital role in economic development, accounting for a significant portion of the private sector and making substantial contributions to job creation, innovation, and economic growth. Approximately 99% of businesses in Myanmar are classified as

SMEs, employing between 50% and 95% of the national workforce ([Charltons, n.d.](#)). Despite their importance, SMEs in Myanmar face numerous challenges, with limited managerial competencies of their owners and managers being one of the most critical. Many SME leaders lack formal business management education and struggle to access training programs that enhance their managerial competencies.

This gap often results in poor business performance, operational inefficiencies, and difficulty adapting to market shifts. Limited managerial skills are recognized as a significant obstacle hindering SMEs from achieving their full potential, with studies showing that deficient managerial competencies result in minimal or no growth ([Logose, 2022](#)). Moreover, Myanmar's SMEs face broader challenges, such as political instability, limited access to capital, and inadequate infrastructure. These challenges necessitate that SME owners and managers possess a broad range of competencies and knowledge to navigate the unpredictable business environment effectively. However, many SME leaders in Myanmar lack a clear understanding of their managerial competencies and their impact on long-term business performance and growth ([Kapteyn & Wah, 2016](#)).

While substantial research has been conducted on the relationship between managerial competencies and SME performance in other countries ([Ahmad & Ahmad, 2021](#); [Amayreh, 2023](#); [Anoke, Onu, & Agagbo, 2022](#); [Ncube & Chimucheka, 2019](#); [Shomoye-Olusi, Olayemi, & Okonji, 2024](#)), there is a notable gap in studies specifically focusing on Myanmar's SMEs. Furthermore, prior research did not differentiate the effects of managerial competencies on the performance of small versus medium-sized businesses, despite the fact that firm size is a crucial factor influencing business performance for various reasons. This study aims to address this gap by investigating the key managerial competencies that most significantly impact SME performance in Myanmar. It also seeks to analyze the effects of managerial competencies separately for small and medium-sized businesses by categorizing firms based on their size.

In line with the research objectives, this study addresses the following research questions:

1. Is there a relationship between managerial competencies and the business performance of SMEs in Yangon?
2. Do managerial competencies have a different impact on the performance of small firms compared to that of medium-sized firms?

The results will contribute to the existing body of knowledge by offering valuable insights into the link between managerial competencies and SME success in Myanmar. Additionally, the study will provide practical recommendations for SME owners and managers to improve their managerial competencies and enhance competitiveness and long-term sustainability in Myanmar's SME sector. It will also offer business owners insights into the relative importance of various dimensions of managerial competencies, depending on firm size. Furthermore, this research will provide policymakers with crucial insights to develop targeted initiatives aimed at strengthening managerial capabilities and addressing the unmet needs of SMEs in Myanmar.

2. Literature review

2.1 Managerial Competencies

The term "competency" refers to an individual's observable personal traits that contribute to exceptional performance ([Wong, 2020](#)). Research on competencies began with David McClelland, who introduced the Iceberg Competency Model, which incorporates knowledge, skills, abilities, and personal characteristics essential for workplace success ([McClelland 1973](#)). Expanding on McClelland's work, several studies have provided different definitions of competencies. Seeking a unified understanding, McClelland's colleague, Salman, described competencies as fundamental human traits that drive outstanding performance ([Salman et al., 2020](#)). In a broader sense, competencies encompass any factor that can directly or indirectly influence job performance ([Siddiq, Muttaqin, & Wijaya, 2023](#)).

Numerous empirical studies have also explored the impact of managerial competencies on business performance ([Amayreh, 2023](#); [Anoke et al., 2022](#); [Hastuti, Mehmood, & Kraus, 2023](#); [Muhangi, Iqbal, & Kasozi-Mulindwa, 2024](#); [Orobia, Nakibuuka, Bananuka, & Akisimire, 2020](#); [Sualeh & Akram, 2021](#)). Managerial competencies can be categorized into various types, as their roles and importance differ from organization to organization. [Mashavira and Chipunza \(2021\)](#) introduced a three-skill framework consisting of technical, human, and conceptual competencies. Recent studies examining the impact of managerial competencies on business performance have focused on different types and numbers of such competencies. [Orobia et al. \(2020\)](#) explored the relationship between inventory management, managerial competence, and financial performance in small businesses, categorizing managerial competencies into three dimensions: knowledge, ability, and skills. Similarly, [Anoke et al. \(2022\)](#) analyzed the effect of managerial competencies on SME growth and identified three key types: personal, technical, and conceptual competencies. [Amayreh \(2023\)](#) examined the influence of managerial competencies on SME performance in Jordan, focusing on three specific competencies: entrepreneurial orientation, strategic thinking, and financial management. Building on [Mashavira and Chipunza's \(2021\)](#) framework, this study uses three dimensions of managerial competencies (conceptual, human, and technical) that are believed to impact SME performance in Myanmar.

2.1.1 Conceptual Competencies

Conceptual competencies refer to the ability to think critically, strategically, and analytically. These competencies are essential for understanding the broader dynamics of a business and how various elements within an organization interact with each other and the external environment. They allow business owners, managers, and operators to align their actions with the company's strategic objectives, anticipate changes, and navigate the complexities of an ever-evolving business environment. According to [Mashavira and Chipunza \(2021\)](#), conceptual competencies involve seeing the business as a whole, understanding the interdependence of different functions, and recognizing how changes in one area can affect others. These competencies also encompass an understanding of the relationship between a business and its industry, community, and the wider political, social, and economic forces.

[Nzewi, Onwuka, Okoro, and Anah \(2017\)](#) also noted that conceptual skills enable SME managers and operators to think and act strategically, positioning their businesses to compete effectively in a competitive market. From the above, it can be concluded that conceptual competencies enable individuals to critically evaluate ideas and theories while identifying and organizing strategies to address the organization's most pressing challenges. Some empirical studies also suggest that conceptual competencies can enhance both staff performance ([Gitia, 2019](#); [Melo, 2021](#)) and overall business performance ([Mashavira & Chipunza, 2021](#); [Olofu, 2018](#)).

