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FINANCIAL RISK FACTORS AND FIRM PERFORMANCE: EVIDENCE FROM LISTED AGRICULTURAL FIRMS IN NIGERIA

Ezejiofor, Raymond A.
Department of Accountancy
Nnamdi Azikiwe University, Awka, Nigeria
Mail: ra.ezejiofor@unizik.edu.ng

Abstract
This study ascertained the effect of financial risk on financial performance of the agricultural firms in Nigeria. The specific objectives were to: determine the effect of liquidity risk on firm performance of listed agricultural firms in Nigeria, and analyze the impact of credit risk on firm performance of listed agricultural firms in Nigeria. Data were extracted from audited annual reports and accounts of the sampled firms from 2013 to 2024. Using regression analysis, the study revealed that liquidity risk has significant effect on firm performance of listed agricultural firms in Nigeria. Also, that credit risk has no significant effect on firm performance of listed agricultural firms in Nigeria. Based on the findings, the recommended that the company must adhere to stringent regulatory standards on lending and guarantee that their credit risk management is designed to produce adequate earnings that enhance financial performance.

Keywords: Financial risk, Liquidity risk, Credit risk and Financial performance

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Introduction

Globalization and internationalisation have heightened the risks for companies in developing nations. This arises from competition both domestically and internationally, whether directly from other nations or indirectly via access to global trade. The management of financial risks has been a significant issue for investors, analysts, managers, and shareholders globally (Jamal, Mohamed & Ali, 2014). With liberalization, globalization, and the swift advancement of computer technology generating new business prospects, economic and financial institutions face risks that are more complex and varied than before. The identification, measurement, and management of risk have become increasingly vital to organizational and strategic management. Economic risks rank among the primary obstacles encountered by numerous businesses, particularly those traded on the stock market, where company valuations rely on market dynamics. Various risks that are prevalent across all businesses encompass liquidity risk, credit risk, market risk, and additional types of non-financial risk (Kassi, Rathnayake, Louembe, & Ding, 2019).

Financial risk occurs when returns change or fluctuate unpredictably. Numerous forms of financial risks exist. These risks have a detrimental effect on an organization's financial performance (Kioko, Olweny, & Ochieng, 2019; Muriithi, 2016). The phrase financial risk can serve as a broad term for different types of financing risks, encompassing financial dealings that involve corporate default risk loans. Financial risk stems from potential drops in the stock market due to fluctuations in asset variables. This is typically linked to debt, reflecting the likelihood that obligations and duties cannot be offset by available assets (Al-Tamimi & Al-Mazrooei, 2007). Financial performance pertains to a company's capacity to implement strategies and make key decisions to achieve its objectives, targets, and significant returns. Within the financial system, prudent economic banks play a crucial role in the advancement of a country. Therefore, the financial performance of banks is crucial as it also boosts the living standards of people at large. There have been many studies done on performance on financial institutions such as banks. The findings of these studies indicate different outcomes on financial performance globally (Doliente, 2003; Kioko et al., 2019).

The practice of financial risk management is essential for contemporary financial institutions, supported by the belief that skilled financial risk managers often deliver superior results (Abubakar, Garba & Sulaiman, 2020). The idea: financial risk management entails recognizing possible dangers or disruptive elements, thoroughly evaluating available options to eliminate or lessen these dangers, and promoting organizational awareness about the various risks faced by modern businesses (Adenle, Abidoye, Adeoye, Olu-Akinola, Ojeleye & Onibonokuta, 2025). The progress of a country is closely linked to the crucial function that banks serve in its economic framework.

Thus, financial risk management can be viewed as a collection of financial actions that enhance a company's performance by minimizing expenses linked to cash flow fluctuations (Bagirov & Mateus, 2017). The manager's attitude towards risk (risk appetite and risk aversion) and corporate governance can influence the selection of risk management practices. Enekwe, Ordu, and Nwoha (2013) observed that a strong risk management framework aids companies in minimizing their risk exposure and improving their competitive edge in the market. Currently, financial risk management in Nigeria's manufacturing sector is a crucial function, as companies in this industry are engaged in risk activities. Alao and Oloni (2015) argue that in the current dynamic landscape, every manufacturing company faces numerous risks including credit risk, liquidity risk, operational risks, foreign exchange rate risk, market risk, and interest rate risk, among others – these risks potentially pose threats to a firm's survival and success.

Most of these studies in Nigeria were carried out in deposit money Banks, manufacturing companies and insurance companies. There is a dearth research on listed agricultural firms in Nigeria, besides, these stopped in 2020 financial data. This has created sectorial and periodic gaps, which makes this present study significant.

