INFLUENCE OF RISK MANAGEMENT STRATEGIES ON THE FINANCIAL PERFORMANCE OF STATE CORPORATIONS IN KENYA

BY

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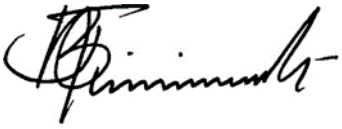
DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

SAMUEL KAVOI NGILA **D61/75866/2014**

Signed:  Date: **28/11/2022**

This research project has been submitted for examination with my approval as the University Supervisor.

Signed:  Date: **28/11/2022**

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DEDICATION

I would like to dedicate this study to the All-Powerful God for his providence and grace, without which I would not have come this far, to my wife Salome for her love and support, to my three children Naomi, Daniel, and Joshua for their inspiration, and finally to my parents, brothers, and sisters for their prayers and support throughout the study.

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LIST OF ABBREVIATIONS

AFC	Agricultural Finance Corporation
CBK	Central Bank of Kenya
CBRR	Capital Budget Realization Ratio
CFO	Chief Finance Officer
CP	Contingency Planning Theory
ERM	Enterprise Risk management
IRA	Insurance Regulatory Authority
ISC	Inspectorate of State Corporations
JKF	Jomo Kenyatta Foundation
KEMSA	Kenya Medical Supplies Authority
KMC	Kenya Meat Commission
NSE	Nairobi Securities Exchange.
RM	Risk management
SC	State Corporation
SCAC	State Corporations Advisory Committee
SOE	State Owned Enterprise

ABSTRACT

Risk management strategies are perceived by academicians, practioners and regulators as main influencers of financial performance in state corporations in Kenya. Although there have been a number of studies on risk management strategies, very few or none have specifically examined the impact of risk management strategies on the financial performance of a Kenyan state corporation. The study topic was the influence of risk management skills on the financial management in the state corporations in Kenya. The main objective of this study was to determine how risk management strategies influence financial performance of state corporations in Kenya. The study was guided by the following objectives: to investigate the influence of interest coverage ratio on financial performance in the state corporation; to establish the influence of Firm size on financial performance in state corporation; to assess the influence of Capital structure on financial performance in state corporations; to establish the influence of Liquidity ratio on financial performance in state corporations; and, to assess the influence of joint financial risk strategies on financial performance in state corporations. The study employed descriptive correctional design. Secondary data was collected from 6 state corporations in Kenya namely, Consolidated Bank of Kenya**,** Kenya Commercial Bank**,** Kenya Electricity Generating Company**,** Kenya Power and Lightning Company Ltd**,** Kenya Ports Authority and Kenya National Highways Authority**.** The data was collected for the period 2017 to 2022. Entity Secondary data was collected from Central bank website, office of the Auditor general website and Nairobi Stock exchange. The secondary data used was publicly available. Data was analyzed using Statistical Package for Social Scientists (SPSS). Descriptive and inference analysis was carried out using SPSS. Results for quantitative data are presented in tables and factual statements. It is believed that the findings from the sample is a representative of the situation in the state corporations in Kenya to a reliable degree. The study findings indicate that, interest coverage ratio, firm size, capital structure and liquidity ratio and all of them jointly do not influence financial performance of state corporations. The study recommends use other variables that are not in this research and extending the research to organisations in other industries and especially those in the private sector.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Since an institution's risk management is largely determined by how well they perform financially, institutions with declining net worth reduce their hedging, and institutions in financial trouble significantly reduce risk management (Hoffmann et al., 2019). Additionally, financial institutions, particularly those with limited resources, are put in danger by a lack of risk management, which has a negative impact on their financial performance (Kimani, 2018). Institutional risk management, according to studies, is essential to ethical and legal business conduct. As a result, in today's unstable and fragile financial environment, every state corporation faces a variety of risks, including the following: credit risk, liquidity risk, risk of remote trade, risk of showcase, and risk of financing cost, among other things. State corporations that are unable to meet their financial obligations may shut down as a result of one or more of the risks mentioned above. Therefore, state corporations' continued existence depends on effective risk management (Carey, 2001).

This study will be based on enterprise risk management, contingency planning, agency and stakeholder theories. The theory states that companies that succeed in creating an effective ERM have a long-run competitive advantage. Hisnson and Kowalski (2008) established Contingency Planning Theory in risk management. Jensen and Meckling's (1976) suggest that agency conflicts emerge in relationships between principals and agency.State corporations in Kenya have faced various risks which has forced them to come up with risk management strategies. The corporations have also experienced falling or highly fluctuating

financial performance. Majority of the parastatals have been making losses in the last five years with the profit-making experiencing reducing and low profitability levels. The risk management strategies adopted by firms are expected to enhance their financial performance. This study seeks to establish whether risk management strategies within state corporations in Kenya influence their financial performance. And if they do, how do they influence the financial performance.

1.1.1 Risk Management Strategies

The process of identifying, measuring, controlling, and monitoring potential risks that could have a negative impact on an organization's returns is known as risk management. Risk modeling, timely risk issue communication, clearly defined risk strategies, an independent risk management task overseen by a Principal Risk Officer, and risk management strategies are all defined by Dowd et al. (2007). An organization's strategic management relies heavily on risk management strategies. They protect and generate value for the parties involved, and must be integrated across an organization to ensure their effectiveness and sustainability.

Risk the board is verifiably significant in monetary associations like business banks, and it requires examination by investors, controllers, experts, and scholastics, as numerous enormous misfortunes have happened as a result of deficient gamble the executives (Dionne, 2017). Developing a risk management policy is essential for long-term growth, according to Osayi, Ezuem, and Daniel (2019) Risk management can contribute to the deterioration or worsening of a company's portfolio of assets if approached incorrectly. However, if the risk management strategy is utilized in an efficient and timely manner, it has the potential to repair any assets that are deteriorating in the portfolio investment performance of the company. Sleimi (2020) measured practices of risk management in terms of risk identification, comprehension, risk monitoring, and risk evaluation. According to Abdi (2017), risk management practices were operationalized in terms adequate internal control, adequate capital adequacy, risk measurement, risk mitigation, and monitoring. Ewool and Quartey (2021) measured risk management within the selected businesses using the interest expense ratio. Liquidity risk management, credit risk management and operational risk management are three categories of risk management practices.

1.1.2 Financial Performance

The success of the company in generating profits can be measured in a number of ways using profitability ratios. The existing state and prospective growth of an organization are assessed using the firm's financial performance. The qualities of the investigated objects and the goals

of the study determine the selection of appropriate ratios.

Odhiambo (2019) asserts that a company's financial success determines its ability to generate resources from operations over a given time frame. Shareholders are compensated for their investment when the business operates profitably. As a result of increasing investment, economic growth is facilitated. Mishra & Mohanty (2018) claim that poor financial performance can lead to collapse or crisis, both of which have a detrimental effect on economic growth. Improved financial performance enables lenders to create institutions that can sustain themselves for a long time without requiring government assistance or donor finance (Wanjohi, Wanjohi, & Ndambiri, 2017).