2.1.2 Human Competencies

Human competencies refer to interpersonal and relational skills that allow individuals to engage effectively with others in the workplace. These competencies are crucial for effective management, as they foster strong relationships, promote a positive organizational culture, and ensure efficient teamwork and communication within the company. [Mashavira and Chipunza \(2021\)](#) observed that human competencies are tied to an individual's ability to interact effectively with others, which contributes to making them valuable team members. Additionally, human competencies enable individuals to improve their skills by collaborating and interacting with others. [Mashavira and Chipunza \(2021\)](#) emphasized that individuals with well-developed human competencies are mindful of their attitudes, assumptions, and beliefs about others. [McConnell \(2018\)](#) further clarified that human competencies are essential abilities used in one-on-one interactions with people and can be developed through conscious effort.

In conclusion, human competencies involve the ability to connect with others and are associated with qualities such as empathy, compassion, and genuineness. These competencies serve as a solid foundation for positive work performance, innovation, adaptive thinking, and collaboration. Empirical studies ([Anoke et al., 2022](#); [Mufti, Parvaiz, Wahab, & Durrani, 2016](#)) also suggest that human competencies can improve organizational performance.

2.1.3 Technical Competencies

Technical competencies refer to the specialized knowledge, skills, and expertise required to perform specific tasks within an organization. These competencies are often associated with specific work areas and are essential for managing the technical aspects of a job. Technical competencies play a crucial role in ensuring efficient organizational operations and helping employees excel in their roles. They are typically developed through education, training, and practical experiences. According to [Mashavira and Chipunza \(2021\)](#), technical competencies involve a deep understanding and mastery of specific activities, particularly those related to methods, processes, procedures and techniques.

Technical competence includes specialized knowledge, analytical skills within the field, and proficiency in tools and techniques specific to the discipline. Of the three skills (conceptual, human, and technical), technical competencies are the most familiar, as they are more tangible and commonly required in the workplace. [Ani \(2019\)](#) also noted that technical competencies involve expertise in a specific area, analytical abilities, and the capacity to use the right tools and techniques to achieve personal and organizational goals. It can be inferred that technical competencies encompass expertise, knowledge, and the ability to challenge traditional practices within a business and select the optimal combination of tools and technology to improve performance. Numerous studies ([Anoke et al., 2022](#); [Usman, 2019](#)) have also emphasized the strong link between technical competencies and business growth

2.2 Organizational Performance

Organizational performance refers to how well an organization meets its objectives, goals, and missions. It is a broad concept that assesses the effectiveness and efficiency of an organization in utilizing its resources to achieve the desired outcomes. The measurement of organizational performance can vary depending on the specific goals and activities of the organization. The need for a comprehensive understanding of company performance has led to the development of performance-measurement systems. Different criteria have been used to evaluate firm performance in the literature.

Research has categorized SME performance metrics into two main types: financial and non-financial metrics ([Choongo, 2017](#); [Rashid, Ismail, Rahman, & Afthanorhan, 2018](#)). Financial metrics focus on economic factors, whereas non-financial metrics include indicators such as market share, quality, customer satisfaction, and market effectiveness (Zehira et al., 2016). Some studies have incorporated both financial and non-financial performance indicators ([Al-Mamary et al., 2020](#); [Anoke et al., 2022](#); [Effiom & Edet, 2018](#)). Based on the suggestions of these studies, this study uses both financial and non-financial performance indicators.

2.3 Relationship between Managerial Competencies and Business Performance

[Mehralian, Peikanpour, Rangchian, and Aghakhani \(2020\)](#) investigated how managerial competencies influence business performance in small enterprises. The study analyzed data from 301 managers, 470 clients, and 328 employees of community pharmacies in Tehran, Iran, using structural equation modeling. The findings revealed no significant direct link between managerial competencies and the performance of small businesses. [Ahmad and Ahmad \(2021\)](#) explored how strategic planning mediates the relationship between managerial competencies and SME performance in Punjab, Pakistan. This study applied a stratified proportionate probability sampling method to select 265 SMEs. The findings revealed a positive influence of managerial competencies on SME performance.

[Mashavira and Chipunza \(2021\)](#) investigated the impact of managerial conceptual competencies on SME performance in Harare, Zimbabwe. They employed a strictly quantitative approach, gathering data through a structured survey of 106 SMEs. The findings reveal significant associations between managerial conceptual competencies and SME performance, as measured by innovation and return on investment (ROI). [Anoke et al. \(2022\)](#) investigated the impact of managerial competencies (personal, technical, and conceptual) on SME growth in Abuja, Nigeria. This study focused on managers of registered SMEs, with a sample of 395 participants selected using Raosoft. The findings show that

technical and personal competencies positively and significantly influence SME growth, while conceptual competencies have a negative and insignificant effect.

[Loan et al. \(2023\)](#) explored the relationship between directors' managerial competencies and SME performance in Thanh Hoa Province, Vietnam. The study examined four key competencies: management knowledge, self-management skills, team management skills, and business management skills, surveying 419 SME directors in the process. The results indicate that managerial competencies have a significant positive impact on all aspects of enterprise performance. [Dinku, Singh, and Singh \(2024\)](#) examined the mediating role of innovation practices in the relationship between formal education, managerial competencies, and SME performance in Ethiopia. A combination of proportionate stratified and simple random sampling methods was used to select 425 SME owner-managers for the study. The findings revealed that both managerial competencies and formal education positively influence SME performance and innovation practices.

[Ramadan et al. \(2024\)](#) studied the impact of managerial competencies, such as data-driven decision-making and adaptability, on the financial performance of SMEs in Hungary's business products and services sector. The mixed-methods approach involved semi-structured interviews with 73 inventory and financial managers and a quantitative survey of 210 participants. The findings show that managerial competencies have a significant positive effect on the financial performance of SMEs in this sector. [Shomoye-Olusi et al. \(2024\)](#) investigated the impact of managerial competencies on SME performance in Lagos State, Nigeria, focusing on three key areas: innovation, leadership, and risk-taking competencies. Data were gathered from 736 participants using simple random sampling. The findings reveal significant positive relationships between these competencies and SME performance.

Furthermore, numerous studies emphasize the significant role of firm size in determining business performance due to factors such as economies of scale ([Sellers & Alampi-Sottini, 2016](#)) and greater diversification ([Benito-Osorio, Colino, Guerras-Martín, & Zúñiga-Vicente, 2016](#)). [Březinová \(2021\)](#) also noted that medium-sized enterprises have characteristics that distinguish them from small businesses, which often struggle with economic efficiency issues. Although managerial competencies are recognized as vital for SME success globally, research on their impact on SME performance in Myanmar remains limited. Additionally, there is a lack of studies examining how the impact of managerial competencies on performance varies by firm size. Therefore, this study aims to address these gaps by exploring the relationship between managerial competencies and SME performance and analyzing how these effects differ based on firm size. To test these relationships in the context of SMEs in Yangon, Myanmar, the following hypotheses are proposed.

