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Abstract
The purpose of the study was to investigate the effect of accounting information on firm financial performance of agricultural firms listed at the Nairobi Security Exchange. The study was guided by two objectives; to establish the effect of liquidity on the financial performance of agricultural firms listed at the Nairobi securities exchange and to determine the effect of dividend payout on the financial performance of agricultural firms listed at the Nairobi securities exchange. The study adopted a descriptive research design. The target population consisted of all the listed agricultural firms at the Nairobi Securities Exchange (NSE). The study used stratified sampling technique. The study's sample was classified into three strata; senior managers, line managers (finance department management) and the junior staff of the companies. Primary and secondary data was used where primary data was collected using questionnaires. The secondary data was obtained from the company's published reports. Data analysis was done qualitatively and quantitatively using the statistical package for social scientists (SPSS V20) for both descriptive and inferential statistics. Regression analysis was used to show the sensitivity of profitability (PBT), ROA and ROE to various independent variables. The findings indicated that there was an increase in financial performance in the firms .This was demonstrated by the extent of agreement with the statements in the questionnaire regarding financial performance. Findings indicated that liquidity and a dividend payout affected financial performance agricultural firms listed on NSE. Findings led to conclusion that liquidity was a significant tool in explaining financial performance. It was also possible to conclude that there was a positive and significant relationship between level of dividend payout and financial performance; it was possible to conclude that there was a positive and significant relationship between leverage and financial performance. From the findings and conclusion, the study recommended that there was need for agricultural firms listed at the Nairobi Securities Exchange to increase their current assets so as to increase their liquidity as it was found that an increase in current ratio positively affect the financial performance. Another study be undertaken to cover other private agricultural firms in the broader industry.

Key Words: *liquidity, Dividend Payout, Accounting Information*

Introduction

Firm performance is a function of multidimensional concepts which can be expressed both in financial and non-financial terms. It has been asserted that the performance of firms can be influence by both internal as well as external variables. The internal variables considered to affect firm performance includes customer and employee satisfaction, liquidity, leverage, dividend payout as well as business risks. These factors constitute the internal variables however, external variables such as the macroeconomic variations in the economy can also have an impact on the firm performance. In particular macroeconomic variations such as inflation rates, interest rates and foreign exchange rate volatility can also have an impact on firm performance (Nyabwanga, Ojera, Otieno & Nyakundi, 2013).

Empirical literature such as those of Matumo, Maina and Njoroge (2001); Ngunjiri (2010); Ngobe et al. (2013) and Mbuki (2010) at the influence of dividend payout effect on firm performance. Locally, several studies including Omondi and Muturi (2013) investigated the factors affecting the financial performance of listed companies at the Nairobi securities exchange in Kenya and concluded that leverage had a significant negative effect on financial performance while liquidity and company size and age of firm had a significant positive effect on financial performance. Olusola et al., (2013) investigated the effect of Accounting Information on Investment in Nigerian Poultry Agricultural Sector and concluded that that profitability, gearing ratio and growth opportunity are statistically significant in explaining investment in agricultural sector in Nigeria.

Empirical evidence indicates that firm performance can be affected by the aforementioned variables however literature indicates mixed and often conflict results on the effect of these variables on firm performance. While other studies indicate a positive affect others indicate a negative effect and even others show no effect at all (Vijayakumar, 2011). These mixed findings and inconclusiveness of findings on the factors affecting firm performance presents policy makers as well as management of firms with a challenge in formulating policies aimed at improving firm performance. Thus, they have often been in some cases been forced to rely on theory as well as professional instincts on what factors affect firm performance. However, such approach could be misleading and thus less optimal measures eventually fail to be put in place (Eljelly, 2004).

Further approaches used in empirical literature have shown a diverse approach with which firm performance can be analyzed. Some studies have looked at non-financial performance measures while others have adopted the financial measures metric in their examination of firm performance. These different approaches used can thus be attributed to the mixed findings in empirical research.

However, the studies failed to focus on the effect of accounting information on the financial performance and decision making of agricultural firms listed on the Nairobi Securities Exchange. It is due to this research gaps that the studies wished to establish the effect of accounting information on the financial performance and decision making of agricultural firms listed at Nairobi securities exchange.

Study Objectives

The general purpose of the study was to establish the effect of accounting information on firms financial performance of agricultural firms listed at the Nairobi Security Exchange. The specific objectives that guided the study;

- To establish the effect of liquidity on the financial performance of agricultural firms listed at the Nairobi securities exchange.
- To determine the effect of dividend payout on the financial performance of agricultural firms listed at the Nairobi securities exchange.

