

Effect of Debt Management Strategies to the Repayment Performance among Small and Medium Enterprises

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Abstract

In many cases, Small and Medium Enterprises (SMEs) are most likely to default on their obligation. Low levels of repayment performance are associated with higher production costs, which affect the firm's performance. Thus, this study aimed to determine the level of debt management strategies and their repayment performance, to examine their relationship, and to determine the domain of debt management strategy that predicts repayment performance. A purposive sampling was utilized in this study for participant selection, comprising 90 SMEs in Digos City. This quantitative study employed a descriptive-predictive research design using an adapted questionnaire. Findings exhibited a high level of debt management strategies in terms of maturity diversification, debt restructuring, and budgetary planning. Further, the repayment performance is determined to be good in terms of repayment timing, loan terms, and credit scoring. Thus, maturity diversification, budgetary and planning have a statistically positive correlation with the overall repayment performance, and debt restructuring is strongly correlated with credit scoring and repayment timing. Moreover, only maturity diversification and budgetary planning were positive predictors of repayment performance, whereas debt restructuring did not significantly predict repayment performance. Finally, this study could provide further insight into effective debt management strategies that assist SMEs in repaying their obligation.

Keywords: debt management strategies, repayment performance, Small and Medium Enterprises, SMEs, Digos City

Introduction

In the modern industry, Small and Medium Enterprises (SMEs) have difficulty repaying their debt obligations per their terms (Muhammad et al., 2020). While it is identified by Ansong (2021) that SMEs default in loan repayments incur higher costs of production resulting to minimal levels of earnings, thus effective debt strategies will profoundly impact the repayment performance of businesses, that of small & medium businesses in particular, this is concerning the findings that small-scale businesses have higher chance in terms of defaulting. Moreover, Shamutete (2020) stated that some SMEs engage in debt acquisitions that are not aligned with the firm's actual needs, and some do not diversify their capital structures, focusing mainly on debt, leading to poor business sustenance. Consequently, Gezer and Kingir

(2020) advised that enterprises must manage their capital structures for efficient use, especially among those acquired through debt, because it may have an adverse effect on the firm's performance, such effects are determined by the risk and returns associated with debt. Hence, SMES must have a proper debt management strategy to thrive in the market.

The study of Elliyana (2024) emphasized that debt management literacy drastically impacts the loan repayment capability of firms in some regions of Indonesia. However, debt financing has been proven to be a cost-effective source of capital; the burden for interest repayments and the principal repayment still prevails until the maturity of the debt acquired (Nandi & Banerjee, 2022). Moreover, Kuvék et al. (2023) stated that early-stage failures of SMEs are due to many variables, specifically in obligation settlement. Additionally, debt maturities can also be a vital contributing factor in the repayment performance of SMEs and their financial position because it determines the degree of insolvency risk of a firm; consequently, it must conform to long-term and short-term tenures for repayments, which may mitigate such risk (Hussain et al., 2020). In that manner, SMEs must recover from debt, but not quickly; thus, it is still a balancing act. Based on the study of Dirman (2020), the risk associated with financial leverage may depend upon the level of debt of a firm, meaning the higher the debt, the higher the risk, while the lower the debt, the lower the risk of non-recovery from debt.

Debt plays a crucial role in business because it is a key tool of most management to finance their operations; however, debt can also negatively affect firms if it is not appropriately managed. Hence, firms should have debt management strategies to help them avoid insolvency due to accumulated debt. Based on the analysis made by Bancoro (2023) on debt management, they revealed that SMEs in San Jose, Negros Oriental, have an optimistic impression of repaying their debts. Consequently, recent studies in the Philippines and Indonesia show that higher leverage amongst business firms negatively affected sustaining the day flow of funds (Tjandra et al., 2022). Accordingly, Dangcil et al. (2024) discussed that high debt levels may cause financial difficulties resulting from poor performance.

