



Factors Influencing Mortgage Decision Making: Financial Inclusion as Mediation Variable

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Abstract

Background: Indonesia is a developing country with low social welfare. Its small per capita income level, high consumptive spending, and high property prices make decent housing difficult, which is an important factor in our research.

Objective: This research aimed to comprehensively examine the factors that affect Mortgage Decision-Making among people in Cirebon Regency.

Method: Data was collected on the community in Cirebon City through a survey using a Google Form distributed to respondents online and offline. A causal associative method was implemented for this research, with a sample of 190 respondents chosen from purposive sampling, with the criteria of having previously taken out or planning to take out a Home Ownership Credit. SEM-PLS version 3.0 was utilized for data analysis.

Results: The research findings revealed that Financial Literacy does not significantly influence Mortgage decision-making, while Financial Planning does. The other findings indicated that Financial Inclusion cannot mediate the relationship between Financial Literacy and Financial Planning on Mortgage Decision-Making.

Conclusion: Financial inclusion is an indicator of financial literacy and financial planning. It can be proven that other factors, such as social factors, community psychology, and community confidence, must be improved in reaching a mortgage credit decision. The role of the government is also very important in this case; providing learning about financial literacy is one alternative to increasing public awareness.

Keywords: Financial Literacy; Financial Planning, Financial Inclusion, Mortgage Decisions, Home Ownership Credit

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1. Introduction

Indonesia is a country that falls into the classification of developing countries. This classification is attributed to several factors, with one of the main factors being the level of per capita income, which is lower compared to that of developed countries. Although known as a country rich in Natural Resources, Indonesian management and utilization still face various challenges, such as corruption, inadequate infrastructure, as well as the lack of sustainable investment (Idris, 2016). Indonesia is one of the developing countries that has yet to achieve economic and social prosperity. The majority of its population lives in poverty, ideas have not fully reached rural areas, technological advances are still unevenly distributed, and unemployment rates are high. Public welfare is the main goal of economic development. Public welfare can be measured by various indicators such as per capita income, poverty rate, unemployment rate, and health level (Aisyahrani, 2024). Indonesia, as a developing country, experiences many economic challenges that impact the quality of life of its people. The high population growth rate, as well as the increasing demand for basic needs, including housing, are among the main issues. Referring to data from the Central Statistics Agency (2024), there are approximately 9.9 million households without a home. This number is expected to continue to increase. Aside from that, the growth of new households, which reaches 700-800 thousand households annually, is also a matter of concern. On the other hand, many households still do not live in decent houses. Nationally, 36.85% or 26.92 million households in Indonesia had yet to occupy decent housing in 2023 (Rafie, 2024).

One of the critical issues in financial inclusion regarding mortgage decision-making is the gap between access to financial services and the ability to utilize them effectively. Despite growing financial access through banking digitalization, many individuals in regions like Cirebon still lack the financial capability to assess long-term commitments such as mortgage credit. This disconnect between access and capability leads to suboptimal decisions, potential defaults, and long-term financial stress. Therefore, understanding how financial inclusion interacts with financial literacy and planning is essential in shaping sustainable mortgage behavior.

As one of the indicators of welfare, home ownership is a reflection of household economic stability. However, field data indicate that the saving capacity among Indonesians is still low. Meanwhile, a significant portion of their income is used for consumption. Data from the Central Bureau of Statistics shows that Indonesian consumption level continues to increase over the years. The average real per capita expenditure in 2024 reached IDR 12.34 million per year, an increase from IDR 11.89 million in 2023 (Central Statistics Agency, 2024). The average household consumption expenditure is more dominant compared to savings.

On the other hand, savings penetration is still relatively low, particularly in areas with inadequate financial literacy. The results of Bank Indonesia's Consumer Survey last October showed that the income of Indonesians allocated for consumption increased to 74.5% of their total income. At the same time, the proportion of their savings declined to 15% of their total income (Bank Indonesia, 2024). This is one of the many reasons why people tend to rely on credit to fulfill their needs.

Cirebon Regency was chosen as the research location due to the rapidly growing demand for affordable housing, which is indicated by the increasing number of users of Home Ownership Loans, reflecting the economic pressures faced by people in this region. Data from the Financial Services Authority (OJK) shows an increase in the number of mortgage users in the last five years (Financial Services Authority, 2024). In 2023, approximately 5,000 new Home Ownership Credit users were recorded, an increase from 4,200 users in 2022 (Financial Services Authority, 2024). This increase is a reflection of the high demand for affordable housing through credit financing schemes. The increase in Home Ownership Credit users in Cirebon Regency reflects the economic pressure faced by the people. The limited ability to purchase a house in cash indicates that public welfare is not yet at an optimal level. In this case, Home Ownership Credit is not only a financial solution, but also

have implications for the long-term welfare of the people, including the potential credit burden that needs to be managed.

