UNDERSTANDING MICRO-ENTREPRENEURS' INDEBTEDNESS: WHAT DRIVES PAYMENT BEHAVIOUR?

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ABSTRACT

Understanding the socio-economic factors that influence irregular payment behavior among micro-entrepreneurs is essential, as these factors contribute to rising indebtedness and pose significant challenges for financial institutions in creating sustainable microfinance solutions. This study examines the factors influencing payment behavior among micro-entrepreneurs, focusing on the socio-economic drivers that contribute to high levels of indebtedness. It focuses on how financial leverage affects these dynamics by examining various independent variables, including income, gender, age, race, education level, marital status, number of dependents, types of business, business sector, financing amount, financing tenure, and the year of approved financing. The study analyse the demographic profiles of bank customers among micro-entrepreneurs and the payment behavior among microfinance customers in Malaysia through econometric model. The results show that micro-entrepreneurs with higher incomes tend to make timely payments on their bank financing compared to those with lower incomes. This confirms that a microentrepreneur's ability to make payments on time is linked to their income level. Other factors such as gender, age, race, education level, marital status, number of dependents, types of business, business sector, financing amount, financing tenure, and the year of approved financing do not appear to influence payment behavior among micro-entrepreneurs. While the findings are specific to Malaysia, the implications can be applied to similar contexts in emerging countries. This study offers a comprehensive understanding of the factors that impact payment behavior, providing valuable insights for financial institutions, policymakers, and microentrepreneurs to improve financial management and sustainability in the microenterprise sector.

Keywords*:* Demographic profile, payment behaviour, microfinance, financial inclusion.

INTRODUCTION

Microenterprises play a crucial role in the economic and social development of the country as they provide income and employment opportunities for family members and the local community. The impact of the micro-enterprises sector on the economy in terms of job creation and economic growth has led to increased interest in micro-entrepreneurs. This is mainly due to the limited access of micro-enterprises to external financing for their survival and growth, especially in developing countries. While there is existing literature on indebtedness and payment behavior, including the differences between micro and small enterprises, there is a lack of empirical evidence explaining the variations in payment behavior among micro-enterprises. A previous study by Krasniqi and Mustafa (2011) has highlighted the significance of demographic patterns in influencing payment behavior related to indebtedness. This is important because the impact of financial leverage on bank financing is a major concern in finance. Most research has focused on large and medium-sized enterprises in emerging markets, primarily due to limited data availability for micro-enterprises. There has been limited study on the correlation between demographic profiles and payment behavior of micro-enterprises.

Understanding the demographic details and payment behavior of micro-enterprises in the context of the COVID-19 pandemic is crucial due to its significant impact on these businesses. COVID-19 has detrimentally impacted micro, small, and medium-sized enterprises (MSMEs), particularly in servicing and financing. Hence, this study contributes to the literature and helps policymakers address the challenges of financing micro-enterprises. The study also provides potential guidance at the policy and management levels to assist micro-enterprises in overcoming financial hurdles in bank financing, thereby mitigating default payments among micro-enterprises. Micro-enterprises play a vital role in driving the growth of emerging economies. Access to financial resources is crucial for their success and survival, as well as for employment abilities, growth, productivity, and revenue. Chitsimran et al. (2020) conducted a comprehensive review of literature on MSME financing gaps from 1960 to 2020, highlighting the persistent challenges faced by micro, small, and medium-sized enterprises in accessing finance. The study identifies that lack of collateral, inadequate financial infrastructure, and limited access to formal credit channels are major contributors to the financing gaps faced by MSMEs.

The primary aim of this study is to investigate the relationship between micro-entrepreneurs' use of bank financing and their payment behavior. Specifically, it seeks to understand how leveraging bank funds impacts their ability to make consistent and timely payments, as well as to identify the factors that may lead to irregular payment patterns. This study provides insight into the link between bank financing and payment behavior among micro-entrepreneurs, offering guidance for financial institutions to design more effective, sustainable microfinance solutions that support consistent payment and financial stability. The study is structured as follows: the current section introduces the study. Section two reviews the literature regarding financial inclusion related to microfinance and the financial leverage theory. Section three discusses the research methodology, and Section four discusses the findings. The final section, section five, concludes the study and provides insightful contributions and the significance of this study.

