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Research Article

Organisational Context Factors Shaping Tanzanian LGAs' Intention to Adopt Innovative Financing Instruments: Financial Advice Moderates

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Abstract

Purpose:

This study uses the TOE framework to examine how organisational factors influence the intention to adopt innovative financing instruments (IAIFI) among Tanzanian LGAs and to test whether financial advice moderates these relationships.

Design/Methodology: Data from 255 finance officers and decision-makers across 6 Cities and 20 Municipal Councils were collected using a structured questionnaire that covered LGA's divisions, departments, sections and units. PLS-SEM tested the study's hypotheses.

Findings: Results show that financial advice has a significant positive direct effect on IAIFI and also moderates the effects of institutional pressure and organisational culture on IAIFI. Additionally, organisational culture, top management support, and institutional pressure significantly influence IAIFI, whereas organisational legitimacy does not ($p > 0.05$, $t < 1.96$). The model explains 65.7% of IAIFI variance.

Practical Implications: These findings suggest that Tanzania can accelerate IFI adoption by strengthening advisory support, streamlining approvals, reducing bureaucracy, and building LGA capacity. LGAs should establish IFI task teams with clear roles, timelines and budgets.

Originality: This study extends the literature on innovation adoption by identifying financial advice as a key moderator that mitigates the effects of institutional pressure and organisational culture on the IAIFI, thereby addressing a critical gap in public sector financing and innovation.

Introduction

Innovative Financing Instruments (IFIs) refer to new and alternative mechanisms for mobilising financial resources that extend beyond traditional sources of finance, such as taxes and government transfers (Albertson et al., 2020; Kapesa et al., 2022). Recently recognised IF instruments include municipal bonds, social impact bonds, climate change financing, carbon trading, Public Private Partnerships (PPP), and crowdfunding (Kapesa et al., 2022). Recent empirical evidence shows that IF instruments primarily benefit Local Government Authorities (LGAs). Globally, IFIs have become vital tools for development finance, especially in low and middle-income countries. These mechanisms have increased the US dollar by 8.9 billion in the USA between 2002 and 2015, with most of it going to health programmes via the Global Fund (Atun et al., 2017). More recent evidence shows that IFIs generate additional revenue, increase the effectiveness of existing resources, and promote change in the public sector (Havemann et al., 2020; Ismujatmika et al., 2025). Similarly, as per the G20 Sustainable Finance Working Group (2023), IFIs have proven to offer opportunities to leverage funds, improve the targeting of scarce resources, and support financing policy reforms. Such financing policy reforms help developing nations tap international capital markets when risk appetite is low, thereby limiting their vulnerability to capital flow volatility (Chavarría-Flores & Warren, 2024; Lindner & Prasad, 2025).

Notwithstanding those benefits, the existing literature postulates that the adoption rate of IFIs remains limited due to various barriers; for instance, globally, IFIs in the health sector are represented only by 2.3% of overall development assistance for health from 2002 to 2015 (Atun et al., 2017; Wang et al., 2025). This low adoption of IFIs reflects barriers such as investors' hesitation, organisational and administrative constraints, structural constraints, and regulatory constraints that hinder global scaling, thereby dampening market enthusiasm (Dahbi et al., 2024; Gorelick et al., 2024). In Tanzanian LGAs, identified barriers include structural challenges, especially the limited ability of many municipalities to raise sufficient revenue (The United Republic of Tanzania [URT], 2021a). Other barriers include governance and institutional capacity issues, higher issuance costs and risks, difficulties obtaining approval, the small size of bond markets (Babatunde & Perera, 2017), and leadership changes every five years (Mawardi et al., 2022). These barriers highlight the need for research on organisational factors affecting the adoption of IF instruments by Tanzanian LGAs and the mechanisms that influence these relationships, underscoring the study's importance.

In Africa, the low adoption of IFIs is evidenced by only a few identified examples. Zimbabwe, for example, does not currently utilise conventional innovative instruments for public infrastructure financing (Kapesa et al., 2022). Although the adoption of IF instruments, such as municipal bonds, as effective methods for development financing has gained traction globally, as articulated, their adoption rate in Tanzania remains limited, and the pace of adoption is very low (Gorelick, 2018; URT, 2021b; U.S. Agency for International Development [USAID], 2018). Additional evidence of low adoption in Tanzania is the bond market, which is currently underutilised by both the public and private sectors, accounting for only about 5 per cent of GDP, compared to peer nations, where figures are in the double digits (URT, 2021a). In addition, the use of carbon trading is the only well-known IF instrument practised by LGAs, especially in the Tanganyika and Mbulu District Councils (Matekele et al., 2025), indicating that the adoption of IF instruments remain in its early stages. For Tanzanian public sector entities (PSEs), the low adoption of IFIs is evidenced by Tanga UWASA issuing a green bond worth TZS 53.12 billion in 2023, which was the country's and East Africa's first sub-national green bond (URT, 2023). Despite the current low adoption, IFIs remain a crucial instrument for sustainable financing of infrastructure projects, and Tanzanian LGAs can leverage this strategy to support the five-year development plan phase II (FYDP II), the attainment of SDGs (URT, 2021a), and help them to provide the necessary social services to citizens (Khan et al., 2022).

Empirically, numerous studies have examined how organisational context factors can promote or deter the adoption of innovation in financial practices. This matters most because an organisation that aligns its values with financial innovation is more likely to succeed in adopting innovation or technology (Meza Rivadeneira et al., 2024). For instance, in the study, the use of Cloud-Based Enterprise Resource Planning (ERP) systems, Qutaishat et al. (2023) and AlBar & Hoque (2019a) reveal that adoption intention is influenced by organisation culture, top management support and employee skills. Likewise, top management support had a significant effect on the adoption of big data in the business-to-business (B2B) environment (Sun et al., 2020). Moreover, organisational legitimacy facilitates the implementation of crowdsourcing in government organisations (De Coninck et al., 2023). Notwithstanding, some studies have indicated the significance of organisational context factors in the adoption process. Other aspects have failed to demonstrate a significant role in the innovation process; for example, a study by AlBar & Hoque (2019a) found that organisational culture did not influence the adoption of cloud ERP. In contrast, cultural backgrounds have been shown to influence how individuals think about and adopt new financial models (Cervantes et al., 2017), illustrating the dynamics of cultural effects. While organisational context factors are extensively examined in other contexts and are recognised as crucial to innovation adoption, few studies have examined them in relation to the adoption of IF instruments (Simpson et al., 2020). Hence, this study is necessary to bridge this gap.

