

# Influence of Financial Risk on Financial Performance of Agricultural Firms Listed on Nairobi Securities Exchange in Kenya

## **Abstract**

Background: Agricultural sector is majorly unstable to risk of returns compared with other sectors for instance the services and commercial sectors and the industrial and allied sectors which have modest risk and investment and finance sector having the least comparative risk among all the four sectors. Further, out of the six listed agricultural firms, three of them indicated poor performance within the financial year 2014 to 2018 and one firm delisted from NSE. The main objective of this study was to determine the influence of financial risk on financial performance of agricultural firms listed on the Nairobi Securities Exchange in Kenya. The specific objective was to determine the influence of financial leverage risk on financial performance of agricultural firms listed on NSE. Materials and Methods: Longitudinal research design was used in this study. The study took the entire population of all six listed firms using census technique. The secondary data was collected from audited financial records of agricultural companies listed between the years 2009 to 2018 (10 year period of time). Panel data was analyzed using inferential statistics which involved testing of hypotheses at a significance level of 0.05. Inferential analysis involved multiple linear regression analysis and correlation analysis. Descriptive analysis was also used which included mean and standard error. The data was presented in form of tables and models. Results: The findings revealed that financial leverage risk has significant negative influence on financial performance of agricultural listed firms ( $p < 0.05$ ). Conclusion: The study concluded that financial risk influenced financial performance of agricultural firms listed on the NSE. The study recommends that listed agricultural firms should source for less costly sources of finance which don't exhaust the earnings of the firms. Listed agricultural firms should also negotiate for better and longer credit terms in relation to repayment terms and interest rates.

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