Educational Administration: Theory and Practice
2024, 30(4), 10241 - 10251
ISSN: 2148-2403
https://kuey.net/
Research Article

Does Debt Management Literacy Affect Loan Repayment Of SMES?

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Citation: Ela Elliyana et al. (2024) Does Debt Management Literacy Affect Loan Repayment Of SMES?, *Educational Administration: Theory and Practice*, *30*(4), 10241 - 10251
Doi: 10.53555/kuey.v30i4.5912

ARTICLE INFO

ABSTRACT

Several studies highlight the gap between perception and reality in financial literacy. Indicating that while individuals believe they have a good understanding of finance, the reality can be different. This emphasises the importance of objectively evaluating and improving financial literacy. This study aims to determine the level of debt management literacy, as well as its effect on loan repayment of 254 SMEs in Indonesia, the findings suggest that improving Debt Management Literacy (DML) can positively impact Financial Inclusion (FI) and Loan Repayment (LR), can reduce default rates, improve credit scores, financial stability, better financing options, risk mitigation, and effective long-term financial planning. These benefits can contribute to the overall financial health and success of Micro and Small Enterprises.

Keywords: Access to Finance, Debt Management Literacy, Financial Inclusion, Loan Loan Repayment, Small and Medium Enterprises,

1. BACKGROUND

There are gaps in the understanding of basic financial concepts such as interest, stocks, bonds, and investment funds among individuals, including SMEs (Changwesha & Mutezo, 2023; Yang et al., 2023). This suggests the need for improved financial literacy to better understand these concepts. The research findings show that there are limitations in knowledge about debt management, including how to correctly calculate interest rates. This can lead to unwise borrowing decisions and difficulties in managing debt repayments. Several studies highlighted the gap between perception and reality in financial literacy. This suggests that while individuals may believe they have a good understanding of finance, the reality may be different. This emphasises the importance of objectively evaluating financial literacy.
In this era of globalization, SMEs play a crucial role in a country's economy. They can serve as the primary catalyst for economic growth, generate employment opportunities, and enhance individuals' incomes. However, SMEs often face challenges in managing their finances, especially in terms of debt management. (D'Amato, 2020; Wasiuzzaman & Nurdin, 2019). The Kredit Usaha Rakyat (KUR) programme was initiated by the Indonesian government, aiming to provide wider access to financing to productive businesses, but has no additional collateral or insufficient additional collateral, so that SMEs can more easily obtain funds to grow their businesses. to improve the competitiveness of SMEs. By gaining access to financing, SMEs can develop better products and services, improve quality, and compete in the market. KUR plays a role in promoting economic growth by providing financial support to SMEs. In addition, with business growth, SMEs can also create jobs for the community.
Debt Management Literacy (DML) is the capacity of an individual or organization to comprehend and effectively manage debt. Good financial literacy will help SMEs make the right decisions regarding their loans and debt repayments. However, there are still many SMEs that do not understand the importance of DML. In addition, another factor that affects loan repayment in SMEs contribute significantly to financial inclusion,

