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**Internal Control Framework and Financial Performance of Listed
Agricultural Companies, Kenya**



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Internal Control Framework and Financial Performance of Listed Agricultural Companies, Kenya

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Abstract

Purpose: The general objective of the study was to assess the effect of internal control framework on the financial performance of listed agricultural companies at the Nairobi Securities Exchange.

Methodology: The study used a descriptive survey research design on a population target of 42 people of listed agricultural based companies. The sample size attained and applied was the 42 respondents and census technique was applied since the population was small and manageable. Data collection was done through structured questionnaires. The Analysis of data for both descriptive (frequencies, percentages and means) and inferential (correlation analysis, and multiple regression analysis) statistics of the study was done.

Findings: The study found that all the internal control functions including control environment; $\beta = 0.077$ at $p < 0.05$, risk assessment; $\beta = 0.279$ at $p < 0.05$; information and communication; $\beta = 0.0157$ at $p < 0.05$, monitoring activities; $\beta = 0.198$ (0.066) at $p < 0.05$, significantly influenced financial performance of the listed agricultural based companies in Kenya.

Unique Contribution to Theory Practice and Policy: The study recommended strengthening control environment functions on listed agricultural based companies in order to improve on performance levels.

Keywords: *Financial Performance, Risk Management, Corporate Internal Controls*

INTRODUCTION

Globally, internal control frameworks are foundational to the financial performance of agricultural companies, ensuring accurate reporting, effective risk management, and regulatory compliance (Shabri, Radzi, & Ghani, 2024). Countries such as Israel, the UK, New Zealand, and Australia demonstrate how robust internal controls such as ranging from predictive analytics and automated financial reporting to diversified product lines and stringent audits contribute to profitability and operational resilience. For instance, Zespri International in New Zealand hedges against commodity price fluctuations and complies with international regulations (Alabdullah, 2023), while Elders Limited in Australia applies inventory tracking and financial oversight to manage risks and optimize profitability (Sandu, Wadesango, & Sitsha, 2023). These global practices offer strategic benchmarks for internal control implementation, but their relevance to African and Kenyan contexts requires careful adaptation.

Regionally, agricultural firms in Africa face systemic challenges that hinder the adoption of effective internal controls. Limited access to capital, climate-related risks, and weak infrastructure contribute to inefficiencies and financial instability (Idagiju, Ene, & Lateef, 2024). In Nigeria, while companies like Okomu Oil Palm and Presco Plc have adopted risk management and diversification strategies, others such as Flour Mills Nigeria and Livestock Feeds struggle with poor auditing and financial mismanagement (Okafor, Okoroji, Joseph, Njideka, & Mathias, 2025). Ugandan firms like Biyinzika Poultry and Kakira Sugar Works apply internal audits and quality control measures, yet many still face high operational costs and weak governance (Wabwoba, 2022). These regional disparities underscore the difficulty of translating global internal control standards into resource-constrained environments, where institutional capacity and technological infrastructure remain limited.

In Kenya, agriculture is a cornerstone of the economy, contributing significantly to GDP, employment, and export earnings (Muriithi & Muigai, 2024). Despite the strategic importance of listed agricultural companies such as Kakuzi Ltd, Sasini Ltd, and Rea Vipingo Plantations Ltd, many face challenges in implementing effective internal control frameworks. While practices like financial audits, inventory tracking, and budgeting are adopted. Companies often lack robust financial reporting systems, risk modeling tools, and skilled auditors (Ndotono, 2023). These gaps result in inefficiencies, financial mismanagement, and reduced performance. Although global and regional examples offer valuable insights, prior studies in Kenya have not adequately examined internal control frameworks specific to agricultural firms (Mati, 2022; Ahmed & Kosgei, 2023). This study addresses that gap by assessing how control environment, risk assessment, information

and communication, and monitoring activities influence financial performance in Kenya's listed agricultural companies.

Problem Statement

Kenya's agricultural sector is expected to be a cornerstone of the national economy, contributing approximately 33% to the GDP and 65% of export earnings, while supporting the livelihoods of over 80% of the population. Its sustainable performance is vital for food security, economic stability, and attracting investment. Listed agricultural companies are therefore expected to maintain strong financial performance to uphold these national priorities. However, recent trends show a worrying decline, with the CBK Economic Survey (2022) reporting a contraction in sector growth from 5.2% in 2020 to -0.1% in 2021. REA Vipingo Plantations Ltd, for instance, experienced an 11.5% revenue drop between 2021 and 2022, signaling broader financial instability.