To address the identified gap, this study uses the Technology-Organisation-Environment (TOE) Framework (Tornatzky & Fleischer, 1990) to explain the intention to adopt IF instruments, drawing on internal organisational conditions and external environmental pressures. According to Tornatzky & Fleischer (1990), the TOE model comprises three contexts that determine the adoption of innovation. These are the technological, organisational, and environmental contexts (Sherer et al., 2016). Specifically, this study focuses on organisational context factors, including organisational culture, top management support, institutional pressure and organisational legitimacy, and examines how these factors influence the intention to adopt IFIs. Furthermore, by adding nuance to this framework, financial advice emerges as a crucial moderating variable, serving as an enabling means that reduces uncertainty, helps LGAs interpret standards, and supports compliance, thereby strengthening adoption pathways (Cordasco et al., 2021; Simeth, 2022). Including financial advice as a moderating factor will deepen understanding of how organisational dynamics interact with organisational capacities to influence adoption outcomes. Exploring this moderation effect, this study not only identified organisational determinants but also demonstrated how advisory support and financial capacity-building can be implemented in practice to facilitate the effective adoption of IFIs in Tanzanian LGAs. Accordingly, this study investigates the interplay among selected constructs, namely organisational culture, top management support, institutional pressure, organisational legitimacy, financial advice, and the intention to adopt IFIs in Tanzanian LGAs. The remainder of this paper is arranged as follows: The following section reviews theoretical and related literature as well as the development of hypotheses, followed by a discussion of methodological issues. After that, the results and discussion are provided, followed by the conclusion, implications, limitations and avenues for future research.

Literature Review

The Technology-Organisation-Environment (TOE) Framework

The Technology-Organisation-Environment (TOE) framework, initially proposed by Tornatzky & Fleischer (1990), aims to understand the determinants of organisational-level adoption. This study utilises the TOE framework to explain how organisational factors influence the intention to adopt IFIs. In the TOE framework, the adoption of innovation is shaped through three dimensions, which are technology, those within the organisation (the organisational context) and conditions outside it (the environmental context), together with the characteristics of the innovation itself (Clohessy & Acton, 2019; Sun et al., 2020; Tornatzky & Fleischer,

1990). The present study focuses on organisational and environmental dimensions because they are most directly linked and align with LGAs' intentions to adopt IFIs. The organisational dimensions capture organisational features such as culture, structure and top management support (Clohessy & Acton, 2019; Sun et al., 2020). Previous studies have highlighted that an innovation–friendly organisational culture can encourage adoption by reducing internal resistance to new financing mechanisms (Rafizal et al., 2019). Likewise, leadership support and engagement can increase the chance of adoption by legitimising change and mobilising resources. From other perspectives, organisational factors can operate unevenly, so that strong leadership is not enough to influence adoption and may not translate into adoption if IFIs are viewed as reputationally risky or staff capacity is limited (Alsyouf et al., 2022; Korzyński et al., 2024). In the same manner, depending on accountability pressures and the organisation's norms, the organisational culture can either reinforce risk-avoidance or enable experimentation (Cao et al., 2025; Vassallo et al., 2023). Therefore, in the LGA context, this mixed pattern advocates that there is a need to assess these associations empirically rather than assuming uniform effects

Shifting focus to environmental dimensions, which include external pressures, legitimacy and legal frameworks, these external forces may create an enabling environment for adoption by encouraging LGAs to pursue IFIs (Sherer et al., 2016). However, high transaction costs and unclear requirements can hinder adoption. Adade & de Vries (2025) note that political pressures from leaders and community demands may push LGAs to adopt IFIs, but these can increase perceived risks if decision space is limited. Clear policies can boost trust and legitimacy, encouraging adoption, but legitimacy alone doesn't ensure implementation without supporting systems and capabilities (Rafizal et al., 2019). The TOE framework helps explain why IFI adoption varies among LGAs in the same country. Having expounded on the TOE framework, the discussion below reviews the study constructs relevant to the study hypotheses.

Development of Hypotheses

Organisational culture and intention to adopt IFIs

Organisational culture encompasses a set of shared assumptions, values, beliefs, and routines that are demonstrated through an organisation's goals and practices and that assist its members in understanding how it functions and how to respond to change (Khazanchi et al., 2007; Schein, 2010). In the LGAs context, it is evident that organisational culture shapes how leaders and staff encourage coordination, learning, and problem-solving across divisions, departments, and units (Gorelick et al., 2024). This culture, in turn, influences their ability to make sound financial decisions (Havemann et al., 2020). Therefore, a culture that supports problem-solving and experimentation is more likely to facilitate the adoption of new financing approaches. Accordingly, the intention to adopt IF instruments is closely linked to organisational culture, as adoption typically requires thorough preparation, including developing project pipelines, conducting feasibility studies, and establishing compliance routines (Gorelick et al., 2024; Maltais & Nykvist, 2021).

Empirically, the literature suggests that supportive organisational cultures are associated with higher intentions to adopt innovation. For instance, several studies have highlighted cases in which organisational culture has the greatest impact on innovation adoption (AlBar & Hoque, 2019b). Additionally, Khazanchi et al. (2007) and Qutaishat et al. (2023) found that organisational culture can influence innovation adoption when linked to organisational strategies. This implies that when organisational culture aligns with organisational strategies and objectives, it can play a significant role in shaping intention to adopt IFIs. In the same manner, literature advocates that the association between organisational culture and adoption intention in the public-sector financing settings may be stronger when paired with staff capability who clearly understand instrument requirements (Zervas & Triantari, 2025). Accordingly, this study proposes that:

H1: *Organisational culture significantly influences the intention to adopt innovative financing instruments.*

Top management support and the intention to adopt IFIs

While organisational culture shapes organisational intention, leadership support determines whether that intention is converted into actual implementation. Therefore, top management support can be exerted when senior leaders in an organisation actively prioritise and champion adoption, ensure adequate resource allocation, and effectively integrate it into organisational strategies. In this way, top management support in deciding whether to adopt innovations is significant, as it helps ensure the necessary resources are available to implement them (Christiansen et al., 2022). This implies that, to move adoption intention from discussion to action in LGAs, senior leaders must demonstrate commitment to coordinating their divisions, departments, and units and to prioritising and allocating sufficient resources to this end. This matters because adoption of IFIs often involves multi-step processes such as structuring, approvals, verification and reporting that require leadership support to sustain attention over time (Gorelick et al., 2024; Havemann et al., 2020).