1.1.3 Risk Management Strategies and Financial Performance

Effective risk management must be included into every bank's daily operations in order to reduce financial losses and insolvency. By assuring the company's continuing financial performance, managers can raise the value of their organization. State firms must consequently devote greater resources to risk management if they want to boost their financial performance.

According to Tassew and Hailu's (2019) study, risk management has a detrimental effect on Ethiopia's financial performance. The influence of enterprise risk management on the risk and performance of Spanish listed firms, in contrast, was not significantly impacted, according to González, Santomil, and Herrera's (2020) research.

1.1.1 State Corporations in Kenya

According to the Inspectorate of State Corporations, there are 280 state corporations in Kenya (2021). The state corporations are broken down into eight major functional groupings based on their purpose and primary duties. Examples include the financial sector, manufacturing, regulatory agencies, public universities, training and research, services, regional development organizations, and tertiary education and training.

According to the Inspectorate of State Corporations, there are 280 state corporations in Kenya (2021). The state corporations are broken down into eight major functional groupings based on their purpose and primary duties. Examples include the financial sector, manufacturing, regulatory agencies, public universities, training and research, services, regional development organizations, and tertiary education and training.

1.2 Research Problem

Dynamic strategic policies and regulatory prerequisites imply that state organizations require a more extensive and clearer viewpoint on big business wide gamble than at any other time (Crouhy et al., 2016). As a result, risk management (RM) is rapidly replacing the exception in the majority of SCs. Even though risk is a part of running a business, companies that incorporate the right risk management strategies into their business planning and performance management have a better chance of achieving their strategic and operational goals even when there are risks (Kaplan, 2019). Operational, strategic, financial, and governance risks are just some of the risks that SCs face as a result of their work. The SCs want to strike a healthy balance between return and risk while minimizing the potential negative effects on its financial performance. In order to thrive in a business environment that is always changing, this necessitates risk management practices that are both more dynamic and more sound.

Kenyans need to review their risk management plan, which could be the answer to their problems with financial performance. In recent years, numerous State Corporations have failed and shut down. Despite receiving government assistance, the Agricultural Finance Corporation (AFC) maintains a sizable portfolio of nonperforming loans.

Ethiopia's commercial banks' financial performance is negatively impacted by enterprise risk management (ERM), according to Tassew and Hailu (2019). And González, Santomil and Herrera (2020) on the impact of Big Business Hazard on the board on the presentation of Spanish recorded organizations observed that ERM was not related with an adjustment of monetary execution. Oudat and Ali (2021) conducted an analysis of the fundamental impact of risk management on bank's financial performance.

Three studies have examined the impact of financial risk management on the performance of commercial state corporations in Kenya. Other studies have looked at how corporate risk management disclosure affected the financial performance of Nairobi Securities Exchange-listed non-financial service companies and Kenyan state-owned businesses.

The effects of risk management techniques on the financial performance of Kenyan state businesses have been the subject of three separate studies. Enterprise risk management adoption and transformative leadership were explored by Nyandika, Machoka, and Ngala (2022). While Gatimbu, Kimathi, and Wabwire (2017) examined corporate risk management disclosure, Abang'a et al. (2021) focused on corporate governance.

1.3 Research Objective

To determine the influence of risk management strategies on the financial performance of state corporations in Kenya.

1.4 Specific objectives

1. To investigate the influence of interest coverage ratio on financial performance in the state corporation.
2. To established the influence of Firm size on financial performance in state corporation.
3. To assess the influence of Capital structure on financial performance in state corporations.
4. To establish the influence of Liquidity ratio on financial performance in state corporations
5. To assess the influence of joint financial risk strategies on financial performance in state corporations

1.5 Hypotheses

1. H01: Interest coverage ratio has no significant influence on financial performance in state

corporations

2. H02: Firm size has no significant influence on financial performance in state corporations
3. H03: Capital structure has no significant influence on financial performance in state corporations
4. H04: Liquidity ratio has no significant influence on financial performance in state corporations
5. H05: Joint risk management strategies has no significant influence on financial performance in state corporations.

1.6 Value of the study

The review will contribute to the literature on risk management, CEOs, and financial planning, particularly among state partnerships. Therefore, academics could turn to this study in order to complete their writing projects. The gaps in the body of literature may act as a catalyst for new studies on financial performance and risk management.

It may be useful to policymakers like the government and regulatory authorities because of its contribution to policy. This study may serve as a basis for policy development in an effort to improve state corporations' financial performance through efficient risk management strategies. Understanding how state corporations' financial performance is affected by risk management strategies will serve as the foundation for this.

The management of the corporations would benefit from the study's practical application. This study would serve as a foundation for corporate strategy formulation for management. This would be based on knowing how state corporations' financial performance is affected by risk management strategies. The study's recommendations may also be implemented by management to improve corporations' financial performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Theoretical and empirical literature on risk management strategies and financial performance were reviewed in this chapter. It also examined the factors of financial performance among state corporations. The conceptual framework was also illustrated as well as the summary of the literature review.

2.2 Theoretical Framework

The theories that frame and underpin this investigation are discussed in this section. This study will adopt enterprise risk management, contingency planning, agency and stakeholder theories.

2.2.1 Enterprise Risk Management Theory

The enterprise risk management theory was developed in 2001 by McGraw, Galai, and Mark. According to the theory, an organization's board of directors, management, and other employees use enterprise risk management in the formulation of its strategy. It is intended to distinguish potential occasions that might influence the substance, and oversee hazard to be inside its gamble hunger with a mean to give sensible confirmation in regards to the accomplishment of element goals (McGraw, Galai and Imprint 2001). Companies that manage and monitor risks independently have a competitive advantage in the long run over those that successfully implement an efficient ERM. In a nutshell, our argument is that a company's ability to carry out its strategic plan is enhanced by providing its business managers with the information and incentives they need to maximize the trade-off between risk and return, as well as by consistently and systematically measuring and managing its risks (Morgan, 2006).

Enterprise risk management consists of eight related components. These are incorporated into the management process and are dependent on how management manages an organization.

These elements include the internal environment, creating objectives, identifying events, assessing risks, responding to risks, engaging in control actions, sharing information and communicating, and monitoring. The steps in enterprise risk management are not always directly related to one another. It is a multidirectional, interactive process, according to Morgan (2006), in which almost every component can and does influence another.

Aven and Aven (2015) criticize the target-centered enterprise risk management (ERM) emerging practice known as the "no-goal-no-risk" approach, which they refer to as "goal accomplishment risk." The aims of the organization, according to the writers, are largely arbitrary. Then, regardless of whether or not they make sense for the organization as a whole, risks are handled in light of these locally defined objectives. Setting goals with the intent to produce outcomes that are suboptimal from a business viewpoint is known as subgoal optimization.

An analysis of the fundamental challenges in risk management should serve as the foundation for any viable theory of ERM. In a firm, decisions are frequently delegated, and business divisions have access to information that is not freely available to the board of directors. The BOD's adoption of the ERM will be seen as a resolution to the overall information and agency problems.