This downturn affects not only the companies themselves but also the millions of Kenyans whose livelihoods depend on agriculture. Previous studies by Mati (2022) and Ahmed & Kosgei (2023) confirmed that internal control practices significantly influence financial performance, yet their focus was limited to state corporations and county governments, respectively. These studies did not explore the internal control frameworks specific to agricultural firms, leaving a gap in sector-specific insights. To address this, the current study aims to assess the effect of internal control frameworks on the financial performance of listed agricultural companies on the Nairobi Securities Exchange, thereby providing targeted recommendations for strengthening financial resilience in this critical sector.

LITERATURE REVIEW

Theoretical Framework

The study is anchored on four key theories that collectively inform its conceptual and analytical foundation. The COSO Framework, developed by the Committee of Sponsoring Organizations of the Treadway Commission (1992), provides a structured model for evaluating internal control systems through five components: control environment, risk assessment, control activities, information and communication, and monitoring. This framework is central to the study as it guides the assessment of internal control practices within listed agricultural companies. The Fraud Triangle Theory by Cressey (1953) explains how financial misconduct arises from three elements that are pressure, opportunity, and rationalization. It informs the study's understanding of how

weak internal controls may create opportunities for fraud, thereby undermining financial performance.

The Stewardship Theory, proposed by Donaldson and Davis (1991), posits that managers are motivated to act in the best interests of the organization, especially when empowered through trust and accountability structures. This theory supports the study's emphasis on the control environment and monitoring activities as mechanisms that reinforce managerial responsibility and ethical conduct. Lastly, the Information Asymmetry Theory by Akerlof (1970) highlights the imbalance in access to information between parties, which can lead to inefficiencies and mistrust. In the context of this study, it underscores the importance of robust information and communication systems in ensuring transparency and timely decision-making. Together, these theories provide a multidimensional lens for examining how internal control frameworks influence financial performance in Kenya's listed agricultural firms.

Conceptual Framework

Figure 1 illustrates the relationship between the elements of the internal control framework, including the control environment, risk assessment, information and communication, and monitoring activities. (Independent Variables) and the financial performance (Dependent Variable).