LITERATURE REVIEW

Financial Inclusion and Microfinance

The term "financial services" used in contemporary discourse is often seen as exclusive. Access to financial services is typically limited to a specific demographic, namely those who have bank accounts, leaving out about half of the population who do not have such accounts. When we examine the increase in access to formal financial services, it becomes evident that it can potentially prevent individuals from falling into the poverty trap. Moreover, the traditional model of financial access can effectively reduce costs, provide saving opportunities, and create an environment conducive to investment. The question at hand is to what extent the products and services offered by financial services are genuinely aimed at individuals with limited financial resources.

It is widely recognised that financial services, particularly banks, play a crucial role as financial intermediaries. Banks receive funds from surplus entities and act as intermediaries to channel these funds to individuals in need of financial assistance. In their intermediary role, banks facilitate the mobilisation of funds while managing deposited funds, prioritising profit generation, and ensuring cost efficiency. This intermediary function is essential as banks manage depositors' and shareholders' funds, with the expectation that depositors will receive returns after a specified duration. However, there is a concern that banks may become solely profit-driven and motivated by financial gains. Islamic banks serve a similar intermediary function, albeit with principles aligned with Islamic finance.

A significant portion of the population lacks access to or ownership of bank accounts, which is commonly referred to as the "unbankable" demographic. This group is characterised by individuals who lack collateral, making them unable to access traditional banking services. Factors such as irregular income, social status, limited education, and geographical distance contribute to financial exclusion. As a result, individuals in this group face significant challenges in saving for the future, investing in businesses, and climbing the economic ladder. This lack of financial access becomes even more critical for those vulnerable to shocks such as natural disasters, medical emergencies, and economic crises. Access to financial services has the potential to address some of the world's most persistent issues, including poverty and inequality. In many low-income countries, a substantial portion of working-age adults remain unbanked, with more than half of them being women (Hossain, Mia, & Dalla Pellegrina, 2024). Financial inclusion entails ensuring that individuals and businesses can access affordable and useful financial products and services that meet their needs. By expanding financial access, we can take significant steps towards reducing poverty and fostering economic development.

Financial inclusion is crucial to ensuring that vulnerable groups, such as weaker sections and low-income demographics, have access to timely and adequate credit at an affordable cost when needed (Mohd et. al., 2024) . It encompasses access to various financial services, including payment services, savings products, insurance/takaful products, pension savings, and more. Banks play a pivotal role in this endeavor by offering various financial services and tailoring products to suit the needs of specific target groups. Despite efforts, some segments of society remain excluded from formal financial services. This includes marginalised farmers, migrants, minorities, senior citizens, and women. Rural and urban populations can be categorized as financially excluded, highlighting the geographic dimension of this issue. Including women is vital, given that many are disproportionately excluded from financial services. Traditionally, women often stay at home, manage household duties, care for children, and oversee family affairs, leading to exclusion from financial services. Numerous studies have underscored this gender disparity, showing that women are more likely to be excluded than men (Brush et. al., 2018; Saluja, 2024) . Hence, addressing this gender gap in financial inclusion is paramount for achieving comprehensive financial access and equity.

Trokic, Barakovac and Efendic (2020) conducted a comprehensive research comparing Islamic and Conventional microfinance in terms of socio-economic benefits. Their study aimed to investigate the unique ways in which different financing models can benefit customers, and whether these models are provided by Islamic or conventional microfinance. The results underscore the profound impact of Islamic microfinance financing models on beneficiaries, particularly the Islamic microfinance models that offer more benefits to clients compared to their conventional counterparts. In a study conducted by Ines B. Abdul Kadir and Asma B. Salem in 2015, the performance of Islamic microfinance was compared to conventional microfinance in MENA countries, which include the Middle East and North African countries. The research analyzed the main objectives of microfinance institutions, which are to be socially active in reducing poverty while also being profitable and sustainable. The research has identified several key issues within conventional microfinance that hinder their performance, particularly in Muslim countries. These issues include a lack of transparency in profit distribution and the complexity of the methods used.