As stated on the Theory of Planned Behavior (TPB), this decision is not based solely on economic needs, but also involves psychological processes, such as how an individual evaluates the benefits of credit, social environmental pressures, along with their confidence in their own capabilities (Ajzen,

1991). The increasing decision to take out credit, particularly for Home Ownership Credit, is influenced by rising house prices and low savings rates. However, this decision also carries risks, such as the possibility of defaults, financial stress, as well as reduced quality of life if the credit is not properly managed (Ulandari et al., 2024).

The factors that influence mortgage decision-making are linked to an individual's capacity to understand and control their financial conditions. One key factor is Financial Literacy. Financial Literacy, which includes an understanding of income, savings, investment, and risks, significantly influences an individual's ability to make the right credit decisions (Arifin et al., 2024).

Research on the influence of Financial Literacy and Financial Planning on Mortgage decision-making has been widely conducted with varied results. Lusardi & Mitchell (2014) found that Financial Literacy influences Mortgage Decisions significantly, as individuals with good financial understanding tend to make wiser Mortgage Decisions. Similar research by Xiao et al (2011) revealed that high Financial Literacy increases the capacity of an individual to evaluate credit options more maturely and rationally. However, Huston (2010) reached a different conclusion that Financial Literacy does not always significantly impact Mortgage Decisions, as external factors such as financial institution promotions or urgent needs tend to play a more dominant role. Research of Robb & Sharpe (2009) also stated that Financial Literacy is not always significant in influencing Mortgage Decisions, particularly among groups of people with limited access to financial information or formal financial institutions.

Financial Planning is also proven to play a crucial part. As revealed by Fatoki (2014), good Financial Planning contributes to healthier credit management and reduces the risk of default. Xiao (2011) found that well-structured Financial Planning positively correlates with wise Mortgage Decisions, helping individuals prioritize expenses and financial obligations. However, as found by the study of Klapper et al (2012), Financial Planning is insignificant in influencing Mortgage Decisions among low-income individuals, as urgent needs tend to be the determinant. Based on research by Sabri & Cheng-Xi (2019), Financial Planning is not significant in influencing Mortgage Decisions when other factors, such as urgent needs and social pressure, are more dominant in shaping individual financial behavior.

Research on the impact of Financial Literacy as well as Financial Planning on Financial Inclusion has also been conducted, with results that vary. In a research by Grohmann (2018), Financial Literacy was shown to significantly impact Financial Inclusion level, particularly in terms of the utilization of formal financial services. Whereas the research by Allen et al (2016) found that, in some developing countries, Financial Literacy does not significantly impact Financial Inclusion because of the physical and technological access barriers.

Research regarding the impact of Financial Inclusion on Mortgage Decisions also has varying results. As stated in the research by Beck et al. (2007), Financial Inclusion provides easier access to credit, thereby significantly increasing mortgage decisions. Karlan & Zinman (2010) concluded that Financial Inclusion is insignificant in influencing Mortgage Decisions in some regions due to low trust in formal financial institutions.

This research is important because the level of Financial Literacy, as well as Financial Planning ability, among people in Cirebon Regency is still low, which may affect wise Mortgage decision-making. The demand for Home Ownership Credit continues to increase; however, without proper understanding and planning, individuals risk facing financial issues such as default or long-term economic pressure. The novelty of this research lies in its integrated approach to testing the mediating role of financial inclusion between financial literacy and planning on mortgage decision-making—an angle rarely explored in developing country settings. Previous studies have often treated these constructs separately. This study fills the gap by showing how financial inclusion, despite high access rates, fails to act as a bridge unless supported by behavioral readiness. The urgency lies in the growing debt burdens faced by low-income households who enter mortgage agreements without adequate financial understanding or planning, risking long-term financial insecurity.

This research had the aim to provide in-depth insights into the impact of Financial Literacy, Financial Planning, along Financial Inclusion on Mortgage Decision Making in Cirebon Regency, and this research was conducted in 2024. In this context, Financial Literacy includes the capacity of an individual to comprehend, assess, along with using financial information in the process of decision-making, including decisions on taking out Home Ownership Credit. Meanwhile, Financial Inclusion is the access

as well as the utilization of available financial services, which could affect the capacity of individuals to make better decisions in credit management and overall financial management. By including the Financial Inclusion variable, it is expected of this research to give a more comprehensive picture of the influencing factors for Mortgage Decision Making among people.