2.2.2 Contingency Planning Theory

Contingency planning (CP) is a critical component of risk management. Since residual risks are constantly there, CP is predicated on the notion that all hazards cannot be completely eliminated. The strongest evidence safety systems may be circumvented or overpowered by certain conditions, combinations of unexpected risks or unfavorable events, and flaws.

"Contingency" is the process of making flexible plans for major incidents and disasters, gathering appropriate resources, and preparing for whatever actually occurs. In this sense, CP entails anticipating and planning for the unforeseen. The primary goal of CP is to lessen the negative effects of accidents and disasters. "CP" implies that the actions and resources required after major incidents are dependent on the nature of the incidents or disasters that actually occur.

Studies that rely on Standard & Poor's ERM ratings must assume that the rating agency's assessment of a company's processes is reliable. Most empirical studies have low statistical significance for key explanatory variables and only partially explain the variation in risk management adoption or impact. In addition to compliance checklists and intrusive risk management processes for employees, the theory is interactive.

2.2.3 Agency theory

The office theory was developed by Jensen and Meckling (1976). Conflicts between principals and agency appear in relationships, claims the agency theory. An agent may follow policies and processes that put their personal interests ahead of that of the principals. As a result, the principle must take steps and come up with plans of action to make sure the agent operates in the principal's best interests.

Risk management is a tactic that has been institutionalized to enable state corporation to successfully carry out their main obligations and contribute to the state's socioeconomic development even amid major national or international crises. The principal owners of a company are typically represented by the managers or leaders of that firm, and as a result, they are assumed to work on their behalf. As a result, they have a big say in how much money and resources are made and distributed by the organization.

The management of a corporation could want to enter new markets in order to boost pay and near-term profitability. This might not sit well with a set of stockholders who are more risk-averse, though. The long-term rise of earnings and the increase in stock price are the two things that these shareholders care about the most. Second, the principal and the agent might not be able to handle the same amount of risk. Kenya Electricity Generating Company (KENGEN) shareholders, for instance, may perceive the securities as being too low for riskier projects and thus take a significant risk of performance default.

2.2.4 Stakeholder Theory

Freeman (1984), in view of the State-Owned Corporations' extensive duties, which include income production, revenue collection, service delivery to residents, regulation, and oversight, stakeholder theory was applied. The stakeholders' hypothesis states that an organization's performance is influenced by how well it meets its stakeholders' needs and accomplishes its objectives. The most promising contribution that agency theory may make to risk management is the extension of its application from employment to other agreements, such as sales and financing.

According to the idea of organization, the interconnected networks of stakeholders have an impact on the organization's decision-making process, as well as its consequences and effectiveness. A company's shareholders are among its most significant stakeholders since they desire to increase their worth. Managers must, however, look out for the interests of other important stakeholders, including as the government, the general public, suppliers, partners, consumers, and employees.

Where fiduciary obligations are involved, the theory's application is difficult. The stakeholder paradox, coined by Kenneth GoodPaster, refers to the breach of managers' fiduciary duty to shareholders, despite the fact that it appears to be ethical to involve those impacted by or affected by the company.

For Business and tasks, the hypothesis thinks about those it can influence and will be impacted by the business. Businesses can use stakeholder engagement research to better engage with stakeholders. Although it is essential for growth as well as for moral and ethical reasons, this helps reduce the potential enormous costs that could result from boycotts and legal action.

2.3 Determinants of financial performance of state corporations in Kenya

2.3.1 Firm Size

There are many ways that a company's size could affect its financial performance. A larger business may have a greater impact on its current and potential investors, creditors, stakeholders, and even customers. The strong business performance of conglomerates and multinational corporations in the global economy is evidence of this.

The relationship between firm size and financial performance has a variety of effects. Numerous researchers consider company size to be a factor in financial performance, however, Vu et. al. (2019) demonstrated that firm size did not significantly explain financial performance. Firm size was positively correlated with financial performance according to Kijkasiwat and Phuensane (2020), but had a negative impact on financial performance when compared to the size of the company.

2.3.1 Capital Structure

If utilized in an effective and efficient manner, a company's capital structure is an important factor in achieving optimal performance. According to Berger & Patti (2002), the modern theory is based on the 1958 theory of Modigliani and Miller, which assumed perfect capital markets. A company's capital structure is how it gets its money. It is the company's mix of equity and debt capital. For business owners as well as funders, how an organization is funded is of the utmost importance. This is because the company's performance and survival may be seriously impacted if the wrong mix of funds is used.

The relationship between capital structure and financial performance has a lot of empirical backing, however the findings differ from study to study. Ajibola, Wisdom, and Qudus demonstrate that ineffective corporate governance has a detrimental effect on financial performance (2018). Corporate governance had little impact on financial success, according to Wangombe and Kibati's (2019).

2.3.2 Firm Liquidity

According to Graham (2010), liquidity is the ease with which assets can be converted into cash. Padachi (2016) proposes that to stay productive, organizations ought to adjust their liquidity levels. Organization liquidity has been distinguished as a variable impacting an organization's monetary exhibition (Almajali et al 2012). Graham (2010) says that liquidity ratios are used to measure it. In this study, liquidity is measured by the current ratio - rather than the inventory to current liabilities ratio, which is more commonly used as an indicator of a company's financial health. The current ratio has been found to be a more accurate indicator of liquidity for companies in the United States.

In a review of studies, Abubakar, Sulaiman and Haruna (2018) and Maneerattanarungrot and Donkwa (2018), found that liquidity had a positive effect on financial performance but not the other way around. However, Batool and Sahi (2019) discovered no relationship between liquidity and financial performance.

2.4 Empirical Review

2.4.1 Global Studies

Oudat, and Ali (2021), in their review "The Fundamental Impact of Chance Administration On Banks' Monetary Execution: An Analytical Study on Commercial and Investment Banking in Bahrain" looked at specific financial risks as well as the financial performance of commercial and investment banks that were listed on the Bahrain Stock Exchange between 2015 and 2019. Although return on equity was used to gauge financial performance, financial hazards included capital risk, liquidity risk, and exchange rate risk. The study's objective was accomplished via a panel regression analysis of the data. However, the information comes from the banks' yearly financial reports. Investment banks discovered that there were no significant links between risk management and financial performance, with the exception of the liquidity risk management, which they found to have a substantial association with financial performance.

Researchers looked into the relationship between the performance of listed Italian companies and the extent to which enterprise risk management (ERM) systems were deployed in their study, "Enterprise risk management and firm performance: the case in Italy." While many

contributions to the literature concentrate on the elements that affect ERM adoption and use one-dimensional features as a stand-in for ERM implementation, they also identify the results of ERM implementation and gather a variety of features to assess the sophistication of the system. They discovered that businesses with the highest levels of ERM execution offer better execution in terms of financial execution and market assessment.