Financial Literacy Theory, according to Huston (2010) as cited by Stolper and Walter (2017), shall be categorized into two dimensions: knowledge and practical application, which emphasize the transformation of financial knowledge into execution in terms of managing financial resources accordingly. Moreover, as observed by Abdullah et al. (2019), the capacity to make financial decisions on saving, budgeting, and borrowing is a measure of financial literacy. The study of Yakob et al. (2021) also revealed that debt management as an indicator of financial literacy dictates the ability of a firm to generate profit; thus, it is important to adopt effective debt management. In the case of Bahovec et al. (2015), it was found that poor financial literacy results in a poor debt management strategy, which is an indicative factor that increases an individual's indebtedness level. Thus, it is important to have proper debt management strategies for the firm to avoid cumulative debt.

Research Objectives

This study aimed to address the effect of debt management strategies in loan repayment performance among SMEs in Digos City, with the following objectives.

To be precise, the study aimed to answer the following questions:

1. To determine the level of debt management strategies among Small and Medium Enterprises (SMEs) in Digos City in terms of:
 - 1.1. Maturity diversification;
 - 1.2. Debt restructuring; and

1.3. Budgetary Planning.

2. To determine the level of loan repayment performance among the SME's in Digos City in terms of:

2.1. Repayment timing;

2.2. Loan terms; and

2.3. Credit scoring.

3. To ascertain if there is a significant relationship between debt management strategies and repayment performance among SMEs in Digos City.

4. To determine which domain of debt management strategies significantly predicts loan repayment performance among SMEs in Digos City.

Respondents

The participants in this study were selected through purposive sampling, by the recommendation of Campbell et al. (2020), who emphasized the importance of selecting individuals most likely to provide relevant and meaningful information. To qualify for inclusion, respondents were required to meet specific criteria: (1) possession of total assets ranging from PHP 3 million to PHP 100 million; (2) acquisition of secured or unsecured debt financing at the time of the firm's founding, with a minimum loan amount of PHP 100,000; (3) a minimum operational history of two years; and (4) willingness to participate in the study. Furthermore, eligible firms were classified as small and medium-sized enterprises (SMEs) with fewer than 200 employees, based on the definition provided by the Senate Economic Planning Office (2012). Correspondingly, exclusion criteria were established to exclude large enterprises, firms with cumulative loans below PHP 100,000, newly established businesses, entities engaged in illegal operations, and SMEs unwilling or unable to provide the required information. By adhering to these criteria, the study aimed to obtain comprehensive and pertinent data to analyze the influence of debt management strategies on repayment performance.

Accordingly, the total population of Small and Medium Enterprises in Digos City, provided by the City Business Permits and Licensing Office, was 104. Statistically, the sample size of 85 is sufficient to yield reliable results. Moreover, most researchers commonly use additional responses to compensate for irresponsiveness (Bujang, 2021). This follows the study of Lakens (2022), which reiterated that researchers must provide a strong sample size and justification. White (2022) emphasized that higher sample sizes yield more reliable results. Thus, the researchers gathered data from 90 respondents to uphold dependable results.

Instrument

In this study, primary data were gathered and analyzed through a survey questionnaire distributed to the respondents. To do this, the study used a structured questionnaire to generate and collect relevant data. Correspondingly, the questionnaire is divided into three parts. The first section contains qualifying questions that determine the gender, business type, asset size, debt financing source, and indebtedness amount. The following sections were adapted from questions from the existing studies to assess the level of debt management strategies and repayment performance of Small and Medium Enterprises in Digos City. Specifically, the second section addressed the components of debt management strategies, namely: maturity diversification from Kamau (2020), followed by debt restructuring from Barassa et al. (2023), and lastly budgetary planning from Chituru et al. (2022). Finally, the third section of the questionnaire

addressed the components of repayment performance: first, repayment timing from Aung (2024), followed by loan terms from Keragia (2019), and lastly, credit scoring from Aduda (2012).

This study utilized a five-point Likert Scale as a basis of interpretation for the level of debt management strategies of the SMEs in Digos City, following each variable: maturity diversification, debt restructuring, and budgetary planning.

