How Debt Literate and Financial Literacy Enhance Smes Performance: The Intervening Role of Financial Experience

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Abstract. This study aimed to analyze the effect of debt literate, financial literacy, and financial wellbeing on SMEs performance directly and through financial experience. This research was conducted by visiting SMEs managers in Central Java, Indonesia. The total sample was 475 respondents who had answered the questionnaire completely. The data was analyzed using the model structure to determine the direct and indirect effects. The results show that the financial literacy variable has a direct and indirect effect through financial experience on the SMEs performance. The debt literate variable does not have a direct effect on it, but it has an indirect effect through financial experience. In addition, financial well-being has no effect on the SMEs performance either directly or through moderation of financial experience. These empirical findings provide evidence that SMEs performance can be improved through financial literacy, debt literate, and financial experience. There needs to be an increase in financial literacy and financial experience for SMEs owners in order to be able to understand every financial phenomenon that can hamper SMEs performance improvement. Further research is required to investigate the predictability of debt and financial literacy in enhancing SME performance using a different sample from several settings.

Keywords: Debt Literate · Financial Literacy · Financial Wellbeing · Financial Experience · SME performance

1 Introduction

In the last decade, many studies have discussed financial literacy, including Adomako & Danso (2014) [26]; Eniola & Entebang (2016, 2017) [29]; Hogarth & Hilgert (2002) [8]; Kadoya & Khan (2017); Mutegi, Njeru, & Ongesa (2015) [28]; Yang, Ishtiaq, & Anwar (2018) [27]; Yap, Komalasari, & Hadiansah (2016); and Yap, Ying, Wei, & Vui (2017). This shows the importance of financial understanding because nowadays people are more easily accessing finance with various financial service features both online and offline. The existing facilities further increase competition between entrepreneurs and can increase business innovation and better business performance. Innovation and the creation of new ventures have long been the focus of researchers and scientists in

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entrepreneurship and are claimed to have a positive impact on local, regional and national economic growth (Demirbas, Hussain, & Matlay 2011).

Good business performance shows that there are experienced individuals in their fields, especially in business finance. This has been widely proven by previous researchers that experience is important to have by individuals (Hankinson, 2000 [14]; Hogarth & Hilgert, 2002 [8]; Jarmin & Krizan, 2010 [13]; Jiang, Zhu, & Huang, 2013 [6]; Lusardi & Tufano, 2015 [15]; Man, Lau, & Snape, 2008; Matsunaga & Yeung, 2008 [7]; Reuber & Fischer, 1994 [11]). Experienced individuals in past events in a similar industry show higher productivity (Soriano & Castrogiovanni, 2012 [10]). Matsunaga & Yeung (2008) [7] also documented that a CEO who had served as Chief Financial Officer (CFO) could provide "good news" forecasts more precisely than a CEO with no financial experience. There are several cases of fail SMEs because of lack of experienced human resources. In Indonesia, only about 75% of SMEs practice management accounting and it depends on the owner/manager participation (Prihastiwi & Sholihin, 2018).

Researchers feel it is important to examine the SMEs performance and the literacy factors because performance is a measure of the success of a business. As an example and the recent phenomenon, data from the Ministry of Cooperatives and Small and Medium enterprises of the Province of Central Java, Republic of Indonesia, showing the SMEs performance in Central Java Province an increase up to Quarter III in 2018, reaching 52.867 billion rupiah. The increase in the SMEs financial performance was accompanied by the development of financial literacy which showed an increase from 21.84% in 2013 to 29.66% in 2016, according to the National Financial Literacy and Inclusion Survey Report from the Financial Services Authority (OJK in Bahasa). Related to the SMEs performance, financial literacy enables SME owners to be more experienced so they are wise in making business decisions. Individuals who are financially literate have two times lower borrowing costs (Huston, 2012) [39] and cause fewer financial problems (Taft, Hosein, Mehrizi, & Roshan, 2013) [34]. A survey conducted by Frijns, Gilbert, & Tourani-Rad, (2014) [38] revealed that people who have a lot of financial experience tend to be more financial literate.

