



Nexus Between Debt Management Literacy and Digital Loan Repayment Performance Among Selected SMEs in Kenya

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Abstract

The global economy is heavily dependent on the success of Small and Medium Enterprises (SMEs) which create employment, poverty alleviation, and balanced developments which bring about economic growth in rural and urban setups. Loan defaults continue to be a major challenge that confronts financial institutions in developing countries and this impedes their potential role in sustainable development. The main aim of the study was to establish the nexus between debt management literacy and digital loan repayment performance among selected SMEs in Kenya. The study was informed by financial literacy theory and it employed an explanatory research design. The study targeted owners/managers of 620 registered SMEs within Nairobi County. Systematic and simple random sampling was used to select 243 SMEs to constitute the sample. The main research instruments that were used in this study were questionnaires. Descriptive and inferential statistics were used to analyze data. The findings revealed that debt management literacy positively and significantly influences digital loan repayment performance. It is therefore paramount that SMEs owners need to be at the forefront in ensuring that they are trained on debt management strategies. In that way, the SMEs will benefit from the skills and knowledge of managing finances efficiently and how to ensure loans are paid on time.

Keywords: Digital loan repayment performance, Debt management literacy, Financial literacy theory, and SMEs

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