Research methodology

The study adopted a descriptive research design. This design enabled the research obtain facts and answers for a large sample of respondents and thus increase the validity and generalizability of findings.

The study's target population consisted of all the listed agricultural firms at the Nairobi Securities Exchange (NSE). The listed agricultural firms that were examined were 7 and this formed the unit of analysis and the unit of observation was the management employees working in the agricultural firms. These firms included; Sasini Ltd, Williamson Tea Kenya Ltd, Kakuzi Ltd, Rea Vipingo Ltd, Kapchorua Tea Company Ltd, Eaagads Ltd and Limuru Tea Company Ltd.

The objective of financial statements is to provide reliable information about the reporting entity's financial performance and financial position that is useful to a wide range of users for assessing the stewardship of the entity's management and for making economic decisions. The target population of the study consisted of seven listed agricultural companies and according to Gay et al. (2009) if the population of interest is less than 100 then the entire population should be surveyed. Based on this assertion, the study therefore adopted a census survey where all the 7 listed agricultural firms were studied. The study sample therefore was seven agricultural firms listed at Nairobi Securities Exchange.

The study used stratified sampling technique so as to reach the respondents. There are approximately 500 employees working in the listed agricultural firms. The study utilized both primary and secondary data. The primary data was collected using semi-structured questionnaire which comprised of both open and closed ended questions. The primary data was a collected using questionnaire that was delivered to the seven agricultural firms by the researcher.

Findings

Response Rate

A total of 78 responses/ Questionnaires were received out of 100 questionnaires. This translates to a response rate of 78%. According to Mugenda and Mugenda (2003) and also Kothari (2004) a response rate of 50 % or more is ideal for data analysis. Babbie (2004) also asserted that return rate of 50% is acceptable to analyze and publish, 60% is good and 70% is very good. Based on these assertions from renowned scholars 78% response rate is adequate for the study

The Effect of Liquidity on the Financial Performance

The first objective of the study was to establish the effect of liquidity on the financial performance of agricultural firms listed at the Nairobi securities exchange. Table 4.5 illustrates that majority 61.6% of the respondents agreed that liquidity of their companies has a positive impact on the firm performance, 85.9% agreed that their companies has established a liquidity policy or plan, 75.7% agreed that the liquidity levels oversight by their firm are adequate in ensuring liquidity levels are kept under control, 84.7% agree that liquidity reports produced are made in a timely manner and thus ensures they are within sustainable limits and finally 83.4%of the respondents agreed that actions to control liquidity are usually made in a timely manner. The mean score for the responses was 4.03 which indicated that most of the respondents agreed with the statements on effect of liquidity. . The results findings conquer with those of Sur, Biswas and Ganguly (2001) revealed in their study of Indian Aluminum Producing Industry, a very significant positive association between liquidity and profitability. Wang (2001) found that aggressive liquidity management enhances profitability and performance, and is usually associated with higher corporate firm value.

Liquidity and financial Performance

Table 1

Statements	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean
The liquidity of the company has a positive impact on the firm performance	7.7%	24.4%	6.4%	32.1%	29.5%	3.51
The company has established a liquidity policy or plan	1.3%	3.8%	9.0%	37.2%	48.7%	4.28
The liquidity levels oversight by the firm are adequate in ensuring liquidity levels are kept under control	2.6%	12.8%	9.0%	24.4%	51.3%	4.09
Liquidity reports produced are made in a timely manner and thus ensures they are within sustainable limits.	1.3%	9.0%	5.1%	38.5%	46.2%	4.19
Actions to control liquidity are usually made in a timely manner.	1.3%	2.6%	12.8%	52.6%	30.8%	4.09
Average	2.84%	10.52%	8.46%	36.96%	41.30%	4.03

Regression Analysis on Liquidity

In order to establish the effect of liquidity on the financial performance of regression model was estimated. The result in Table 2 shows that Liquidity explains 24% of the variations in financial performance as indicated by an R-Square of 0.24. This implies that 17% of the unexplained variations in financial performance are accounted for by the other variables.