Independent Variables

Dependent Variable

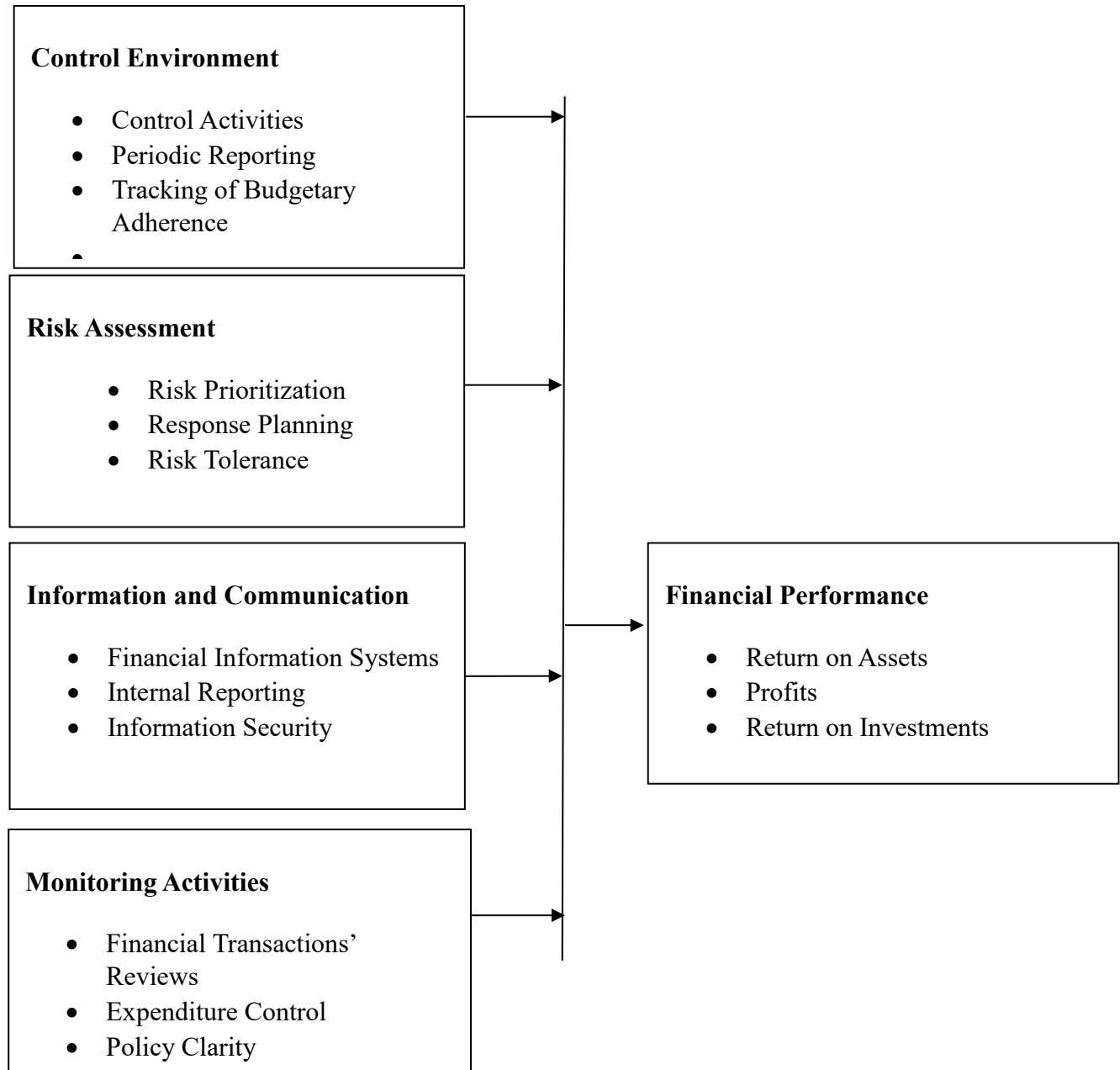


Figure 1: Conceptual Framework

Empirical Review

Nyambane, Kinyariro, and Gesage (2024), examined the relationship between leverage and financial performance among agricultural firms listed on the Nairobi Securities Exchange. Using return on equity (ROE) as the performance metric, they found an inverse relationship ($\beta = -1.939$), suggesting that higher leverage was associated with lower financial performance. However, the relationship was not statistically significant ($p = 0.824$), indicating that leverage did not meaningfully influence financial outcomes in the sampled firms. The study focused narrowly on capital structure and did not explore internal control mechanisms, leaving a gap in understanding how governance structures affect performance in this sector.

Muriithi and Muigai (2024), investigated the impact of internal control systems on the financial performance of NSE-listed companies. Drawing from a sample of 39 firms selected through stratified random sampling, they used structured questionnaires and both descriptive and inferential statistics to analyze the data. Their findings revealed a positive and statistically significant relationship between internal controls and financial performance. While the study affirmed the importance of internal systems, it did not isolate agricultural firms, limiting its sector-specific applicability.

Musyoka (2023), explored how capital structure components affect the financial performance of agricultural firms in Kenya. The study found that while liquidity had a positive but insignificant effect ($\beta = 0.003$; $p = 0.562$), capital structure had a significant positive impact ($\beta = 0.086$; $p = 0.000$). Conversely, asset growth ($\beta = -0.135$; $p = 0.000$) and firm size ($\beta = -0.001$; $p = 0.000$) were negatively and significantly related to performance. Although insightful, the study emphasized financial ratios and omitted governance or internal control variables, which are critical to understanding performance holistically.

Jamhuri (2022), assessed the interplay between board diversity, firm profitability, internal controls, and financial reporting quality among NSE-listed companies. Using secondary data from 2014 to 2018, the study found that board diversity significantly influenced reporting quality. However, internal controls did not significantly mediate this relationship, and firm profitability did not moderate it at the 5% level. While the study highlighted the predictive power of governance variables, it did not focus on the agricultural sector or delve into the operational dimensions of internal control frameworks. This underscores the need for a focused inquiry into how internal controls affect financial performance in Kenya's listed agricultural firms.