- H_{a1}:** Managerial competencies are significantly related to SME performance in Yangon, Myanmar.
- H_{a2}:** Conceptual competencies are significantly related to SME performance in Yangon, Myanmar.
- H_{a3}:** Human competencies are significantly related to SME performance in Yangon, Myanmar.
- H_{a4}:** Technical competencies are significantly related to SME performance in Yangon, Myanmar.
- H_{a5}:** The impact of specific managerial competencies on business performance varies depending on firm size in Yangon, Myanmar.

2.2 Conceptual Framework

Drawing from a review of the existing literature ([Anoke et al., 2022](#); [Mashavira & Chipunza, 2021](#)), the following conceptual framework was developed to address the research objectives and questions. In this framework, managerial competencies (conceptual, human, and technical) are the independent variables, while business performance, evaluated in both financial and non-financial terms, is the dependent variable. The proposed conceptual framework is shown in Figure (1).

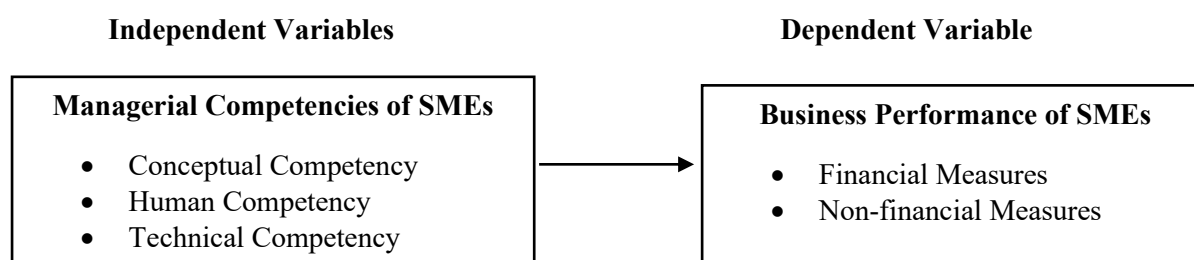


Figure.1 Conceptual Framework of the Study

3. Research methodology

This study used a mixed-methods research design to examine the impact of managerial competencies on SME performance in Yangon, Myanmar. This approach integrates quantitative (questionnaire) and qualitative (interview) methods for data collection, analysis, and synthesis. A quantitative survey served as the primary research method, complemented by qualitative interviews to enhance these findings. Mixed methods combine the advantages of both qualitative and quantitative approaches ([Taherdoost 2022](#)).

3.1 Quantitative Survey

A comprehensive database of SMEs in Myanmar was obtained from the Department of Industrial Supervision and Inspection (DISI). According to DISI records, Myanmar had 41,042 registered SMEs in 2021, consisting of 28,773 small enterprises and 12,269 medium-sized ones. Owners and/or managers in Yangon were selected because of the region's higher concentration of SMEs in the country. Consequently, a total of 3,886 active registered SMEs in the Yangon Region were selected as the target population for this study. Given that SME data are readily available from the DISI, it was possible to create a comprehensive sampling frame for SMEs. Consequently, a probability sampling method was used to ensure that every member of the study population had an equal chance of being selected ([Pace, 2021](#)). The sample size was calculated using [Yamane's \(1967\)](#) simplified formula.

$$n = \frac{N}{1 + N(e)^2} = \frac{3,886}{1 + 3,886(0.05)^2} = 363$$

where n is the sample size, N is the population, and e is the precision level. A sample size of 363 was obtained using the above formula.

A sample of 363 SMEs was collected using stratified random sampling. This approach enhances the representation of various groups within the sample, providing more accurate and efficient parameter estimates than simple random sampling. The study classified firms into two strata based on size and 13 strata based on their business activities. The sample distribution using stratified random sampling is shown in Table 1

Table.1 The Number of SMEs in Yangon and Proportional Allocation of Sample Size

| No | Type of Business | Number of Business in Yangon (Population) | | | Proportionate Sampling (9.3 % of the elements) | | |
|----|--------------------|--|--------|-------|---|--------|-------|
| | | Small | Medium | Total | Small | Medium | Total |
| 1 | Food-staffs | 618 | 632 | 1250 | 58 | 59 | 117 |
| 2 | Apparel | 42 | 309 | 351 | 4 | 29 | 33 |
| 3 | Construction | 127 | 240 | 367 | 12 | 22 | 34 |
| 4 | Private Commodity | 85 | 382 | 467 | 8 | 36 | 44 |
| 5 | Household Articles | 54 | 51 | 105 | 5 | 5 | 10 |

| | | | | | | | |
|-------|-------------------------|-------|-------|-------|-----|-----|-----|
| 6 | Literature and Arts | 80 | 177 | 257 | 7 | 16 | 23 |
| 7 | Raw Material | 11 | 49 | 60 | 1 | 5 | 6 |
| 8 | Metal Products | 123 | 280 | 403 | 11 | 26 | 37 |
| 9 | Agricultural Machinery | 4 | 6 | 10 | 0 | 1 | 1 |
| 10 | Industrial Tools | 5 | 8 | 13 | 1 | 1 | 2 |
| 11 | Transportation Vehicles | 3 | 8 | 11 | 0 | 1 | 1 |
| 12 | Electrical Goods | 0 | 8 | 8 | 0 | 1 | 1 |
| 13 | General Industries | 293 | 291 | 584 | 27 | 27 | 54 |
| Total | | 1,445 | 2,441 | 3,886 | 134 | 229 | 363 |

Source: Directorate of Industrial Supervision and Inspection (DISI) of Myanmar

A total of 370 SMEs participated in the survey, exceeding the required sample size. Increasing the sample size is beneficial because it provides a more accurate estimate and improves the precision of the results. A structured questionnaire was used to collect quantitative data in two sections. The first section focused on collecting demographic information from the respondents, and the second section addressed managerial competencies and SME performance. The second section utilized a five-point Likert scale, with values from 1 to 5 representing Strongly Disagree, Disagree, Undecided, Agree, and Strongly Agree, respectively. The questionnaires were hand-delivered, accompanied by introductory remarks aligned with the topics outlined on the cover page, and research assistants were available only if participants encountered any issues.