which pertains to ensuring the accessibility and affordability of financial services across all segments of societ. With good FI, SMEs can easily access banking services such as business loans and payment facilities.
Financial literacy encompasses an individual's capacity to comprehend and effectively utilize financial tools, including personal loans, purchasing goods, and credit cards. (Ali et al., 2013; Tan & Singaravelloo, 2020). Financial literacy encompasses four key areas: fundamental concepts, borrowing, investing, and insurance, as outlined by Dew et al., (2012). Insufficient financial literacy can result in inefficiencies in financial allocation and savings, and large credit scores that can increase financial risk (Hidajat & Hamdani, 2017). Financial literacy makes financial decision-making appropriate, to improve welfare, an important component one aspect of financial literacy involves acquiring knowledge about financial responsibilities and obligations by (Ahmad et al., 2017; Letkiewicz et al., 2019). This is due to the fact that, typically, individuals who postpone payments and consequently accrue late fees are those with a less robust comprehension of the ramifications of indebtedness. (Boyle, 2022; Callegari et al., 2020; Hayhoe et al., 1999; Krumer-Nevo et al., 2017; Pérez-Roa et al., 2022; Rojas, 2023). In general, financial literacy is very important and Closely associated with consumers, whether it pertains to payment systems,debt or savings (Klapper & Lusardi, 2020). However, not many studies have addressed DML among credit users, DML will lead to credit problems, especially for SME owners to be productive and ensure that they receive training on debt management strategies. This approach will equip SMEs with the necessary skills and knowledge to effectively manage their finances and ensure timely loan repayment (Tarus & Tarus, 2023).
Debt management literacy impacts payments by improving an individual's or organisation's understanding of debt management, including knowledge of contracts, payment policies, and risk management strategies associated with debt. With a high level of debt management literacy, individuals or organisations can manage debt more effectively, avoid late payments, and reduce the risk of default. This impact can improve liquidity, solvency and profitability, and ensure payments are made on time in accordance with agreed terms. Therefore, improved debt management literacy can help improve an individual or organisation's financial performance.
Therefore, there is a knowledge gap on how financial literacy specific to debt management literacy impacts the loan repayment behavior of SMEs which will impact business growth in Indonesia. This study seeks to fill this gap and therefore to establish the mediating effects of Financial inclusion i.e. Barrier, usage and access to financing on debt management literacy and Loan Repayment of SMEs. The objective of this study is to analyze the effect of DML on LR in SMEs with FI mediation. The outcomes of this study are anticipated to offer policy recommendations for financial institutions and governmental entities for the importance of providing accurate DML methods and FI in improving the financial performance of SMEs, as well as the magnitude of the contribution of FI to SME LR in the region, Jakarta, Bogor, Depok, Tangerang, Bekasi (JABODETABEK).
This research expands our understanding of financial literacy specifically in the context of debt management, which remains a poorly understood area, especially among small and medium-sized business (SME) owners. By highlighting the importance of debt management literacy (DML) in the context of loan repayment for SMEs, this study fills a gap in knowledge on how financial literacy specific to debt management affects loan repayment behaviour, which in turn will impact business growth in Indonesia.
Previous research has shown that there is limited understanding of basic financial concepts and debt management among individuals, including SME owners. However, previous research has not fully explored how this level of debt management literacy specifically affects loan repayment behaviour among SMEs. Therefore, this study fills the gap by exploring the relationship between debt management literacy and loan repayment behaviour of SMEs, as well as the potential role of financial inclusion including access to finance facilitated to SMEs by the Indonesian government with the KUR program as a mediator in this relationship. This study can provide a deeper understanding of the relationship between debt management literacy, financial inclusion, and loan repayment by SMEs, as well as its policy implications.

2. LITERATURE REVIEW

2.1. Debt Management Literacy

According to the Theory of Planned, the direct antecedent of behavior is intention. Intention, being a predictor of the extent to which a debtor evaluates LR, makes a person's attitude affect their ability and intention. Influence to repay loans, supported by DML, and should employ highly qualified trainers to provide quality training to MSE trainees to encourage LR among SMEs (Gaudence et al., 2018). Finance customers who receive loan literacy training have better payment performance than customers who do not follow loan literacy, confirming that financial literacy and LR have a positive effect. Customers who participate in financial education programs tend to experience an increase in installment payments. Their installment payments indicate that improved debt-related financial literacy leads to lower levels of customer arrears (Baidoo et al., 2020; Mangrum, 2022; Mawad et al., 2022; Sangwan et al., 2020). This implies that respondents who do not have DML tend to delay loan payments, while respondents who have DML tend not to delay loan payments, making them wise in paying loans (Tuyisenge et al., 2015), shows that DML has a major impact on LR (Rakshit & Bardhan, 2023).

2.2. Financial inclusion

Financial inclusion is important for SMEs as it has a significant impact on their business growth and development (Chinanuife et al., 2019; Chozarira et al., 2023; Farooq, 2018). FI refers to wider and enhanced accessibility to financial services such as loans, insurance, and accounts of bank (Anakpo et al., 2023; Hassouba, 2023). However, SMEs are financially constrained and find it difficult to access credit compared to large enterprises, although some of them have access to credit, SMEs mostly cannot meet the conditions offered, such as collateral, security of collateral, financial statements, and business profile. It is important to note that startups should cooperate with financing institutions including foreign institutions, such as venture capital funds, as their knowledge and experience can be a source of early internationalization of startups (Bigos & Michalik, 2023). financial services seem to be available but, it will be difficult to utilize them and affect their financial performance (Ahinful et al., 2023; Nkansah-Sakyi, 2023), suggesting There exists a weak relationship between financial inclusion and the growth of SMEs (Elliyana et al., 2020; Eton et al., 2021; Turinawe, 2023).