Empirically, previous studies have identified top management support as a key driver of innovation adoption in organisations. Consequently, leaders set the tone and direction, decide whether to adopt innovations, and influence organisational decisions (AlBar & Hoque, 2019b; Wang et al., 2010). Likewise, in an organisational setting, Rogers (2003) and Qutaishat et al. (2023) observe that top management decisions characterise and drive the intention to adopt innovation. Therefore, the desire of top managers to adopt innovations may have a profound impact on their adoption, as they may offer strategic guidance, authority, and resources to implement them (Sun et al., 2020). However, even strong leadership commitment may not be sufficient to influence adoption if technical capacity is limited. This suggests that leadership effects on adoption may depend on access to trustworthy advisory support, an issue examined through the moderator in this study. Therefore, the proposed hypothesis is as follows:

H2: Top management support significantly influences the intention to adopt innovative financing instruments.

Institutional pressure and the intention to adopt IFIs

Beyond internal factors, LGAs operate in a tightly governed public finance field in which borrowing, disclosure and procurement decisions are scrutinised by central government (e.g., approvals/borrowing ceilings), regulators, auditors and development partners. Institutional theory explains how such environments generate coercive (laws, approvals, audit and reporting mandates), normative (professional public financial management standards) and mimetic (peer-LGA benchmarking) pressures that shape organisational intentions by rewarding conformity and penalising non-compliance (DiMaggio & Powell, 1983; Aksom & Vakulenko, 2024). In Tanzanian LGAs, pursuing innovative financing instruments (IFIs) typically requires ex ante approvals, compliance documentation and post-issuance accountability, so stronger external oversight can increase the perceived necessity of adopting IFIs that align with policy priorities and legitimacy expectations. Empirical public-sector evidence shows that political and institutional pressures influence local-government adoption decisions in complex reforms and digital initiatives (Adade & de Vries, 2025; Simpson et al., 2020), and that advisory support helps public organisations translate these pressures into implementable routines (Machljankin et al., 2024). Parallel evidence from regulated sustainable-finance domains indicates that regulatory policy significantly conditions green bond issuance (Saravade et al., 2023) and that institutional pressure supports sustainability-oriented innovation pathways (Lee et al., 2024). Consistent with institutional-pressure adoption research (Liu et al., 2010; Mishra et al., 2025), we therefore expect institutional pressure to strengthen Tanzanian LGAs' intention to adopt IFIs. Therefore, the following hypothesis is formulated:

H3: Institutional pressure significantly influences the intention to adopt innovative financing instruments.

Organisational legitimacy and the intention to adopt IFIs

Organisational legitimacy refers to the perception or assumption that an entity's actions are desirable, credible, proper, or appropriate within a socially constructed system of norms, values, beliefs, and definitions (De Coninck et al., 2023). In the context of this study, legitimacy is conceptually distinct from culture: culture concerns internal, shared ways of working and how work is done, whereas legitimacy is an external judgement about how others perceive the organisation and whether it deserves support and trust. According to Deegan (2002), the legitimacy of organisations is determined by their pursuit of socially acceptable goals in a socially acceptable manner, reflecting their conformity to standards and expectations. Therefore, organisations gain legitimacy by fulfilling regulations, practising social responsibility, or maintaining a good reputation (Liu et al., 2010). In adopting IF instruments, legitimacy is vital as oversight bodies, investors, and partners expect transparency and accountability (Maltais & Nykvist, 2021; Simeth, 2022). Tanzanian LGAs might adopt IF tools to bolster legitimacy and stakeholder relations. However, legitimacy is multidimensional; it may not translate into adoption if organisational capacity is weak or if high compliance costs hinder adoption. Gorelick et al. (2024) warn that reporting and certification requirements for green municipal bonds in developing countries can increase complexity and costs, weakening the relationship between credibility and adoption. Accordingly, and due to this mixed logic, the following hypothesis is proposed:

H4: Organisational legitimacy significantly influences the intention to adopt innovative financing instruments.

Financial advice as a moderating variable

Financial advice is access to professional advice and expertise that aids effective financial decision-making. This comprises professional guidance on feasibility analysis, instrument choice, documentation, compliance, disclosure, and post-financing reporting. In practice, financial advisory support comes from internal specialists, consultants, or development partners. According to USAID (2018), financial advice entails the expertise and guidance offered by financial advisors to assist LGAs in planning and executing initiatives such as municipal bond offerings. Similarly, Chatterjee & Fan (2023) describe financial advice as guidance provided by professional advisors to individuals, households, and organisations to help them make the best financial decisions. Similarly, the empirical evidence from local government reform contexts notes that municipalities often rely on consultants and guidance from professional advisors when changes are complex and standards-intensive (Machljankin et al., 2024). In the context of this study, financial advice is the structured guidance and knowledge provided by financial advisors to LGAs officers, enabling them to make informed and strategic financial decisions. It is considered a moderating variable that can influence the strength and direction of the relationship between organisational context factors and the intention to adopt IFIs (USAID, 2018). Specifically, financial advice can amplify the positive effects of supportive organisational context factors, such as leadership encouragement, collaborative culture, and openness to innovation by providing the knowledge and confidence necessary to implement complex financial tools (Ismujatmika et al., 2025). Therefore, the following hypotheses were developed.

H5: Financial advice significantly influences the intention to adopt innovative financing instruments.

H6: Financial advice moderates the influence of institutional pressure on the intention to adopt innovative financing instruments.

H7: Financial advice moderates the influence of organisational culture on the intention to adopt innovative financing instruments.

H8: Financial advice moderates the influence of organisational legitimacy on the intention to adopt innovative financing instruments.

H9: Financial advice moderates the influence of top management support on the intention to adopt innovative financing instruments.

Conceptual Model

Figure 1 below presents a conceptual framework linking organisational culture, top management support, institutional pressure, organisational legitimacy, financial advice and the intention to adopt innovative financing instruments.