2. Literature Review

2.1. *Theory of Behavioral Finance*

Behavioral Finance is a branch of economics that describes market behavior influenced by psychological factors. This theory also studies the impacts that psychological factors have on the process of decision-making. In other words, behavioral finance aims to explain why misbehavior can affect individuals' financial decisions and lead to market inefficiencies (Sabilla & Pertiwi, 2021)

2.2. *Mortgage Decisions*

As stated by Kuncoro & Suhardjono (2012), a customer's decision in taking out a mortgage is the selection of two or more alternative credit decision options. Credit procedures are the stages that customers must go through before completing a transaction process or taking out a mortgage, as an effort to reach an agreement between the two parties, which are the borrower and the lender. According to Banking Law Number 10 of 1998, credit is the granting of funds or equivalent financial claims under a loan agreement between one party and another, in which the borrower is obligated to repay the debt after a specified period of time with interest.

2.3. *The Effect of Financial Literacy on Financial Inclusion*

Educational programs promoted by the government, such as the Financial Literacy campaign, can increase public understanding regarding how crucial it is to manage finances wisely as well as use financial products appropriately (Hastings et al., 2013). As shown by the most recent survey of (Financial Services Authority and Central Statistics Agency (2024), the improvement of Financial Literacy is directly proportional to the increase in Financial Inclusion in Indonesia. Individuals who have better financial understanding are more inclined to utilize formal financial products or services actively.

H1: Financial Literacy significantly influences Financial Inclusion.

2.4. *The Effect of Financial Planning on Financial Inclusion*

Financial Planning, as defined by Anggraini & Cholid (2022), is the careful formulation or coordination of plans to prepare for future desires as well as goals. Therefore, Financial Planning is required as long as an individual is still actively working to ensure financial security in retirement (Financial Services Authority, 2021). Referring to Wardhani & Iramani (2023), the indicators used in Financial Planning variable include risk management planning, investment planning, retirement planning, as well as wealth distribution planning. Research by Atkinson & Messy (2012) revealed that individuals with high Financial Planning and Financial Literacy levels are inclined to have wider access to formal financial-related products. This is due to their deeper comprehension of how important it is to utilize formal financial services in order to accomplish their financial goals. From the research findings, the hypothesis suggests that the Financial Planning variable affects the Financial Inclusion variable positively and significantly. This result is an indication that the better the planning, the higher the Financial Inclusion level. Research results of Rusliati et al (2024) and Kariza & Reswari (2023) further strengthened this argument, as both studies indicate that good Financial Planning not only leads to the improvement of Financial Literacy but also significantly contributes to Financial Inclusion. This aligns with earlier findings that with a higher quality of Financial Planning, the greater an individual's likelihood of effectively utilizing formal financial services.

H2: Financial Planning significantly influences Financial Inclusion.

2.5. *The Effect of Financial Literacy on Mortgage Decision Making*

As explained by Tsalitsa & Rachmansyah (2016) in Arifin et al (2024), in the credit decision process, there are personal factors and psychological factors. Psychological factors include the knowledge of understanding and managing finances effectively and responsibly, which is known as Financial Literacy, and personal factors include age, occupation, gender, as well as education, which are referred to as demographic factors. Based on the opinion of Saputra & Zoraya (2024), Financial Literacy impacts credit usage decisions positively and significantly. This means that individuals with good Financial Literacy tend to make wiser Mortgage Decisions.

H3: Financial Literacy significantly influences Mortgage Decision Making.

2.6. *The Effect of Financial Planning on Mortgage Decision Making*

Financial Planning is an important element in personal financial management. It includes an individual's ability to manage their finances systematically, from planning, budgeting, reviewing, managing, and controlling, as well as daily storage of funds (Onyango, 2013). Based on the opinion of Afandy & Nianingsih (2020), careful Financial Planning allows individuals to optimally use credit facilities without jeopardizing their financial conditions. With proper planning, individuals can avoid excessive borrowing or taking out credit beyond their means.

H4: Financial Planning significantly influences Mortgage Decision Making.

2.7. *The Effect of Financial Inclusion on Mortgage Decision Making*

Financial Inclusion, as defined by the National Strategy on Financial Literacy (SNLKI), is access to appropriate financial-related products, such as credit, insurance, savings, and payment services. Quality access availability, such as convenience, suitability, affordability, and consumer protection, is also made accessible for everyone (Rahmania & Ningtyas, 2022). Due to the simplicity of the procedures and requirements in the credit application process, the public becomes more interested (Gultom et al., 2021).

H5: Financial Inclusion significantly influences Mortgage Decision Making.

2.8. *The Effect of Financial Literacy on Mortgage Decision Making Mediated by Financial Inclusion*

Financial Literacy is the knowledge, skills, and confidence of an individual in managing finances to make effective decisions. Research by Lusardi and Mitchell (2014) concluded that good Financial Literacy improves an individual's capacity to understand financial products, including credit.