The financial performance of commercial banks in Ethiopia was significantly impacted negatively by credit risk, liquidity risk, operating risk, and market risks. However, commercial banks' financial performance was positively impacted by bank size as the control variable. Tassew and Hailu (2019) studied the impact of risk management on 17 Ethiopian commercial banks from 2013 to 2017.

González, & Herrera (2020) looked at how Enterprise Risk Management (ERM) affected the performance and financial stability of a sample of non-financial Spanish listed companies. The annual reports, management reports, and annual corporate governance reports that were distributed over the course of the four years (2012–2015) provided the information regarding ERM. They found that Spanish companies' performance, as measured by return on equity, return on assets, and Tobin's Q, did not change as a result of implementing ERM or the likelihood of bankruptcy.

2.4.2 Local Studies

The financial performance of companies listed on the Nairobi Securities Exchange and financial risk management strategies were shown to be significantly and positively correlated in the study by Kibera, Muturi, and colleagues (2018). The results of the study also demonstrated that risk-taking behaviors significantly and favorably affected financial performance. The study used a census survey of the 61 CFOs of the NSE-listed companies.

The effects of corporate risk management disclosure on the financial performance of non-financial service companies listed on the Nairobi Securities Exchange have been investigated

by Kenyan scholars. 2017 saw the completion of a content study of sampling annual reports of Kenyan listed businesses by Gatimbu, Kimathi, and Wabwire. A casual research design was used to investigate the causal association between financial performance and risk management disclosures.

61 listed companies made up the study's target group. There were 32 companies included in the sample. The normality of the data was evaluated using the coefficient of skewness. The regression model's assumptions regarding homoscedasticity and autocorrelation were put to the test. It was discovered that risk disclosure had a positive effect on mean financial performance without any significant difference. Risk disclosure, on the other hand, is strongly correlated with financial performance.

A descriptive study of the Jomo Kenyatta Foundation's (JKF) entire workforce was carried out. The study used secondary data acquired from published reports and audited financial statements for a five-year period, from 2011 to 2016. They discovered that the financial performance of commercial state firms was significantly influenced by operational, financial, and strategic risk management approaches.

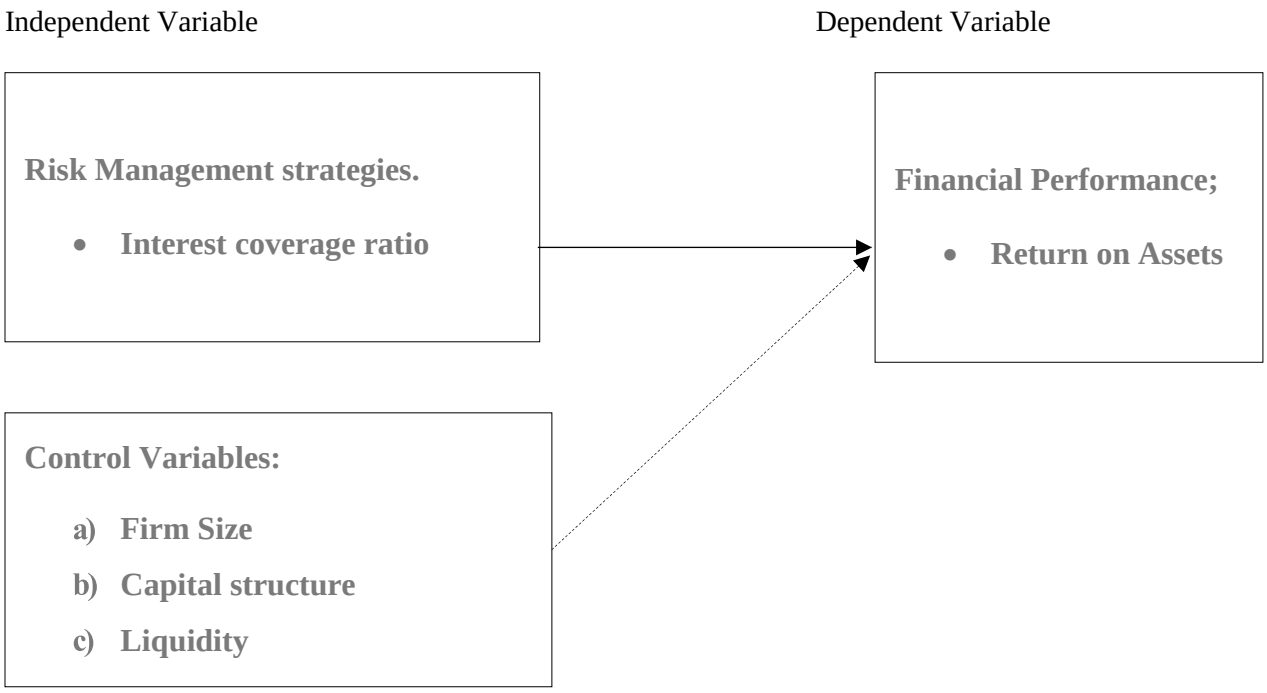
Abang'a and others 2021) conducted a balanced panel data regression analysis on a sample of 45 state-owned enterprises (SOEs) in Kenya over a four-year period (2015–2018) for their study titled "Corporate governance and financial performance of state-owned enterprises in Kenya." They identified a strong correlation between board meetings and corporate governance and financial success of state-owned firms in Kenya. The capital budget realization ratio (CBRR), board talent and gender diversity, as well as certain corporate governance measures, are all strongly correlated with board meetings. Additionally discovered to have a favorable but insignificant link with CBRR were the aggregate corporate governance disclosure index, board subcommittees, board size, and independent non-executive directors.

Nyandika, Machoka, and Ngala (2022) employed a cross-sectional survey design and a positivist research methodology in their investigation, "The Relationship between Transformational Leadership and Enterprise Risk Management Adoption by Commercial State Corporations in Kenya." The target population as of January 2021 consisted of all Commercial State Corporations in Kenya that were included in the State Corporations Advisory Committee (SCAC) register. The senior management of each organization functioned as the unit of observation, while the 52 Commercial State Corporations served as the unit of analysis. Top management was chosen through the use of purposeful sampling, and a survey of the complete top management population produced a sample size of 364 respondents. The primary data for the study were gathered using structured questionnaires. The analysis used descriptive methods.

2.5 Conceptual Framework

The variables of the study will be conceptualized graphically with their relationship shown by figure 2.1. The independent variable will be risk management strategies as measured by the interest coverage ratio, while dependent variable will be financial performance as measured by return on assets. Firm size, capital structure and liquidity will be used as control variables.

Figure 2. 1 Conceptual framework



2.6 Summary of Literature Review

Within the evaluated studies, it was discovered that there was no definitive evidence about how risk management strategies affected financial performance. Studies have utilized various research approaches, different state corporation-based enterprises, and other concepts. Many empirical studies have been conducted outside of Kenya and have yielded contradictory results. This study is required because local studies have revealed research gaps.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter will give the research methods that will be adopted. It concerned with the research design, population, data collection and analysis.