Numerical Scale	Range of Mean	Descriptive Level	Descriptive Interpretation
5	4.20-5.00	Very High	This indicates that debt management strategies are universally implemented among SMEs.
4	3.40-4.19	High	This indicates a broad implementation of debt management strategies among SMEs.
3	2.60-3.39	Moderate	This indicates a notable but not frequent implementation of debt management strategies among SMEs.
2	1.80-2.59	Low	This indicates a limited implementation of debt management strategies among SMEs.
1	1.00-1.79	Very Low	This implies an unprecedented implementation of debt management strategies among SMEs.

Moreover, the study also utilized a five-point Likert Scale to give a basis of interpretation for the level of Repayment Performance of SMEs in Digos City about each of the following variables: repayment timing, loan terms, and credit scoring.

Numerical Scale	Range of Mean	Descriptive Level	Descriptive Interpretation
5	4.20-5.00	Excellent	This demonstrates that SMEs are highly consistent in timely repayment.
4	3.40-4.19	Good	This demonstrates that SMEs are regularly consistent in timely repayment.
3	2.60-3.39	Fair	This demonstrates that SMEs have a moderate frequency of timely repayment.
2	1.80-2.59	Poor	This demonstrates that SMEs have a low frequency of timely repayment.
1	1.00-1.79	Very Poor	This demonstrates that SMEs have a significantly low frequency of timely repayment.

Design and Procedure

This study used a descriptive-predictive research approach, which is a combination of descriptive research design and predictive analytics to gain current insights and forecasts about this topic: descriptive research design is a tool that gives a thorough and detailed view that helps to describe and understand the features of a subject or phenomenon. It is also widely used in various fields, with its primary goal to carefully

observe and record all factors or variables and conditions that could affect the phenomenon being studied (Kumatongo & Muzata, 2021). While predictive analytics on the other hand apply the predictive analysis methods that are often through statistical or machine learning, to use past data to identify key patterns and trends which is then applied to current data to predict future events to address complex challenges, uncover new opportunities across various industries (Sharma et al., 2022). Thus, this combined approach is commonly applied in studies that need to both describe a situation and make future predictions about future outcomes.

Furthermore, the survey research design is the most commonly used in research that employs the purposive sampling method. Ghanad (2023) cites that the survey method includes selecting participants to complete a test, survey, or questionnaire focused on the variables of interest within broad populations. According to Rai and Thapa (2015), purposive sampling is a type of non-probability sampling method that cannot generalize to the broader population; it narrows down the set of respondents to those most likely to contribute meaningful data, thus increasing relevance and depth of the findings.

Survey questionnaires were personally distributed to the respondents during the data gathering process. A survey questionnaire is a tool intended to gather information from the respondents about the problem of the study by answering a list of questions provided. The questionnaire is designed to determine the effect of debt management strategies on repayment performance among small and medium enterprises (SMEs) in Digos City. Before the distribution, the researchers asked for a letter of permission from the UM Digos College Research and Publication Center to conduct the survey. In addition, consent was obtained during the distribution of the survey questionnaires. After collecting the information from the respondents, the data is compiled and submitted to the statistician for interpretation in line with the problem statement and research objectives.

Ethical Considerations

The researchers underwent approval and examination from the UM Digos Research and Publication Center, which served as a basis for the study's ethical standards. Additionally, the researchers complied with a study protocol assessment and standardized criteria in utilizing and organizing the data, including but not limited to:

Voluntary Participation. All SMEs can partake in the study of their own will. They were also free to terminate their participation whenever they wished without sanction for non-volunteerism.

Confidentiality and Privacy. Any private and personal information we obtained in the study was kept concealed and confidential. The researchers ensured that the data was safe and secure from unauthorized access.

Informed Consent Process. The researchers sought approval from the City Government of Digos to conduct the research. Finally, a consent form is distributed to the respondents; their approval signifies their participation and ratifies their awareness of the purpose of the study.

Fabrication. The researchers observed objectivity in developing the research; there was no intention to make the work of other researchers their own. The researchers also ensured proper credit was given to the literature owners involved in the study.