Debt literate refers to individual skills in managing personal and business finances to avoid higher debt (Lusardi & Tufano, 2015) [15]. Low money management skills because of excessive debt raise financial concerns (Gardarsdóttir & Dittmar, 2012) [36].They may experience financial problems because they bear a risky mortgage due to low debt literate (van Ooijen & van Rooij, 2016) [19].To fill the research gap and assess the level of SMEs owners' knowledge about finance and debt, researchers design and conduct a new survey that focuses on debt literate, financial literacy, and financial wellbeing of SMEs' financial experience and performance. To achieve financial wellbeing is inseparable from financial experience as self-development (Drever et al., 2015). Agrawal & Harter (2010) suggest that a person may develop more than 1.5 times when someone lives in another household with higher financial experience. When an individual owns a large portion of a firm, his/her financial wellbeing may very much depend on the firm's performance and vice versa (Ferrer, 2012). Poor financial condition is one of the causes of people experiencing the effects of stress and financial pressure (O'Neill, Sorhaindo, Xiao, & Garman, 2005) [33] and decreased productivity (Taft et al., 2013) [34]. This kind of situation will hamper the financial performance of the business due to unwell-being experienced.

Small and medium-sized enterprises performance has been widely associated with entrepreneurial knowledge, education, experience, human resource competencies, owner characteristics, banking services and financial literacy (Hudson, Smart, & Bourne, 2001; Omerzel & Antoncic, 2008 [3]; Soriano & Castrogiovanni, 2012 [10]; Anggadwita & Mustafid, 2014; Eniola & Entebang, 2016 [29]; Ndiaye, Razak, Nagayev, & Ng, 2018; Maziriri, Mapuranga, & Madinga, 2018). This study intends to determine the effect of debt literare, financial literacy, and financial wellbeing on the SMEs performance SMEs by considering the intervening effect of the owner's financial experience.

2 Literature Review and Hypotheses Development

Financial performance is one important element in the corporate reputation [1]. Financial position, unique competence, and entrepreneurship are very important for the long-term performance of small businesses (Grande, Madsen, & Borch, 2011) [2]. Financial performance can be explained by profitability and its growth in the last few periods, employee growth, sales growth, and market share [3]. A larger market share can reduce the likelihood of business failure [4]. The survival of organizations can be explained by their profit growth [5].

2.1 Financial Experience and SME Performance

Jiang et al. (2013) [6] & Matsunaga & Yeung (2008) [7] confirmed that business owners with financial experience tend to provide more accurate income information and higher quality financial reports. Financial experience refers to past background experience related to finance including (1) monthly checkbook reconciliation, (2) financial accounting systems, (3) managing emergency funds, (4) reviewing credit reports, (5) taxes, (6) and investment [8]. Álvarez & González (2017) [9] define financial experience as real-life practice in managing and utilizing money. Financial experience is a skill that was acquired in the past; in financial matters it is more precisely a matter of income and financial disclosure quality [6, 7].

Soriano & Castrogiovanni (2012) [10] in the results of their study showed that experienced individuals in the same industry showed higher productivity. The owner's experience directly contributes to the firm's performance [11]. Lack of experience in the past plays an important role in business performance (Dyke, Fischer, & Reuber, 1992 [12]; Jarmin & Krizan, 2010 [13]). Basically, human resources are based on the background, experience, and owner-manager knowledge [14].

H1: Financial experience have a positive influence on the SME performance

2.2 Debt Literate, Financial Experience, and SME Performance

Debt literate is literacy about conceptual knowledge related to debt [15]. The high debt owed by SME entrepreneurs and its relationship to the recent financial crisis raises the question of whether the lack of entrepreneurs' financial knowledge makes their businesses become so wrapped up in debt that they are unable to pay it. Debt literate is related to financial behavior models, such as paying installments and credit cards. Debt literate refers to the skills, education, and knowledge of current information about debt management owned by an individual (Kariuki, Ogilo, & Mwangi, 2016) [16]. Lee & Mueller (2014) [17] defined debt literate as the ability to identify, understand, interpret, and navigate loan options, principles, and practices related to obligations. Debt literate is the ability to properly assess debt contracts and compound interest to make financial decisions correctly (Loke & Hageman, 2013) [18].