3.2 Research Design

In order to investigate the impact of risk management on the financial performance of commercial banks in Kenya, this study employed a descriptive research design. While establishing the relationship between variables, the descriptive design assisted researchers in describing the traits or characteristics of a specific group. By proving the cause-and-effect link, the approach assisted the researcher in demonstrating how risk management strategies affect financial performance.

3.3 Population

There are more than 280 operational State Corporations in Kenya, according to a study conducted by the World Bank and the Confederation of East and Central Africa's Chambers of Commerce and Industry (CECI). The study targeted state corporations that have existed and are up and running in Kenya for the last five years (2017-2021). Due to the limitations of time and resources as well as the availability of financial data, this study will involve the state corporations whose data is available in the public domain for analysis. These will include banks, Public Utility Companies, and listed firms. The list includes six state corporations whose data is in the public domain and existed between 2017 and 2021.

(Appendix I).

3.4 Data Collection

Data gathered from state corporations whose data is in the public domain for a period of five years between 2017 and 2021. Data was sourced from CBK, Office of Auditor General and NSE. Secondary annual data will also be collected for this study.

3.5 Data Analysis

Data was analyzed using a combination of descriptive statistics and inferential analysis to establish the effect of risk management strategies on financial performance. Descriptive statistics was related to mean, standard deviation, minimum and maximum.

3.5.1 Diagnostic Tests

This research will carry out various diagnostics to check on the assumptions of regression models. This will involve multicollinearity, normality, model specification and heteroskedasticity.

3.5.2 Analytical Model

The analytical model will take the form of:

$Yit = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon$

Where;

Yit - Financial performance as measured by return on

assets β_0 - Constant term

X_{1it} - Risk management strategies as measured by interest coverage

ratio X_{2it} - Firm size measured by natural logarithm of total assets

X_{3it} - Capital structure measured by debt-to-equity

ratio X_{4it} -Liquidity measured by current ratio

ϵ - Error term

3.5.3 Significance Test

The significance of the model will be checked using Anova which will make use of the F-tests. The p-values of the F-statistics will show whether the model adopted is significant to

the data. Where the p is below 5%, the model is assumed to be significant and vice versa.

CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSISIONS

4.1 Introduction

This chapter involved data analysis, model development, discussions and research findings as stated in the research methodology chapter.

4.2 Response rate

The study gathered secondary information from state corporations whose data is published in the public domain for the period of five years between 2017 and 2021. The data was collected from 6 state corporations.

Table 4. 1 List of state corporation

No.	Corporation
1.	Consolidated Bank of Kenya
2.	Kenya Commercial Bank
3.	Kenya Electricity Generating Company
4.	Kenya Power and Lighting Company Ltd
5.	Kenya Ports Authority
6.	Kenya National Highways Authority

4.3 Descriptive analysis

Descriptive statistics was used by the researcher to explain the findings by use of means and standard deviation

Table 4. 2 Total assets

	Minimum	Maximum	Mean	Std. Deviation
Total Assets 2017	166,504.56	646,669,000.00	169,467,779.16	273,001,935.89
Total Assets 2018	183.899.78	714,313,000.00	190,245,213.23	304,673,342.68
Total Assets 2019	287,492.96	898,572,000.00	230,519,540.30	377,147,967.27
Total Assets 2020	294,769.43	987,810,000.00	256,939,560.37	417,451,489.84
Total Assets 2021	312,528.22	1,139,672,000.00	298,425,182.74	483,445,798.25

The mean of total assets was highest in 2021 at 298,425,182.74 with a maximum total asset of 1,139,672,000 in Kenya Commercial Bank and a minimum of 166,504.56 in Kenya Ports Authority in 2017 as show in table 4.2

Table 4. 3 Current assets

	Minimum	Maximum	Mean	Std. Deviation
Current Assets 2017	24,881.06	609,013,000.00	110,191,414.73	244,863,149.44
Current Assets 2018	31,412.07	658,068,000.00	118,449,486.32	264,830,617.30
Current Assets 2019	33,629.17	853,316,000.00	149,158,449.42	345,171,672.91
Current Assets 2020	24,432.53	940,541,000.00	166,227,474.79	379,733,788.89
Current Assets 2021	26,831.25	1,077,759,000.00	189,531,459.44	435,522,070.79

The mean of current assets was highest in 2021 at 189,531,459.44 with the maximum current assets of 1,077,759,000 in Kenya Commercial bank and a minimum current assets of 24,432.53 in Kenya Ports Authority in 2020 as shown in table 4.3

Table 4. Current liability

	Minimum	Maximum	Mean	Std. Deviation
Current Liability 2017	7,481.96	525,650,000.00	93,826,886.40	211,805,518.53
Current Liability 2018	7,792.25	578,204,000.00	105,679,336.41	232,158,014.18
Current Liability 2019	13,774.71	747,018,000.00	135,692,223.54	300,306,870.14
Current Liability 2020	17,056.05	808,178,000.00	142,813,921.13	326,283,685.09
Current Liability 2021	20,395.65	927,491,000.00	166,828,763.18	373,431,260.87

The mean of current liability was highest in 2021 at 166,828,763.18 with a maximum current liability of 927,491,000.00 in Kenya Commercial Bank and a minimum of 7,481.96 in Kenya Ports Authority in 2017 as show in table 4.4

Table 4. 4 Descriptive statistics for total debt

	Minimum	Maximum	Mean	Std. Deviation
Total Debt 2017	48,813.26	540,703,000.00	96,704,034.72	217,766,936.11
Total Debt 2018	60,547.27	600,651,000.00	109,756,977.16	241,125,319.11

Total Debt 2019	79,908.26	768,831,000.00	139,394,986.38	309,152,036.41
Total Debt 2020	107,293.76	845,387,000.00	149,086,031.35	341,422,862.31
Total Debt 2021	115,412.51	966,165,000.00	173,642,258.53	389,002,042.45

The mean of Total Debt was highest in 2021 at 173,642,258.53 with a maximum Total Debt of 966,165,000.00 in Kenya Commercial Bank and a minimum of 48,813.26 in Kenya Ports Authority in 2017 as show in table 4.5

Table 4. 5 Equity

	Minimum	Maximum	Mean	Std. Deviation
Equity 2017	58,398.02	329,189,154.43	72,763,752.28	132,535,355.98
Equity 2018	60,622.42	367,867,982.89	80,471,402.74	147,913,966.29
Equity 2019	56,230.86	414,547,762.43	91,124,553.92	166,652,063.80
Equity 2020	54,896.80	502,407,382.28	107,853,528.86	201,448,079.83
Equity 2021	57,173.94	573,190,295.20	124,782,190.79	230,317,461.82

The mean of equity was highest in 2021 at 124,782,190.79 with a maximum equity of 573,190,295.20 in Kenya National Highways Authority and a minimum of 54,896.80 in KENYA Power and Lightning Company Ltd in 2020 as show in table 4.6

