

INFLUENCE OF LIQUIDITY RISK ON FINANCIAL PERFORMANCE OF AGRICULTURAL FIRMS LISTED ON NAIROBI SECURITIES EXCHANGE IN KENYA

Abstract.

The agricultural sector is unstable due to risk of returns compared with other sectors like the services, commercial, industrial and allied sectors which have modest risk and investment and finance sector which have the least comparative risk among all the sectors. Further, out of the six listed agricultural firms studied, three of them indicated poor performance within the financial period 2014 to 2018 and one firm was delisted from NSE. The objective of this study was to determine the influence of liquidity risk on financial performance of agricultural firms listed on the Nairobi Securities Exchange in Kenya. Longitudinal research design was used in this study. The study took the entire population of the six listed firms using census technique. The secondary data was collected from audited financial records of agricultural companies listed for a ten year period. Panel data was analyzed using inferential statistics which involved testing of hypotheses. 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. The findings revealed that liquidity risk has negative insignificant influence on performance. The study recommended that managers of listed agricultural firms should avoid holding too much liquid assets as highly liquid assets are associated with lower returns than risky assets.

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