Falsification. The study comprises ideas from various reliable studies related to the topic. Citations were utilized to credit the sources and recognize the authors appropriately.

Plagiarism. The study did not involve any instances that could have resulted in plagiarism. The researchers paraphrased and used their own words to express ideas taken from various academic sources,

and Turnitin was utilized to manage the similarity index.

Results and Discussion

Level of Debt Management Strategies among Small and Medium Enterprises (SMEs) in Digos City

Table 1 shows that the overall level of debt management strategies of small and medium enterprises in Digos City is high, with a total mean of 3.74 (SD=0.68). This indicates a broad implementation of debt management strategies among SMEs in Digos City; in other words, the adoption of debt management strategies among SMEs in Digos City is strongly manifested. In this study, the researchers identified 3 indicators for the level of debt management among SMEs in Digos City: maturity diversification, debt restructuring, and budgetary planning. In the category of maturity diversification, the items compiled in the study of Kamau (2022) mainly point out specific components, such as access, diversification, and options for loan tenures. Debt Restructuring consists of debt refinancing, maturity extension, loan modification, and additional personal guarantees (Barasa et al., 2023). For the last indicator, budgetary planning encompasses specific relevant points about budget utilization, risk management, performance appreciation, and training managers in utilizing budgetary controls (Chituru et al., 2022).

Table 1. Level of debt management strategies among Small and Medium Enterprises (SMEs) in Digos City, n = 90

Indicators	\bar{x}	SD
Maturity diversification	3.64	0.81
Debt Restructuring	3.41	0.89
Budgetary Planning	4.18	0.80
Overall	3.74	0.68

Among the three indicators, budgetary planning garnered the highest mean of 4.18 (SD=0.80), distinguished as high, suggesting that SMEs highly plan their budget to manage their debt. Based on this result, controlling budget, improving resource allocation, and reducing financial risks are prominent among SMEs. In such cases, Baptista et al. (2024) inferred that budgetary planning may dictate the ability of a firm to succeed or otherwise fail. Additionally, budgetary planning and control may offset a firm's uncertainty, which is evident in SMEs in Yemen (Nair et al., 2020). Moreover, as stated by Otieno et al. (2024), budget planning boosts the efficiency of an organization in terms of resource allocation, cost management, financial control and the like, in such cases budgetary planning is fundamental for business owners or managers to attain because it holistically outlines the financial goal of a firm.

On the other hand, maturity diversification obtained the second highest mean of 3.64 (SD=0.81). It was also identified as high, reflecting that SMEs highly diversify loan maturities to manage their debt. In other words, SMEs highly diversify due dates by increasing access to short-term and long-term loans and enhancing credit maturity negotiation amongst creditors. The study of Wackers et al. (2023) illustrates an absolute relationship between interest rates and loan maturities, establishing that an increase in loan periods may incur higher interest. Consequently, firms that attain short-term debt financing may incur lower cost-of-debt but are prone to limited liquidity (Kasasbeh, 2021). Provided further, short-term debts offer incentives that may address commitment and leverage problems that are raised from small financial shocks; on the other hand, debts with longer maturities may provide hedging advantages by delaying defaults that occur from large financial shocks, thus lowering unexpected costs (Hu et al., 2024). Hence,

in the case of SMEs in Digos City, maturity is diversified in order that such may dictate the productivity of the funds acquired through debt, as concluded by Dube (2013), as indicated by Manyanga et al. (2023). Finally, debt restructuring obtained the lowest mean of 3.41 (SD=0.89); it was still identified as high. This suggests that SMEs restructure their debt to manage their debt, which may vary from refinancing debts to lower interest rates, modifying loan conditions, and providing additional personal guarantees. The study of Bauer et al. (2021) revealed that SMEs are prone to encountering financial struggles than larger firms, especially in cases of economic downturns (e.g., the COVID-19 pandemic), thus requiring a robust restructuring procedure, including debt restructuring, which was evident in Asia Pacific countries. The same is true of laws arising in Indonesia that boosted debt restructuring among their micro, small, and medium enterprises during the pandemic (Berlianty et al., 2023). As noted by Palacin-Sanchez et al. (2023) debt restructuring has helped reduce financial distress among business firms by employing debt renegotiations among creditors. As stated above, SMEs utilize debt restructuring because it is relevant to managing risks, especially during financial uncertainties, hence diverting them into recovery and success (Umar, 2023).