Table 2: Model Fit for Effect of Liquidity on Financial Performance

Indicator	Coefficient
R	0.490
R Square	0.24
Adjusted R Square	0. 23
Std. Error of the Estimate	0.38656

Before estimation of the regression analysis, analysis of variance (ANOVA) was conducted which is an F-test that establishes whether the regression model estimated was significant. ANOVA results presented in Table 3 indicates that the overall model was significant, that is, the independent variable was a good joint explanatory variable for financial performance (F = 23.98, p-value = 0.000) as indicated in the Table 3 below. The results findings conquer with those of Almajali et al (2012) studied financial performance of Jordanian Insurance Companies listed at Amman Stock Exchange during period (2002 – 2007). The results showed that the leverage, size and liquidity have a positive statistical effect on the financial performance of Jordanian Insurance Companies.

Table 3: ANOVA for the Effect of Liquidity on Financial Performance

Indicator	Sum of Squares	Df	Mean Square	F	Sig.
Regression	3.583	1	3.583	23.98	0.000
Residual	11.357	76	0.149		
Total	14.94	77			

After the regression model was found to be significant the following regression estimates was indicated in Table 4 below. In particular, the estimates indicated that liquidity was positive (β=0.391) and significantly (p=0.000) related to financial performance. This implied that change liquidity by one unit leads to improved financial performance effectiveness by 0.391 units. The results conquered with those of Mallik, Sur and Rakshit (2005) studied the relationship between liquidity and profitability in the context of Indian Pharmaceutical Industry and concluded that no definite relationship can be established between liquidity and profitability. Bardia (2007) in his study on Steel Giant Sail for the period from 1991/92 to 2001/02, concluded that there is a positive relationship between liquidity and profitability.

Financial performance = 2.699 + 0.391 liquidity + ε

Table 4: Regression Analysis of Effect Liquidity on Financial Performance

Variable	Beta	Std. Error	t	Sig.
Constant	2.699	0.33	8.183	0.000
Liquidity	0.391	0.08	4.897	0.000

Effect of dividend payout on the Financial Performance

The second objective of the study was to determine the effect of dividend payout on the financial performance of agricultural firms listed at the Nairobi securities exchange. Table 5 indicates that majority 82% agreed that they consider the level of dividends per share that we have paid in recent years in determining the dividends to pay in the current period, 75.7% agreed that the cost of raising external capital is less than the cost of cutting dividends, 87.2% agrees that they pay dividends to show that our firm is strong enough to raise costly external capital if needed,96.3% of the respondent agreed that there are negative consequences to reducing dividends,88.5% agreed that they make dividend decisions after our investment plans are determined, 82% agreed that rather than reducing dividends, we would raise new funds to undertake a profitable project and 89.8% agreed that dividend distributions should be viewed as a residual after financing desired investments from available earnings. The mean score for the responses was 4.2 which indicated that majority of the respondent agreed with the statements on dividend payout as a key determinant of financial performance. The findings of the study agree with those of Amidu (2007) in his study he examines whether dividend policy influences firm performance in the Ghana Stock Exchange, the study found that dividend policy affects firm performance especially the profitability measured by the return on assets. The results showed a positive and significant relationship between return on assets, return on equity, growth in sales and dividend policy. This showed that when a firm has a policy to pay dividends, its profitability is influenced. The results also showed a statistically significant relationship between profitability and dividend payout ratio.

Table 5: Dividend and Financial Performance

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean
We consider the level of dividends per share that we have paid in recent years in determining the dividends to pay in the current period.	1.3%	5.1%	11.5%	62.8%	19.2%	3.94
The cost of raising external capital is less than the cost of cutting dividends	5.1%	3.8%	15.4%	30.8%	44.9%	4.06
We pay dividends to show that our firm is strong enough to raise costly external capital if needed	1.3%	3.8%	7.7%	48.7%	38.5%	4.19
There are negative consequences to reducing dividends	1.3%	2.6%	2.6%	60.3%	33.3%	4.22
We make dividend decisions after our investment plans are determined	0.0%	2.6%	9.0%	24.4%	64.1%	4.5
Rather than reducing dividends, we would raise new funds to undertake a	3.8%	11.5%	2.6%	26.9%	55.1%	4.18

profitable project						
Dividend distributions should be viewed as a residual after financing desired investments from available earnings.	1.3%	1.3%	7.7%	43.6%	46.2%	4.32
Average	**2.0%**	**4.4%**	**8.1%**	**42.5%**	**43.0%**	**4.20**

Regression Analysis of Dividend Payout

In order to establish the effect of dividend payout on financial performance a regression model was estimated. The results in Table 6 shows that dividend payout explains 22.1% of the variations in financial performance as indicated by an R-Square of 0.221. This implies that 77.9% of the unexplained variations in financial performance is accounted for by the other variables including liquidity business risks leverage and business risks .