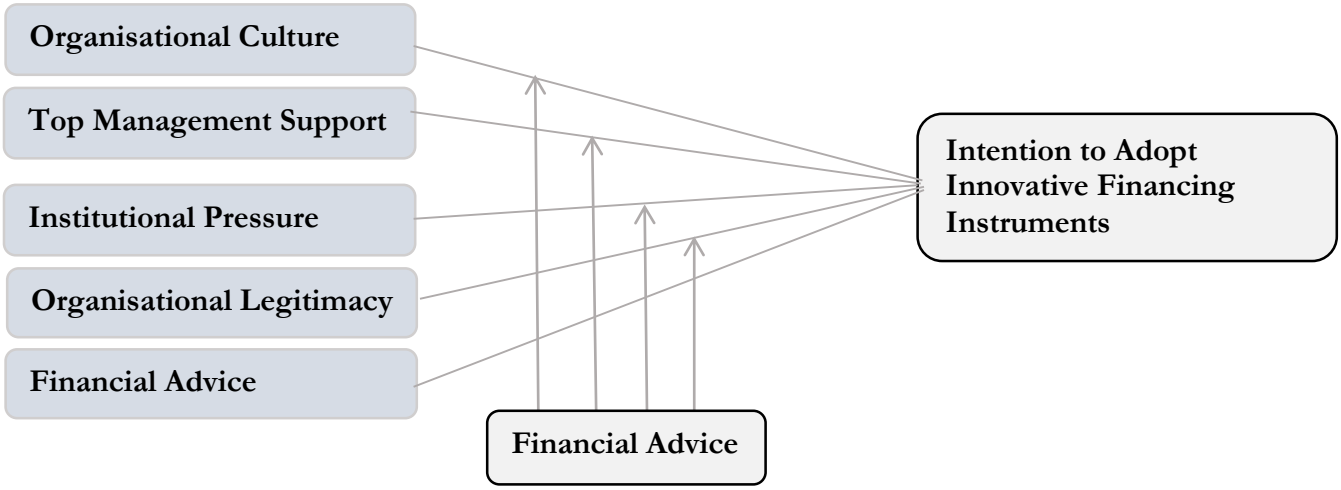

Figure 1: Conceptual Model

Source: Authors (2025)

Methodology

Study Settings, Research Design, Unit of Analysis and Enquiry

This study was carried out in Tanzanian Local Government Authorities (LGAs), with a specific focus on the 6 Cities and 20 Municipal Council levels. The selection of these urban levels was based on their policy relevance to issuing IF instruments, financial capacity to repay and service debt, and ability to manage larger service delivery responsibilities (Capital Markets and Securities Authority [CMSA], 2019). The study utilised a cross-sectional design, which is useful for collecting data at a particular time and place. This methodological approach is appropriate for studying the practices and beliefs of the entire population in their natural social environment (Saunders et al., 2019). However, a cross-sectional approach cannot confirm causal direction or temporal changes, and therefore, the findings were interpreted as statistical associations consistent with the TOE framework rather than definitive causal effects (Creswell & Creswell, 2023; Saunders et al., 2019). Moreover, using the census approach, the purposive sampling method was used to select the entire population of 26 LGAs (City and Municipal Councils) from the total of 184 LGAs. The unit of enquiry for this study was the finance officers and decision makers consisted of the following individuals: Council Director, Chairperson of the Finance and Administration Committee, head of the Finance and Accounts unit, Revenue Accountant, head of the Planning and Coordination division, head of the Internal Audit unit, head of the Legal Services unit, head of the ICT unit, an officer responsible for the Planning and Budgeting section, as well as one Councilor.

Sample Size and Data Collection Methods

To determine the appropriate sample size, 10 respondents were selected per LGA, assuming that, upon completion, a total of 260 respondents would be surveyed. Nevertheless, 255 respondents completed the questionnaires and returned them, yielding a participation rate of 98%. Therefore, this study surveyed individual LGA finance officers and decision-makers (N=255) from 26 LGAs with significant knowledge of IF Instruments. For PLS-SEM analysis and standards, the selected sample size exceeds recommended thresholds, which emphasise statistical power and model complexity rather than population tables (Hair & Alamer, 2022;

Kock & Hadaya, 2018). Data were collected between July 2024 and December 2024 using structured questionnaires through the drop-off and pick-up method and analysed at the individual level to understand perceptions, which were aggregated to the LGA level to assess their intention to adopt IFIs. The authors distributed printed questionnaires to selected LGA officers and agreed on a collection date. Researchers conducted two follow-ups via email/calls and visits for non-responders before final collection. Additionally, respondents received a brief study explanation and sufficient time to respond, considering their busy schedules. These methods align with best practices for survey administration, improving data quality and response rates (Creswell & Creswell, 2023; Saunders et al., 2019).

Variable Measurements, Reliability and Validity

The borrowed, adapted, and modified validated instruments from prior research helped gather well-established items used for this study. Specifically, this methodology was used to incorporate contextual factors related to the intention to adopt IF instruments. The items of the variables regarding the organisational culture were modified and adjusted based on Qutaishat et al. (2023), top management support was inspired by Sun et al. (2020), institutional pressure relied on and was inspired by Liu et al. (2010), organisational legitimacy from De Coninck et al. (2023) and the moderator's financial advice from Ennew (1992). Additionally, in this study, the dependent variable captures LGAs' intention to adopt innovative financing instruments rather than actual adoption. This operational choice reflects the current context in Tanzania, where the adoption of IFI at the LGA level remains limited, with only a few emerging examples. All measurement items were assessed on a 5-point Likert scale (1 = strongly disagree to 5 = strongly agree) to rank their level of agreement or disagreement with each statement for each variable (Aybek & Toraman, 2022).

Common Methods Bias and Multicollinearity

This study addresses potential methodological issues, such as common-method bias (CMB) and multicollinearity, using procedural and statistical techniques. Procedures included designing the questionnaire with clear, relevant items and ensuring anonymity to reduce response bias. Statistically, variance inflation factors (VIFs) and correlation matrices all fell below critical thresholds- VIFS under 5 and the maximum TMS3 at 3.643, slightly above the recommended 3.3, but multicollinearity was within acceptable ranges with tolerance levels over 0.2 and correlations below 0.80. Harman's single-factor test in SPSS 27 showed the first factor explained only 35.8% of variance, below 50%, indicating no significant CMB.

Data Analysis Plan

This study analysed the hypothesised relationships using Partial Least Squares Structural Equation Modelling (PLS-SEM) with SmartPLS 4, which possesses a sophisticated PLS algorithm and Bootstrapping. The PLS-SEM was chosen because it is a renowned variance-based technique that considers total variance and utilises it in parameter estimation (Hair et al., 2019). Using a composite approach, PLS-SEM enables the examination of direct relationships between constructs and their indicators (Richter et al., 2016).

Results

Respondents Characteristics

The results (Table 1) show that the majority of respondents (62.4%) were male, while 37.6% were female. Moreover, the majority of respondents were aged between 31 and 40 years (71.4%), followed by 18-30 years (18.4%), suggesting that the economically active population participated in this study. Furthermore, 73.3% of participants were married, followed by single (22.7%), separated (1.6%), and divorced (2.4%). This suggests that individuals with household responsibilities were more likely to be employed in LGAs to meet family needs.

Additionally, 56.5% of respondents had a bachelor's degree, and 32.9% had master's degrees, ranking second, indicating that the majority of respondents were well educated with bachelor's and master's degrees, suggesting they have an understanding of IFIs in LGAs. Lastly, 42.7% of respondents had 11-20 years of job experience, which is a fair amount. Individuals with 21-30 years of job experience came in second, comprising about 42% of the sample. This indicates that respondents who participated in the study have experience with the adoption of IFIs, with the least job experience being 10 years or less.