METHODOLOGY

In this study, a descriptive research design was employed, allowing the researcher to gather sufficient data for analysis. For this study, the target population was the 7 agricultural companies listed in the Nairobi Securities Exchange and these are the unit of analysis. The unit of observation will be auditors, accountants, risk managers, payroll managers, operations managers, and procurement managers, working with the listed agricultural companies. Therefore, from each company, there was 6 respondents thus the total population will be 42. The sampling frame was a list of all 42 auditors, accountants, risk managers, payroll managers, operations managers, and procurement managers working with agricultural firms. In this study, sampling was unnecessary, and instead, a census technique was utilized. For this study, questionnaires served as the primary method for data collection. The pilot study was undertaken at Finlays Horticulture Limited on those senior officials not included in the major study. To ensure content validity, the research project supervisor reviewed the questionnaire to confirm it is in line with the study objectives and sufficiently gathers the required data for analysis. To assess reliability, Cronbach's alpha was measured for internal consistency, with a threshold of 0.7 or higher considered acceptable. Before initiation, the researcher obtained approval from Jomo Kenyatta University of Agriculture and Technology and the National Commission for Science, Technology, and Innovation (NACOSTI). In the planned research, descriptive and inferential techniques was utilized. Descriptive data analysis included computations of frequencies, percentages, means, and standard deviations. Inferential methods encompassed correlation analysis and multiple regression analysis to discern the relationship between the internal control framework and financial performance. Statistical Packages for Social Sciences (SPSS) facilitated data analysis. Findings were presented through tables. The multiple regression analysis model was employed as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

RESULTS

Response Rate

The total population of the study was 42 employees, where all were subjected to the study because they are few. A total of 42 questionnaires were delivered to the respondents but 39 questionnaires were filled and returned; hence, this represented a 92.9% response rate, which is quite suitable for the study.

Descriptive Statistics

Control Environment and Financial Performance

These are summarized responses on whether the Control Environment influence the financial performance of the listed agricultural companies of Kenya. The descriptive results are presented in Table 1.

Table 1: Control Environment and financial Performance

Statement	5	4	3	2	1	Mean	Std. Dev
1. Clearly-defined financial procedures guide the financial activities.	52.7%	33.7%	8.6%	4.7%	0.4%	4.1	0.91
2. Embedding risk control mechanisms into financial workflows reduces wastage.	2.4%	2%	6.3%	40.1%	49.2%	4.3	0.88
3. Regular reporting ensures that operations remain aligned with long-term financial goals.	29%	36%	20.1%	7.1%	7.9%	3.71	1.17
4. Effective financial monitoring ensures resources align with approved budget plans.	38.4%	24.2%	21.7%	7.1%	8.7%	3.65	1.16
5. Regular audits identify any potential weaknesses in the company operations.	3.1%	5.9%	21.9%	42%	27.1%	3.8	0.98
Grand Mean & Std Dev. Valid list wise (39)						3.9	1.02

The survey findings on control environment and financial performance reveal mixed perceptions among respondents. A majority strongly agreed that clearly defined financial procedures guide financial activities (mean = 4.1), while regular audits were viewed less favorably (mean = 2.1), suggesting concerns about their effectiveness in identifying operational weaknesses. Statements

on financial monitoring and alignment with budget plans (mean = 3.3) and long-term goals (mean = 3.7) showed moderate support but also notable variability, indicating differing experiences across firms. The statement on embedding risk controls into routine activities received the lowest rating (mean = 2.3), reflecting skepticism about its impact on reducing wastage. Overall, the control environment was rated with a grand mean of 3.1 and a standard deviation of 1.02, highlighting moderate confidence in internal control practices but with considerable variation in respondent views. These findings are supported by Su, Zhang, Ge, and Chen (2022) who found that the control environment shapes organizational culture and risk oversight.

Risk Assessment and Financial Performance

These are summarized responses on whether the Risk Assessment influences the financial performance of the listed agricultural companies of Kenya. The descriptive results are presented in Table 2.