Overcoming firms' constraints in accessing loans, by reducing costs, positively impacts the level of loan demand. However, it is common that efforts to encourage access to finance appear to have more impact on SMES companies than large companies (Rakshit & Bardhan, 2023). Research by Buchdadi et al., (2020) shows that the role of financial inclusion in SMES access to finance has a positive influence on mediating financial literacy on SMES performance. However, the limitations of distance and territory will make SMEs not well served, and it is predicted that there will be many challenges. (Beckmann et al., 2023; Mai et al., 2023; Troise et al., 2023; Widyastuti et al., 2019). According to prior research, the measurement of financial inclusion (FI) can be summarized to encompass three main components: usage, awareness and access. The distinctions and interrelations among these components can be viewed from a supply-demand perspective. Access pertains to the provision of services, such as the geographical coverage of service outlets or the availability of financial services (Aritonang et al., 2023; Bongani Sibindi & Mpofu, 2022; Demir et al., 2022; Demirgüç-Kunt et al., 2015; Grohmann et al., 2018; Han & Melecky, 2013; Hannig & Jansen, 2010; Khan et al., 2022; Koomson et al., 2020; Koomson & Danquah, 2021; Odetayo et al., 2020). Financial literacy can be shown through a person's awareness, the extent of his/her desire to get maximum financial services. From the perspective of financial inclusion demand, the combination of behaviors required to make informed and appropriate financial choices, and lead to a high level of financial well-being is a picture of awareness. Usage refers to the actual amount of consumption of financial services, including savings, credit, insurance, etc. including describing the quality and effectiveness of FIs determined by the demand and supply of services (Ala, 2023; Charfeddine et al., 2024; Giday, 2023).

2.3. Loan Repayment

The empirical literature on loan repayment also raises themes related to credit history, repayment period, and regional characteristics. Credit history describes the long-term relationship between creditors and debtors. The length of the loan experience has the potential for smooth loan repayment installments (Mohammed & Wobe, 2023; Nitani & Legendre, 2021). The smoothness of loan installments shows that they can manage financing funds (Peterson et al., 2020). In contrast, debtors with low income tend to prioritize consumption needs over installments (Angermeier & Ansen, 2020; González-López, 2023; Littwin, 2020). Generally, lenders guard against potential moral hazard resulting from the behavior of low-income clients by extending credit to clients with a predetermined fixed repayment schedule, which helps pre-screen undisciplined clients and impose financial discipline on borrowers, thereby limiting the likelihood of loan default (Adamou, 2023; Sangwan et al., 2020).

3. Methodology

3.1 Research Design

The research design of this study uses with a type of quantitative This research is hypothesis testing aimed at providing an explanation of the relationship between the causes and effects of each variable with other variables, effect of Debt Management literacy on Loan Repayment mediated by financial inclusion. This approach is to measure several variables which are processed using statistical techniques and then presented in the form of statistical tables and numbers which in the end can be interpreted as data analysis to reveal the phenomenon under study precisely so that novelty is obtained. The study had four main objectives: (H1) to explore the relationship between debt management literacy and financial inclusion, (H2) to investigate the effect of debt management literacy on loan repayment, (H3) to evaluate the impact of financial inclusion on loan repayment, and (H4) to analyze the relationship between debt management literacy and loan repayment mediated by financial inclusion. The research approach uses a descriptive survey and verificative explanatory survey carried out field data collection to distribute research instruments (questionnaires) using the same structured/systematic questions to respondents, then all answers obtained are recorded, processed, and analyzed to explain and determine the phenomenon of Loan Repayment SMEs.