Table 6: Model Fit for Effect of Dividend Payout on Financial Performance

Indicator	Coefficient
R	0.470
R Square	0.221
Adjusted R Square	0.211
Std. Error of the Estimate	0.39128

F-test was conducted to establish whether the regression model estimated was significant. ANOVA results presented in Table above indicates that the overall model was significant, that is, the independent variable was a good joint explanatory variable for financial performance(F = 21.581, p-value = 0.000) as indicated in Table below.

Table 7: ANOVA for the Effect of Dividend Payout on Financial Performance

Indicator	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.304	1	3.304	21.581	0.000
Residual	11.636	76	0.153		
Total	14.94	77			

After it was established that the regression model was significant, the following regression estimates as indicated in Table 8 below were obtained. In particular, the estimates indicated that dividend payout was positive (β=0.494) and significantly (p=0.000) related to financial performance. The findings imply that an increase in dividend payout by one unit leads to improved financial performance effectiveness by 0.859units. The finding of the study agree with those of Zhou & Ruland (2006) who revealed that high dividend payout firms tend to experience strong future earnings but relatively low past earnings growth despite market observers having a contradicting view. The regression analysis can be summarized in functional form as indicated below;

Financial performance = 2.224+ 0.494 dividend + ε

Table 8: Regression Analysis of Effect Dividend Payout on Financial Performance

Variable	Beta	Std. Error	t	Sig.
Constant	2.224	0.449	4.951	0.000
Dividend	0.494	0.106	4.646	0.000

Financial Performance

The purpose of the study was to establish the effect of accounting information on firm financial performance of agricultural firms listed at the Nairobi Security Exchange. Table 9 shows that 80.8% agreed that compared to their competitors in the previous year, their organization's sales growth rate is higher, 91%agreed that compared to the previous year, the level of profitability of our organization is higher, 89.8% agreed that their companies has experienced an increase in total revenue over the last 3 years, 97.4% agreed that they have superior firm performance as indicated by increasing ROE for the last 5 years and 92.3% agreed that their companies has experienced an increase in return on assets**.** The mean score for the responses was 4.30 which indicate that the respondents agreed with the statements on financial performance of firms.

Table 9: Financial Performance

Statement	strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean
Compared to our competitors in the previous year, our organization's sales growth rate is higher.	1.3%	2.6%	15.4%	52.6%	28.2%	4.04
Compared to the previous year, the level of profitability of our organization is higher.	1.3%	5.1%	2.6%	53.8%	37.2%	4.21
The company has experienced an increase in total revenue over the last 3 years	1.3%	3.8%	5.1%	46.2%	43.6%	4.27
We have superior firm performance as indicated by increasing ROE for the last 5 years.	0.0%	0.0%	2.6%	39.7%	57.7%	4.55
The company has experienced an increase in return on assets	0.0%	1.3%	6.4%	39.7%	52.6%	4.44
Average	0.78%	2.56%	6.42%	46.4%	43.86%	4.30

Return On Assets

Figure 2 shows the ROA trends of the agricultural companies under study, the figure illustrates that in 2009 the ROA was at 1.06141 in 2010 it decreased to 0.14206 and it increased in 2011 t0 0.9772, also increased in 2012 and it decreased in 2013 from 2.78556t0 0.31639 and finally it increased gradually to 2.3291 in 2014. This implies that Return on assets have been increasing in this firms hence an indication of an improved financial performance over the years