A total of 26 questions were designed to assess respondents' perceptions of conceptual competencies, covering skills or expertise in areas such as financial statements, communication, marketing, sales, customer service, SMEs laws, loans, and support. Human competencies were measured using 23 questions focusing on skills in human capital, business performance factors, management activities, and leadership styles. Technical competencies were assessed using 11 questions related to innovation and technical knowledge. The average of these scores was used to represent the respective dimensions of managerial competencies. Overall, 60 questions evaluated managerial competencies by averaging the scores for conceptual, human, and technical competencies. To measure SME performance, five questions were used to assess financial performance, and another five measured non-financial performance. Overall SME performance was calculated by averaging the financial and non-financial performance scores. Data analysis was performed using STATA 14.2 (StataCorp, 2015).

The analysis addressed the validity and reliability concerns. To ensure validity, the initial draft of the questionnaire was reviewed by experts, and their feedback was used to refine and finalize the document. A pilot study was conducted with 40 participants to test the instrument's reliability and consistency; however, their responses were not included in the final data analysis. Cronbach's alpha was used to assess internal consistency, indicating the interaction level among the elements. The reliability analysis results, showing the Cronbach's alpha coefficient (α) for each dimension, are presented in Table 2

Table 2. Reliability Analysis of the Variables

| Sr. No. | Variables | No. of Items | Alpha Value |
|---------|---------------------------------|--------------|-------------|
| 1 | Overall Managerial Competencies | 60 | 0.955 |
| 2 | Conceptual Competencies | 26 | 0.917 |
| 3 | Human Competencies | 23 | 0.873 |
| 4 | Technical Competencies | 11 | 0.878 |
| 5 | SMEs Performance | 10 | 0.872 |

Source: Survey Data (Dec, 2021)

As shown in Table 2, the alpha values for all variables were approximately 0.9 or slightly higher, indicating that the items within each variable's questionnaire were highly consistent and measured a single dimension. The strong reliability index demonstrates that the instruments are dependable and exhibit good internal consistency. Hence, it can be concluded that the measurement scale for each variable in this study was both reliable and consistent. Descriptive statistical measures, such as frequency and percentage, were used to identify general patterns in the data. For a more in-depth analysis, inferential statistics and multiple regression analyses were applied to the data collected. The regression models utilized in this study were as follows:

$$PSMEs = \beta_0 + \beta_1 MC + \varepsilon \quad \text{-----}(1)$$

$$PSMEs = \beta_0 + \beta_1 CC + \beta_2 HC + \beta_3 TC + \varepsilon \quad \text{-----}(2)$$

where;

| | | | |
|-----------------------------|---|----|--------------|
| $PSMEs$. | =Performance | of | SMEs |
| β_0 | =Constant | | |
| $\beta_1, \beta_2, \beta_3$ | = Parameter coefficients of Managerial Competencies | | |
| MC | =Managerial | | Competencies |
| CC | =Conceptual | | Competencies |
| HC | =Human | | Competencies |
| TC | =Technical | | Competencies |
| ε | =Error term | | |

3.2 Qualitative Interview

In the qualitative phase of the study, semi-structured interviews with open-ended questions were conducted to explore a variety of perspectives and approaches to the issue based on personal experiences and practices. Ten participants were selected for the interviews, with five from small-sized firms and five from medium-sized firms based on the quantitative data. The semi-structured interview guide was carefully crafted to ensure that comprehensive information was gathered while allowing for the inclusion of any additional questions that might be necessary to clarify the research objectives.

Participants' views and opinions were collected through face-to-face interviews, which included 16 semi-structured questions across five key themes. These themes covered participants' perceptions of the current business environment in Myanmar, the conceptual, human, and technical competencies needed to enhance SME activity, and the government's role in supporting SME development. Thematic analysis was employed for the qualitative analysis, as it is an appropriate method for interpreting and structuring data in studies of this nature.

4. Results and discussions

The analysis of the survey results is organized into four sections: the socio-demographic profile of the respondents, descriptive statistics, correlation analysis between managerial competencies and SME performance, and regression analysis examining the impact of managerial competencies on SME performance. Additionally, a section discussing the qualitative research findings is included.

4.1 Socioeconomic Characteristics of Respondents

The socio-demographic profile of the respondents includes information on gender, job title, age, education level, training level, years of service, professional experience, business type, industry, and business size (see Table 3).

Table 3. Socioeconomic Characteristics of Respondents (n=370)

| Sr. No | Demographic Characteristics | Frequency | Percentage (%) |
|--------|-----------------------------|-----------|----------------|
| 1. | Gender | | |
| | Female | 130 | 35.14 |
| | Male | 240 | 64.86 |

| | | | |
|----|---|------------|---------------|
| | Total | 370 | 100.00 |
| 2. | Position | | |
| | BOD Member/Shareholder | 16 | 4.33 |
| | General Manager | 201 | 54.32 |
| | Others | 15 | 4.05 |
| | Owners | 138 | 37.30 |
| | Total | 370 | 100.00 |
| 3. | Age | | |
| | Under 25 | 6 | 1.62 |
| | 25-34 | 56 | 15.14 |
| | 35-44 | 140 | 37.84 |
| | 45-54 | 127 | 34.32 |
| | 55 and above | 41 | 11.08 |
| | Total | 370 | 100.00 |
| 4. | Education | | |
| | Primary | 3 | 0.81 |
| | Middle School | 23 | 6.22 |
| | High School | 90 | 24.32 |
| | University | 48 | 12.87 |
| | Certificate/Diploma | 197 | 53.24 |
| | Bachelor's degree | 6 | 1.62 |
| | Master/ PhD | 3 | 0.81 |
| | Total | 370 | 100.00 |
| 5. | Possessing Profession-Related Training, Certification, or Degree | | |
| | Yes | 151 | 40.81 |
| | No | 219 | 59.19 |
| | Total | 370 | 100.00 |
| 6. | Duration of the Business Existence | | |
| | Less than 5 Years | 179 | 48.38 |
| | 5-9 Years | 68 | 18.38 |
| | 10-14 Years | 65 | 17.57 |
| | 15-19 Years | 30 | 8.11 |
| | 20-24 Years | 15 | 4.05 |
| | 25 Years and Above | 13 | 3.51 |
| | Total | 370 | 100.00 |
| 7. | Years of Experience | | |
| | Less than 5 Years | 59 | 15.95 |
| | 5-9 Years | 144 | 38.92 |
| | 10-14 Years | 84 | 22.70 |
| | 15-19 Years | 45 | 12.16 |
| | 20-24 Years | 20 | 5.41 |
| | 25 Years and Above | 18 | 4.86 |
| | Total | 370 | 100.00 |
| 8. | Type of Business | | |
| | Sole Trader | 212 | 57.30 |
| | Partnership | 157 | 42.43 |
| | Private Limited Company | 1 | 0.27 |
| | Total | 370 | 100.00 |
| 9. | Sector of Business | | |
| | Wholesales | 25 | 6.76 |
| | Manufacturing | 333 | 90.00 |
| | Construction | 12 | 3.24 |
| | Total | 370 | 100.00 |