van Ooijen & van Rooij (2016) [19] found that the more people who are debt literate the greater the consideration of mortgage loans. In the same variable, Disney & Gathergood (2011) [20] document that people who have low a level of debt literate tend to show a higher level of debt than their wealth. Disney & Gathergood (2011) [20] and van Ooijen & van Rooij (2016) [19] agreed in their second research that debt literate in capturing knowledge and skills regarding debt concepts is more difficult than financial literacy which covers general financial concepts. Debt literate is also related to behavior in self-control. As mentioned by Achtziger, Hubert, Kenning, Raab, & Reisch, (2015) [21] in the results of their study that individuals who are low in self-control tend to have higher debt and individuals who are high in self-control tend to have lower debt.

H2: Debt literate has a positive influence on financial experience

H3: Debt literate has a positive influence on the SME performance

H4: Debt literate has a positive influence on the SME performance through financial experience.

2.3 Financial Literacy, Financial Experience and SME Performance

In the Indonesian Financial Services Authority Regulation (OJK) No 76 (2016), financial literacy is defined as the knowledge, skills and beliefs of decision making and financial management to achieve prosperity. Financial literacy comprises financial education, financial management, types of financial services industry, other financial products and services including benefits, costs, risks, customers rights and obligations, access mechanisms for products and other financial services, as well as other information related to transaction information. Financial literacy is a combination of financial and business awareness and knowledge, which consists of financial capability, management and planning [22]. Huston (2010) [23] referred to financial literacy and financial knowledge as human capital. Financial literacy is related to the cognitive abilities and education of individuals which can have an impact on financial activities and financial well-being [15, 24]. Financial literacy contains five concepts including financial knowledge, financial communication skills, financial management skills, financial decision-making skills, and financial planning beliefs [25].

In the business world, individuals who have higher financial literacy tend to be more involved in various financial practices and it has a positive impact on firm performance [26]. High financial literacy encourages risk management efficiency and firm performance [27]. Mutegi et al. (2015) [28] stated that in relation to SME debt repayment, there are four skills in financial literacy that must be possessed by individuals, including credit management, bookkeeping skills, budgeting skills, and financial analysis skills. Eniola & Entebang (2016) [29] documented that financial literacy is knowledge, behavior, and financial awareness of individuals which has a positive impact on SME performance. Financial literacy can help individuals make more informed decisions and improve the financial performance of SMEs.

H5: Financial literacy has a positive influence on financial experience

H6: Financial literacy has a positive influence on the SME performance

H7: Financial literacy has a positive influence on the SME performance through financial experience.

2.4 Financial Wellbeing, Financial Experience and SME Performance

Prawitz et al. (2006) [30] defined financial well-being as the current financial situation, which is free from financial pressures and feelings of anxiety. Brüggen, Hogreve, Holmlund, Kabadayi, & Löfgren (2017) [31] formed a new framework of financial well-being that the core of an organization's financial well-being is the reputation or image of the firm, trust, and welfare. The welfare of employers and employees is a picture of the firm's performance success. Financial well-being is related to welfare in work, work ability, balance between work life and workplace, as well as material benefits and individual wealth [32]. Financial conditions can affect one's productivity. Poor financial conditions can have negative effects on individuals, depression, and financial pressures [33], and then productivity decreases [34]. In essence, the effects of stress and pressure arising from poor finance affect business performance because work cannot run effectively and efficiently. Mutang, Bahari, Lailawati, & Wider (2017) [35] stated that an individual's finances are said to be prosperous if the individual has few loans and can organize expenses well.

H8: Financial wellbeing has a positive influence on financial experience

H9: Financial wellbeing has a positive influence on the SME performance

H10: Financial wellbeing has a positive influence on the SME performance through financial experience.