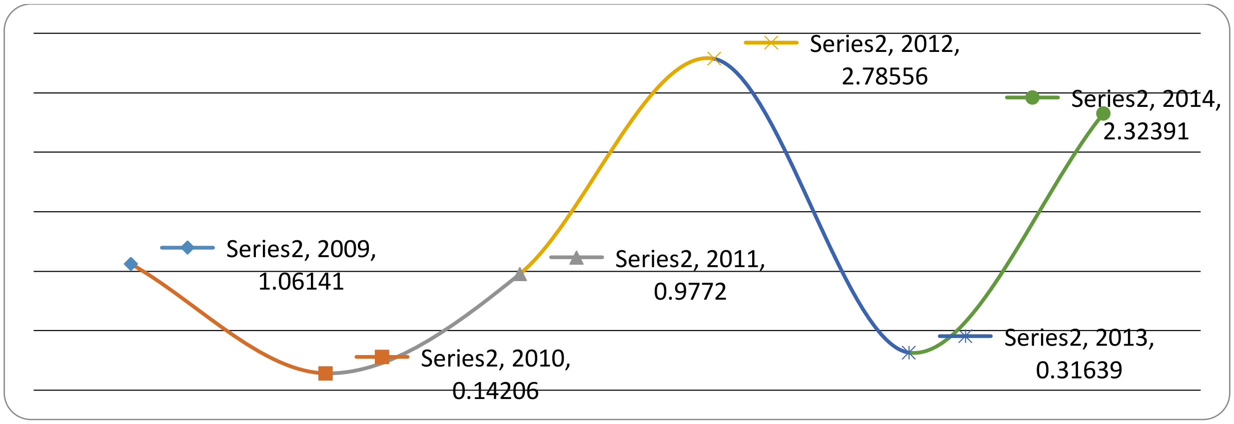

Figure 2: Return on Assets

Return on Equity

Figure 3 shows the ROE trends of the agricultural companies under study, the figure illustrates that in 2009 the ROE was at 0.20 in 2010 it increased to 0.22 and it increased in 2011 increased to 022, also increased in 2012 and it decreased in 2013 from 0.21 to 0.18 and finally it increased gradually to 0.34 in 2014. This implies that there has been an increase of ROE which shows that these companies are generating profit from each unit of shareholder equity.

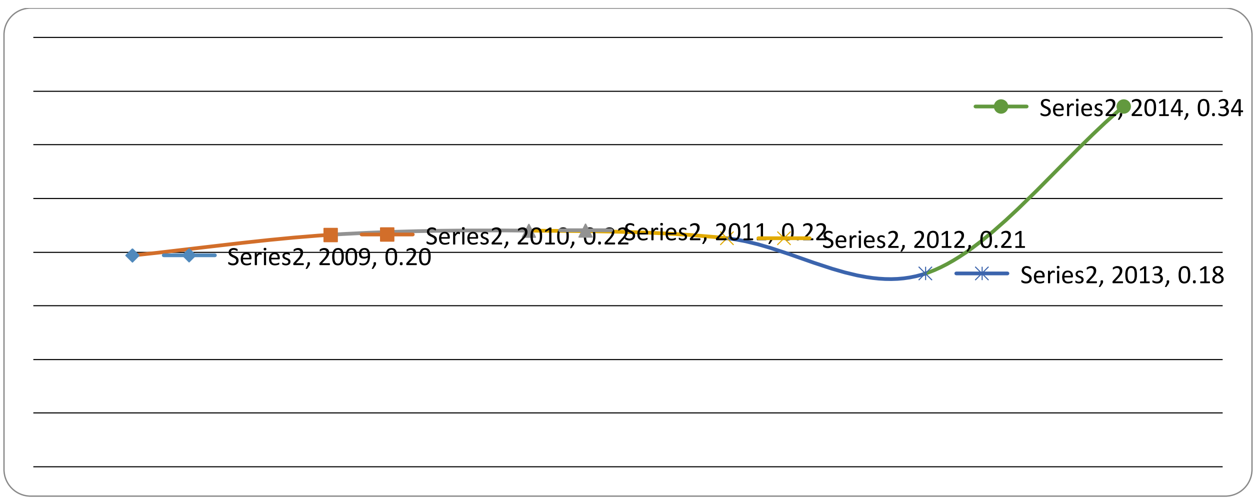

Figure 3: Return on Equity

Liquidity

Figure 4 shows the liquidity trends of the agricultural companies under study, the figure illustrates that in 2009 the liquidity was at 2.8854 in 2010 it decreased to 2.48944 and it increased in 2011 increased to 5.327 also increased in 2012 and it decreased in 2013 from 7.000026 in 2012 to 6.044999and finally it increased gradually to 7.25406 in 2014.