Table 1. Respondents' Characteristics (N=255)

Category	Criteria	Frequency	Percentage (%)
Gender	Male	159	62.4
	Female	96	37.6
Age	18-30	47	18.4
	31-40	182	71.4
	41-50	25	9.8
	51 and above	1	0.4
Marital Status	Single	58	22.7
	Married	187	73.3
	Separated	4	1.6
	Divorced	6	2.4
Education Level	Certificate/Diploma	25	9.8
	Bachelor Degree	144	56.5
	Master Degree	84	32.9
	PhD	2	0.8
Working Experience (Years)	Less than 10	5	2.0
	11 – 20	109	42.7
	21 – 30	107	42.0
	31 and above	34	13.3

Source: SPSS Output

The Measurement Model Results

This section assesses the measurement model's reliability and validity before hypothesis testing. Indicator loadings confirm that each item reflects its construct and indicate good reliability. Internal consistency is assessed using Cronbach's alpha and composite reliability. Convergent validity is evaluated using the Average Variance Extracted (AVE). Discriminant validity is assessed using the HTMT ratio to ensure that the constructs are distinct before presenting the structural model results. Results of the measurement model for each part are as follows.

Regarding indicator reliability and collinearity, the results in Table 2 indicate that loadings ranged from 0.745 to 0.915, within the required range of 0.700, suggesting good reliability (Hair et al., 2020). Institutional pressure shows strong item loadings of 0.892-0.915. Regarding multicollinearity, the VIF scores were below 5.0, ranging from 1.423 to 3.692, confirming that the data did not exhibit multicollinearity (Hair & Alamer, 2022). Additionally, Cronbach's alpha and composite reliability were used to test construct reliability. Each construct reported Cronbach's alpha exceeding the acceptable limit of 0.700, ranging from 0.772 (TMS) to 0.928 (OL), indicating high internal consistency. On the same note, composite reliability values range from 0.772 to 0.931, indicating acceptable internal consistency across all constructs. In addition, the AVE values range from 0.626 to 0.822, supporting convergent validity and indicating that all constructs account for adequate item variance.

Table 2. Measurement Model

Variables	Outer Loadings	VIF	Cronbach's Alpha	Composite Reliability	AVE
CP			0.890	0.893	0.820
CP1	0.892	2.468			
MP			0.890	0.893	0.820
MP1	0.909	2.649			
NP			0.890	0.893	0.820
NP1	0.915	2.722			
OC			0.779	0.790	0.695
OC1	0.873	1.847			
OC2	0.768	1.423			
OC3	0.856	1.781			
OL			0.928	0.931	0.822
OL1	0.903	2.990			
OL2	0.907	3.315			
OL3	0.912	3.692			
OL4	0.904	3.341			
TMS			0.772	0.772	0.687
TMS1	0.815	1.564			
TMS2	0.853	1.790			
TMS3	0.817	1.505			
FA			0.803	0.821	0.626
FA1	0.785	1.763			
FA2	0.818	1.818			
FA3	0.745	1.505			
FA4	0.814	1.515			
IAIFI			0.828	0.836	0.745
IAIFI1	0.890	2.114			
IAIFI2	0.820	1.672			
IAIFI3	0.878	2.068			

Source: SmartPLS 4 Output

Notes: Institutional Pressure (CP=Coercive Pressure, MP =Mimetic Pressure, NP = Normative Pressure), OC = Organisational Culture, OL = Organisational Legitimacy, TMS = Top Management Support, FA= Financial Advice and IAFI = Intention to Adopt Innovative Financing Instruments

For discriminant validity, the HTMT values in Table 3 range from 0.699 to 0.837, all below the widely accepted threshold of 0.85, confirming that the constructs are distinct. This indicates that each construct is empirically distinct and uniquely contributes to explaining the intention to adopt IFIs.

Table 3. Discriminant Validity: Heterotrait-Monotrait Ratio (HTMT) Matrix

Variables	IAIFI	FA	IP	OC	OL	TMS
IAIFI						
FA	0.832					
IP	0.797	0.795				
OC	0.819	0.699	0.837			
OL	0.709	0.715	0.762	0.801		
TMS	0.806	0.817	0.764	0.827	0.732	

Source: SmartPLS 4 Output

In addition, the Fornell-Larcker criterion (Table 4) shows that the square root of each construct's AVE (0.791-0.907) exceeds the inter-construct correlations, confirming strong discriminant validity and indicating that each construct explains more variance in its own indicators than in other constructs, thereby validating its distinctiveness. These findings demonstrate the measurement model's high reliability and validity, supporting its robustness and the structural relationships.

Table 4. Discriminant Validity: Fornell-Larcker Criterion

Variables	IAIFI	FA	IP	OC	OL	TMS
IAIFI	0.863					
FA	0.722	0.791				
IP	0.688	0.810	0.905			
OC	0.722	0.786	0.723	0.833		
OL	0.628	0.631	0.694	0.687	0.907	
TMS	0.649	0.652	0.636	0.678	0.622	0.829

Source: SmartPLS 4 Output

Assessment of the Structural Model

This part evaluates the structural model to test the study's hypotheses and examines model fit indicators. The results in Table 5 show values of SRMR (0.061, below 0.08), NFI (0.841, above 0.80), and the Chi-square statistic (1623.016) are acceptable. Moreover, the fit indices d_ULS (0.775) and d_G (0.409) were below the 0.950 threshold, indicating good fit.

Table 5. Model Fit Results

	Saturated model	Estimated model
SRMR	0.061	0.061
d_ULS	0.788	0.775
d_G	0.424	0.409
Chi-square	1705.367	1623.016
NFI	0.833	0.841

Source: SmartPLS 4 Output

Additionally, as shown in Table 6, the PLS-Predict results indicate that all Q^2 prediction values are positive (0.528, 0.381, 0.479), confirming high predictive power. Furthermore, the RMSE values (0.830–1.229) and MAE values (0.627–0.899) indicate acceptable predictive accuracy. The model (Figure 2) explained 65.7% of the variance in adopting IF instruments ($R^2 = 0.657$), indicating a strong fit.

Table 6. PLS Predict Results

Variable	Q^2predict	PLS-SEM RMSE	PLS-SEM MAE
IAIFI1	0.528	0.904	0.713
IAIFI2	0.381	1.229	0.899
IAIFI3	0.479	0.830	0.627

Source: SmartPLS 4 Output

The proposed hypotheses were tested using 5,000 bootstrap samples to assess the significance of the model's relationships. Organisational culture, top management support, institutional pressure, and financial advice all exert significant, positive effects on the intention to adopt IFIs, supporting H1, H2, H3, and H5 (Table 7).