3 Method

3.1 Data and Research Design

This research used a quantitative approach using primary data that was obtained from the result of questionnaires by SME owners in Indonesia and the research was conducted from September 2019 until March 2020. Of the many SMEs that were found to ask them to complete a questionnaire, only 475 SMEs' owners/managers who answered well. A structural model was formed to determine the direct effect, indirect effect, and total effect of each variable. Before analyzing the direct and indirect effects, the researchers tested

Table 1. Reliability, convergent and discriminant validity results

Discriminant Validity	DL	FE	FL	FWB	SP
– Debt Literate	0.751				
– Financial Experience	0.206	0.730			
– Financial Literacy	0.157	0.391	0.708		
– Financial Well-Being	0.069	0.082	0.146	0.724	
– SME's Performance	0.176	0.605	0.385	0.119	0.810
Cronbach's Alpha	0.595	0.817	0.693	0.629	0.864
Composite Reliability	0.791	0.870	0.798	0.766	0.904
Average Variance Extracted (AVE)	0.564	0.533	0.501	0.525	0.656

Source: Primary data, processed

the construct validity and reliability (see Table 1). The validity test in this study was the convergent and discriminant validity test. Then, data are analyzed using Structural Equation Modeling (SEM) analysis.

3.2 Measurement Variables

This study used a scoring system 1 to 3, score 3 for "true" answers, score 2 for "false" answers and score 1 for "don't know" answers to each questionnaire statement. Measurement of variables adopted from various literature including Omerzel and Antoncic (2008) [3] for SMEs' performance. There were 5 statement indicators measuring the financial performance of SMEs' including firm profitability, average profitability of assets, average sales growth, average employee growth, and market share. For financial experience, this study adopted Hogarth and Hilgert (2002) [8] which was formed in 7 statements namely regarding reconciliation of check books, financial recording systems, review of financial statements, investments, taxation, and net worth of businesses. Whereas debt literate adopted from Lee & Mueller (2014) [17], namely knowledge about late payment of credit bills, credit application processes, types of credit and sources of funding. Financial literacy variable refers to OJK regulations and literature covering investment knowledge, inflation, benefits of managing personal finances, function of credit cards, withdrawal of deposit funds, and banking functions. And then for a financial wellbeing variable adopted from the study Mutang et al. (2017) [35]. The indicators used decide buy and save, difference between needs and desires, long-term financial planning, and financial conditions.

3.3 Validity and Reliability

The results of the loading factor, the research indicators correlated well with each research variable. The loading factor value of the research variable is 0.6111 to 0.946. There were several indicators omitted in the data processing process because they have

Table 2. Direct effect of exogenous variables, moderating variables, and endogenous variables

Hypothesis	Variable	Original Sample	T Statistics	P Values
H_1	FE → SP	0.528	13.953	0.000
H_2	DL → FE	0.147	3.140	0.002
H_3	DL → SP	0.038	0.875	0.382
H_5	FL → FE	0.366	9.641	0.000
H_6	FL → SP	0.165	4.118	0.000
H_8	FWB → FE	0.018	0.362	0.717
H_9	FWB → SP	0.049	1.137	0.256

*Denotes rejection of the null hypothesis at the 0.05 level
Source: The result of data processing by SmartPLS

values that indicate the invalidity of the item (Debt literate: DL3; DL5; Financial Experience: FE5; Financial Literacy: FL2; FL5; FL7; FL8; FL9; Financial Well-Being: FW4; FW5; FW6; SME's Performance: SP3). In addition, Cronbach's alpha value indicated the value of each variable above 0.60, so the research instruments are reliable. Although the value of the debt literate variable was below the reliable line, composite reliability value showed a high value. Average variance extracted values indicate that all variables were valid, which was above 0.50. Likewise, the results of discriminant validity that all variables were valid.

4 Result

Table 2 and Fig. 1 showed that all exogenous variables directly affect financial experience, except financial wellbeing. Different results were shown by debt literate and financial wellbeing which showed no effect on the SMEs performance. These empirical results indicated that debt literate has a direct effect on financial experience, but has no effect on SME performance. High debt literate can bring SME owners to a higher financial experience and it does not lead to changes in SME performance. The direct effect is also shown by financial literacy on the financial experience and SMEs performance. SMEs that have better business performance tend to be more financial literate. This is also shown by SMEs who have high financial literacy tend to be more experienced. Different results are shown by financial well-being that has no influence, both on financial experience and SMEs performance.