This study hence, assesses the impact of financial risk factors on firm performance of listed agricultural firms in Nigeria. Specifically, the study sought to:

1. Determine the effect of liquidity risk on firm performance of listed agricultural firms in Nigeria.
2. Analyze the impact of credit risk on firm performance of listed agricultural firms in Nigeria.

Literature Review

Financial Risk

Risk is described as anything that can impede the attainment of specific goals. It may arise from internal factors or external factors, based on the kind of risk present in a specific situation. Once risk has been identified and understood, managing it becomes one of the fundamental tasks to perform. The relationship between risk and return is direct, indicating that an increase in one will lead to an increase in the other and the same applies in reverse. Moreover, efficient risk management results in a more equitable trade-off between risk and reward, facilitating an improved stance in the future (Fatemi and Fooladi, 2006).

Risk is the likelihood of a real event differing from the anticipated result. Business entities face various types of risks that can damage their financial health and profitability if these risks are not adequately managed. There are specific risks unique to certain industries, and there are also other risks that apply to all types of businesses. Financial risk is an element of business risk linked to the financial market. It represents a form of business risk that can be assessed in financial terms; specifically, the impact of the risk can be expressed in monetary values (Adebowale, 2024). Risk management may manifest as operational risk or financial risk. Both types of risk management cited are essential for the survival and development of any organization (Yohanna et al. (2020)).

Financial risk refers to the various kinds of risk linked to financing, which encompasses financial transactions involving company loans that may face default (Fauziah et al, 2018). It is frequently interpreted to encompass solely downside risk, referring to the possibility of financial loss and the uncertainty surrounding its magnitude.

Liquidity Risk

Bala et al. (2022) defined liquidity risk as the threat that occurs when an organization lacks sufficient cash or liquid assets to fulfill its cash obligations. To sustain its existence and continue functioning as an ongoing enterprise, a business must stay liquid and fulfill its cash obligations promptly as they arise (Duniya, Hambali & Abdulmalik, 2024). Liquidity refers to how easily current assets can be transformed into cash without facing substantial risk. Liquidity is additionally the ability of a credit customer or short-term borrower to settle his/her debt when it matures. Liquidity is generally necessary for daily operations, and to guarantee the seamless functioning of a business, companies need to possess sufficient liquid assets and uphold the essential balance in their mix (Adebowale, 2024).

Liquidity risk encompasses both asset liquidity risk and operational funding liquidity risk. Asset liquidity denotes the ease with which a firm can transform its assets into cash in case of an urgent, significant requirement for extra cash flow, while operational funding liquidity

pertains to everyday cash flow (Onsongo, Muathe & Mwangi, 2020). General or seasonal declines in revenue can pose a significant threat if the company suddenly lacks sufficient cash available to cover the essential expenses required to keep operating as a business. This is the reason cash flow management is essential for business success and why analysts and investors consider metrics like free cash flow when assessing companies for equity investments.

Sisay (2017) argues that liquidity refers to the ease with which an asset or security can be traded in the market. It essentially explains how rapidly an item can be turned into cash. Wangalwa, Matayo, and Muturi (2018) identified liquidity risk as the danger that businesses and individuals fail to fulfill their short-term financial commitments, particularly as a result of their inability to turn assets into cash without suffering a loss. When liquidity risk arises, individuals or businesses possess an asset (like securities) that they intend to sell to fulfill their financial responsibilities. Nevertheless, these assets must be sold at prices lower than their market value for numerous reasons, such as (but not restricted to) inefficient markets, restricted cash flow, market structure, type of asset, urgency, and prevailing market conditions (Nyasaka, 2017).

Credit Risk

Credit risk is the risk businesses incur by extending credit to customers (Mathuva, 2009). It can also refer to the company's own credit risk with suppliers. A business takes a financial risk when it provides financing of purchases to its customers, due to the possibility that a customer may default on payment. A company must handle its own credit obligations by ensuring that it always has sufficient cash flow to pay its accounts payable bills in a timely fashion (Kamau & Njeru, 2016). Otherwise, suppliers may either stop extending credit to the company or even stop doing business with the company altogether.