Financial Inclusion, as mentioned by Grohman et al (2018), characterized by access to formal financial-related services, mediates the relationship between Financial Literacy with Mortgage Decision Making. This is an implication that individuals with high Financial Literacy are inclined to use formal financial-related services, hence they have a higher likelihood of make the right Mortgage Decisions. As indicated by research of Rinni (2024), although high Financial Literacy can lead to the improvement of an individual's capacity in managing finances, Financial Inclusion provides greater access for individuals to implement the knowledge that they have in daily practice. Thus, Financial Inclusion not only expands the options available to consumers but also improves their ability to make more rational decisions regarding credit.

H6: Financial Literacy significantly influences Mortgage Decision Making through Financial Inclusion

2.9. *The Effect of Financial Planning on Mortgage Decision Making Mediated by Financial Inclusion*

Financial Planning is the process of managing income, expenses, along assets in order to accomplish financial goals. Based on the opinion of Farrell et al (2016), individuals who practice financial planning

are more capable of accessing formal credit because they tend to have lower risk profiles and a greater awareness of their repayment capacity. Research by Demircuc-Kunt et al (2017) shows that Financial Inclusion plays a part that is important part as an intermediary that enables individuals who practice Financial Planning to use credit services more effectively. Research by Utami et al (2022) also shows that the interaction between Financial Planning with Financial Inclusion can improve Mortgage Decision Making to be better. Individuals who engage in careful Financial Planning and have greater access to financial products are inclined to manage their financial risks effectively, avoid poor Mortgage Decisions, as well as achieve their financial goals more efficiently.

H7: Financial Planning significantly influences Mortgage Decision Making through Financial Inclusion.

From the review of the theoretical framework as well as the previous research, the research framework below is formulated:

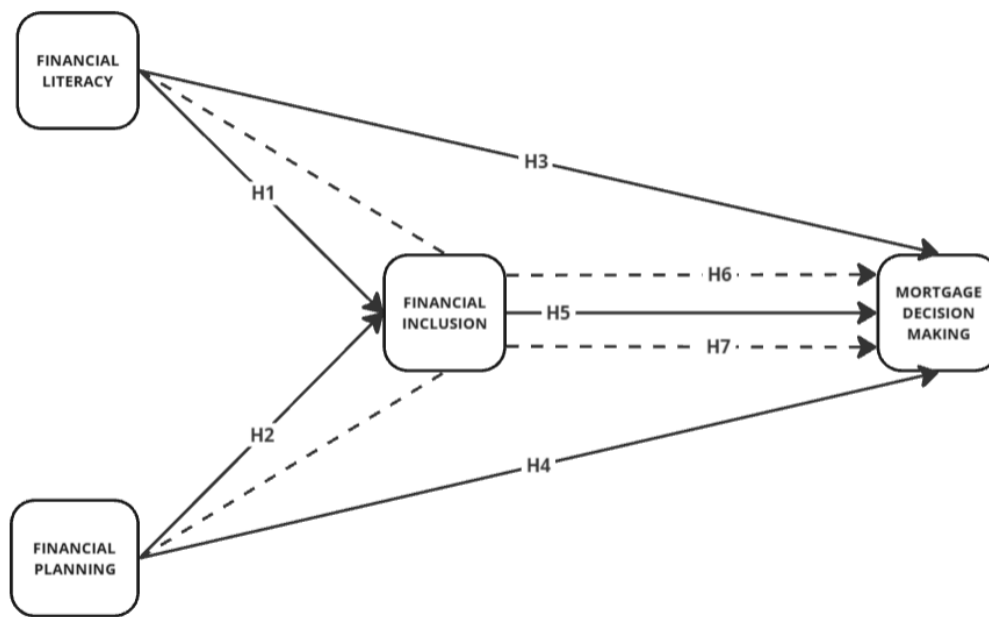


Figure 1. Theoretical Framework

3. Method

3.1. Sample

The population in this study is the residents of Cirebon Regency. The technique for sampling used purposive sampling with criteria including people who plan to and who have already taken Home Ownership Credit in Cirebon Regency, live in Cirebon Regency, are 21 years old and above, and have a permanent job. In this study, Cirebon Regency people who were over 21 years old and up to 50 years old were selected as sample subjects based on a variety of criteria. Due to the unknown population size, the sample size follows the guideline of 10 times the number of indicators, as required by SEM-PLS sampling criteria (January et al., 2022). Therefore, this study used a sample of 190 respondents.