Fianto et. al (2018) investigates the impact of Islamic microfinance on rural households' welfare in Indonesia, comparing the effects of equity financing and debt-based financing. The results show that both financing methods have a positive impact on rural households' income, but equity financing performs better than debt-based financing. The study also finds that Islamic microfinance institutions' financing contracts are compatible with the national Shariah board of Indonesia standards, indicating no Shariah compliance issues in their financing. Fianto, Gan and Hu (2019) examines the impact of Islamic microfinance on rural households' welfare in Indonesia, focusing on two financing mechanisms: equity financing and debt-based financing. The results indicate that equity financing has a greater positive impact on rural households' income compared to debt-based financing. The study also evaluates the Shariah compliance of Islamic microfinance institutions' contracts, finding that they are compatible with the national Shariah board of Indonesia standards. A study by Shaikh (2021) presents a new hybrid microfinance model that integrates different Islamic financial institutions with Fintech to enhance efficiency and impact. The model aims to address both financial and social needs by offering a range of financial services as well as non-financial support. It emphasizes key aspects such as financial sustainability, outreach, scale, and the integration of non-financial elements like commitment and skills enhancement. The model proposes the consolidation of various funding sources, including social savings and impact investments, and the financial services with non-financial support for sustained engagement.

Financial Leverage Theory

Financial leverage involves using debt to acquire additional assets with the aim of increasing the return on equity. However, it also raises the risk of insolvency if the firm cannot meet its debt obligations. In the context of Micro, Small, and Medium Enterprises (MSMEs), understanding financial leverage is crucial due to their unique characteristics and challenges, such as limited access to capital and higher vulnerability to market fluctuations. This discussion explores the theory of financial leverage and its implications for payment behavior among microentrepreneurs. The theory of financial leverage suggests that debt financing can amplify both gains and losses for a business, depending on the relationship between the cost of debt and the return on investment. If the return on investment exceeds the cost of debt, leverage can enhance the firm's profitability. Conversely, if the return on investment is lower than the cost of debt, leverage can worsen financial losses.

Financial leverage is a significant factor affecting how microentrepreneurs manage their financial obligations, including paying suppliers, employees, and creditors. Effective cash flow management is crucial for microentrepreneurs, as leveraged firms must generate sufficient cash flows to meet their debt obligations. Delays in receivables or unexpected expenses can strain their ability to make timely payments. Additionally, microentrepreneurs often face challenges in accessing credit due to their size and perceived risk. While financial leverage can help bridge this gap, it requires more disciplined payment behavior to avoid default. Macroeconomic factors such as interest rates and economic cycles can also impact payment behavior, with leveraged firms struggling more during economic downturns due to reduced revenues. Finally, microentrepreneurs must maintain good relationships with suppliers or vendors to ensure business continuity and consistent payment behavior to help build trust, potentially leading to more favorable credit terms from suppliers.

The impact of financial leverage on the payment behavior of microentrepreneurs is complex. Higher financial leverage increases the risk of default if the microentrepreneur is unable to meet its debt obligations. This requires careful monitoring of cash flows and strategic financial planning. Leveraged individuals may also have less financial flexibility to absorb shocks or take advantage of new opportunities, affecting their payment behavior, especially during financial stress. While leverage can facilitate growth by providing necessary capital, it also requires microentrepreneurs to generate higher returns to service the debt. Failure to do so can lead to liquidity issues and delayed payments. Payment behavior directly affects creditworthiness; regular, timely payments enhance credit ratings, leading to better borrowing terms. However, poor payment behavior can result in higher borrowing costs and reduced access to capital. Bazillier and Hericourt (2017) argue that income and wealth inequality contribute to financial instability through a dangerous feedback loop with leverage. Increased inequality leads to greater demand for credit by lower-income households, pushing up leverage levels in the financial system. This higher leverage makes the financial system more vulnerable to crises, which can further exacerbate inequality, perpetuating the cycle.

Financial leverage plays a significant role in microentrepreneurs' financial strategies. While it offers opportunities for growth and expansion by providing access to additional capital, it also imposes significant risks, particularly concerning payment behavior. Microentrepreneurs must balance the benefits of leverage with the potential risks, ensuring robust cash flow management and strategic planning to mitigate adverse effects. Understanding these dynamics is crucial for stakeholders, including financial institutions, policymakers, and microentrepreneurs themselves, to foster a supportive environment that enhances the sustainability and growth of these enterprises. Prihartono and Asandimitra (2018) explore the factors that influence an individual's financial management behavior. Their study identifies that financial literacy, financial attitude, social environment, and self-control are significant factors in shaping how individuals manage their finances.