Additionally, two moderation hypotheses for organisational culture and institutional pressure were supported, leading to the acceptance of H6 & H7, respectively. Conversely, organisational legitimacy, the moderating effect of financial advice on organisational legitimacy and top management support were found to be insignificant, leading to the rejection of H4, H8 and H9, respectively. These insignificant results imply that financial advice may be mediated or replaced by other factors.

Table 7. Hypothesis Testing

Hypothesis	Relationship	Original Sample (β)	Sample mean	Standard deviation	T statistics	P values	f2	Status
H1	OC ->IAIFI	0.248	0.249	0.046	5.412	0.000	0.043	Accepted
H2	TMS ->IAIFI	0.164	0.164	0.036	4.488	0.000	0.034	Accepted
H3	IP->IAIFI	0.104	0.102	0.047	2.203	0.028	0.009	Accepted
H4	OL->IAIFI	0.008	0.007	0.040	0.192	0.848	0.000	Rejected
H5	FA->IAIFI	0.228	0227	0.052	4.357	0.000	0.037	Accepted
H6	FAxIP ->IAIFI	0.111	0.107	0.045	2.487	0.013	0.019	Accepted
H7	FAxOC->IAIFI	0.104	0.106	0.045	2.301	0.021	0.010	Accepted
H8	FAxOL->IAIFI	-0.061	-0.058	0.043	1.419	0.156	0.004	Rejected
H9	FAxTMS->IAIFI	0.019	0.018	0.032	0.591	0.555	0.001	Rejected

Source: SmartPLS 4 Output

The importance-performance analysis (IPMA) reveals that organisational culture ranks as the most influential variable in the use of IF instruments. Financial advice, top management support, institutional pressure, and lastly organisational legitimacy follow this. These results illustrate the powerful impact of organisational culture and financial advice on the intention to adopt IFIs within Tanzanian LGAs.

Table 8. Importance-Performance Matrix Analysis (IPMA)

Variables	Total effects	Performance	Overall Score	Rankings
FA	0.228	55.209	242.145	2
IP	0.104	50.880	489.231	4
OC	0.248	51.944	209.562	1
OL	0.008	50.116	6,265	5
TMS	0.164	53.314	325	3