Financial Performance

Financial Performance refers to a company's capability to enhance its profitability and generate additional wealth for its owners (Mustapha & Abdullahi, 2023). Financial performance is mainly viewed as overall performance (Agbim et al., 2023). Companies typically assess their performance at consistent intervals, often at the end of the year, to evaluate how well their financial goals have been achieved. Financial performance quantifies a business's success in monetary values. The majority of private sector businesses are created to attain a specific level of financial success (Adebowale, 2024). Worldwide, company performance has emerged as a subject that captivates the interest of scholarly researchers, strategic leaders, investors, and regulatory bodies. This largely results from the significant role it has in helping individuals and businesses navigate economic uncertainty, as well as drawing both domestic and foreign investment (Salim, 2023).

Financial performance is defined as a broad indicator of how effectively a bank produces its capital income (Toutou & Xiaodong, 2011). Suka (2010) considers financial success to be a subjective measure of how efficiently a company utilizes its assets from its core operations to generate revenue. Several metrics can be utilized to assess the financial performance of commercial banks. Key FP metrics encompass ROA, ROE, and Productivity. The ROA is calculated by dividing the annual net income by total assets, which usually represents the average value for the year. ROA assesses how effectively bank management generates income by leveraging the business's available assets.

Empirical Review

Oladejo, Odu, and Okedun (2025) investigated the impact of financial risk on the financial performance of NDMBs using an ex-post facto research approach. The data were obtained from secondary sources during the years 2010 to 2022 and regarding specific NDMBs. The acquired data was examined using appropriate descriptive and panel least square regression analysis techniques. The findings demonstrated that credit risks (CRR), cost-income ratio (CIR), total regulatory capital (TRC), and bank size (SIZE) are factors affecting financial performance via return on assets (ROA) and return on equity (ROE). CRR exhibited a negative coefficient of 0.0002 with a probability of 0.0419. LQR had a negative coefficient of 0.0594, which is statistically significant (p-value = 0.0498)

Duniya, Hambali, and Abdulmalik (2024) analyzed the financial performance and risks of publicly traded insurance companies in Nigeria over a decade from 2011 to 2020. The study's population includes 22 insurance companies registered on the Nigerian Stock Exchange as of 31st December 2020. Secondary data was obtained from the financial reports of the audited insurance companies in the sample. The regression model was used to analyze the data. The results of the study indicated that underwriting risk has a significant negative effect on the financial performance of publicly listed insurance companies in Nigeria. On the other hand, liquidity risk showed a statistically negative and insignificant effect on financial performance.

Duniya, Abdullahi, and Miko (2023) studied the risk and financial performance of publicly traded insurance companies in Nigeria over a decade from 2011 to 2020. The study's population includes 22 insurance companies listed on the Nigerian Stock Exchange as of December 31st. Secondary data was gathered from the audited financial statements of the selected insurance companies. The analysis was conducted using multiple regression models on the data. The research results indicated that underwriting risk has a significant negative impact on the financial performance of publicly traded insurance companies in Nigeria. In contrast, liquidity risk showed a statistically negative and insignificant effect on financial performance.

Elsayed (2020) conducted research to identify the elements influencing the financial success of the insurance sector in Egypt. The findings indicated that underwriting risk has an insignificant impact on ROA, whereas it has a significant impact on ROE. Liquidity negatively impacts leverage and solvency margin. Additionally, a favorable correlation exists between company size and ROA. The solvency margin positively significantly influences profitability in the Egyptian insurance sector.

Yahiaoui and Mahdi (2020) explored the factors influencing the financial performance of non-life insurance firms in Algeria over a span of nine years (2010-2018). The results analysis relies on a multiple regression model. The results of this study showed that company size, liquidity ratio, and solvency ratio significantly affect the financial performance of non-life insurance companies, as measured by return on assets (ROA). In the context of company size and liquidity ratio demonstrating a positive effect, the solvency ratio portrayed a negative effect.

Al Omari (2020) examined how liquidity and solvency influence the profitability of Jordan's pharmaceutical industry. Secondary data were obtained from the financial reports of the pharmaceutical sector on the Amman Stock Exchange. Linear regression was utilized through SPSS software to analyze the study's data. The research found that profitability measured by ROA (Return on Assets) exhibits a negative correlation with liquidity assessed through the current ratio and a positive correlation with solvency determined by the debt/equity ratio.

Basel and Mohammad (2020) investigated how financial risk impacts the performance of publicly listed banks in Bahrain and the comparative significance of the most common types of risk. The study examines 11 out of the 18 banks in Bahrain between 2014 and 2018. Data was gathered from the Bahrain Stock Exchange Database, depending on data availability. Conversely, the primary metric, ROA, was employed for assessing bank performance and risk factors. Four types of financial risk have been identified: capital risk, currency risk, liquidity risk, and operational risk. Regression analysis indicates that there is a negligible association between bank performance, exchange rate risk, liquidity risk, and operational risk. The results also show a significant positive correlation between capital risk and bank performance. Moreover, the results suggest that capital risk is the most critical type of risk.