Table 4. 6 EBIT

	Minimum	Maximum	Mean	Std. Deviation
EBIT 2017	10,754.44	44,402,000.00	8,318,316.22	17,783,060.76
EBIT 2018	11,110.82	51,309,000.00	8,886,470.22	20,793,851.60
EBIT 2019	10,648.86	55,117,000.00	9,229,168.23	22,480,424.11
EBIT 2020	5,435.41	46,506,000.00	8,502,820.59	18,695,808.99
EBIT 2021	15,212.53	72,278,000.00	12,484,421.65	29,304,333.60

The mean of EBIT was highest in 2021 at 12,484,421.65 with a maximum EBIT of 72,278,000.00 in Kenya Commercial Bank and a minimum of 5,435.41in KENYA Power and Lightning Company Ltd in 2020 as show in table 4.7

Table 4. 7 EBT

	Minimum	Maximum	Mean	Std. Deviation
EBT 2017	(335,681.00)	29,114,000.00	5,627,220.06	11,681,324.47
EBT 2018	(540,034.00)	33,859,000.00	5,849,468.04	13,744,027.79
EBT 2019	(516,908.00)	36,897,000.00	6,076,645.97	15,100,366.09
EBT 2020	(261,769.00)	25,719,000.00	4,963,756.60	10,317,770.23
EBT 2021	(278,198.00)	47,815,000.00	8,284,149.66	19,386,327.73

The mean of EBT was highest in 2021 at 8,284,149.66with a maximum EBT of 47,815,000.00 in Kenya Commercial Bank and a minimum of -540,034.00 in Consolidated Bank of Kenya in 2018 as show in table 4.8

Table 4. 8 Interest Expense

	Minimum	Maximum	Mean	Std. Deviation
Interest Expense 2017	142.24	15,288,000.00	2,691,098.84	6,180,404.46
Interest Expense 2018	170.62	17,450,000.00	3,036,946.89	7,067,383.50
Interest Expense 2019	166.31	18,220,000.00	3,152,393.86	7,386,455.02
Interest Expense 2020	135.16	20,807,000.00	3,542,324.22	8,459,558.98
Interest Expense 2021	143.22	24,462,000.00	4,199,240.38	9,930,760.26

The mean of Interest Expense was highest in 2021 at 4,199,240.38 with a maximum Interest Expense of 24,462,000.00 in Kenya Commercial Bank and a minimum of 135.16 in Kenya Ports Authority in 2020 as show in table 4.9.

Table 4. 9 Return on Assets

	Minimum	Maximum	Mean	Std. Deviation
Return on Assets 2017	0.01	0.07	0.05	0.02

Return on Assets 2018	0.01	0.07	0.04	0.02
Return on Assets 2019	-	0.06	0.03	0.02
Return on Assets 2020	0.01	0.05	0.03	0.02
Return on Assets 2021	-	15.76	2.66	6.42

The mean of Return on Assets was highest in 2021 at 2.66 and lowest 2017 at 0.05 as shown in table 4.10

Table 4. 10 Interest Coverage ratio

	Minimum	Maximum	Mean	Std. Deviation
Interest coverage Ratio 2017	0.60	1,563.38	274.96	631.87
Interest coverage Ratio 2018	0.29	590.97	110.97	236.49
Interest coverage Ratio 2019	0.23	89.12	18.61	34.96
Interest coverage Ratio 2020	0.38	916.44	164.49	369.25
Interest coverage Ratio 2021	0.61	385.75	83.88	153.57

The mean of Interest coverage Ratio was highest in 2017 at 274.96 and lowest 2019 at 18.61. with a maximum Interest coverage Ratio of 1,563.38 in Kenya National Highways Authority and a minimum of 0.23 in Consolidated Bank of Kenya in 2019 as show in table 4.11

Table 4. 11 Natural log of total Assets

	Minimum	Maximum	Mean	Std. Deviation
Natural Log of Total Assets 2017	7.61	20.29	14.92	4.83
Natural Log of Total Assets 2018	12.12	20.39	15.71	3.73
Natural Log of Total Assets 2019	7.61	20.62	13.78	4.35
Natural Log of Total Assets 2020	12.59	20.71	15.90	3.77
Natural Log of Total Assets 2021	12.65	20.85	15.99	3.83

The mean of Natural Log of Total Assets was highest in 2021 at 15.99 and lowest 2019 at 13.78. with a maximum Natural Log of Total Assets of 20.58 and a minimum of 7.61 in 2019 as show in table 4.12

Table 4. 12 Capital structure

	Minimum	Maximum	Mean	Std. Deviation
Capital Structure 2017	0.08	11.59	3.80	4.38
Capital Structure 2018	0.12	12.93	4.05	4.86
Capital Structure 2019	0.14	5.93	2.88	2.62
Capital Structure 2020	0.07	6.01	3.08	2.83
Capital Structure 2021	0.11	8.30	3.40	3.32

The mean of Capital Structure was highest in 2018 at 4.05 and lowest in 2019 at 2.88. with a maximum Capital Structure of 12.93 in Consolidated Bank of Kenya and a minimum of 0.07 in Kenya National Highways Authority in 2020 as show in table 4.13

Table 4. 13 Liquidity ratio

	Minimum	Maximum	Mean	Std. Deviation
Liquidity Ratio 2017	0.69	3.33	1.55	0.92
Liquidity Ratio 2018	0.47	4.43	1.60	1.43
Liquidity Ratio 2019	0.38	3.07	1.26	0.96
Liquidity Ratio 2020	0.36	2.00	1.16	0.52
Liquidity Ratio 2021	0.43	2.15	1.12	0.58

The mean of Liquidity ratio was highest in 2018 at 1.60 and lowest in 2021 at 1.12. with a maximum Liquidity Ratio of 4.43 in Consolidated Bank of Kenya and a minimum of 0.36 in Kenya Power and Lightning Company Ltd in 2020 as show in table 4.14

4.4 Inference analysis

Table 4. 14 Correlation analysis

	Return on	Interest	Natural log	Capital	Liquidity

		assets	coverage	of total assets	structure	ratio
Return on assets	Pearson Correlation	1	-.234	.739	.298	-.115
	Sig. (2-tailed)		.656	.093	.566	.829
	N	6	6	6	6	6
Interest coverage	Pearson Correlation	-.234	1	.260	-.530	-.142
	Sig. (2-tailed)	.656		.619	.279	.789
	N	6	6	6	6	6
Natural log of total assets	Pearson Correlation	.739	.260	1	.385	-.424
	Sig. (2-tailed)	.093	.619		.450	.403
	N	6	6	6	6	6
Capital structure	Pearson Correlation	.298	-.530	.385	1	-.480
	Sig. (2-tailed)	.566	.279	.450		.335
	N	6	6	6	6	6
Liquidity ratio	Pearson Correlation	-.115	-.142	-.424	-.480	1
	Sig. (2-tailed)	.829	.789	.403	.335	
	N	6	6	6	6	6

From the table above, the correlation of interest coverage and return on assets is -0.234. There is a weak negative relationship between the two variables. An increase in interest coverage will lead to a decrease in return to asset by a small magnitude. The correlation between liquidity ratio and return to asset is -0.115. Meaning, there is a weak negative relationship between the two variables.