There is an indirect effect between debt literate and SMEs' performance as shown in Table 3 (p-value = 0.02), even though debt literate has no direct effect on SME performance. The second variable also showed the indirect effect between financial literacy and SME performance. However, this effect is not demonstrated by financial wellbeing (p-value = 0.719). The results of this study indicated that financial well-being has no effect on changes in the SMEs performance either directly or indirectly. In addition, debt literate and financial literacy indirectly affect the SMEs performances.

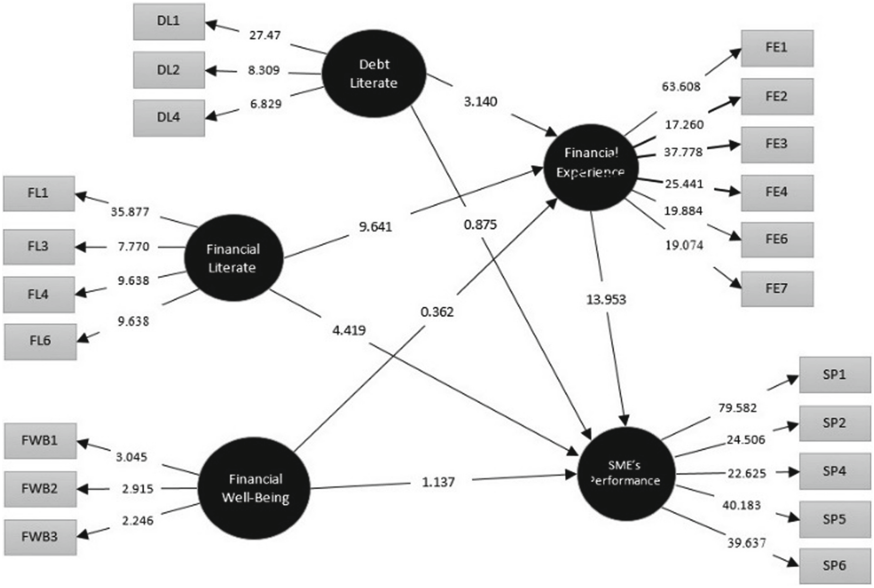

Fig. 1. Structural model of research (Source: The result of data processing by SmartPLS)

Table 3. Indirect effects of exogenous variables and endogenous variables

Hypothesis	Variable	Original Sample	T Statistics	P Values
H_4	DL → SP	0.078	3.057	0.002
H_7	FL → SP	0.193	8.106	0.000
H_{10}	FWB → SP	0.010	0.360	0.719

*Denotes rejection of the null hypothesis at the 0.05 level
Source: The result of data processing by SmartPLS

To find out the influence between exogenous and endogenous variables, it can be seen from the total effect variables shown in Table 4. From the table above, it showed that all exogenous variables affect the financial experience and SMEs performance, except financial well-being. Financial experience has a positive effect on SME performance. These statistical results indicated that financial experience can be influenced by two literacy factors, debt literate and financial literacy, while the owner's financial wellbeing has no effect. Debt literate and financial literacy affect the financial experience and SMEs performance. High or low levels of debt and financial literacy of SME owners can affect the ups and downs of business performance with much or little financial experience had in the past. It is different from financial wellbeing. This variable does not have an influence both for financial experience and SMEs performance.

Table 4. Total effect of exogenous variables and endogenous variables

Variable	Original Sample	T Statistics	P Values
FE - > SP	0.528	13.953	0.000
DL - > FE	0.147	3.140	0.002
DL - > SP	0.115	2.600	0.010
FL - > FE	0.366	9.641	0.000
FL - > SP	0.358	8.713	0.000
FWB - > FE	0.018	0.362	0.717
FWB - > SP	0.058	1.191	0.234

*Denotes rejection of the null hypothesis at the 0.05 level
Source: The result of data processing by SmartPLS