The data analysis technique in this study used Partial Least Square (PLS) analysis. Partial least square path modeling (SEM-PLS) is often called variance or component-based structural equation modeling developed by H. Wold, (1974) The main assumption in using PLS-SEM is that it does not require following the assumption of normality (Latan & Ghozali, 2012). The use of data analysis carried out by researchers with SEM-PLS, based on the statement put forward by (Hair et al., 2012) explains that the relationship between variables is very complex, but the data sample size is small. Partial Least Square (PLS) is one of the alternative Structural Equation Modeling (SEM) methods that can be used to overcome these problems. The partial least square path modeling (SEM-PLS) data analysis technique consists of two measurement models, namely the measurement model (outer model) and the structural model (inner model). The research instrument in the study used primary data in the form of a questionnaire, this questionnaire was measured using a Likert scale. The Likert scale is a scale that can be used to measure a person's attitudes, opinions, and perceptions about a particular object or phenomenon. With a Likert scale, the variables to be measured are translated into variable indicators, then the variable is used as a starting point for compiling instrument items which can take the form of statements. The Likert scale has a form of statement, namely a positive statement, scored answers 1, 2, 3, 4, 5.

3.2The research population is small and medium-sized enterprises (SMEs) located in the Jabodetabek region of Indonesia which are active creditors of the KUR programme initiated by the Indonesian government to increase the productivity of SMEs with a lower interest rate of 4% per year. The research population of SME business actors in DKI Jakarta, Bogor, Depok, Tangerang, and Bekasi in the SME category totalled 745 business actors. By selecting a research population limited to bankable SMEs in the Jabodetabek area, it can produce more focused and in-depth research on the factors that influence loan repayment in SMEs in a specific geographical and financial context. The research population amounted to 745 business actors using the Krejcie and Morgan Table the population size is close to 750 so that it can be known that the sample value obtained is 254 samples.The sample size was 254 and was chosen through purposive sampling. Data was collected through surveys, interviews, and Focus Group Discussions (FGDs), and analyzed using multiple regression and correlation techniques, with Smart PLS 4 software.

3.3

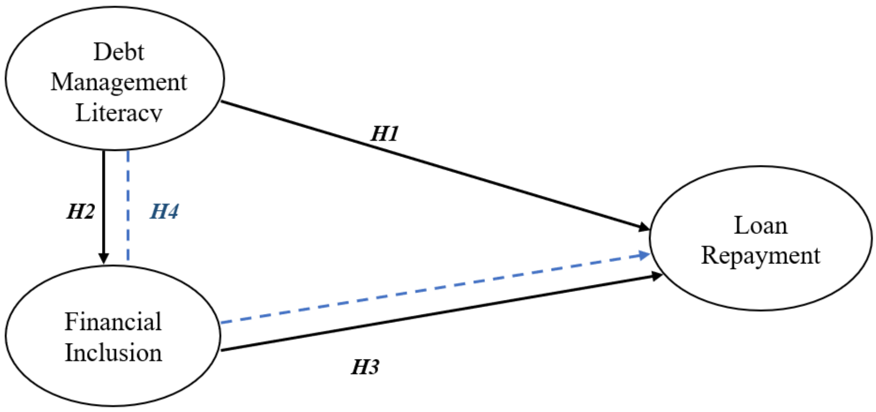

Figure.1 Reseach Framework
Source : Own elaboration

Table.1 Descriptive statistics of participants

Characteristics MSEs	% (N=254)
Gender	
Fimale	56.7(144)
Male	43.3(110)
Education	
Postgraduate	27.1(69)
Diploma/S1	45.3(115)
Junior/Senior High School	26.4(67)
Elementary school	1.2(3)
Amount of Financing	
1 amount	41.3(105)
2 amount	34.3(87)
3 amount	9.4(24)
More of 3 amount	15(38)
Business Categories	
Micro	80(203)
Small	20(51)
Firm Age Statistic	
< 1 year	7.9(20)
1 - 3 Year	33.5(85)
3 - 7 Year	27.5(70)
7 – 10 Year	12.2(31)
> 10 Year	18.9(48)
Residence	

Jakarta	46(117)
Bekasi	25(63)
Depok	4.7(12)
Bogor	12.6(32)
Tangerang	11.8(30)

4. Result

4.1 Evaluation Measurement Model

The effective measurement model as part of the measurement model in this study shows the variables DML, FI, and LR are measured reflectively. In (Hair Jr et al., 2021) the evaluation of the reflective measurement model consists of loading factors ≥ 0.70, Cronbach Alpha ≥ 0.70, composite reliability ≥ 0.70, and average variance extracted (AVE) ≥ 0.50, as well as evaluation of the discriminant validity of the Fornell-Larcker iteria and the Heterotrait-Monotrait Ratio (HTMT) below 0.90.