Source: SmartPLS 4 Output

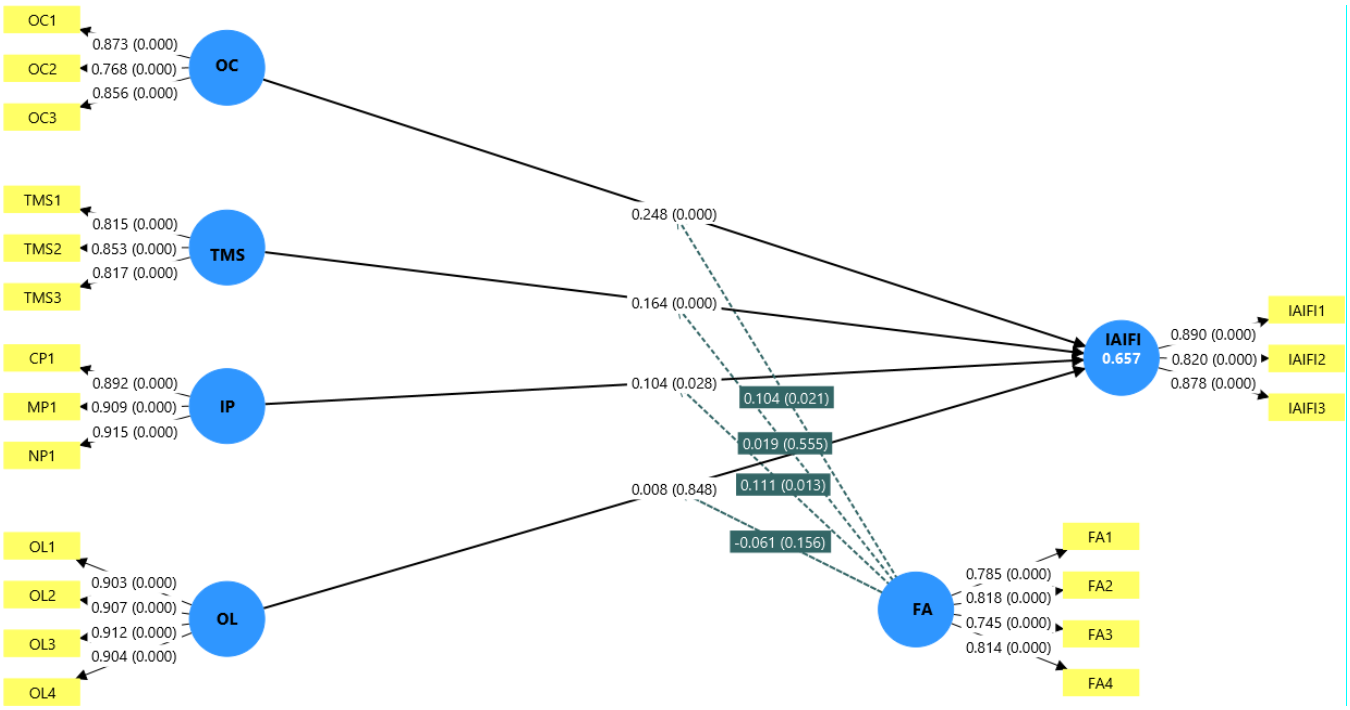

Figure 2: Structural Model

Source: SmartPLS 4 Output

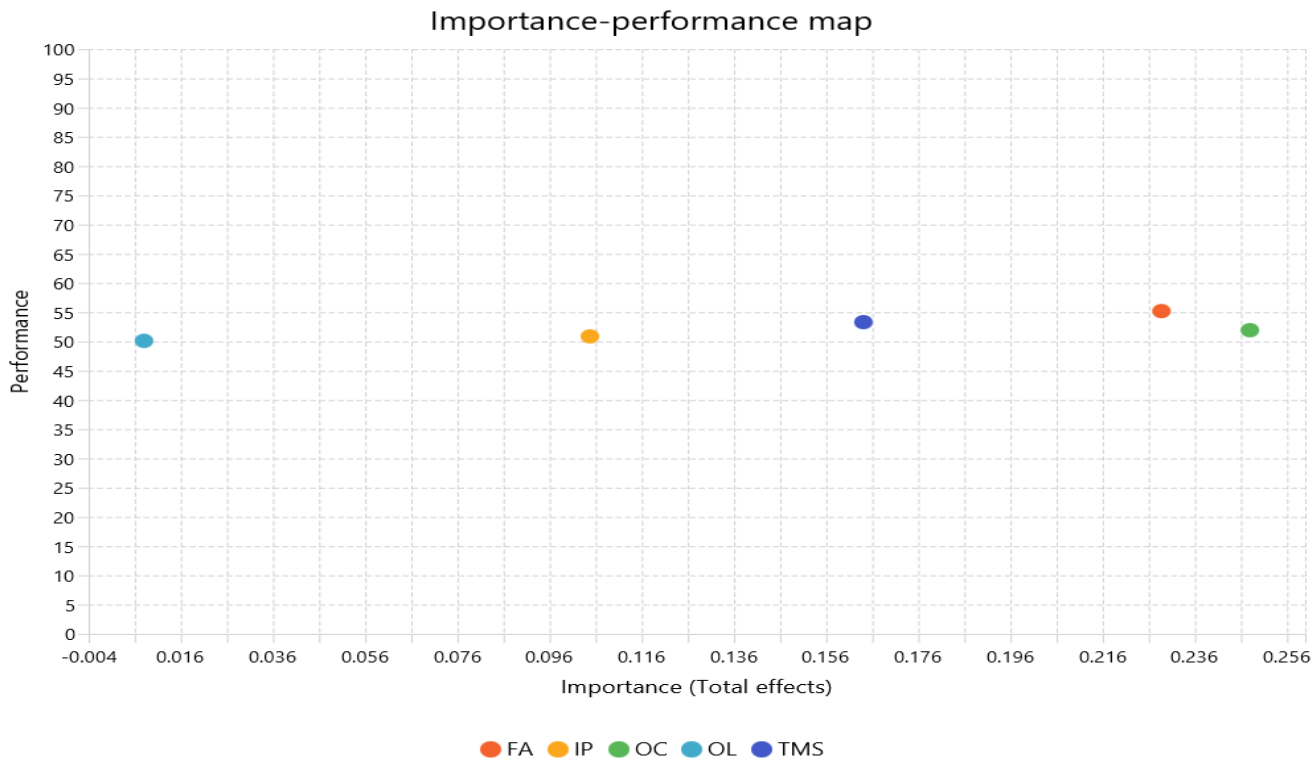

Figure 3: Importance-Performance Map

Source: SmartPLS 4 Output

Discussion

This study explores how organisational culture, top management support, institutional pressure, and organisational legitimacy influence the intention to adopt innovative financing instruments (IAIFI) among Tanzanian LGAs, and tests whether financial advice moderates these relationships. The intention to adopt IFIs is widely accepted, as it is not merely about knowing that instruments exist but about whether LGAs can meet requirements such as policies, standards, documentation, reporting, and financial advice, which reduce uncertainty (Gorelick et al., 2024; Havemann et al., 2020; Maltais & Nykvist, 2021). Before discussing hypotheses, note that not all relationships were significant. Specifically, the direct association between organisational legitimacy and the intention to adopt IFIs, as well as the moderating effects of financial advice on organisational legitimacy, top management support and the intention to adopt IFIs, were not supported. These non-significant findings offer useful insights into why some constructs might not influence IFI adoption intentions. Based on the assessment of the model, the results of hypothesis testing for the relationships among the study variables are presented below:

The findings support Hypothesis 1, indicating that organisational culture ($\beta = 0.248$; $p = 0.000$; $t = 5.412$) has a significant effect on the intention to adopt IFIs. This implies that organisational culture plays a vital role in promoting the intention to adopt IFI instruments within LGAs, as shared beliefs, values, and behavioural norms help foster an environment that encourages openness to new financial approaches. This finding aligns with prior evidence from AlBar & Hoque (2019b) and Lin et al. (2025), which revealed that a supportive organisational culture is a primary determinant and can make it easier for an organisation to adopt financial innovation. These results are also similar to those obtained by Berthon et al. (2001), who found that cultural traits influence managerial decisions and rationalisation. Within the TOE framework, this indicates that strong organisational norms support adaptability and innovation.

Similarly, results support Hypothesis 2, indicating that top management support has a significant positive influence on the intention to adopt IFIs ($\beta = 0.164$; $p = 0.000$; $t = 4.488$). This implies that the dedication, resource mobilisation, and policy direction of leaders play a critical role in encouraging the use of innovative financial solutions in LGAs. Consistent with our study, AbuAkel & Ibrahim (2023) and Han & Gooi (2025) emphasised that the adoption of innovations is more likely when top managers actively support an innovation, because leadership reduces uncertainty and mobilises resources.

Furthermore, the results confirm Hypothesis 3, demonstrating that institutional pressure has a significant effect on the intention to adopt IFIs ($\beta = 0.104$; $p = 0.028$; $t = 2.203$). This implies that the LGAs are prompted by external pressures from regulatory institutions, government oversight agencies, and peer organisations to adopt IFIs. This finding aligns with recent evidence showing that institutional pressure and environments push organisations to adopt new instruments and practices, such as green municipal bond issuance and other innovations, in response to stakeholder demands and regulatory expectations (Mishra et al., 2025; Saravade et al., 2023).

In contrast, the results do not support Hypothesis 4, indicating that organisational legitimacy is unrelated to the intention to adopt IFIs ($\beta = 0.008$; $p = 0.848$; $t = 0.192$). This indicates that being perceived as legitimate by society or adhering to social norms does not, in itself, directly enhance the intention to adopt IFIs. Therefore, although organisational legitimacy is often viewed as important for IFIs, it was not a significant predictor of LGAs' intention to adopt IFIs. One reason may be that legitimacy matters most at the implementation stage, such as when disclosure, external review, and reporting are required, and also being seen as credible is not enough to trigger IFIs' adoption when LGAs still face high compliance and reporting burdens (Gorelick et al., 2024; Maltais & Nykvist, 2021).

Before examining the moderating role, the results confirm the direct effect predicted by Hypothesis 5, showing that financial advice has a significant positive effect on the intention to adopt IFIs (β = 0.228; p = 0.000; t = 4.357). This suggests that the availability of sound financial advisory services would enhance LGAs' capacity to learn, appraise, and adopt new financial products. When expert advice is available, LGAs are better placed to assess the financial risks and benefits associated with new instruments, thereby facilitating informed adoption decisions. These findings align with recent evidence that professional advisory services can increase organisations' willingness to adopt new financial innovations by reducing uncertainty and improving financial decision-making (AbuAkel & Ibrahim, 2023).