| | | | |
|-----|-------------------------|------------|---------------|
| 10. | Size of Business | | |
| | Small Enterprises | 143 | 38.65 |
| | Medium Enterprises | 227 | 61.35 |
| | Total | 370 | 100.00 |

Source: Survey Data (Dec, 2021)

As presented in Table (3), of the 370 respondents, 240 (64.86%) were male, and the remaining participants were female. The largest group of respondents were general managers, accounting for 54.32%, followed by business owners at 37.30%. The majority of respondents were between the ages of 35 and 44 (37.84%), with the second-largest group being those aged 45–54 years (34.32%). In terms of educational background, 53.24% of respondents held a certificate or diploma, which was the most common qualification, followed by high school graduates (24.32 %). Regarding business-related training, 59.19% of the respondents had not participated in any industry-specific training or acquired qualifications, while 40.81% had completed such programs.

Regarding the duration of the businesses' existence, 48.38% had been operating for less than five years, and the smallest percentage of businesses had been running for more than 25 years. Regarding work experience, 38.92% of respondents had 5–9 years of experience, forming the largest group, followed by 22.70% who had 10–14 years of experience. In terms of business type, 212 firms (57.30%) were privately owned and 157 firms (42.43%) were partnerships. Most SMEs were sole proprietorships. Additionally, a significant proportion of SMEs were engaged in the manufacturing sector, with 333 firms (90%) operating in it. Regarding firm size, 143 firms (38.65%) were classified as small-sized, while 227 firms (61.35%) were medium-sized enterprises

4.2 Descriptive Statistics and Correlations Analysis

The respondents' managerial competencies and performance were assessed using a structured questionnaire that included three competency variables and two SME performance indicators. Each variable was composed of several statements rated on a five-point Likert scale ranging from 1 to 5. As outlined by Lindner and Lindner (2024), the five-point summated scale is interpreted as follows: Strongly Agree = 5 - 4.51, Agree = 4.5 - 3.51, Neither Agree nor Disagree = 3.5 - 2.51, Disagree = 2.5 - 1.51, and Strongly Disagree = 1.5 - 1. Table (4) displays the mean values for the overall managerial competencies and performance of the SMEs surveyed.

Table 4. Managerial Competencies and SMEs Performance

| Sr. No. | Variables | Observations | Mean | Standard Deviations |
|--|---------------------------|--------------|-------|---------------------|
| 1 | Conceptual Competencies | 370 | 3.694 | 0.765 |
| 2 | Human Competencies | 370 | 4.152 | 0.575 |
| 3 | Technical Competencies | 370 | 4.415 | 0.663 |
| Managerial Competencies (Overall Mean) | | 370 | 4.087 | |
| 1 | Financial Performance | 370 | 4.111 | 0.729 |
| 2 | Non-financial Performance | 370 | 4.317 | 0.668 |
| SME Performance (Overall Mean) | | 370 | 4.214 | |

Source: Survey Data (Dec, 2021)

The results in Table (4) show that the average scores for conceptual, human, and technical competencies ranged from 3.694 to 4.415. This indicates that the respondents generally agreed that SMEs possess these three managerial competencies. Furthermore, the overall average score for managerial competencies is 4.087, suggesting that the surveyed SMEs demonstrate a high level of managerial competency. Additionally, the average scores for financial and non-financial performance are 4.111 and 4.317, respectively, indicating that respondents believe that SMEs exhibit strong financial and non-financial performance. The overall mean score for SME performance is 4.214, which reflects that the surveyed SMEs perform at a high standard.

The strength of the relationship between overall managerial competencies (the average of conceptual, human, and technical competencies) and SME performance (both financial and non-financial) is further explored through a correlation analysis. The correlation results for the variables are presented in Table (5).

Table 5. Correlation between Managerial Competencies and SMEs Performance

| Sr. No. | Description | SME Performance | | Financial Performance | | Non-financial Performance | |
|---------|-------------------------|-------------------------|---------|-------------------------|---------|---------------------------|---------|
| | | Correlation Coefficient | P-Value | Correlation Coefficient | P-Value | Correlation Coefficient | P-Value |
| 1 | Managerial Competencies | 0.601 | 0.000 | 0.513 | 0.000 | 0.587 | 0.000 |
| 2 | Conceptual Competencies | 0.537 | 0.000 | 0.452 | 0.000 | 0.531 | 0.000 |
| 3 | Human Competencies | 0.531 | 0.000 | 0.481 | 0.000 | 0.489 | 0.000 |
| 4 | Technical Competencies | 0.588 | 0.000 | 0.486 | 0.000 | 0.591 | 0.000 |

Source: Survey Data (Dec, 2021)

*** Correlation is significant at the 0.01 level (2-tailed)

As shown in Table (5), the correlation values between business performance and managerial competencies range from 4 to 6, indicating a weak-to-moderate relationship between the two.

4.3 Regression Analysis

To assess the effect of managerial competencies on SME performance, a multiple regression analysis was performed. The independent variables included conceptual, human, and technical competencies, while SME performance, encompassing both financial and non-financial aspects, was the dependent variable. The average scores for conceptual, human, and technical competencies were used to represent overall managerial competencies and were treated as independent variables.

The analysis initially focused on the influence of managerial competencies on SME performance. Furthermore, to examine the impact of managerial competencies on performance across small and medium-sized enterprises, the data were analyzed separately for each group. Among the total sample, 227 firms were medium-sized and 143 were small enterprises. The analysis first presents the overall managerial competencies and then provides separate evaluations of conceptual, human, and technical competencies (Table 6).