Table 2 Measurement Model Results

Item	Indicators	Outer loading	Cronbach Alpha	Composite Reliability	AVE
Debt Management Literacy					
DML1	I can calculate the interest rate, tenor, and credit ceiling, which is right for my business	0.821	0.897	0.900	0.618
DML2	I manage credit funds/payments for the sustainability of my business	0.737			
DML4	I can manage my income and expenses for the availability of funds	0.829			
DML5	I am patient in preparing installments with regular fund management.	0.787			
DML6	I understand the risks of using credit	0.778			
DML7	I consider the interest rate when applying for credit.	0.729			
DML8	I always compare the terms and conditions of various financing before applying for a loan for my business	0.815			
Financial Inclusion					
FI1	I use credit for business needs	0.916	0.913	0.919	0.703
FI2	The terms and conditions of using the loan provided by the bank are not difficult for me.	0.910			
FI3	The loan interest rate is low for my business	0.806			
FI4	I can easily access loans for my business needs	0.874			
FI5	I get insurance for our business	0.718			
FI6	The terms and conditions of the bank loan are to my credit needs	0.786			
Loan Repayment					
LR1	I always pay my loan installments on time	0.800	0.834	0.837	0.600
LR2	I voluntarily pay my loan installments without coercion.	0.779			
LR3	I avoid the consequences of not paying the loan installments on time.	0.792			
LR4	The loan repayment period given is too short	0.731			
LR6	I paid the loan past the due date	0.771			

The table above shows that DML as a DML variable is measured by the validity of seven indicators, namely the range between 0.729 - 0.829, the outer loading value explains that there is a strong correlation between the seven indicator measurement items to measure and explain DML. The reliability level of the DML variable is acceptable with a Cronbach alpha value of 0.897 and a composite reliability value of 0.900 above 0.70, meaning that all items measuring DML are consistently reliable in measuring DML. The average variance extracted (AVE) value of 0.618 is greater than 0.50, indicating the fulfillment of the requirements for a good level of convergent validity, meaning that the amount of data variation content DML1, DML2, DML4, DML5, DML6, DML7 and DML8 contained by DML is 61.8%. Overall, the variation in measurement indicator items contained by the DML variable reaches 61.8%. Among the seven valid measurement indicator items, DML looks stronger reflected by item DML4 with a loading factor of 0.829, namely, I can manage income and expenses for the availability of funds.

Variables from FI measurements with six valid indicators where the outer loading value lies between 0.718 and 0.916, which indicates that the six measurement indicator items are strongly correlated in measuring or explaining FI. The reliability level of the FI variable is acceptable with a Cronbach alpha value of 0.913 and a composite reliability value of 0.919 above 0.70, meaning that all items measuring FI are consistently reliable in measuring FI. The level of convergent validity shown by AVE value of 0.703 greater than 0.50 has met the requirements of good convergent validity, meaning that the amount of content of the FI1, FI2, FI4, FI4, FI5, and FI6 data variations contained by FI is 70.3%. Overall, the variation of measurement indicator items contained by the FI variable reaches 70.3%. Among the six valid measurement indicator items, FI appears to be more strongly reflected by item FI1 with a loading factor of 0.916, namely I use credit for business needs.

The LR variable is measured by five valid indicators where the outer loading value lies between 0.731 - 0.800, which indicates that the five measurement indicator items are strongly correlated in measuring or explaining LR. Reliability of the LR variable makes it acceptable with a Cronbach-alpha value of 0.834 and a composite-reliability value of 0.837 above 0.70, meaning that all items measuring Loan Repayment are consistently reliable in measuring LR. The convergent-validity level shown of the average variance extracted (AVE) value of 0.600 greater than 0.50 has met conditions that indicate good convergent-validity, meaning that the amount of data variation content LR1, LR2, LR3, LR4, and LR6 contained by LR is 60%. Measurements of indicator items that vary overall contained by the LR variable reaches 60%. Among the five valid measurement indicator items, LR appears to be more strongly reflected by item LR1 with a loading factor of 0.800, namely I always pay my loan installments on time.