Demographic Profiles of the Microfinance Customers

Age, education level, gender, and business experience are just a few of the demographic factors that can significantly impact microentrepreneurs' payment behaviour. These demographic factors play a crucial role in shaping microentrepreneurs' financial practices, risk tolerance, and overall management skills, which in turn affect their payment behaviour, as follows:

a) Age: Younger microentrepreneurs may have different payment behaviours compared to older ones. Younger business owners might be more inclined to take risks and leverage more, which can affect their ability to make timely payments if their ventures do not perform as expected. In contrast, older entrepreneurs might be more conservative in their financial practices, potentially leading to more stable payment behaviours.

b) Education level: The education level of microentrepreneurs can greatly influence their financial literacy and management capabilities. Those with higher education levels are likely to better understand financial management, cash flow forecasting, and debt management, leading to more disciplined and timely payment behaviours. Conversely, microentrepreneurs with lower education levels might struggle with these concepts, increasing the likelihood of delayed payments and financial mismanagement.

c) Gender: Gender can also impact payment behaviour among microentrepreneurs. Studies have shown that female entrepreneurs often exhibit more cautious and meticulous financial practices than their male counterparts. This cautious approach can result in more consistent and reliable payment behavior. However, women might also face greater challenges in accessing credit, which can influence their overall payment capacity.

d) Experience in business: The experience level of microentrepreneurs plays a pivotal role in their payment behaviour. Those with more years of experience are likely to have better-established networks, supplier relationships, and financial practices, leading to more consistent payment behaviours. Experienced entrepreneurs are also more adept at navigating economic fluctuations and managing cash flows effectively.

d) Cultural and socioeconomic backgrounds: Cultural norms and socioeconomic backgrounds can further influence payment behaviour. In some cultures, there may be a stronger emphasis on maintaining good financial relationships and timely payments, while in others, different practices may be more prevalent. Additionally, microentrepreneurs from lower socioeconomic backgrounds might face more significant challenges in accessing credit and managing cash flows, affecting their ability to make timely payments.

RESEARCH METHODOLOGY

This study employs a quantitative method using a primary data source. The data collected covers the whole Malaysia regions including Peninsula Malaysia, Sabah and Sarawak region. The sampling of the study is among microfinance customers with a self-administered questionnaire. The data is analyzed with a specific data analysis such as descriptive statistic, correlations, and regression analysis. This study uses purposive sampling to collect the data. This sampling design is used because the researcher uses judgment to specify the characteristics of the targeted respondents (Etikan et al., 2016; Campbell et. all, 2020). Other than that, this sampling design is a non-probability sampling which means the individuals in the population do not have the same probability to be selected. In this research, only the existing microfinance customers, who are the micro-entrepreneurs are qualified to participate. The adoption of this sampling design is crucial to help achieve a better understanding of the influence of demographic factors affect payment behaviour, in the case of Malaysia. Hence, focusing on this group gives this study a more reliable result.

This study applies a set of questionnaires as a research instrument. It is most likely to be understood as a survey consisting of a series of questions to collect information and data (Roopa & Rani, 2012). This instrument is used as it is much easier to distribute and gather many respondents to participate, especially for a study with a large population (Doloh, Redzuan & Mohd Yusoff, 2023). Besides, it can reduce cost and time. The data collected in this study is primary data. The responses from the questionnaires are analyzed and contribute to a new finding in this area. It is critical to pay close attention to ethics in research, especially when it involves respondents. In this study, the privacy and confidentiality of the respondents are protected. Their participation is voluntary, and there is no pressure on them to participate in this study. At the start of the survey, the author discloses the research objectives and the potential benefits and harm (if any). It is to ensure that the transparency of the research and the respondents can understand better the direction of this study. So, they can be more honest with the answer; therefore, the result would be more accurate. At the end of the survey, responses from the participants are collected and analyzed. It is essential to adopt an appropriate technique and tool for data analysis. The selected tools must be able to help in achieving the objectives of this study.

The objective of the study is to examine the relationship between variables. Hence, multiple linear regression is an appropriate method because it is commonly adopted to find the correlation between variables. It involves two or more independent variables that can predict the value of the dependent variable (Djafar et al., 2020). Also, multiple regression can provide the degree of significance of the relationship. The regression equation of the variable relationship in this study is:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \beta 6X6 + \beta 7X7 + \beta 8X8 + \beta 9X9 + \beta 10X10 + \beta 11X11 + \beta 12X12$$

in which:

Y = No delays in monthly payment, a = constant, $X1$ = gender, $X2$ = Age, $X3$ = race, $X4$ = education level, $X5$ = marital status, $X6$ = number of dependency, $X7$ = income level, $X8$ = types of business, $X9$ = business sector, $X10$ = financing amount, $X11$ = financing tenure, $X12$ = year of approved financing

FINDINGS AND DISCUSSION

The analysis of the demographic data is conducted to have a better overview of the respondents. Since this study focuses on microfinance customers includes the diverse demographic profiles: gender, race, level of education, age, marital status, education level, marital status, types of business and business sector. The survey captured responses from 87 participants, with a majority being female (64%) and Malay (92%). Most respondents had attained at least a secondary school education (54%) and held a diploma (36%) or a bachelor's degree (36%). The dominant business type was sole ownership (82%), primarily operating in the services (33.33%) and food and beverages (35.63%) sectors. The survey indicates a strong representation of women and individuals with higher education levels among the respondents. This data is crucial for understanding the composition and preferences of the respondent population.