An increase in liquidity ratio will lead to a decrease return to asset by a small magnitude and vice versa. Thus, Interest coverage and liquidity ratio are inversely related to return to scale. Natural log of total assets and return on assets of state corporations is 0.739. Meaning, there is a strong a positive relationship between natural log of total assets and return to assets. The correlation between capital structure and return on asset is 0.298. There is a weak positive relationship between the two variables. An increase in capital structure leads to an increase return on assets by a small magnitude.

4.5 Regression analysis

4.5.1 Regression analysis of interest coverage

From table 4.1 below, the Coefficient of determination R^2 of 0.055 showed that only 5.5% of financial performance, return on assets in the state corporations can be explained by interest coverage. The remaining percentage of Return on assets in the state corporation can be explained by other factors not included in the model. The R of 0.234 from table 4.1 shows there is a weak positive correlation between interest coverage and return on scale in the state corporations.

$$\mathbf{Y_{it} = \beta_0 + \beta_1 X_{1it}} \qquad \textbf{……..……. Model 1}$$

$$\mathbf{Y_{it} = 0.703 - 0.001 X_{1it}}$$

Where,

Y_{it} is Return on Assets

X_{1it} interest coverage ratio

The beta coefficient value for interest coverage (-0.001) meant that for every one (1) unit increase in the dimension of interest coverage in state corporations, it leads to insignificance change in return on assets as shown in tables below.

Table 4. 15 Model Summary of Interest coverage

Model	R	R Square	Adjusted R	Std. Error of

			Square	the Estimate
1	.234[a]	.055	-.182	1.40667

a. Predictors: (Constant), INT_COVERAGE

Table 4. 16 ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.457	1	.457	.231	.656[b]
	Residual	7.915	4	1.979		
	Total	8.372	5			

Table 4. 17 Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.703	.646		1.088	.338
	INT_COVERAGE	-.001	.002	-.234	-.481	.656

a. Dependent Variable: RETURN_ON_ASSETS

4.5.2 Regression analysis of natural log of total assets

From table below, the Coefficient of determination R^2 of 0.546 showed that 54.6% of financial performance, return on assets in the state corporations can be explained by natural log of total assets. The remaining percentage of Return on assets in the state corporation can be explained by other factors not included in the model. The R of 0.739 from the table below shows that there is a moderate positive correlation between natural log of total assets and return on scale in the state corporations.

$Y_{it} = \beta_0 + \beta_2 X_{2it}$ ……..…… Model 2

$Y_{it} = -3.627 + 0.274X_{2it}$

Where,

Y_{it} is Return on Assets

X_{1it} is the natural log of total assets

The beta coefficient value for natural log of total assets (0.274) meant that for every one (1) unit increase in the dimension of natural log of total assets in state corporations, it leads an increase on return on assets by 0.274 as shown in tables below.

Table 4. 18 Model Summary Natural log

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739[a]	.546	.433	.97476

a. Predictors: (Constant), LN_ASSETS

Table 4. 19 ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.572	1	4.572	4.812	.093[b]
	Residual	3.801	4	.950		
	Total	8.372	5			

Table 4. 20 Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.627	1.950		-1.860	.136
	LN_ASSETS	.274	.125	.739	2.194	.093

a. Dependent Variable: RETURN_ON_ASSETS

4.5.3 Regression analysis of capital structure

From table below, the Coefficient of determination R^2 of 0.089 showed that 8.9% of financial performance, return on assets in the state corporations can be explained by capital structure. The remaining percentage of Return on assets in the state corporation can be explained by other factors not included in the model. The R of 0.298 from the table below shows that there is a weak positive correlation between capital structure and return on Assets in the state corporations.

$Y_{it} = \beta_0 + \beta_3 X_{3it}$ ……..…… Model 3

$Y_{it} = 0.177 + 0.111 X_{3it}$

Where,

Y_{it} is Return on Assets

X_{1it} is capital structure

The beta coefficient value for natural log of total assets (0.111) meant that for every one (1) unit increase in the dimension of capital structure in state corporations, it leads an increase on return on assets by 0.111 as shown in tables below.

Table 4. 21 Model Summary of Capital structure

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.298[a]	.089	-.139	1.38099
a. Predictors: (Constant), CAPITAL_STRUCTURE				

Table 4. 22 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.744	1	.744	.390	.566[b]
	Residual	7.629	4	1.907		
	Total	8.372	5			

Table 4. 23 Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.177	.833		.213	.842
	CAPITAL_STRUCTURE	.111	.178	.298	.625	.566
a. Dependent Variable: RETURN_ON_ASSETS						

4.5.4 Regression analysis of liquidity ratio

From table below, the Coefficient of determination R^2 of 0.013 showed that 1.3% of financial performance, return on assets in the state corporations can be explained by liquidity ratio. The remaining percentage of Return on assets in the state corporation can be explained by other factors not included in the model. The R of 0.115 from the table below shows that there is a very weak positive correlation between capital structure and return on scale in the state corporations.

$Y_{it} = \beta 0 + \beta_4 X_{4it}$ ……..……. Model 4

$Y_{it} = 0.828 - 0.2X_{4it}$

Where,

Y_{it} is Return on Assets

X_{1it} is capital structure

The beta coefficient value for natural log of total assets (-0.2) meant that for every one (1) unit increase in the dimension of capital structure in state corporations, it leads a decrease in return on assets by 0.2 as shown in tables below.

Table 4. 24 Model Summary of Liquidity ratio

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.115[a]	.013	-.234	1.43723

a. Predictors: (Constant), LIQUITY_RATIO

Table 4. 25 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.110	1	.110	.053	.829[b]
	Residual	8.263	4	2.066		
	Total	8.372	5			

Table 4. 26 Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.828	1.300		.637	.559
	LIQUIDITY_RATIO	-.200	.869	-.115	-.231	.829

a. Dependent Variable: RETURN_ON_ASSETS

4.5.5 Regression analysis of joint Components

To confirm whether joint risk management strategies influence the return on asset in state corporations, regression analysis was conducted as shown in the table below. The Coefficient of determination R^2 of 0.920 showed that 92% of return on assets in the state corporation can be explained by Joint risk management strategies (liquidity ratio, Interest coverage, natural log of total asset and capital structure). The remaining percentage (8%) of return on assets can be explained by other factors not included in the model. The R of 0.959 from table below shows there is a strong positive correlation between Joint risk management components and return on assets in the state corporations in Kenya.