Table 3 Discriminant Validity Metode: Fornell-Larcker Criterion

	DML	FI	LR
DML	0.786		
FI	0.622	0.838	
LR	0.665	0.681	0.775

Metode: Heterotrait-Monotrait Ratio (HTMT)

	DML	FI	LR
DML			
FI	0.682		
LR	0.757	0.766	

Discriminant validity evaluation is an evaluation of the measurement model to ensure that variables are theoretically different and statistically tested. The methods used are the Fornell-Larcker criteria and the Heterotrait-Monotrait Ratio (HTMT). The Fornell-Larcker criterion states that the root AVE of a variable is greater than the correlation between variables. The DML variable has a root AVE value of 0.786 which is greater than the correlation with the FI variable of 0.622, with the LR variable of 0.665. The FI root AVE variable of 0.838 has a greater correlation with the LR variable of 0.681, with the LR variable of 0.625. These results indicate that the discriminant validity of the Fornell-Larcker criterion, namely the variable AVE root is greater than the correlation between other variables, has been fulfilled. (Hair et al., 2019) recommends HTMT because the Discriminant validity measures are thought to be more sensitive or precise in the detection of discriminant validity. The recommended value is less than 0.90. The results of research data processing, the HTMT value obtained from the variable pair is below 0.90, indicating that the fulfillment or achievement of discriminant validity. the division of the variance of the variable item is its measurement of the item that measures it is stronger than the division of variance in the items of each other variable.