Table 2: Risk Assessment and Financial Performance

Statement	5	4	3	2	1	Mean	Std Dev
1.Risk identification processes ensure that potential risks are recognized across all operations	50%	23.4%	11.6%	8.9%	6.2%	3.71	1.15
2.Prioritization of risks is based on their potential effect on organizational objectives	57.4%	30.7%	6.6%	1.5%	3.9%	4.13	0.80
3.Structured criteria enable categorization and ranking of risks by significance	52.2%	33.2%	7.7%	3.8%	3.1%	4.09	0.93
4.Specification of limits outlines acceptable levels of risk exposure for informed decisions	37.1%	51.1%	9.2%	1.5%	1.1%	4.22	0.72
5. Ensuring consistency between exposure and tolerance levels keeps activities within defined risk boundaries	51.6%	23.1%	11.5%	7.1%	6.7%	3.78	1.10
Grand mean & Std. Dev.						3.99	0.94
Valid list wise (39)							

Respondents expressed generally positive views on the role of risk assessment in enhancing financial performance among listed agricultural companies. Risk identification across operations received a moderate rating (mean = 3.71; SD = 1.15), while prioritization of risks based on organizational objectives was strongly affirmed (mean = 4.13; SD = 0.80), indicating consensus on its strategic relevance. Structured categorization of risks also garnered support (mean = 4.09; SD = 0.93), as did the specification of acceptable risk exposure limits (mean = 4.22; SD = 0.72), reflecting confidence in informed decision-making. Ensuring consistency between exposure and tolerance levels was moderately supported (mean = 3.99; SD = 1.10), though with some variability in responses. These findings align with theoretical perspectives that emphasize risk assessment as a proactive financial management tool (Alabdullah, 2023), enabling firms to

evaluate and prioritize risks based on their potential impact (Hai et al., 2024). The overall grand mean and standard deviation for the risk assessment dimension were not explicitly stated, but individual scores suggest a generally favorable perception with moderate variation.

Information and Communication and financial performance

These are summarized responses on whether the information and communication influences the financial performance of listed companies. The descriptive results are presented in Table 3.

Table 3: Information and Communication and financial performance

Statement	5	4	3	2	1	Mean	Std. dev
1. Financial information systems ensure the accurate and timely processing of financial data.	52.9%	17.2%	8.5%	10%	11.4%	3.58	1.20
2. Our financial information systems are regularly updated to meet current business requirements.	52.7%	22.6%	11.7%	4.2%	8.8%	3.77	1.04
3. Well-structured internal reporting provide timely information to decisionmakers	44.6%	18.2%	18.1%	8.5%	10.6%	3.57	1.17
4. Data integration within financial systems supports comprehensive and coherent financial reporting	17%	43.8%	11.1%	7.6%	20.8%	3.44	1.31
5. Access controls safeguard financial information from unauthorized access	50.8%	34.1%	10%	1.5%	1.7%	4.12	0.86
Grand Mean & Std. Dev. Valid list wise (39)						3.70	1.12

The findings indicated that respondents moderately agree on the role of information and communication systems in enhancing financial performance among listed agricultural companies. Financial data processing and timely system updates received mean scores of 3.58 and 3.77 respectively, suggesting general confidence in system functionality with relatively low variability. Internal reporting and data integration were rated at 3.57 and 3.44, reflecting mixed perceptions and greater variability in views. Notably, access controls to safeguard financial information received the highest support (mean = 4.12; SD = 0.86), indicating strong consensus. Overall, the grand mean of 3.70 and standard deviation of 1.12 suggest a moderate level of agreement across all statements, with some divergence in respondent opinions. These results reinforce the importance of well-structured financial information systems and internal reporting in supporting timely decision-making and minimizing financial risks (Boulhaga et al., 2023; Agapia et al., 2025).

Monitoring Activities and financial Performance

These are summarized responses on whether the Monitoring Activities influences the financial performance of listed agricultural companies of Kenya. The descriptive results are presented in Table 4.