Level of Loan Repayment Performance among Small and Medium Enterprises (SMEs) in Digos City

Table 2 shows that the repayment performance among small and medium enterprises in Digos City is good, with an overall mean of 4.04 (SD=69). This demonstrates that SMEs are regularly consistent in timely repayment. In this study, the researchers identified three repayment performance indicators: repayment timing, loan terms, and credit scoring. In the repayment timing category, the study of Aung (2024) includes items that may affect repayment performance, such as timely payments, cash flow management, awareness of due dates, and manageability of meeting loan repayments. As for the loan terms category, Keragia (2019) emphasized certain items such as flexibility of loan terms, penalties for default, debt avalanche, loan sizes, and grace periods, which may affect repayment performance. For the last indicator of repayment performance, credit scoring revolves around the 4C's of credit: character, capacity to pay, collateral, and capital (Aduda, 2012).

Given that repayment timing garnered the highest mean of 4.19 (SD=0.81), it was identified as good. This demonstrates that SMEs that highly engage in timing their repayment are most likely to repay their financial obligations. Thus, Kitomo et al. (2020) reveal that cash holding and planning positively impact the repayment of obligations among enterprises. Meanwhile, Tarus and Tarus (2023) inferred that cash flow management as an indicator of debt management literacy is positive in the repayment performance among SMEs in Kenya. Moreover, awareness of specific due dates is also an indicator of loan repayment among borrowers (Aung, 2024). Furthermore, presented by Endris (2022) additional income incurred from enterprise operations poses an optimistic impact on the repayment performance of Micro- Small business enterprises in Ethiopia.

Table 2. Level of Loan Repayment Performance among Small and Medium Enterprises (SMEs) in Digos City, n = 90

Indicators	\bar{x}	SD
Repayment Timing	4.19	0.81
Loan Terms	3.78	0.79
Budgetary Planning	4.14	0.92

Indicators	\bar{x}	SD
Repayment Timing	4.19	0.81
Overall	4.04	0.69

Subsequently, credit scoring garnered the second highest mean of 4.14 (SD=0.92), which is identified as good. This implies that SMEs with improved credit scores could repay their obligations. Increasing willingness to pay, projecting cash flows, securing collateral, and improving financial position improve a borrower's creditworthiness. Accordingly, specific literature revealed that a business entity's character and capacity to pay positively impact repaying their obligations (Okero & Wawero, 2023). The study of Sangwan et al. (2020) also propounded that a borrower's financial characteristics, such as credit supervision, pose a significant view on their repayment performance, as affirmed by Muhammad et al. (2021), as financial behavior influences how borrowers repay their loans. While the study of Ndichu (2021) asserted that collateral has a positive influence on loan performance, since firms that offer collateral are most likely to have the economic capability and the highest level of preparedness when repaying their obligations (Endris, 2022).

Finally, loan terms as an indicator of repayment performance garnered the lowest mean of 3.78 (SD=0.79), yet still identified as good. This suggests that SMEs that highly assess the terms of credit are most likely to repay their obligations, especially in terms of flexibility of repayment, penalties associated with defaults, loan sizes, and grace periods. Akram (2023) affirmed that inconsistent firm performance results from adverse credit terms such as higher interest rates, less flexibility of repayment, and reduced loan durations, thus firms carefully assess terms associated with credit. Additionally, loan periods are directly associated with repayment among organizations, which may impact how organizations manage their income and investments while meeting their obligations (Kiros, 2022). While Abimbola (2021) further articulated that loan sizes and interest payments negatively affect loan repayment performance, this refers to high interest rates and loan sizes, which may lower the ability to repay obligations. Holistically, loan terms pose a significant relationship with the repayment performance among borrowers (Muthama & Warui, 2021).