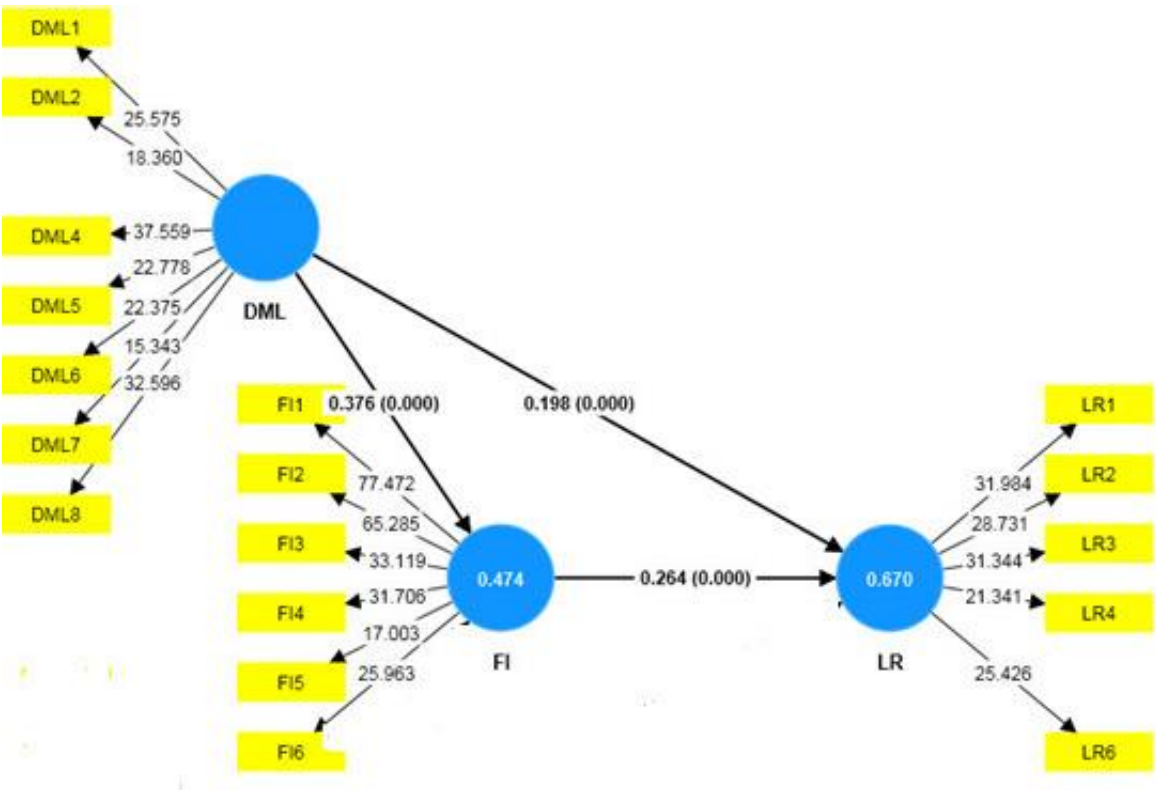

Figure 2: Loan Repayment Measurement Model

4.2 Structural Model Evaluation

Evaluation of the structural model (inner mode) is the relationship of the variable influence test with other variables in this study. According to Hair et al., (2019), the structural model evaluation check consists of checking the absence of multicolineries between variables with an inner variance inflated factor (VIF) measure below 5 (five), the value of the coefficient of influence, the effect of direct variables at the structural level, namely the direct effect with the size of f square, (f square 0.02, low, 0.15 moderate and 0.35 high). The mediation effect uses the upsilon V statistical measure, which is obtained by squaring the mediation coefficient. Lachowicz et.al (2018) interpreted (G et al., 2023) as a low mediation effect of 0.02, a moderate mediation effect of 0.075, and a high mediation effect of 0.175. The overall evaluation of the model consists of R square with (Chin W, 1998) criteria of 0.19 (low influence), 0.33 (moderate influence) and 0.66 (high influence). The SRMR criterion according to Hair et.al (2017) is below 0.08, or the Karin Schmelleh et.al (2003) SRMR value of 0.08 - 0.10 is still acceptable (acceptable fit).

Table 4. Hypothesis testing table / Structural model testing

Hipotesis	Path coefficients	p-value	Test results /significant	VIF	f square/ *upsilon* V	R square	Q square
Direct effect							
H1: DML → FI	0.376	0.000	accepted	1.703	0.158	0.472	0.460
H2: DML → LR	0.198	0.000	accepted	1.972	0.060	0.668	0.621
H3: FI → LR	0.264	0.000	accepted	1.901	0.111		
Indirect effects							
H4:DML→FI→LR	0.099	0.001	accepted		0.0098		

Based on the hypothesis testing / structural model testing table, it is known that the structural model is acceptable, namely, there is no multicollinearity between the variables indicated by the inner VIF value below five (5). The R square value is 0.472 and the R square is 0.668. The R square value of 47.2% shows the joint influence of DML on FI, falling into the moderate influence category. The R square value of 66.8% shows the joint influence of DML, and FI on LR, in the high influence category. The Q square value is a measure of validity in PLS-SEM to state the suitability of the predictive model (predictive relevance). The Q square value above 0 states that the model has predictive relevance. The SRMR value of the model is 0.085 in the acceptable fit category. The result of the Goodness of Fit (GoF) index value of 0.598> 0.36, meaning that the barometer model is a category with large criteria.

5. Discussion

Below is an explanation of the results of the tested hypotheses:The first hypothesis (H1) is accepted, namely the relationship is significant effect of DML on Financial Inclusion (FI) with positive path coefficients of 0.376 and a p-value of 0.000. Significant and positive results mean that any change in DML will increase FI. However, the existence of DML in increasing FI has a moderate/moderate effect at the structural level (f square = 0.158).

The third hypothesis (H2) is accepted, namely namely the relationship is significant effect of DML on LR and positive path coefficients of 0.198 with a p-value of 0.000. Significant and positive results mean that any change in DML will increase LR. However, the existence of DML in increasing LR at the structural level the influence is low (f square=0.060). Supported by research Etoromat,(2022) The most important knowledge for improving financial performance among customers, related to Knowledge of cash management. an increase in debt management literacy will improve financial performance, where high financial performance, loan repayment becomes high as well (Dibie, 2022; Falavigna & Ippoliti, 2020; Nyawira & Omagwa, 2019).