3.2. Instrument(s)

The following are indicators of each variable in this study:

Table 1. Variables Measurement

No.	Variables	Code	Indicator	Indicator Statement	Source
1	Financial Literacy (X1)	LK1	Knowledge	I understand financial products such as credit, savings, and investments that are suitable and useful for my needs.	(Financial Services Authority and Central Statistics Agency, 2024)
		LK2	Skills	- I always find out the advantages and disadvantages of the financial products that I will use. - I understand how to manage my personal finances by limiting my spending and being disciplined about saving. - I can analyze my financial condition before deciding to use a financial product.	
		LK3	Confidence	- I am confident with the financial products I use, because I have studied them first. - The financial products I use can be beneficial in the long run.	
		LK4	Attitude	- I always make a budget periodically for expenses and income. - I feel that setting aside income for savings is an important habit for the future.	
		LK5	Behavior	- I prefer to use financial products that are safe and have little risk, even if the return is limited. - I always consider the financial products that I will use first.	
		PK1	Risk management planning.	- Managing financial risk by utilizing insurance and preparing emergency savings will be beneficial in the event of job loss or retirement. - I already have an emergency fund equivalent to three to six months of expenses ready to be used for urgent needs such as medical expenses or sudden repairs.	
		PK2	Investment planning	- I have set the right investment goals for the future. - I always analyze and compare the potential returns of different types of investments before making a decision.	
2	Financial Planning (X2)	PK3	Old age planning	- I always plan my finances in detail to ensure that my needs in old age are met. - I can set aside a portion of my income to prepare for a comfortable retirement.	(Citra Wardhani & Rr Iramani, 2023)
		PK4	Wealth distribution planning.	- I have made plans to distribute my assets to my family or other parties of my choice in the future. - I have considered how to distribute my assets fairly with the guidance of a financial expert or notary.	
		IK1	Access	- I can easily access financial services through mobile banking apps, ATMs, or bank branches without a hitch. - I can find bank branches or favorable banking applications in minutes through online searches.	
		IK2	Product availability	- Financial institutions around me provide various financial products that suit my needs, such as business loans and education savings. - I can easily find financial products such as insurance, credit, and deposits from nearby financial institutions that suit my needs.	
3	Financial Inclusion (Z)	IK3	Financial services	- I am satisfied with the services of the financial institutions I use because they provide quick responses, clear information, and friendly service. - I can easily get information about financial products and services through the official website or customer service.	(Financial Services Authority, 2017)
		IK4	Product usage	- I regularly use financial products, such as savings, loans, and insurance, to fulfill my financial needs. - I use bank loan products only when I need funds for a house purchase or education expenses.	
		IK5	Quality	- The financial products and services I use are trustworthy because they offer competitive interest rates, transparency of fees, ease of access, and are supervised by official institutions such as OJK. - The savings or investment product that I use provides the benefits as promised.	

4	Credit Decision (Y)	KK1	Character	- I always pay my credit card on time to avoid interest or penalties. - Having a stable income plays an important role in mortgage decision-making.	Kasmir, 2014 in (Anggraini & Widyastuti, 2020)
		KK2	Capacity	- I always set aside my income to pay off my mortgage. - I can afford to pay off my mortgage with the income from my job.	
		KK3	Capital	- I always make sure that I have enough capital before making a mortgage decision. - I feel that having sufficient and stable capital is an important factor in making mortgage loan decisions.	
		KK4	Collateral	- I always prepare collateral for the mortgages I take out. - The value of my assets is sufficient to serve as collateral for the mortgage loan I am applying for.	
		KK5	Financial condition	- I always consider my financial condition before making a mortgage decision to avoid risks in the future. - I always make financial records to see my financial capability before making a mortgage decision.	

Source: Processed Data 2025

3.3. Questionnaire used as one of the data collection procedures

Primary data from the study was collected by distributing questionnaires to respondents through WhatsApp groups and WhatsApp stories. The questionnaire was distributed online via Google form. The questionnaire used the Likert scale measurement method, with points 1 being very disagreeable and 5 being very agreeable.

3.4. Data Collection and Analysis

Data analysis was conducted using SEM-PLS with the SmartPLS application. Hypothesis testing was performed using the outer and inner models. The outer model is used to test validity and reliability, whereas the inner model is used to test the relationship between variables.

4. Results

4.1 Demographics of Respondents

As displayed in Table 2, this study's participants are categorized into four age groups which are 21-30 years, 31-40 years, 41-50 years, as well as above 50 years. Based on domicile, the respondents are residents of Cirebon Regency. Eligible respondents are those who have taken a Home Ownership Credit and those who are planning to take a Home Ownership Credit.