5 Discussion

5.1 Relationship Between Financial Experience and SME Performance

Statistical results showed that the hypothesis stating that there is an influence between financial experience and SME performance is accepted. This is in accordance with the results of the t-statistic value of 13.593 and a significant value of 0.000. This is in line with research of Reuber & Fischer (1994) [11] and Soriano & Castrogiovanni (2012) [10]. This study provided evidence of a positive relationship between financial experience and SME performance. Owners with low financial experience have had an effect on SME performance in recent years. A common problem for SMEs has always been fear of growth. From the questions answered in the questionnaire, most SMEs in Indonesia have low financial experience. None of them has an investment account in the capital market and only a few have investments outside the business that they are currently involved in. Then there are still many of them who do not have a financial recording system, and do checkbook reconciliation every month. From the taxation side, only a small portion of SME owners have a tax identification number and pay taxes.

This condition also impacts SME performance. The enterprise's profitability for the past 3 years has tended to decline. The decline in performance is also indicated by a decrease in the employees' quantity and sales in the last three years, although there are a number of SMEs that have a large market share. Past experience can be used as a provision in carrying out current and future obligations. Experience provides learning to be better at completing work and more aware of responsibilities. So, it is believed to be more productive and able to overcome obstacles. As mentioned by Hankinson (2000) [14] that experience is a key factor in playing the skills and abilities of owners/managers that affect firm performance. SME owners who have a lot of financial experience tend to ignore irrelevant information so that the owner is clearer in making business decisions and this will certainly have a positive impact on the SMEs performance. A similar statement is also shown by Jiang et al. (2013) [6] and Matsunaga & Yeung (2008) [7], which state that the financial experience of the owner influences the quality of financial reporting and disclosure of financial information.

5.2 Relationship of Debt Literate, Financial Experience, and SME Performance

The results of this study indicated that the SME owner's debt literate related to loans and risks influences the financial experience and SMEs performance. The study also documented that financial experience has successfully influenced the relationship between debt literate and SME performance. This is evidenced from the results of the regression which states that debt literate has no direct effect on SME performance. However, after financial experience has been included as a moderating factor between debt literate and SME performance, the result was that debt literate has an effect on SME performance as a result of the total effect showing a t-statistic value of 2.600 with a significance of 0.010. Researches of Achtziger et al. (2015) [21]; Gardarsdóttir & Dittmar (2012) [36]; Kariuki et al. (2016) [16]; and van Ooijen & van Rooij (2016) [19] showed that financial literacy is a mode of self-control over one's financial behavior related to loans (options, principles, and liability). This study also agreed with researches of Hogarth & Hilgert (2002) [8] and Montico (2010) [37] that healthier financial behavior is more likely to report on experience as a source for someone to act.

Debt literate associated with a person's financial behavior in dealing with loans and obligations will make someone more experienced in managing finances. If past experience is learning in the present and the future, then the experience will bring someone to be better. The results of this study are quite surprising. Based on the questions raised in the questionnaire, many respondents cannot distinguish between productive and consumer credit. Even though they are mostly aware of the credit application and survey process, they cannot show financial reports or sales notes to banks. Thus, the debt literate of SME owners is still low. It then impacts on their lack of experience in the financial sector so that the business does not develop due to stagnant performance. Based on respondents' answers to the statement "If I am late paying a credit bill, then it will be easier for me to take out a loan", this is in accordance with the actual conditions experienced by about 50% respondents who take out a loan. According to them, the history of smooth or late payments does not prevent them from taking out more loans. This might make the owner as the borrower of the fund indifferent to the responsibility which shows the level of the owner's debt literate. In accordance with Kariuki et al. (2016) [16] and Disney & Gathergood (2011) [20], that poor debt literate affects individual debt behavior that tends to lead to excessive debt.