Onsongo, Muathe, and Mwangi (2020) evaluated how market and operational risk influence the performance of DMBs in Nigeria. Data spanning eight (8) years from 2015 to 2023 obtained from the annual reports of thirteen (13) DMBs were utilized for this study. The study encompasses descriptive statistics as well as inferential statistics involving correlation and panel regression. The results of this research suggest that MRSK and OPSK affect ROA by around 66%, 61%, and 65% in the pooled effect model, fixed effect model, and random effect model, respectively, while their influence on EPS reveals impacts of about 70%, 74%, and 73% for all applied scenarios, indicating that MRSK serves as a positive predictor and OPSK functions as a negative predictor. The findings of this study indicated that both the MRSK and OPSK have significantly influenced EPS and ROA in the pooled, fixed, and random effect models for the examined period.

Deyganto and Alemu (2019) examined the elements influencing the financial outcomes of insurance firms in the Hawassa City Administration of Ethiopia. The study's sample included six general insurance firms selected from a total of 17 insurance companies over a decade, spanning from 2008 to 2018. The study's findings indicated that underwriting, the rate of premium growth, solvency ratio, GDP growth rate, and inflation rate significantly affect the financial performance of the insurance companies in the sample. Reinsurance reliance, company scale, and interest rates do not have a significant impact on financial performance.

Ben Dhiab (2021) identified the factors influencing profitability in the Saudi insurance industry. The empirical study draws on data pertaining to a sample of 20 insurance companies in Saudi Arabia from 2009 to 2017. Generalized Least Squares, Ordinary Least Squares with panel-corrected standard errors, Difference GMM, and ultimately System GMM were utilized to examine the data. The research revealed that the written premium growth rate, tangibility ratio, and fixed-assets ratio are key elements that positively influence the profitability of Saudi insurance firms.

Methodology

The study utilized an ex-post facto research design, specifically employing the causal-comparative approach. Ex-post facto research entails an investigation where the researcher deals with independent variables that cannot be altered throughout the research process.

The study's population includes the five agricultural companies listed on the Nigerian Exchange Group. The research included annual reports and accounts of these companies spanning a decade from 2013 to 2024. The companies include Ellah Lakes Plc, Ftn Cocoa Processors Plc, Livestock Feeds Plc, Okomu Oil Palm Plc, and Presco Plc. The researcher utilized all five agricultural companies listed on the Nigerian Exchange Group for the sample size.

Method of Data Analysis

The study utilizes secondary data obtained from the audited annual reports and financial statements of the selected companies. The information is gathered from the Statement of Financial Position and the Statement of Profit or Loss and Other Comprehensive Income. This dataset covers a period of eleven years, from 2013 to 2024. Yearly reports and financial statements are regarded as trustworthy and reliable resources since they carry management's endorsement, receive approval from the Securities and Exchange Commission (SEC), and are subject to external audit examination.

Model Specification

This study modified the model of Duniya, Abdullahi and Miko (2024). The model of the study encapsulates the contribution of solvency risk (net income / total liabilities), liquidity risk (ratio of current assets to current liabilities) and return on equity (profit after tax / total equity) of listed insurance firms in Nigeria.

It is mathematically represented thus:

$ROEit = \beta 0 + \beta 1SRit + \beta 2LRit + \varepsilon it$

Where:

ROE = Return on Equity

SR = Solvency Risk

LR = Liquidity Risk

$\beta 0$ = Constant term,

$\beta_1 - \beta_2$ = Coefficients of independent variables

ε = Error Term

i = Firms (DMBs)

t = Period

The model above was modified to produce the specific model suitable for the study.

$ROA_{it} = \beta_0 + \beta_1 LQR_{it} + \beta_2 CRR_{it} + \varepsilon it$

Where:

ROA is Return on Asset, calculated as earnings after-tax/total asset

LQR_{it}= total cash equivalent over total assets

CRR_{it} =Cred risk = trade receivable over total assets

β_{1-2} represents the regression coefficient;

ε represents the error term;

i represents individual firms and t represents the time/year.

Method of Data Analysis

The analysis of data for this research based on the data collected from publications of the Nigerian exchange Group and the annual reports of the quoted companies. Both the dependent and independent variables were computed from the data gotten from the Nigerian Exchange Group from 2013 to 2024.