Relationship between Debt Management Strategies and Loan Repayment Performance among Small and Medium Enterprises (SMEs) in Digos City

Table 3 presents the Pearson correlation coefficients between debt management strategies and loan repayment performance among Small and Medium Enterprises (SMEs) in Digos City. The results indicate statistically significant relationships between various debt management strategies, including maturity diversification, debt restructuring, budgetary planning, and overall debt management practices, with different aspects of loan repayment performance: repayment timing, loan terms, credit scoring, and overall loan repayment performance.

Table 3. Correlation Matrix between Debt Management Strategies and Loan Repayment Performance among Small and Medium Enterprises (SMEs) in Digos City

Loan Repayment Strategies	Debt Management Strategies			
	Maturity Diversification	Debt Restructuring	Budgetary Planning	Overall
Repayment Timing	.485**	.389**	.405**	.519**

Loan Repayment Strategies	Debt Management Strategies			
	Maturity Diversification	Debt Restructuring	Budgetary Planning	Overall
	(.000)	(.000)	(.000)	(.000)
Loan Terms	.441** (.000)	.326** (.002)	.426** (.000)	.483** (.000)
Credit Scoring	.573** (.000)	.427** (.000)	.403** (.000)	.570** (.000)
Overall	.619** (.000)	.471** (.000)	.505** (.000)	.647** (.000)

*p<.05; **p<.01

All correlations were significant at the 0.01 level ($p < .01$). Recent research reveals that improving debt management strategies has a favorable impact on loan repayment practices, which lowers default rates and raises SMEs' credit scores (Elliyana, 2024). Additionally, it has been demonstrated that SMEs' profitability and general performance are greatly impacted by their access to debt financing (Badi & Ishengoma, 2021). Furthermore, flexible repayment plans might entice company owners to make larger expenditures, promoting the expansion and viability of their enterprises (Battaglia et al., 2024). The results point to the potential benefits of implementing comprehensive debt management strategies for SMEs in terms of improved payback performance and financial stability.

Among the individual strategies, maturity diversification demonstrated the strongest associations across all loan repayment indicators. Specifically, it was strongly correlated with credit scoring ($r = .573, p < .01$), repayment timing ($r = .485, p < .01$), and loan terms ($r = .441, p < .01$). Recent research has reaffirmed how crucial it is to balance short carefully- and long-term loans in order to improve SMEs' creditworthiness and streamline payback plans. Nguyen (2022) discovered that a well-structured debt maturity has a favorable impact on investment choices by allowing businesses to match loan commitments with cash flow patterns, which lowers the chance of default. Similarly, Do and Phan (2022) showed that a suitable debt maturity structure enables businesses to efficiently handle their financial commitments, which enhances their financial performance. These imply that SMEs should carefully evaluate their loan maturity methods to maintain financial stability and expansion.

Similarly, budgetary planning showed significant positive relationships with repayment timing ($r = .405, p < .01$), loan terms ($r = .426, p < .01$), and credit scoring ($r = .403, p < .01$). This emphasizes the importance of careful financial preparation. Effective budgeting techniques put SMEs in a better position to control their cash flows, make on-time loan payments, and manage their finances. Okeke et al. (2024) emphasize that strategic budgeting and revenue management are pivotal for small and medium-sized enterprises (SMEs) to enhance financial resilience and navigate economic uncertainties. Furthermore, Msomi (2024) found a strong and positive correlation between SMEs' loan repayment performance and their budgeting abilities, highlighting that structured budgeting and financial literacy lower default rates. On the other hand, while debt restructuring had comparatively lower correlations, it remained statistically significant, with its highest relationship observed with credit scoring ($r = .427, p < .01$) and repayment timing ($r = .389, p < .01$). Proactively pursuing debt restructuring may help SMEs in financial difficulties by improving credit profiles and realigning repayment schedules, which increases the possibility of the business continuation. Debt restructuring, according to Alfawzan et al. (2023), effective restructuring

techniques may increase liquidity, lower the cost of capital, and sustain continuous operations, adding to the overall resilience and growth of these organizations.