Table 6. Regression Analysis on Managerial Competencies and SMEs Performance

| Variables | SMEs | | Medium Firms | | Small Firms | |
|-------------------------|----------|---------|--------------|---------|-------------|---------|
| Managerial Competencies | 0.625*** | (0.043) | 1.054*** | (0.066) | 0.419*** | (0.073) |
| Conceptual Competencies | 0.171*** | (0.056) | 0.235*** | (0.075) | 0.100 | (0.087) |
| Human Competencies | 0.072 | (0.086) | 0.330*** | (0.103) | -0.027 | (0.138) |
| Technical Competencies | 0.369*** | (0.071) | 0.500*** | (0.086) | 0.318*** | (0.113) |
| Observation | 370 | 370 | 227 | 227 | 143 | 143 |

Dependent Variable = SMEs Performance

(Standard errors in parentheses)

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table (6) reveals that overall managerial competencies positively impact SME performance. When examining the influence of the three competency dimensions, conceptual and technical competencies significantly and positively influenced SME performance, while human competencies showed no significant effect. Among the two significant factors, technical competencies had a stronger impact than conceptual competencies. When comparing small and medium enterprises, the results indicate that managerial competencies significantly and positively affect the performance of medium-sized firms. All three types of competencies (conceptual, human, and technical) positively contributed to the performance of medium-sized firms, with technical competencies having the greatest influence. For small firms, the results show that while managerial competencies positively affect performance, only technical competencies have a significant positive impact.

Therefore, it can be concluded that overall managerial competencies are essential for all businesses in the industry. While all three types of competencies are important for medium-sized enterprises, technical competencies are crucial for small businesses. Robustness checks were also conducted by incorporating control variables such as age, education, business duration, and experience into the model (Table 7). Despite the inclusion of these additional control variables in the regression analysis, the results remained Stable and dependable.

Table 7. Robustness Test on Managerial Competencies and SMEs Performance

| | SMEs | | Medium Firms | | Small Firms | |
|-------------------------|--------------------|---------------------|----------------------|----------------------|---------------------|--------------------|
| Variables | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | |
| Managerial Competencies | 0.642** (0.050) | | 1.084*** (0.067) | | 0.383*** (0.081) | |
| Conceptual Competencies | | 0.177*** (0.062) | | 0.252*** (0.084) | | 0.056 (0.094) |
| Human Competencies | | 0.092 (0.088) | | 0.372*** (0.107) | | -0.006 (0.144) |
| Technical Competencies | | 0.352*** (0.073) | | 0.470*** (0.089) | | 0.304** (0.118) |
| Gender | 0.010 (0.050) | 0.006 (0.057) | -0.037 (0.056) | -0.042 (0.056) | 0.087 (0.112) | 0.080 (0.112) |
| Age | 0.047 (0.035) | 0.042 (0.035) | 0.009 (0.038) | 0.009 (0.038) | 0.053 (0.060) | 0.046 (0.061) |
| Education | -0.032 (0.028) | -0.021 (0.030) | -0.080** (0.023) | -0.057 (0.039) | 0.044 (0.047) | 0.053 (0.048) |
| Duration | -0.038* (0.022) | -0.032 (0.022) | -0.066*** (0.023) | -0.069*** (0.023) | -0.019 (0.038) | -0.007 (0.039) |
| Experience | -0.022 (0.026) | -0.027 (0.026) | 0.003 (0.029) | 0.005 (0.030) | -0.032 (0.044) | -0.038 (0.044) |
| Observation | 370 | 370 | 227 | 227 | 143 | 143 |

Dependent Variable = SMEs Performance
(Standard errors in parentheses)

*** p < 0.01, ** p < 0.05, * p < 0.1

Test of Hypothesis One

Based on the results in Table (6), the analysis shows a positive and significant relationship between managerial competencies and SME performance, with a p-value of less than 0.05. Therefore, the study supports the alternative hypothesis and concludes that managerial competencies have a statistically significant effect on SME performance in Yangon, Myanmar

Test of Hypothesis Two

Table (6) reveals a positive and significant relationship between conceptual competencies and SME performance, with a p-value of less than 0.05. Consequently, this study accepts the alternative

hypothesis, concluding that conceptual competencies significantly affect SME performance in Yangon, Myanmar.

Test of Hypothesis Three

The findings in Table (6) show a positive but insignificant relationship between human competencies and SME performance, as the p-value exceeds 0.05. This result rejects the alternative hypothesis, concluding that human competencies do not affect SME performance in Yangon, Myanmar.

Test of Hypothesis Four

According to Table (6), there is a positive and significant relationship between technical competencies and SME performance, with a p-value of less than 0.05. This supports the alternative hypothesis, concluding that technical competencies influence SME performance in Yangon.

Test of Hypothesis Five

Table (6) indicates that the impact of specific managerial competencies on business performance differs by firm size. For medium-sized firms, the p-values for all three competency dimensions are below 0.05, while for small firms, only the p-value for technical competencies is less than 0.05, with the others above 0.05. These results support the alternative hypothesis, concluding that the effect of managerial competencies on performance varies depending on the size of the firm in Yangon, Myanmar.

4.4 Qualitative Research

Qualitative interviews were conducted to explore the views of managers and business owners on factors that could positively influence the success of a business. The goal was to validate these perceptions concerning SME success. Participants' opinions on managerial competencies and SME performance were examined through follow-up face-to-face interviews using 16 semi-structured questions. Open-ended questions were used to collect qualitative data, allowing respondents to provide detailed and unbiased answers. Thematic analysis revealed five main themes: the current situation of SMEs in Myanmar; the role of conceptual competencies in improving SME performance; the importance of human competencies in enhancing SME performance; the significance of technical competencies in boosting SME performance; and the government's role in promoting SME growth. The themes are outlined below.

Theme (1) Current Situation of SMEs in Myanmar

Participants were asked, "How is the current situation of your business? Is it rising, falling, or just normal?" Responses indicated a mixed situation: some participants noted that conditions worsened due to COVID-19 and political instability, with SMEs ceasing to offer loans and facing a drop in sales due to power outages and low customer purchasing power. However, others reported growth, with businesses expanding and opening more branches, attributing the increase to wholesale customers purchasing more products to stockpile them.

In general, the state of SMEs in Myanmar seems to be declining.