As shown in the table below, joint risk management has a significant impact on the state corporation's return on assets. Additionally, the study revealed that joint risk management and return on assets in state corporations were positively and significantly correlated. The results were fitted in the model $\mathbf{Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon}$ **……5**

Where

Y_{it} is Return on Assets

X_{1it} is interest coverage

X_{2it} is Natural log of total assets

$X3_{it}$ is capital structure

$X4_{it}$ is liquidity ratio

$\mathbf{Y_{it}} = -4.76 - 0.004\ X_{1it} + 0.454X_{2it} - 0.259\ \mathbf{X3_{it}} \mathbf{- 0.109\ X_{4it}} + \epsilon$

Table 4. 27 Model Summary of joint Components of risk management strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.959[a]	.920	.598	.82061

a. Predictors: (Constant), LIQUITY_RATIO, INT_COVERAGE, LN_ASSETS, CAPITAL_STRUCTURE

Table 4. 28 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.699	4	1.925	2.858	.414[b]
	Residual	.673	1	.673		
	Total	8.372	5			

Table 4. 29 Table of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-4.760	2.235		-2.130	.279

INT_COVERAGE	-.004	.002	-.928	-1.977	.298
LN_ASSETS	.454	.142	1.221	3.198	.193
CAPITAL_STRUCTURE	-.259	.198	-.695	-1.309	.415
LIQUIDITY_RATIO	-.109	.669	-.062	-.162	.897

a. Dependent Variable: RETURN_ON_ASSETS

4.6 Discussion of the findings on relationship between Joint risk management components and return on asset in State Corporations.

From the above tables, T statistics for the constant and coefficient of interest coverage, Natural log of total assets, capital structure and liquidity ratio are -4.760, -0.004, 0.454, -0.259 and -0.109 respectively, with p values 0.279, 0.298, 0.193, 0.415 and 0.897 respectively. Since the p values of the T statistics for Joint risk management components are greater than 0.05, it implies that the coefficients of X_{1it}, X_{2it}, X_{3it}, and X_{4it} are all insignificant at 95% confidence. This additionally supports the conclusion that Joint Risk Management components significantly influence performance of organizations in the Kenyan public sector positively. This therefore implies that Joint risk management components have a negative influence on return on asset in state corporate.

4.7 Test of Hypotheses

$H_0$1: Interest coverage ratio has no significant influence on financial performance in state corporations

$H_0$2: Firm size has no significant influence on financial performance in state corporations

$H_0$3: Capital structure has no significant influence on financial performance in state corporations

$H_0$4: Liquidity ratio has no significant influence on financial performance in state corporations

$H_0$5: Joint risk management strategies has no significant influence on financial performance in state corporations

4.8 Summarized Hypotheses tested

From the analyses conducted, various decision regarding the hypotheses were taken as indicated in the table below

4.8.1 Decision of the Hypotheses Test

Table 4. 30 Decision of the hypotheses

	Hypothesis	Decision taken
$H_0$1	Interest coverage ratio has no significant influence on financial performance in state corporations	Accepted
$H_0$2	Firm size has no significant influence on financial performance in state corporations	Accepted
$H_0$3	Capital structure has no significant influence on financial performance in state corporations	Accepted
$H_0$4	Liquidity ratio has no significant influence on financial performance in state corporations	Accepted
$H_0$5	**Joint risk management strategies has no significant influence on financial performance in state corporations**	Accepted

CHAPTER FIVE:

SUMMARY, CONCLUSION & RECOMMENDATIONS

5.1 Introduction

The key findings of this study, along with the conclusion and suggestions for future research, are summarized in this chapter.

5.2 Summary of major findings

The purpose of the study was to investigate how state corporations' financial performance was affected by risk management strategies. The study looked at how the state corporation's financial performance is affected by the interest coverage ratio, firm size, capital structure, and liquidity ratio.

The summary of the findings is shown as follows.

5.2.1 Interest coverage ratio on financial performance in state corporations

The study's goal was to find out how the Interest Coverage Ratio affected the financial performance of state corporations. According to the study, the interest coverage ratio has no effect on the financial health of state enterprises.

5.2.2 Firm size on financial performance in state corporations

The study's goal was to look at the relationship between company size and the financial performance of state corporations. The study concluded that business size has no effect on the financial performance of state corporations.

5.2.3 Capital structure on financial performance in state corporations

The study's goal was to ascertain how state corporations' financial performance was impacted by their capital structure. According to the study, capital structure has no effect on the financial performance of state corporations.

5.2.4 Liquidity ratio on financial performance in state corporations

The study wanted to lay out the impact of liquidity proportion on monetary execution in the state enterprises. The study found that the liquidity ratio has no effect on state corporations' financial performance.

5.2.5 Joint risk management components on financial performance

The goal of the study was to find out how state corporations' financial performance is affected by joint risk management components. State corporations' financial performance was found to be unaffected by the components of joint risk management, according to the research.

5.3 Conclusions of the study

Specific objective 1. To investigate the influence of interest coverage ratio on financial performance in the state corporations.

The study concludes that interest coverage ratio was a not a key component in financial performance on state corporations. This means that interest coverage ratio do not play a key role towards financial performance on state corporations.

Specific objective 2. To establish the influence of Firm size on financial performance in state corporation.

The study concludes that firm size was a not a key component in financial performance on state corporations. This means that firm size do not play a key role towards financial performance on state corporations.

Specific objective 3. To assess the influence of Capital structure on financial performance in state corporations.

The study concludes that capital structure was a not a key component in financial performance on state corporations. This means that capital structure do not play a key role towards financial performance on state corporations.

Specific objective 4. To establish the influence of Liquidity ratio on financial performance in state corporations

The study concludes that liquidity ratio was a not a key component in financial performance on state corporations. This means that liquidity ratio do not play a key role towards financial performance on state corporations.

Specific objective 5. To assess the influence of joint financial risk strategies on financial performance in state corporations

The study concludes that the joint risk management components were not a key component in financial performance on state corporations. This means that they do not play a key role towards financial performance on state corporations.

5.4 Recommendations of the study

This section provides the financial recommendation related to risk management strategies on the financial performance of state corporation

5.4.1 Financial recommendation

The study found that the financial performance of state corporations in Kenya was unaffected by the interest coverage ratio, firm size, capital structure, or liquidity ratio. As a result, the study recommends including additional risk management factors that influence state corporations' financial performance.

5.5 Suggestions for further research

Even though this study yielded significant results, it is possible that not all financial risk management strategies were tried, necessitating additional research. As a result, additional insights into the financial performance of state corporations might have been provided by other components. In a similar vein, additional variables that were not included in this study may be taken into consideration by subsequent researchers.

In addition, given that this study was limited to state corporations, it is possible to expand it to organizations in other sectors, particularly the private sector, in the future to see if the results will be consistent.

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APPENDICES

Appendix I: State Corporations in Kenya

1. Consolidated Bank
2. Kenya Commercial Bank
3. Kenya Electricity Generating Company Plc.
4. Kenya Power & Lighting Plc.
5. Kenya Ports Authority
6. Kenya National Highways Authority

Appendix II: Data Collection Sheet

Year	Total Assets	Current assets	Current liabilities	Total Equity	Total Debts	EBIT	Profit after Tax	Interest Expense
	Shs. '000	Shs. '000	Shs. '000	Shs. '000	Shs. '000	Shs. '000	Shs. '000	Shs. '000
2017								
2018								
2019								
2020								
2021								