5.3 Relationship of Financial Literacy, Financial Experience, and SME Performance

The findings of this study indicated that financial literacy has a positive effect on the financial experience and SMEs performance, both directly and indirectly. These results agreed with studies of Frijns et al. (2014) [38]; Huston (2012) [39]; and Taft et al. (2013) [34] that financial literacy allows individuals to have more financial experience, lower borrowing costs, and cause less financial problems. In relation to performance, the results of this study concurred with the research of Adomako & Danso (2014) [26]; Eniola & Entebang (2016) [29]; Mutegi et al. (2015) [28]; and Yang et al. (2018) [27]. Owners with good financial literacy will encourage improvement in SME performance. This is also supported by the regression results that show a t-statistic value of 8.713 and a significance value of 0.000. This value indicated that the owner's financial literacy is positively related to the SMEs performance through the financial experience of the owner. Thus, financial experience also moderates the relationship between financial literacy and SME performance.

Financial literacy in this study is associated with investment knowledge, inflation, the ability to manage personal money and the use of credit cards that can demonstrate one's financial experience. With their financial experience, owners tend to be more careful in making financial decisions so that the targets for achieving financial performance can be met. The results of this study document that most SME owners do not understand well the definition and function of investment, the impact of inflation, and the function of the banking and the products offered. However, almost 90% of respondents believe that the benefits of financial literacy are the ability to manage personal finances to protect themselves from the risk of fraud and can improve financial levels. This is evident in the question "Investment in banking is only in the form of interest earned from savings only," and most of them answer that they do not know. For this reason, SME financial experience is still poor. The long effect is stagnant performance or even continues to decline until bankruptcy. Frijns et al. (2014) [38] revealed that financial experience shows the level of individual financial literacy. Financial literacy instills credit management skills, bookkeeping skills, budgeting skills, and financial analysis skills to improve business expansion in order to improve the SMEs performance [28].

5.4 Relationship of Financial Wellbeing, Financial Experience, and SME Performance

If debt literate and financial literacy have a positive effect on SMEs' financial experience and performance, it does not happen to financial wellbeing. The results of this study indicated that there is no influence between financial wellbeing with financial experience and SME performance. This study rejected some researches which indicate that poor financial conditions cause productivity to decrease [34] and cause financial problems [32, 33]. The absence of a relationship between financial wellbeing and SME performance is evidenced by the results of the total effect t-statistic value of 1.191 and the significance value of 0.234. These results explained that the prosperity or destitution of the owner does not have an impact on the increase or decrease in the SMEs performance. The main statement also raised in the questionnaire question states that financial conditions limit a person's ability to do something important and more than 90% of respondents justified it. However, on the other hand, the financial experience of owners was very low and their sales have tended to decline in the last three years even though most owners felt that they have achieved financial prosperity.

Research results indicated that the owner's financial wellbeing does not affect much or the least financial experience and SMEs performance. In this study, financial wellbeing was aimed at SME owners as seen from consumptive behavior including caution in buying and determining long-term financial plans. The results of this study documented that SMEs prefer to save money rather than spend it. They are accustomed to buying things with careful consideration and in accordance with needs. This cautious attitude makes SME owners not dare to accept risks so they are not experienced enough with financial products and services. There is no relationship between financial wellbeing and performance because the owners' financial wellbeing tends to be in their personal affairs rather than related to their business scope. The owner's financial wellbeing is not an obstacle as long as the employee's welfare is guaranteed. As explained by Page and Vella-Brodrick (2009) [40], they stated that employee welfare is closely related to retention links and performance. The welfare of the owner tends to be personal, while the welfare of the employee is directly related to the conditional business operations.

6 Conclusion

The results showed that the financial literacy variable has a direct and indirect effect through financial experience on the performance of SMEs. The debt literate variable does not have a direct effect on the SMEs performance, but has an indirect effect through financial experience on it. In addition, financial wellbeing has no effect on the SMEs performance either directly or through moderation of financial experience. These empirical findings provide evidence that SME performance can be improved through financial literacy, debt literate, and financial experience. Therefore, it is necessary to increase financial literacy and financial experience for SME owners in order to understand every financial phenomenon that can hinder the improvement of SME performance. The practical impact of this research encourages SME owners to learn more about financial management, and to be involved in the financial process to be able to detect potential losses early on in their business. A good understanding of debt along with financial management capabilities can help a firm improve its business performance. It is also very useful when enterprises need additional investment or when there is a lack of liquidity, or business capital in developing business.

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