Table 2. Research Respondent Demographics

Demographic Information	Amount	Percent%
Gender	Male	51,9%
	Female	48,1%
Age	21-30	46,7%
	31-40	32,9%
	41-50	15,2%
	>50	5,2%
Domicile	Cirebon Regency	100%

Source: Processed Data 2025

4.2 Validity and Reliability Test

The Validity test aims to make sure that all variable constructs in the questionnaire used in the study are valid and can measure what is intended to be measured. The first analysis conducted is an assessment of convergent validity, which is indicated by the values of external loadings or factor loadings. In general, the guideline for assessing convergent validity is to ensure that the outer loading exceeds 0.7 in confirmatory research. Meanwhile, for exploratory analysis, factor loading values between 0.6-0.7 are still considered acceptable as a conventional standard. Furthermore, the overall AVE value should exceed 0.5 to meet the validity criteria. However, at the beginning of measuring instrument development, factor loading values in the range of 0.5-0.6 are still considered adequate and in accordance with the standard (Ghozali & Latan, 2015).

Table 3. Validity and Realibility

Variables	Items	Loading Factor	Cronbach's Alpha	Composite Reliability	AVE	Interpretation
Financial Literacy	X1.1	0.742	0.875	0.939	0.667	Valid and Reliable
	X1.3	0.793				Valid and Reliable
	X1.4	0.843				Valid and Reliable
	X1.5	0.844				Valid and Reliable
	X1.6	0.857				Valid and Reliable
Financial Planning	X2.1	0.712	0.840	0.878	0.546	Valid and Reliable
	X2.2	0.758				Valid and Reliable
	X2.3	0.712				Valid and Reliable
	X2.5	0.776				Valid and Reliable
	X2.6	0.757				Valid and Reliable
Financial Inclusion	X2.7	0.716	0.910	0.933	0.736	Valid and Reliable
	Z.1	0.868				Valid and Reliable
	Z.2	0.832				Valid and Reliable
	Z.3	0.858				Valid and Reliable
	Z.4	0.845				Valid and Reliable
Mortgage Decision Making	Z.5	0.885	0.625	0.799	0.571	Valid and Reliable
	Y.4	0.810				Valid and Realible
	Y.6	0.727				Valid and Realible
	Y.7	0.728				Valid and Reliable

Source: Processed Data 2025

The table above displays the validity and reliability test results that were processed with the use of the SmartPLS 3 application. Indicator validity was tested with the use of the outer loading factor in the SEM-PLS method with SmartPLS 3 software. Based on the opinion of January et al (2022), an indicator is considered to have a strong contribution in representing the latent construct if the loading factor value is ≥ 0.7 . If the loading factor value is below 0.7, the indicator is deemed weak in measuring the construct and may be considered for removal. From the test results, several indicators show loading factor values below 0.7, which indicates that they are not sufficiently strong in representing the latent variable being measured. Therefore, some indicators were removed to improve the research model quality. After the removal, the model was re-tested, and the results showed an increase in Composite Reliability as well as Average Variance Extracted values, an indication that the remaining constructs are more valid and reliable.

Discriminant validity test is conducted by examining the AVE value, which should exceed 0.5. Discriminant validity is considered to be fulfilled if the AVE's square root exceeds the correlation between constructs (Ghozali & Latan, 2015). As can be seen in Table 3, each variable's AVE values met the required minimum of > 0.5 , an indication that each variable has adequate discriminant validity.

The following are the composite reliability test results from the use of the SmartPLS 3 application. As displayed on Table 3, the composite reliability values for this study's variables are > 0.7 , in which a conclusion can be made that every variable shows high composite reliability. In addition to the composite reliability test, to strengthen the construct reliability, it can be examined from the Cronbach's Alpha value. The Cronbach's Alpha test outcomes from the SmartPLS 3 application, as shown in Table 3, indicate that the Cronbach's Alpha values for the variable of Financial Literacy, Financial Planning, along Financial Inclusion are > 0.7 . However, the value of the Mortgage Decision Making variable is 0.625. As stated by Ghazali (2016), a good Cronbach's Alpha value exceeds 0.7. However, values between 0.6 and 0.7 are still acceptable in exploratory research.

4.3 Hypothesis Test

After conducting the validity and reliability tests, the next phase is to evaluate the inner or structural model. This evaluation determines the overall accuracy of the research model, which consists of multiple variables and indicators.

The evaluation is conducted by examining the R-squared value. The table below is the structural research model of this research. R-squared is used to measure the dependent variable's effect on the independent variable. R-squared is also an indication of how strong or weak a research model is, where an R-squared value of 0.67 is classified as strong, 0.33 is moderate, and 0.19 is weak (Ghozali & Latan, 2015). The evaluation results of this research are displayed in Table 4.