Theme (2) Conceptual Competencies as the Key to Promote SMEs Performance

The participants were interviewed using guided questions about their understanding of conceptual competencies, such as financial statements, relationships with employees, customer needs, and the qualifications required to start a business. Their views on the importance of these competencies in improving SME performance are summarized as follows: some participants emphasized that understanding financial statements and attending financial training is crucial for large businesses but not necessarily for long-established, self-sustaining, family owned businesses. They explained that when raw material prices increased, they simply raised the product prices. Because their business has been passed down through generations, they can estimate costs based on their experience and skills, eliminating the need for formal financial training.

However, other participants mentioned that as their businesses grew, understanding financial statements became essential for managing their budgets and evaluating profits and losses. They stressed that financial data are key to success and noted that while knowledge of financial statements is important, attending financial management training could still be beneficial, even if they had not participated in such programs. Additionally, participants highlighted the importance of building strong relationships with employees, stating that without good relationships, a business would fail. They also emphasized the need to motivate employees through effective communication. Regarding customer needs, they shared that their long-term relationships with customers helped them understand their preferences, but they also stressed the continuous need to remain in touch with customer feedback. Furthermore, they pointed out that experience, rather than formal education, is essential when starting a business, as practical experience is critical for operational success. In conclusion, all participants agreed that possessing solid conceptual competencies, including financial literacy, marketing knowledge, effective communication with employees, and a thorough understanding of customer needs, is crucial for enhancing SME performance.

Theme (3) Human Competencies as the Key to Promote SMEs Performance

The participants were asked guided questions about their understanding of human competencies, such as business planning, management styles, and leadership approaches, which are needed to run a business. In their responses, they shared their experiences managing their business operations. They highlighted the importance of planning for effective business management, such as using phone calls to attract new customers and avoid sales drops during slow periods of time. For example, they plan production around electricity availability and prepare alternative strategies for power outages. They emphasized that selling products without a plan is ineffective and that having a business plan is crucial for launching new products and achieving strong sales.

When managing their businesses, participants stressed the importance of overseeing sales, finances, and human resources. They consistently reflect on their leadership roles and how their teams perform. If the owner or manager is unavailable, a supervisor or another team member must assume charge. For instance, when a buyer makes a request, an immediate meeting is necessary to decide whether to increase the workforce or to adjust the machine capacity. However, some participants mentioned that they did not require a formal business plan, as their businesses ran smoothly with regular customers. Regarding management styles, most participants felt that mutual understanding was sufficient, and they operated their businesses based on that shared understanding. They also suggested that specific leadership styles are more relevant to larger businesses and not as necessary for SMEs. According to the report, the majority of participants did not significantly emphasize human competencies and were not well-versed in management and leadership styles. Some lacked a comprehensive understanding of the different management and leadership approaches.

Theme (4) Technical Competencies as the Key to Promote SMEs Performance

Participants offered diverse perspectives on technical competencies within the business sector. They stressed that technology is vital for improving SME performance, with product innovation and technical expertise being key to a company's success. They highlighted that investing in technology can enhance business performance, although access to reliable electricity is crucial for technological advancement. Technology also aids in optimizing production and service delivery, ultimately boosting profit. Additionally, proper employee training in technology is essential for improving business performance. Participants emphasized the need for continuous innovation to stay competitive and promote business growth, and staying up-to-date with emerging technological trends. However, some participants felt that technology and innovation had little impact on SME performance. In conclusion, the interview findings indicate that technology plays a critical role in enhancing SME performance, with product innovation and technical expertise being central to the success of the business.

Theme (5) Government's Role to Promote SMEs Performance

Regarding the government's role in supporting SME activities, many respondents were unaware of the SME Law and had never applied for loans due to a lack of knowledge about the available options. Some participants felt that the loan application process was too demanding, while others believed that those with influential connections could obtain loans even with false or invalid documents. Several respondents found the loan process too complicated and time-consuming, which prevented them from qualifying because of stringent requirements. Consequently, many turned to private lenders, whose borrowing processes were more straightforward and less restrictive. However, some participants found it relatively easy to obtain SME loans, especially for businesses that had been operating for more than five years. However, they emphasized the need for lower interest rates to foster SME growth in the region. Additionally, they noted that inadequate infrastructure places a significant financial strain on SMEs, urging the government to focus on improving infrastructure. In summary, the interviews revealed gaps in government support, particularly regarding loans, subsidies, and financial assistance. Limited access to bank loans forced many SMEs to rely on private lenders, often at high-interest rates.

4.4 Discussion on Findings

The results show that managerial competencies have a positive and significant impact on the performance of SMEs in Yangon, Myanmar. This finding is consistent with previous research ([Anoke et al., 2022](#); [Loan et al., 2023](#); [Shomoye-Olusi et al., 2024](#)), which found that managerial competencies positively influence SME performance in different countries. The positive impact of managerial competencies on SME performance in Yangon suggests that businesses with competent management teams are more likely to perform better. These competencies aid in decision-making, problem-solving, adapting to challenges, and seizing opportunities, all of which contribute to the success and effectiveness of SMEs. By enhancing their managerial skills, SMEs in Yangon can improve their operational efficiency, competitiveness, and long-term sustainability in a dynamic business environment.

The study also found that conceptual competencies positively and significantly affect SME performance in Yangon. This aligns with previous studies ([Mashavira & Chipunza, 2021](#); [Olofu, 2018](#)), which highlighted the positive impact of conceptual competencies on SME performance. However, this contradicts [Anoke et al. \(2022\)](#), who reported no significant impact of conceptual competencies on SME performance. Conceptual competencies refer to a manager's ability to think strategically, analyze complex situations, and make long-term decisions to guide a company's growth. In Yangon, managers with strong conceptual skills appear to be better at navigating market changes, identifying opportunities for expansion, and implementing strategies that promote sustainability and competitiveness. Businesses with strong strategic leadership are more likely to adapt to changes and achieve long-term success.

However, this study found that human competencies did not significantly affect SME performance in Yangon, Myanmar. This contrasts with the findings of [Mufti et al. \(2016\)](#) and [Anoke et al. \(2022\)](#), who found a strong link between human competencies and SME performance. Many SMEs, particularly in developing markets such as Yangon, operate with smaller teams and limited resources. Consequently, advanced human competencies such as leadership and team management may not be as critical as technical or operational skills. In smaller teams, informal communication and greater employee involvement may reduce the need for advanced competencies. Additionally, the industry type and specific challenges faced by SMEs in Yangon may also play a role in this result.