Table 4: Monitoring Activities and financial performance

Statement	5	4	3	2	1	Mean	Std. dev
1. Regular reviews of financial transactions ensure accuracy and compliance with policies.	18.3%	51.1%	9%	9.7%	11.9%	3.47	1.11
2. Timely evaluation of financial transactions supports accountability.	41.6%	28.1%	12.4%	4.1%	14%	3.76	1.13
3. Expenditure tracking ensure alignment with financial plans	52.2%	19.4%	10.8%	7.1%	10%	3.66	1.12
4. Expenditure reports are regularly reviewed to maintain financial discipline	37.7%	17%	18.1%	13%	14%	3.32	1.27
5. Policies are clearly defined to guide financial and operational activities.	41.2%	14.6%	11%	13%	21%	3.49	1.25
Grand Mean & Std. Dev Valid list wise (39)						3.54	1.18

The results on monitoring activities and financial performance revealed a generally moderate level of agreement among respondents, with some variability across specific statements. Regular reviews of financial transactions were acknowledged by 51.1% of respondents (mean = 3.47; SD = 1.11), while timely evaluation of transactions supporting accountability received stronger support (mean = 3.76; SD = 1.13). Expenditure tracking was affirmed by 52.2% of respondents (mean = 3.66; SD = 1.12), indicating confidence in its alignment with financial plans. However, only 37.7% agreed that expenditure reports are regularly reviewed to maintain discipline (mean = 3.32; SD = 1.27), reflecting notable disagreement. Defined policies guiding financial activities received moderate support (mean = 3.54; SD = 1.25). Overall, the grand mean of 3.49 and standard deviation of 1.18 suggest a moderate consensus on the effectiveness of monitoring activities in enhancing financial performance, with expenditure control emerging as a key mechanism for

managing costs and sustaining financial stability (Bjerke & Johansson, 2022; Levytska et al., 2022).

Financial Performance

These are summarized responses on the financial performance of listed agricultural companies of Kenya. The descriptive results are presented in Table 5.

Table 5: Descriptive statistics: financial performance

Statement	5	4	3	2	1	Mean	Std. dev
1.The profits from the core operations and investments are sustainable	31.2%	20.8%	16.3%	13.2%	18.5%	3.17	1.344
2. The organization effectively utilizes its capital to generate adequate returns on capital employed.	35.6%	21.5%	20%	14.5%	8.5%	2.98	1.222
3.Return on investment is monitored and evaluated regularly for improvement	23.8%	15.5%	18.5%	28.7%	13.5%	2.95	1.37
4. Our company efficiently leverages assets to generate consistent returns.	23%	14.5%	22.2%	26.3%	14.1%	2.96	1.333
	23%	15.2%	16.6%	34%	11.2%	2.96	1.34
5.Internal controls influence financial performance							
Grand Mean and Std.Dev						3	1.32
Valid list wise (39)							

The descriptive statistics on financial performance among listed agricultural companies reveal a moderate level of agreement across key indicators, with notable variability in respondent views. Sustainability of profits from core operations scored a mean of 3.17 (SD = 1.344), while capital

utilization for returns yielded a slightly lower mean of 2.98 (SD = 1.222). Monitoring and evaluation of return on investment received a mean of 2.95 (SD = 1.37), and asset leveraging for consistent returns was rated at 2.96 (SD = 1.333). Perceptions of internal controls influencing financial performance also averaged 2.96 (SD = 1.32). Overall, the grand mean of 2.96 and standard deviation of 1.32 suggest moderate confidence in financial performance practices, with considerable variation in responses. These insights underscore the importance of robust financial evaluation mechanisms in guiding strategic decisions, enhancing transparency, and sustaining profitability in a sector prone to volatility (Intan et al., 2024; Nyambane et al., 2024).

Correlation Analysis

The study applied correlation technique to analyze the degree of relationship between two variables which was based on Pearson correlation coefficient (r), hence the coefficient (r) yields a statistic that ranges from -1 to 1.

Table 6: Correlation analysis

		Control Environment	Risk Assessment	Information and Communication	Monitoring Activities	Financial Performance
Control Environment	Pearson Correlation 1					
	Sig. (2-tailed)					
	N	39				
Risk Assessment	Pearson Correlation .217**		1			
	Sig. (2-tailed)	.000				
	N	39	39			
Information and Communication	Pearson Correlation .478**		.386**	1		
	Sig. (2-tailed)	.000	.000			
	N	39	39	39		
Monitoring Activities	Pearson Correlation .382**		.257**	.453**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	39	39	39	39	
Financial performance	Pearson Correlation .275		.166**	.161**	.262**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	39	39	39	39	39

**Correlation is significant at the 0.01 level (2-tailed)

*Correlation is significant at the 0.05 level (2-tailed)