Table 1: No Monthly Payment Delays

	Disagree	Agree	Total
Percentage (%)	13	87	100
Number	12	75	87

Table 1 above presents result on the frequency of monthly payment delays among 87 respondents. A significant majority, 86% with a number of 75 respondents, indicate that they experience no delays in their monthly payments. This suggests a high level of financial behaviour or stability among these respondents, likely reflecting effective financial management and sufficient income to meet their obligations. On the other hand, a smaller group, consisting of 14% which 12 of respondents, report experiencing delays in their monthly payments. This indicates that while many participants are managing their monthly financial commitments without delay, there is still a notable number of respondents facing challenges in this aspect. Overall, the data points to a predominantly positive situation regarding timely monthly payments among the surveyed customers.

Table 2: Impact on Monthly Payment by Revenue Level

No Delay in Monthly Payment	Disagree	Agree	Total

(Based on Revenue)			
RM1,000-RM5,000	10	36	46
RM5,001-RM10,000	2	20	22
RM10,001-RM15,000	0	9	9
RM15,001-RM20,000	0	1	1
RM20,001 and above	0	9	9
Total	12	75	87

Table 2 presents data on how income levels affect the ability to make timely monthly repayments, with 87 respondents across various income brackets. The majority of respondents fall into the lowest income bracket (RM1,000-RM5,000), with 46 participants; within this group, 36 (28 agreeing and 8 strongly agreeing) indicate no delays in monthly payments, suggesting effective financial management despite lower incomes. The RM5,001-RM10,000 bracket, with 22 respondents, also shows a positive trend towards timely repayments, though with 2 respondents indicate delay in monthly payment. As the income level increases (RM10,001-RM15,000 and RM20,001 and above), the number of respondents decreases but the proportion of those who agree or strongly agree with the statement remains high. Interestingly, there is only 1 respondent in the RM15,001-RM20,000 brackets, indicate no delay in monthly payment. Overall, the result suggests that across various income levels, a significant number of individuals are able to manage their finances well enough to avoid delays in monthly payments, with this trend being most pronounced in the lowest income bracket.

The instrument test is essential before data can be collected. The purpose is to examine whether the research instrument is suitable for the research. Before the questionnaire is distributed to the respondents, the instrument test is carried out with two experts' validation. The instrument has been reviewed, to ensure the questions are clear and no duplication. Both experts' feedback is gathered then the questions are revised accordingly. After the instrument test and classical assumption test, statistical analysis is conducted. This is a vital step in research to achieve the research objectives that involve data processing, analysis, and measurement. This study utilizes statistical software, namely SPSS version 28, to conduct the statistical analysis. Coefficient determination is carried out to investigate the relationship between independent variables and dependent variables and to measure the extent of the effect of independent variables towards dependent variables. It is determined from the R Square (R2) value, and the value should be between 0 to 1. If the value of correlation (R) = 0, it indicates there is no relationship between the dependent variable and independent variables.

Table 3: Coefficient Determination

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.393[a]	0.155	0.017	0.663

a. Predictors: (Constant), gender, age, race, education level, marital status, number of dependency, income level, types of business, business sector, financing amount, financing tenure, year of approved financing
b. Dependent Variable: No delays in monthly payment

Table 3 above shows the R = 0.393, which means there is a relationship between independent variables and dependent variables. This value demonstrates that the strength of the relationship is moderate. While the value of R Square = 0.155, which means taken as a set, the predictors: gender, age, race, education level, marital status, number of dependency, income level, types of business, business sector, financing amount, financing tenure, year of approved financing for 15.5% of the variance in the variable; no delays in monthly payment. This figure is relatively low, indicating that variables outside the model influence the remaining.

