

## **ABSTRACT**

Lending to Micro and Small Enterprises (MSEs) remains a demanding and challenging activity as there are many factors influencing the performance, growth and sustainability of these ventures. Among them is lack of adequate business skills to manage the business operations effectively. The problem of poor loan repayment by MSEs is increasing. Financial skills are one of the ways which is supposed to assist MSEs to minimize the loan default rate. This study sought to establish the effect of financial skills on loan repayment by Micro and Small Enterprises in Elgeyo Marakwet County, Kenya. The specific objectives of the study were to establish the extent to which business financing skills, book keeping skills and budgeting skills affect loan repayment by Micro and Small Enterprises in Elgeyo Marakwet County. A descriptive survey design was adopted in conducting the study. The sample size was 84 MSE owners drawn from a sampling frame of 520 MSEs operating in Elgeyo Marakwet County. The study used primary data which was collected using self-administered structured questionnaire. Descriptive and inferential statistics were used to analyze data. Pearson Correlation and Multiple Regression were used to test hypothesis. Statistical Packages for Social Sciences (SPSS) was used by the researcher to facilitate the analysis and interpretation of data, and the results obtained was presented by the use of tables for easy interpretation. The result of the study indicated that at 5% significance level, financing skills and budgeting skills have a significant positive effect on loan repayment by Micro and Small Enterprises. However, book keeping skills does not significantly affect loan repayment by Micro and Small Enterprises. The study recommends that financial providers should train their clients on the importance and impact of negotiating with them for better loan repayment terms and enlighten them on the preparation of various types of budgets and how to follow up and compare the actual and the budgeted figures and determine the variances and also teach them to investigate the various causes of these variances.

### **Keywords**

Financial skills on loan repayment