Table 4. Inner Structural Model Evaluation Results

Variable	R-Square
Financial Inclusion (Z)	0.946
Mortgage Decision Making (Y)	0.231

Source: SmartPLS output 2025

As can be seen in Table 4, the Mortgage Decision Making variable shows an R-Square value of 0.231, which is classified as weak. The R-Square value of 0.231 is an indication that the percentage of Mortgage Decision Making is influenced by Financial Literacy, Financial Planning, along Financial Inclusion by 23.1%. Furthermore, the Financial Inclusion variable shows an R-square of 0.946, which is classified as strong. This R-square value of 0.946 is an indication that the percentage of Financial Inclusion can be influenced by Financial Literacy as well as Financial Planning by 94.6%.

Table 5 displays the path coefficient test results. The following is a discussion of each hypothesis from Table 5.

Table 5. Decomposition of Hypothesis Test Results

Hypothesis	Influence	Original Sample	T Statistics	P Value	Interpretation
H1	Financial Literacy → Financial Inclusion	0,932	48,811	0,000	Accepted
H2	Financial Planning → Financial Inclusion	0,064	2,904	0,004	Accepted
H3	Financial Literacy → Mortgage Decision Making	0,172	0,555	0,579	Not Accepted
H4	Financial Planning → Mortgage Decision Making	-0,362	4,190	0,000	Accepted
H5	Financial inclusion → Mortgage Decision Making	-0,325	1,010	0,313	Not Accepted
H6	Financial Literacy → Financial Inclusion → Mortgage Decision Making	-0,302	1,002	0,317	Not Accepted
H7	Financial Planning → Financial Inclusion → Mortgage Decision Making	-0,022	0,971	0,332	Not Accepted

Source: SmartPLS output 2025

In this research, hypothesis testing was conducted with the use of a significance level of 5% (0.05). If the Sig. Value is below 0.05, with the t-statistic value exceeding the t-table of 1.65; a conclusion can be made that the independent variable affects the dependent variable significantly, thus indicating the acceptance of the hypothesis. Conversely, suppose the significance value surpasses 0.05, with the t-statistic value below 1.65. In that case, the dependent variable is not significantly affected by the independent variable, thus indicating the rejection of the hypothesis.

Financial Literacy has been proven to affect Financial Inclusion significantly. This is evident from an original sample value of 0.932, a t-statistic of 48.811, along with a P-value of 0.000. Moreover, Financial Planning also significantly affects Financial Inclusion, as indicated by an original sample value of 0.064, a t-statistic of 2.904, along with a P-value of 0.004. Similarly, the Mortgage Decision Making variable shows an original sample value of (-0.362), a t-statistic of 4.190, along with a P-value of 0.000.

The mediation analysis indicates that Financial Literacy does not affect Mortgage Decision Making significantly through Financial Inclusion, as indicated by an original sample value of (-0.302), a t-statistic of 1.002, along with a P-value of 0.317. Financial Planning has an insignificant effect on Mortgage Decision Making through Financial Inclusion, as indicated by an original sample value of (-0.022), t-statistic of 0.971, along with a P-value of 0.332. Thus, only hypotheses 1, 2, as well as hypothesis 4, are accepted in this study.

5. Discussion

5.1 The Effect of Financial Literacy on Financial Inclusion

This study's findings revealed that Financial Inclusion is impacted significantly by Financial Literacy. The findings implied that with a higher Financial Literacy level, individuals can have more access and usage to available financial products. This is because individuals with the ability to manage finances wisely are more inclined to seek information regarding financial services or products that can benefit their future. When people have sufficient knowledge about financial management, such as saving, investment, credit use, and risk management, they tend to be more confident and interested in using formal financial services. Furthermore, good financial literacy can reduce the risk of misunderstanding, fraud, and financial failure, thereby strengthening people's trust in financial

institutions. Thus, financial inclusion is not only about physical access to financial products, but also about the ability to utilize them wisely. These findings align with earlier research by Kerthayasa & Darmayan (2023), which stated that an increase in Financial Inclusion can occur due to Financial Literacy, along with financial technology, which can provide evaluation and assessment of information in making decisions that are related to Financial Inclusion.

5.2 *The Effect of Financial Planning on Financial Inclusion*

This study's findings concluded that Financial Planning significantly impacts Financial Inclusion. This implies that the better one's Financial Planning, the higher their likelihood of using financial products that make it easier to practice Financial Planning and have financial goals. With planning, one is more aware of the importance of efficient fund management and utilizing various financial products appropriately. Financial planning also creates awareness about the need for emergency funds, investments, and financial protection, thus encouraging individuals to access formal financial services such as savings, insurance, credit, and investment products. Individuals who are able to do financial planning well tend to be more confident and proactive in using financial services, which ultimately increases the level of financial inclusion in society. Supporting an earlier research by Garman & Forgue (2006), which stated that financial success can vary for each individual or family and involves financial stability, the ability to fulfill daily needs, achieving financial goals, as well as having reserves for emergencies. These resources must be managed effectively, including budgeting, debt management, investments, taxes, as well as insurance.