Table 4: Result of t-test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.771	0.737		3.761	0.000
	Gender	-0.168	0.172	-0.121	-0.977	0.332
	Age	-0.042	0.090	-0.058	-0.465	0.643
	Race	0.011	0.073	0.018	0.155	0.878
	Education level	-0.186	0.134	-0.179	-1.383	0.171
	Marital status	0.200	0.382	0.063	0.523	0.603
	Number of dependency	0.163	0.120	0.166	1.355	0.180
	Income level	-0.145	0.063	-0.275	-2.297	0.024
	Types of business	-0.164	0.133	-0.144	-1.233	0.221
	Business sector	-0.025	0.032	-0.090	-0.780	0.438
	Financing amount	0.032	0.025	0.158	1.284	0.203
	Financing tenure	-0.056	0.062	-0.118	-0.903	0.370
	Year of approved financing	0.000	0.051	-0.001	-0.005	0.996

a. Dependent Variable: No delays in monthly payment

The t-test results from Table 5 provide insights into the significance of various factors influencing the dependent variable "No delays in monthly payment. Out of all the variables considered, the only factor that demonstrates a statistically significant

effect on the dependent variable, "No delays in monthly payment," is the income level, with a significance value of 0.024. This finding indicates that income level is the sole predictor among the assessed variables that meaningfully influences the punctuality of monthly payments, as its value is below the conventional threshold of 0.05 for statistical significance. Consequently, individuals' income levels appear to have an impact on microenterprenuers' ability to make timely monthly payments, whereas other variables such as gender, age, race, education level, marital status, number of dependents, types of business, business sector, financing amount, financing tenure, and the year of approved financing do not exhibit statistically significant relationships with the dependent variable in this analysis.

CONCLUSION AND RECOMMENDATION

The analysis of the t-test results reveals important insights regarding the factors influencing the punctuality of monthly payments. Among the twelve variables assessed, only the income level shows a statistically significant relationship with the dependent variable "No delays in monthly payment," as indicated by a Sig. value of 0.024. This suggests that higher income levels are associated with a greater likelihood of timely monthly payments, reinforcing the notion that financial stability plays a crucial role in meeting financial obligations consistently. The insignificance of other variables such as gender, age, race, education level, marital status, number of dependents, types of business, business sector, financing amount, financing tenure, and the year of approved financing indicates that these factors do not have a meaningful impact on the punctuality of monthly payments within the context of this study.

The finding is consistent with a study by He & Zhou (2022) suggests that demographic variables have significant effects on the financial vulnerability of both urban and rural households. Similar to a study by Noerhidajati et. al (2021) finds the financial vulnerability of Indonesian households is not only strongly influenced by income factors, but also by finance-related behavioral characteristics and several socio-economic factors. This could be due to a variety of reasons, including the possibility that these variables do not significantly influence financial behavior in the sample population or that their effects are overshadowed by other unmeasured factors, as supported in the previous studies by Magli et. al (2021); Kuek, Puah, & Arip (2020) and Fernández-López et. al (2024).

This study identifies income level as the sole statistically significant predictor of punctuality in monthly payments. It connects the socio-economic and financial factors influencing payment behavior among micro-entrepreneurs to the rising challenge of indebtedness, addressing a core objective of understanding the impact of financial leverage on repayment patterns. By analyzing variables such as income, gender, age, education, marital status, business type, financing amount, and tenure, the study seeks to identify which factors most significantly affect payment behavior, directly informing financial institutions on how to create sustainable microfinance solutions that reduce default risks and improve financial stability among micro-entrepreneurs.

This finding underscores the importance of financial resources in ensuring timely fulfilment of financial commitments among the microentrepreneurs. The lack of significance among other variables suggests that factors such as demographic characteristics, business-related aspects, and financing details do not independently affect payment punctuality in a statistically meaningful way within this sample. These results have practical implications for financial institutions and policymakers. Understanding that income level is a critical determinant of timely payments can help in designing more effective financial products and policies targeted at enhancing payment reliability.

This study significantly contributes to understanding the specific socio-economic and financial factors that drive payment behavior among micro-entrepreneurs, which is critical for addressing issues of indebtedness within this group. By providing data-driven insights, the study enables financial institutions to design targeted, sustainable microfinance products that promote consistent repayment and support long-term financial stability for micro-entrepreneurs. Future research should consider exploring additional variables and using larger, more diverse samples to further elucidate the complex factors influencing financial behavior. Additionally, longitudinal studies could provide deeper insights into how these relationships evolve over time, offering a more comprehensive understanding of the determinants of payment punctuality.

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