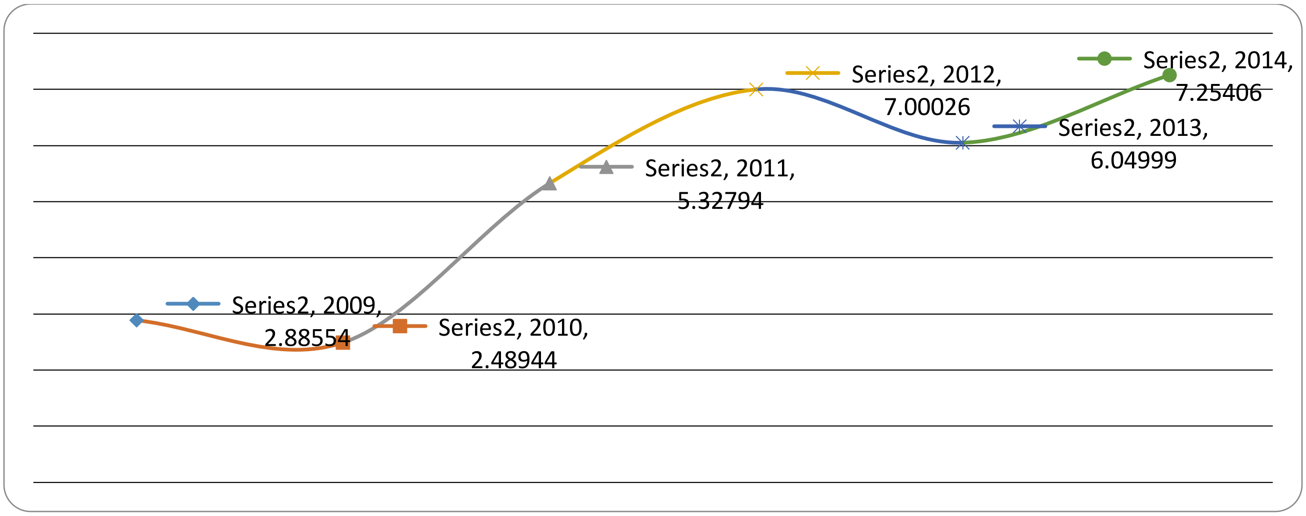

Figure 4: Liquidity

Summary of Findings

The purpose of the study was to establish the effect of accounting information on firm financial performance of agricultural firms listed at the Nairobi Security Exchange. One key finding was that there is financial improvement in the agricultural firms. This was demonstrated by the extent of agreement with the statements in the questionnaire on financial performance.

To establish the effect of liquidity on the financial performance of agricultural firms listed at the Nairobi securities exchange. Results indicated that liquidity has an influence financial performance. This was evidenced from the response of the respondents who agreed with the statement that liquidity of their companies has a positive impact on the firm performance(61.6%), Our companies has established a liquidity policy or plan (85.9%), the liquidity levels oversight by their firm are adequate in ensuring liquidity levels are kept under control (75.7%), and 84.7% agree that liquidity reports produced are made in a timely manner and thus ensures they are within sustainable limits. This was also supported by regression results which indicated that there was a positive and significant relationship between liquidity and financial performance (beta=0.589, p value 0.00)

Results indicate that dividend payout was a key determinant of financial performance This was evident by the respondents' response, that they consider the level of dividends per share that they have paid in recent years in determining the dividends to pay in the current period, (82%) the cost of raising external capital is less than the cost of cutting dividends (75.7%), 87.2% they pay dividends to show that their firm are strong enough to raise costly external capital if needed (75.7%), there are negative consequences to reducing dividends(96.3%), they make dividend decisions after our investment plans are determined (88.5%), rather than reducing dividends, we would raise new funds to undertake a profitable project (82%) and 89.8% agreed that dividend distributions should be viewed as a residual after financing desired investments from available earnings (beta=0.154 p 0.014).

Conclusions

Based on the study; it was possible to conclude that there was improved financial performance in the agricultural firms listed in Nairobi security Exchange. It was possible to conclude that liquidity was a significant tool in explaining financial performance. This explains that, efforts to stimulate liquidity would see the agricultural firms realize increased financial performance. Consequently, this would result to increased efficiency in the sector's operations.

Based on findings it was possible to conclude that there was a positive and significant relationship between level of dividend payout and financial performance. Healthy dividends payouts indicate that companies are generating real earnings rather than cooking books. The companies listed in the Nairobi Securities Exchange should ensure that they have a good and robust dividend policy in place that can enhance their level of profitability and also attract investments

Recommendations

The study recommends that there is need for agricultural firms listed at the Nairobi Securities Exchange to increase their current assets so as to increase their liquidity as it was found that an increase in current ratio positively affect the financial performance.

It is recommended that agricultural firms listed in NSE should exploit other forms of dividends payout other than cash dividends such as bonus issue and stock splits. This will enable shareholders to at least receive another form of dividend when there are no cash flows to pay as cash dividends. Managers should consider profitability, pattern of past dividends, financial leverage, investment opportunities, legal rules, growth stage and capital structure in these decisions if they are to achieve an optimal dividend policy.

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