Descriptive statistics employed to summarily describe the mean, median, standard deviation, kurtosis and skewness of the study variables. Inferential statistics was also be utilized with the aid of E-Views 9 using coefficient of correlation and regressions analysis.

Decision Rule

Accept the alternative hypothesis, if the Probability value (P-value) of the test is less than 0.05 (5%). Otherwise reject.

Data Analysis

Table 1: Descriptive statistics

	ROA	LQR	CRR	LEV
Mean	0.030267	2.349791	2.226589	0.386905
Median	0.022379	0.013247	0.037430	0.426807
Maximum	6.36E-05	12.15401	20.15954	0.582724
Minimum	0.147017	1.37E-05	0.000352	0.150181
Std. Dev.	0.038304	4.494886	5.538558	0.188747
Skewness	-2.305477	1.577702	2.876145	-0.124918
Kurtosis	7.599296	3.695123	9.570090	1.158879
Jarque-Bera	84.82882	20.87953	152.5098	6.904286
Probability	0.000000	0.000029	0.000000	0.031678
Sum	-1.452801	112.7900	106.8763	18.57146
Sum Sq. Dev.	0.068957	949.5881	1441.754	1.674392
Observations	48	48	48	48

Interpretation of Descriptive Statistics

The descriptive statistics in table 1 revealed that the mean of firm financial performance (ROA) is 0.030; the mean of liquidity risk (LQR) is 2.350; the maximum of 12.154 with a minimum of 1.370 with a standard deviation of 4.495. The credit risk (CRR) is 2.227; the maximum of 20.160 with a minimum of 0.000, the standard deviation is 5.539. The firm leverage (LEV) observation is 0.387; the standard deviation is 0.189; a maximum of 0.583 with a minimum value of 0.150. Skewness is the measure of how much the probability distribution of a random variable deviates from the normal distribution. Table 1 delineates that the probability distribution for LQR (0.000); CRR (0.000); and LEV (0.031).

Table 2: Pearson Correlation Matrix

	ROA	LQR	CRR	LEV
ROA	1			
LQR	0.13306	1		
CRR	0.19366	-0.00943	1	
LEV	0.40339	0.52372	0.39414	1

Source: E-Views 9.0 Correlation Output, 2026

The Pearson Correlation Matrix in table 2 shows the existence of a positive effect between liquidity risk (LQR), credit risk (CRR) and firm leverage (LEV), at a coefficient value of 0.133, 0.194 and 0.403 respectively.

Test of Hypotheses

Hypothesis One

Ho_1: Liquidity risk has no significant effect on firm performance of listed agricultural firms in Nigeria.

Table 3: Panel Least Square Regression analysis testing the effect between LQR, LEV and ROA

Dependent Variable: ROA
Method: Panel Least Squares
Date: 04/03/26 Time: 08:09
Sample: 2013 2024
Periods included: 12
Cross-sections included: 4
Total panel (balanced) observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.064213	0.012301	-5.220245	0.0000
LQR	-0.000918	0.001358	-3.676383	0.0023
LEV	0.093315	0.032330	2.886311	0.0060

R-squared	0.471150	Mean dependent var	-0.030267
Adjusted R-squared	0.434312	S.D. dependent var	0.038304
S.E. of regression	0.035639	Akaike info criterion	-3.770308
Sum squared resid	0.057155	Schwarz criterion	-3.653358
Log likelihood	93.48740	Hannan-Quinn criter.	-3.726113
F-statistic	4.646046	Durbin-Watson stat	2.474796
Prob(F-statistic)	0.000146		

Source: E-Views 9.0 Correlation Output, 2026

In Table 3, R-squared and adjusted Squared values were (0.47) and (0.43) respectively. This indicates that all the independent variables jointly explain about 43% of the systematic variations in financial performance over the twelve years periods (2013-2024). Table 3 revealed an adjusted R^2 value of 0.43. The adjusted R^2, which represents the coefficient of multiple determinations imply that 43% of the total variation in the dependent variable (ROA) in Nigeria is jointly explained by the explanatory variables (LOR and LEV). The adjusted R^2 of 43% did not constitute a problem to the study because the F- statistics value of 4.646046 with an associated Prob.>F = 0.000146 shows that the model is fit to explain the effect expressed in the study model and further suggests that the explanatory variables are properly selected, combined and used.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 3, it is observed that DW statistics is 2.475, The Akika Info Criterion and Schwarz Criterion which is -3.770308 and -3.653358 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Table 3 indicates that liquidity risk has significant effect on firm performance. This can be observed from the beta coefficient (β_1) of -0.000918 with p value of 0.002 which is statistically significant at 5% level of significance but positively affect the dependent variable. Since the P-value of the test was 0.002 less than 0.05 (5%), null hypothesis is rejected and upholds that liquidity risk has significant effect on firm performance of listed agricultural firms in Nigeria.