When considering overall debt management strategies, there was a strong positive correlation with overall loan repayment performance ($r=.647, p<.01$), indicating that a comprehensive approach to debt management leads to better repayment outcomes. Additionally, overall debt management was highly correlated with individual indicators, such as credit scoring ($r=.570, p<.01$), repayment timing ($r=.519, p<.01$), and loan terms ($r=.483, p<.01$). This suggests that there is a greater chance of better payback results for SMEs who use comprehensive debt management strategies. This all-encompassing strategy includes responsible borrowing, financial planning, and efficient budgeting, all of which improve SME's capacity to pay off debt. Supriyadi et al. (2024) provided evidence in support of these findings by stressing that financial literacy, a crucial aspect of debt management, significantly impacts loan repayment performance, which in turn influences creditworthiness. Furthermore, Badi and Ishengoma (2021) emphasized how SMEs' profitability is impacted by their capacity to get debt financing, implying that better debt management techniques might result in higher financial indicators, such as credit ratings. Among all individual indicators, credit scoring exhibited the highest correlation with maturity diversification ($r=.573, p<.01$) and overall debt management strategies ($r=.570, p<.01$). This demonstrates that coordinating loan maturities with cash flow trends enhances credit profiles and lowers the chance of default. According to the review of Wu et al. (2022) on the determinants and consequences of debt maturity structure, it is emphasized that firms with well-structured debt maturity have a positive impact on profitability, as such structure is tailored to the company's needs, ultimately lowering the risk of defaults.

These findings suggest that implementing effective debt management strategies, particularly maturity diversification and budgetary planning, can significantly enhance SMEs' loan repayment performance. The strong correlation between overall debt management strategies and loan repayment performance ($r=.647, p<.01$) highlights the importance of a holistic approach to managing debt. This suggests a greater chance of better loan payback results for SMEs that use efficient debt management techniques. In support of this, Tarus and Tarus (2023) discovered that debt management literacy substantially impacts SMEs' digital loan payback performance. This underscores the need for SMEs to get financial management skills and knowledge to guarantee timely loan repayments. In addition, Elliya (2024) found that raising debt management literacy among SMEs improves credit ratings and lowers default rates, highlighting the importance of financial education in fostering better repayment skills and financial stability. These results emphasize the need for SMEs in Digos City to adopt sound debt management practices to improve their financial stability and repayment capabilities.

Regression Analysis for Variables Predicting Loan Repayment Performance

The regression analysis results presented in Table 4 show the extent to which maturity diversification, debt restructuring, and budget planning predict loan repayment performance among Small and Medium Enterprises (SMEs) in Digos City ($n=90$). The overall regression model was statistically significant, $F(3,86)=35.640, p<.01$, accounting for 45% of the variance in loan repayment performance (Adjusted $R^2=.438$). The multiple regression equation derived from the analysis is: $\text{Loan Repayment Performance} = 1.479 + (0.415 \times \text{maturity diversification}) + (.248 \times \text{budgetary planning})$.

Table 4. Regression Analysis for variables predicting loan repayment performance (n=90)

Variable	B	SE B	β	p
(Constant)	1.492	.319		.000
Maturity Diversification	.415	.075	.492	.000
Budgetary Planning	.248	.076	.288	.002
R ²	.450			
Adjusted R ²	.438			
F	35.640**			

*p<0.05, **p<0.01.

Both maturity diversification ($\beta = .492, p < .001$) and budgetary planning ($\beta = .288, p = .002$) were statistically significant predictors of loan repayment performance. Specifically, maturity diversification had the most potent predictive effect, suggesting that SMEs with more diverse debt maturities tend to perform better in repaying loans. In the study of Kasasbeh (2021), the diversification of short-term debt and long-term debt significantly impacts the ability of a firm to make the appropriate capital decisions that dictate the ability of a firm to repay its obligations. Furthermore, the study of Manyanga et al. (2023) concluded that both short-term and long-term debt affect the financial capability of a firm to repay its obligations. Moreover, it revealed that repayment periods influence defaults among borrowers, as such maturity diversification positively predicts repayment performance (Kiros, 2022).