The third hypothesis (H3) is accepted, namely that there is a significant effect of FI on LR with positive path coefficients of 0.264 and a p-value of 0.000. The significant and positive results mean that any change in FI will increase LR. However, the presence of FI in increasing, LR has a low effect at the structural level (f square=0.111). Taking out a large loan with a long tenor affects the loan repayment rate the most and also some additional characteristics such as education level and age (Baidoo et al., 2020; Johnston, 2021), The size of the loan, the low-interest rate, the method and the length of the repayment period have a significant influence on loan repayment performance (Abimbola, 2021).

The fourth hypothesis (H4) is accepted, FI significantly acts as a mediating variable, namely mediating the indirect effect of DML on LR with positive path coefficients of 0.099 and a p-value of 0.001. This result is according to (Hair Jr et al., 2021) a Complementary mediation where the effect is indirect while the direct effect is significant and points in the same direction (positive). Complementary mediation is the mediation variable FI can explain the relationship between the DML variable and the LR variable. However, at the structural level, this mediation role is still classified as a low mediation effect (upsilon V = 0.0098). The results of previous research say that good financial literacy can increase financial inclusion, lack of knowledge related to financial services is the main cause of obstacles in using financial services. (Ozili, 2021), High financial literacy will have an impact on smooth debt repayment, good financial management capabilities are related to healthy debt repayment behavior (Hamid & Loke, 2021). The ability of those who have high debt management literacy, to make wise decisions by not delaying loan repayment (Tuyisenge et al., 2015; Wanjiku & Muturi, 2015).

6. Conclusion

Lending institutions are at great risk of loan repayment by SME borrowers. Except for all priorrestraint measures to ensure a high level of loan repayment by borrowers, as SMEs' sustainability can be affected by fluctuating external factors, the high failure rate due to loan repayment defaults means that these institutions need more attention, so this study investigates the level of DML of borrowers, and its effect on loan repayment rates of SMEs in Jabodetabek. The findings show that the level of debt management literacy significantly affects the level of LR. FI affects LR. Financial Inclusion is a complementary mediation exists when both the indirect and direct effects are significant and align in the same direction (positive). meaning that FI can explain the relationship between the DML variable and the LR variable. With a structural level classified as a low mediation effect.

7. Implications

7.1. Theoritical Implications

The results of the research analysis show some theoretical implications. The research results provide suggestions for the educational implications of prioritising debt management literacy for target creditors or SMEs to understand the importance of loan repayment. Including adding to the theoretical literature that examines debt management literacy on the smooth payment of SMEs, where according to Goyal & Kumar, (2021) "Debt literacy" is still rarely studied in the financial literacy domain, the existing literature only predicts its factors. Such as the level of education has a positive correlation with debt literacy (Cwynar et al., 2019).

7.2. Practical Implications

The practical implications of these findings may encompass several aspects that can serve as a guide for lending institutions and stakeholders related to relevant practical implications:Lending institutions can develop and enhance DML programs for SME customers. This may involve providing clear and easily understandable information about debt management, and financial management, as well as the risks and consequences of inability to repay loans. Training can be conducted through seminars, workshops, or online resources. Integration of FI: Lending institutions can consider strategies to enhance financial inclusion among SME customers. This may involve providing financial services that are more easily accessible, utilizing financial technology (fintech), or developing financial products that are more aligned with the needs and capabilities of SMEs.
Lending institutions can enhance monitoring systems for SME customers, especially those with low levels of debt management literacy. By better understanding the needs and challenges of customers, institutions can provide more effective support and offer solutions that are suitable for the financial situations of each customer. Collaboration with External Parties, The involvement of lending institutions with external parties, such as the government, non-profit organizations, or educational institutions, can help improve at the community level, related to financial literacy and inclusion. This collaboration may include joint programs, research, or educational projects.
Clear communication regarding loan conditions, risks, and consequences of loan default is crucial. Lending institutions can develop guides, brochures, or other easily accessible resources that are understandable to customers. The implementation of these measures is expected to help reduce the risk of loan repayment failure for SMEs while simultaneously enhancing the sustainability of customers' businesses. Furthermore, improvements in debt management literacy and financial inclusion are anticipated in order to obtain a positive impact long-term impact at the local level of the economy and the well-being of the community.
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