Regarding the moderating effect, the findings support Hypotheses 6 and 7. Financial advice significantly moderates the relationship between institutional pressure and the intention to adopt IFIs (β = 0.111; p = 0.013; t = 2.487). This indicates that financial advice strengthens the positive effect of institutional pressure on innovation adoption. Additionally, in contexts where LGAs face regulatory pressures, access to expert advice helps translate those pressures into actionable strategies, thereby enhancing adoption readiness. This result aligns with evidence that advisory intermediaries can amplify the influence of institutional pressure, particularly regulatory pressure, on innovation adoption by helping organisations translate pressure into practical action (Lee et al., 2024). Similarly, the moderating effect proposed in Hypothesis 7 is supported, indicating that financial advice significantly moderates the relationship between organisational culture and the intention to adopt IFIs (β = 0.104; p = 0.021; t = 2.301). This finding indicates that when LGAs receive financial guidance, the influence of a supportive culture on innovation adoption is amplified. The process of building cultural readiness is more efficient when financial advisors translate shared organisational values and openness into practical innovation initiatives. Consistent with our moderation results, when LGAs receive strong financial advisory support, an innovation-friendly organisational culture is more likely to translate into actual adoption intentions, because financial advisors help convert openness to change into practical routines and compliant action (Colovic et al., 2025; Leso et al., 2023).

However, the findings do not support the proposed moderating effects in Hypotheses 8 and 9. The moderating effect of financial advice is not significant for the relationship between organisational legitimacy and the intention to adopt IFIs (β = -0.061; p = 0.156; t = 1.419). This implies that leadership support functions are independent of advisory input; i.e., expert consultation neither increases nor decreases their effects. Moreover, financial advice did not strengthen the legitimacy effect, indicating that advisory support cannot make legitimacy matter if legitimacy is already similar across LGAs or if structural barriers outweigh credibility signals at the intention stage (Gorelick et al., 2024). Consistent with the preceding result, Hypothesis 9 was also not supported, indicating that financial advice does not significantly moderate the relationship between top management support and the intention to adopt IFIs (β = 0.019; p = 0.555; t = 0.591). Consistent with prior TOE-based evidence, these results suggest that financial advice does not significantly alter the effect of top management support on IFI adoption intention, as leadership backing can already be decisive on its own, leaving limited additional room for advisory support to further strengthen that relationship (Isiaku & Adalier, 2025).

Conclusion

This study, grounded in the TOE framework, examined how organisational culture, top management support, institutional pressure, legitimacy, and financial advice affect Tanzanian LGAs' intention to adopt IF instruments. However, before presenting the conclusions of this study, it is important to note that our findings are based on a single cross-sectional survey of urban LGAs (City and Municipal Councils). As such, they should be interpreted as associations rather than causal proof and may not fully generalise to all LGAs or other country contexts. The findings reveal that organisational culture, top management support, institutional pressure, and

financial advice significantly influence the intention to adopt IF instruments, with organisational culture and financial advice being the most impactful. Conversely, organisational legitimacy was found to be insignificant, suggesting that the perceived appropriateness of organisational practices within the social or regulatory environment does not directly enhance innovation adoption within LGAs. Furthermore, financial advice amplifies the influence of institutional pressure and organisational culture on innovation adoption but does not moderate the effects of organisational legitimacy and top management support. The outcomes show that successful adoption of IF instruments in LGAs depends not only on internal culture and leadership but also on how well institutions harness expert financial guidance to interpret and respond to external pressures. The study provides a useful foundation for both researchers and practitioners designing practical financing pathways for LGAs' infrastructure development projects.

Theoretical Implications

This study extended the TOE framework (Tornatzky & Fleischer, 1990) by adding financial advice as a direct and moderating variable to explain the intention to adopt IF instruments among Tanzanian LGAs. The results empirically confirm that organisational culture, top management support, institutional pressure, and financial advice are significant determinants. Notably, financial advice moderates the effects of institutional pressure and organisational culture, showing that external professional knowledge can amplify these impacts. These findings deepen the TOE framework by demonstrating that advisory inputs influence innovation adoption, depending on organisational and environmental factors, thereby enriching the discussion of innovation in local governments in emerging economies such as Tanzania.

Practical Implications

The results of this study provide critical insights for management teams and decision-makers in Tanzanian LGAs. The results suggest that moving from interest to actual adoption of innovative financing will require operational changes beyond policy statements. Support needs to be coordinated and shared across key institutions with clear roles. First, Council Management Teams (CMTs) should harness organisational culture, encourage experimentation, include IFI-ready projects in planning, set up small internal teams, for example, the Municipal or City Treasurer, Planning Officer, Internal Auditor and Legal Officer, to develop bankable projects and prepare core documents. Top management must turn support into actionable steps with clear responsibilities, timelines, and small budgets for appraisal and reporting and provide resources and foster innovation. Additionally, financial advice from the Prime Minister's Office, Regional Administration and Local Government (PMO-RALG), Capital Markets and Securities Authority (CMSA) and other technical units can accelerate adoption by helping LGAs understand markets, structure instruments, and reduce costs. The Ministry of Finance (MoF) can support a national readiness pathway and seed funding for early-stage work, such as feasibility studies. The National Audit Office (NAOT) should establish policies with clear audit guidelines for IFI transactions. UNCDF/UNDP can support pilots and scale-up projects, providing funding, advisory support and documenting lessons learned. These practical measures could reduce barriers, boost accountability, and improve decision-making in LGAs, aiding the adoption of IF instruments and ultimately helping achieve the Sustainable Development Goals (SDGs).

Limitations and Avenues for Future Research

Although this study provides valuable insights into the role of organisational context factors and financial advice in the intention to adopt innovative financing instruments (IAIFI) in Tanzanian LGAs, several limitations remain and offer avenues for future investigation. First, the dependent variable captures intention to adopt IFIs, so it may not fully reflect other adoption stages, such as actual adoption and implementation. Second, since this study uses a cross-sectional design, we cannot confirm causal direction or how adoption changes over

time. Therefore, researchers can use longitudinal designs by repeating surveys or using panel data to track whether intentions lead to actual adoption. Third, the sample size can be broadened to include more LGAs beyond urban councils (District and Town Councils) and, where possible, other countries, to test how well the model generalises across different institutional and fiscal settings. Fourth, a mixed-methods approach combining surveys, interviews, document reviews, and case studies can uncover decision-making processes and challenges that questionnaires may miss. Lastly, future research should explore other factors such as technological readiness, stakeholder engagement, and financial literacy, which may influence the adoption process, offering deeper insights into public-sector innovation adoption.

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Conflicts of Interest:
The authors declare no conflict of interest.

Data Availability Statement:
The data that support the findings of this study are available from the corresponding author, MMI, upon reasonable request.

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