Budgetary planning also contributed positively, indicating that enterprises with more structured financial planning are more likely to meet their loan obligations. This finding aligns with the perspective of Elliyana (2024), which states that an increase in budgetary planning and literacy also increases the ability of a firm to repay its credits. Thus, Isibor et al. (2022) also stated that a good budgeting process aligns with business goals, helps predict future financial needs, and ensures resources are used widely. It also gives a straightforward way to measure performance and make changes when needed. Furthermore, budgeting is crucial to financial health for small and medium businesses. It involves thoughtful planning and careful money management, particularly regarding repaying loans. Effective budgeting can help prevent major issues that lead to business closures (Msomi, 2024).

In contrast, debt restructuring has been removed, suggesting that it is not a significant predictor of repayment performance. Debt restructuring had no meaningful impact on repayment outcomes within this sample indicating that when manage shortly it can result to closure; hence, it is most effective when a business is in financial difficulty but still has a strong foundation thus, it simply needs prompt help to get back on track before the situation worsens (Murugi et al., 2022). Moreover, according to the findings of Muhammad et al. (2021), restructuring loan sizes, tenures, and interest rates may negatively affect SMEs' repayment performance. However, this contradicts the results from the study of Nopiyani et al. (2021), which credit restructuring decreases the number of non-performing loans among banks; hence, in such a case, borrowers repay their loans accordingly.

The unstandardized coefficients (B) suggest that for every one-unit increase in maturity diversification, loan repayment performance increases by 0.415 units, while a one-unit increase in budgetary planning results in a 0.248 unit increase in loan repayment performance, holding all other variables constant. Overall, these findings underscore the importance of financial strategies such as maturity diversification and budgeting in improving loan repayment outcomes among SMEs. The statistically significant model

and moderate effect size (Adjusted $R^2 = .438$) indicate that these two debt management practices can explain nearly half (43.8%) of the variability in loan repayment performance.

Conclusion

The researchers found a broad implementation of debt management strategies, suggesting that SMEs in Digos City highly adopt specific strategies like budgeting, maturity diversification, and debt restructuring. Subsequently, it was also revealed that SMEs in Digos City are consistent in timely repayment, concerning repayment timing, credit score, and loan terms. Moreover, maturity diversification and budgetary planning positively correlated with the overall repayment performance, while debt restructuring showed a lower correlation yet remained statistically significant with credit scoring and repayment timing. On the other hand, maturity diversification and budgetary planning were significant predictors of repayment performance, whereas debt restructuring did not emerge as a significant predictor. This insinuates that most debt management strategies may boost repayment performance, but some may not, given that they have significant relationships.

Recommendations

With the findings provided in this study, the researchers were able to formulate specific recommendations, the following are:

1. Small and medium enterprises (SMEs) should actively employ maturity diversification and budgetary planning, significantly dictating repayment performance. Thus, we suggest that SMEs diligently manage their short-term and long-term credits while planning and controlling their budget. Hence, improving budgetary skills, credit negotiations, and access to flexible loan tenures can substantially improve repayment.
2. The study also suggests that financial institutions may enhance their flexibility in credit negotiations and comprehensively provide financial advice to clients who operate as small and medium enterprises to address bad debts that occur proactively from defaults. The government may arrange programs encouraging SMEs to adopt sound debt management practices to help them navigate financial instability and ensure repayment consistency.
3. Lastly, future researchers could investigate how SMEs may expand their debt management strategies in line with financial circumstances. Thus, the researchers advise broadening the scope of the study by exploring specific industries and economic locations. Additionally, researchers could investigate the impact of external factors, such as economic downturns and changes in interest rates, on the repayment performance of SMEs. This will help to identify best practices for debt management and provide practitioners with valuable insights into how to support SMEs in managing their debts effectively.

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