The study found that technical competencies have a significant and positive effect on SME performance in Yangon. This finding aligns with [Usman \(2019\)](#) and [Anoke et al. \(2022\)](#), who emphasized the importance of technical competencies for SME success. Technical skills equip managers and owners with the expertise required for efficient day-to-day operations. Because SMEs often operate with limited resources, strong technical capabilities allow them to streamline processes, reduce costs, and improve productivity. In developing markets such as Yangon, where infrastructure and resources may be limited, managers with strong technical skills can quickly identify problems and implement effective solutions, ensuring business continuity and minimizing disruptions. Technical expertise helps SMEs enhance

product or service quality, meet customer expectations, and strengthen their competitive position in the market.

The analysis of SMEs by size revealed different results when comparing small and medium-sized firms. This indicates that not distinguishing between firm sizes may have led to smaller businesses being overshadowed by medium-sized businesses. The findings suggest that while all three types of competencies are essential for medium-sized firms, only technical competencies are crucial for small firms. This is consistent with previous studies ([Sellers & Alampì-Sottini, 2016](#); [Wilden, Gudergan, Nielsen, & Lings, 2013](#)), which emphasize the importance of firm size in influencing profitability and the overall performance. Therefore, managerial competencies impact firm performance differently based on firm size. In smaller firms, practical competencies, such as technical skills and operational efficiency, are especially critical because of limited resources and the need for hands-on management. As businesses grow, they often implement more structured systems that require managers to balance strategy, operations, and human resources. Consequently, medium-sized firms, with their more complex operations, seem to require a wider range of skills to address the growing challenges.

Qualitative analysis suggests that Myanmar's SME sector is experiencing a downturn. This decline may be attributed to factors such as the effects of COVID-19, political instability, financial difficulties with restricted access to credit, rising inflation and operational costs, infrastructure and electricity challenges, and weakened consumer purchasing power due to the ongoing political unrest. Although the participants recognized the importance of conceptual and technological competencies, their understanding of human competencies, such as leadership and management strategies, was limited. Many SMEs operate as family owned businesses or small teams where structured leadership and formal management styles may not be necessary. Decision-making is often based on intuition rather than established leadership practice. SMEs tend to prioritize practical experience and adaptability over formal leadership training, as business owners and employees gain knowledge through hands-on involvement in daily operations. Unlike large corporations, SMEs have fewer employees, making complex leadership strategies less applicable. Therefore, while human competencies play a role, conceptual and technological competencies are more critical for SMEs, as they directly influence business strategy, operational efficiency, and competitiveness.

Participants emphasized the need for significant investment to drive business growth and innovation but felt that the government and relevant authorities largely overlooked these requirements. Consequently, SMEs in Myanmar face considerable challenges due to insufficient government support. The loan application process is often complex and restrictive, with some believing that funding is primarily available to those with influential connections in the bank. High interest rates and strict eligibility criteria make it difficult for SMEs to obtain bank loans, forcing them to rely on private lenders with unfavorable conditions. Despite their crucial role in the national economy, SMEs receive inadequate financial support, subsidies, and infrastructure development from the government.

5. Conclusion

This study examined the role of managerial competencies in shaping SME performance in Yangon, Myanmar using quantitative and qualitative methods. The quantitative findings indicate that managerial competencies positively impact SME performance. However, when distinguishing between small and medium-sized enterprises, the findings indicate that while all three types of competencies are crucial for medium-sized enterprises, only technical competencies are essential for small businesses. Qualitative analysis suggested that most respondents perceived a decline in Myanmar's SME sector. They recognized the importance of conceptual and technological competencies but had limited awareness of human competencies such as leadership and management techniques. Additionally, respondents stressed the necessity of substantial investment for business growth and innovation but felt that these needs were largely ignored by the government and relevant authorities.

The study concludes that managerial competencies play a crucial role in SME performance in Yangon, although their significance varies based on business size. Most SME managers and owners prioritize

conceptual and technological competencies while overlooking human ones. Moreover, SMEs continue to encounter major challenges and unmet needs that remain largely unaddressed by the government.

5.1 Limitation of the Study

This study is limited to SMEs in Yangon, which may not fully capture the challenges and dynamics faced by SMEs across Myanmar, especially in rural and other urban areas with varying economic conditions. The findings are derived from a specific group of SME owners and managers, which may not be sufficiently large or diverse to represent the entire SME sector in the country. Additionally, while this study emphasizes managerial competencies, it does not thoroughly explore external factors that significantly influence SME performance, such as political instability, economic fluctuations, legal and regulatory barriers, or infrastructure shortcomings. Furthermore, although the study identifies gaps in government support, it does not provide an in-depth analysis of specific policies, programs, or economic initiatives that may impact SME growth and managerial development.

5.2 Suggestion

Based on the study's findings, the following recommendations are made to improve the performance of SMEs in Myanmar by enhancing their managerial competencies. SME owners and managers should undergo training in financial management to improve their decision-making and ensure business sustainability. Additionally, business owners should gain a deeper understanding of market trends, customer needs, and competitive strategies to enhance their adaptability and ensure long-term success. Improving communication and relationship-building skills is crucial for fostering stronger collaboration with employees, customers and suppliers. SME owners should implement structured management and leadership strategies to enhance operational efficiency and employee motivation. Business planning should also be prioritized to help SMEs navigate economic uncertainty and market changes. Leadership development programs should be introduced to equip business owners and managers with essential skills, such as strategic thinking, problem-solving, and team management. SMEs should invest in modern technology to streamline their operations, increase productivity, and drive product innovation. Training programs should be established to help employees acquire the relevant technical competencies.

Furthermore, government and private sector support should be increased to assist SMEs in adopting digital tools and technological advancements to remain competitive. The government should simplify the SME loan application process and offer financial literacy programs to help business owners access the funding. To encourage SME growth, lower interest rates and more flexible repayment terms should be introduced in the banking system. Improvements in infrastructure are necessary to create a more favorable environment for SME growth. The government should engage directly with SME owners to better understand their challenges and develop policies that support their growth. Transparency in loan distribution should be increased to ensure fair access to financial aid. Policies aimed at developing SMEs should be effectively implemented and continuously reviewed to adapt to changing economic conditions.

5.3 Suggestion

Banks should cautiously adopt diversification strategies, ensuring alignment with operational capacity and risk management frameworks. Policymakers should promote balanced diversification and encourage deposit mobilization. Future research should include comparative studies, account for qualitative variables, and examine the roles of regulatory and technological factors.

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