Hypothesis Two

Ho_1: Credit risk has no significant effect on firm performance of listed agricultural firms in Nigeria.

Table 4: Panel Least Square Regression analysis testing the effect between CRR, LEV and ROA

Dependent Variable: ROA
Method: Panel Least Squares
Date: 04/03/26 Time: 08:10
Sample: 2013 2024
Periods included: 12
Cross-sections included: 4
Total panel (balanced) observations: 48

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.061302	0.012104	-5.064492	0.0000
CRR	0.000284	0.001026	0.276775	0.7832
LEV	0.078580	0.030094	2.611148	0.0122

R-squared	0.264146	Mean dependent var	-0.030267
Adjusted R-squared	0.226997	S.D. dependent var	0.038304
S.E. of regression	0.035789	Akaike info criterion	-3.761894
Sum squared resid	0.057638	Schwarz criterion	-3.644944
Log likelihood	93.28546	Hannan-Quinn criter.	-3.717698
F-statistic	4.418588	Durbin-Watson stat	2.466815
Prob(F-statistic)	0.017698		

Source: E-Views 9.0 Correlation Output, 2026

In Table 4, R-squared and adjusted Squared values were (0.26) and (0.23) respectively. This indicates that all the independent variables jointly explain about 23% of the systematic variations in financial performance over the twelve years periods (2013-2024). Table 3 revealed an adjusted R^2 value of 0.23. The adjusted R^2, which represents the coefficient of multiple determinations imply that 23% of the total variation in the dependent variable (ROA) in Nigeria is jointly explained by the explanatory variables (CRR and LEV). The adjusted R^2 of 23% did not constitute a problem to the study because the F- statistics value of 4.418588 with an associated Prob.>F = 0.017698 shows that the model is fit to explain the effect expressed in the study model and further suggests that the explanatory variables are properly selected, combined and used.

Test of Autocorrelation: using Durbin-Waston (DW) statistics which we obtained from our regression result in table 3, it is observed that DW statistics is 2.467, The Akika Info Criterion and Schwarz Criterion which is -3.761894 and -3.644944 respectively also further confirms that our model is well specified. In addition to the above, the specific findings from each explanatory variable are provided as follows:

Table 3 indicates that credit risk has significant effect on firm performance. This can be observed from the beta coefficient (β_1) of 0.000284 with p value of 0.783 which is not statistically significant at 5% level of significance but negatively affect the dependent variable. Since the P-value of the test was 0.783 higher than 0.05 (5%), alternative hypothesis is rejected and upholds that credit risk has no significant effect on firm performance of listed agricultural firms in Nigeria.

Discussion and Conclusion

This study ascertained the effect of financial risk on financial performance of the agricultural firms in Nigeria. Data were extracted from audited annual reports and accounts of the sampled firms from 2013 to 2024. Using regression analysis, the study revealed that liquidity risk has significant effect on firm performance of listed agricultural firms in Nigeria. Also, that credit risk has no significant effect on firm performance of listed agricultural firms in Nigeria. Duniya, Abdullahi and Miko (2024) revealed that liquidity risk revealed a statistical negative and insignificantly impact on financial performance. Samade, Udeh, and Odo, (2022) revealed that credit risk and liquidity risk have a positive significant effect on profit for the year of selected manufacturing firms in Nigeria. Isedu and Erhabor (2021) results revealed by credit risk does not have any significant relationship with financial performance of deposit money banks in Nigeria. Liquidity risk is a significant determinant of deposit money banks' performance in Nigeria in the period under investigation. Onsongo, Muathe and Mwangi (2020) showed that credit risk had an insignificant positive effect on return on assets (ROA) while liquidity risk had a significantly negative effect on ROA and credit risk had a positive insignificant effect on ROA.

Recommendations

Based on the findings, the recommended the followings;

1. he company must adhere to stringent regulatory standards on lending and guarantee that their credit risk management is designed to produce adequate earnings that enhance financial performance
2. There is need to reduce dependence on a single funding source, as well has match assets and liability maturities.

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