5.3 *The Effect of Financial Literacy on Mortgage Decision Making*

Meanwhile, Financial Literacy does not significantly impact Mortgage decision-making. This is an indication that, in making credit decisions, there are other factors to be considered, such as access to financial services or banking procedures that play a more influential role in mortgage decision-making. The easier the banking procedures implemented by the government for mortgage loans, the higher the enthusiasm of the public towards the decision to take mortgages. Furthermore, the social and psychological roles of the public are also important factors in this matter. These findings are not aligned with the statement by Chandrasari (2020). In this study, the level of financial literacy shows respondents' understanding of mortgage products, where the level of financial literacy of each respondent will certainly vary and affect financial decision-making. The results showed that respondents who have a higher level of financial literacy tend to make home purchases. However, it does not rule out the possibility that financial literacy increases as respondents make house purchases.

5.4 *The Effect of Financial Planning on Mortgage Decision Making*

The findings also concluded that Financial Planning significantly impacts Mortgage Decision Making. When preparing a financial plan, individuals typically analyze potential risks that may occur in the future. In addition, good financial planning also includes setting up an emergency fund and other financial priorities that can maintain financial stability during the mortgage period. This shows that planning is not just about counting money in and out, but also about managing risks and preparing for unexpected financial conditions. This supports the research by Saputra & Zoraya (2024), which stated that Financial Planning positively and significantly affects mortgage decision-making. Individuals with good financial knowledge tend to make wiser decisions regarding credit, including mortgages.

5.5 *The Effect of Financial Inclusion on Mortgage Decision Making*

This study's findings revealed that Financial Inclusion's impact on Mortgage Decision Making is insignificant. Although the public is given easier access to financial products, such as mortgage loans, ease of access alone is not sufficient to facilitate credit decision-making. This could be due to several factors, like the lack of adequate, economic uncertainty, or individuals' unpreparedness in managing long-term financial obligations. This is because the decision to apply for a mortgage is a complex process that is influenced by many factors, not just access to financial services. This is backed by the

research of Kohardinata Cliff (2024), which found that Financial Inclusion has no effect that is significant effect on Mortgage Decision Making.

5.6 *The Effect of Financial Literacy on Mortgage Decision Making Mediated by Financial Inclusion*

The results of this study indicate that financial inclusion does not mediate the influence of financial literacy on mortgage (KPR) decision-making. Until now, there has been no research specifically examining the role of financial inclusion as a mediating variable between financial literacy and mortgage decisions, making this finding a new contribution to similar studies. However, this finding is in line with the study by Rusanda et al (2024), which found that financial literacy does not affect MSMEs' financial performance through financial self-efficacy as a mediating variable. This shows that a good understanding of financial concepts does not always lead to active utilization of financial services, meaning that financial access does not automatically strengthen the impact of financial literacy in financial decision-making.

5.7 *The Effect of Financial Planning on Mortgage Decision Making Mediated by Financial Inclusion*

The results of this study indicate that financial inclusion does not mediate the influence of financial planning on mortgage decision-making. To date, no previous research has specifically examined the role of financial inclusion as an intervening variable between financial planning and mortgage decision-making, making this finding a new contribution to related research. However, this result aligns with the findings of Safira et al (2023), who found that financial inclusion could not mediate the influence of financial literacy on financial satisfaction. This suggests that broader financial access does not always enhance the effect of financial planning on financial decision-making, including in the context of mortgage loans.

6. **Conclusions**

This study's findings conclude that Financial Literacy and Financial Planning significantly impact Financial Inclusion, and Financial Planning impacts Financial Inclusion. However, the result of Financial Literacy's impact on Mortgage Decision Making is not significant. On the other hand, Financial Planning significantly impacts Mortgage decision-making. The independent variable, Financial Inclusion, which mediates Financial Literacy and Financial Planning on Mortgage Decision Making, is found to have no significant impact. This is due to unmeasured variables like social or psychological factors.

Referring to the research findings, improving Financial Planning also requires the improvement of Financial Literacy. Some suggestions that the researchers can provide include that Financial Literacy education and training programs should be introduced and expanded more widely, both at the individual and group levels, in order to improve public understanding of financial-related products or services. This can help improve Financial Inclusion and lead to better financial decision-making. Also, the public should be encouraged to plan their finances better. Financial institutions and the government can play a role by providing tools or resources that assist individuals in financial planning, including mortgage application planning. Based on the tested research findings, certain limitations in this study were identified. One of the limitations is that during the process of filling out the questionnaire, the researchers were unable to accompany all respondents due to the online distribution of the questionnaires. As a result, some respondents may have had difficulty fully understanding the meaning of the given statement items.

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