The correlation analysis revealed several statistically significant relationships among internal control components and financial performance in listed agricultural companies. The control environment showed a weak to moderate positive correlation with risk assessment ($r = 0.217$, $p < 0.01$), and a stronger correlation with information and communication ($r = 0.479$, $p < 0.01$), suggesting that improvements in organizational culture and governance structures are likely to enhance both risk identification and communication processes. Similarly, the control environment correlated moderately with monitoring activities ($r = 0.381$, $p < 0.01$), and weakly with financial performance ($r = 0.274$, $p < 0.01$), indicating that a well-established control environment may contribute to better oversight and modest gains in financial outcomes.

Further associations were observed between risk assessment and monitoring activities ($r = 0.382$, $p < 0.01$), and between monitoring activities and financial performance ($r = 0.262$, $p < 0.01$), reinforcing the role of proactive risk management and expenditure tracking in driving financial efficiency. Information and communication also correlated positively with monitoring activities ($r = 0.453$, $p < 0.01$) and financial performance ($r = 0.161$, $p < 0.01$), highlighting the importance of timely and accurate reporting in supporting decision-making and performance improvement. These findings collectively underscore the interconnectedness of internal control functions and their cumulative influence on financial performance, offering empirical support for strengthening governance mechanisms within the sector.

Regression Analysis

Multiple regression analysis was computed to assess the multivariate effect of the study's independent variables (control environment, risk assessment, Information and communication and monitoring activities) on the dependent variable (financial performance of listed companies). The multiple regression results are shown in Table 7.

Table 7: Multiple regression results

Model Summary						
Model	R	R ²	Adj. R ²	Std. Error		
A	0.559	0.313	0.288	0.51311		
ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
A						
	Regression	30.425	4	7.606	3.743	0.001
	Residual	71.107	35	2.032		
	Total	101.522	39			
Coefficients ^a						
Model		Un- standardized. Coefficients		Standardized Coefficients	t	Sig.
A			Std.			
		Beta	Error	Beta		
	(Constant)	1.366	0.274		4.985	0.001
	Control environment	0.077	0.044	0.092	1.750	0.001
	Risk assessment	0.279	0.047	0.340	5.936	0.001
	Information and communication	0.157	0.059	0.159	2.661	0.016
	Monitoring activities	0.198	0.066	0.174	3.000	0.002

a. Dependent Variable: financial performance

Predictors: (Constant), control environment, risk assessment, information and communication and monitoring activities.

The multiple regression analysis revealed that the internal control framework—comprising control environment, risk assessment, information and communication, and monitoring activities—collectively explains 31.3% of the variation in financial performance among listed agricultural companies in Kenya ($R^2 = 0.313$). The model was statistically significant, as confirmed by the ANOVA results ($F = 10.377$, $p < 0.001$), indicating that the independent variables meaningfully contribute to financial performance. Specifically, each component had a significant positive

influence: control environment ($\beta = 0.077$, $SE = 0.044$, $p < 0.05$), risk assessment ($\beta = 0.279$, $SE = 0.047$, $p < 0.05$), information and communication ($\beta = 0.157$, $SE = 0.059$, $p < 0.05$), and monitoring activities ($\beta = 0.198$, $SE = 0.066$, $p < 0.05$), affirming their individual and combined relevance in enhancing financial outcomes.

In this regard, the study's final multiple regression equation is;

$$(v) Y = 1.366 + 0.077X_1 + 0.279X_2 + 0.157X_3 + 0.198X_4$$

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Summary

The study found that all four components of the internal control framework—control environment, risk assessment, information and communication, and monitoring activities—significantly influenced the financial performance of listed agricultural companies in Kenya. Respondents affirmed that a strong control environment supports sustainable profits and effective capital utilization, aligning with prior research. Risk assessment was also seen as critical, with respondents emphasizing the importance of risk identification, prioritization, and tolerance thresholds in safeguarding financial outcomes. Information and communication systems were recognized for their role in timely data processing, internal reporting, and access control, with moderate to strong agreement on their contribution to performance. Monitoring activities, including financial reviews, expenditure tracking, and policy clarity, were viewed as essential for ensuring compliance and cost efficiency. These findings reinforce existing literature and highlight the integrated role of internal controls in enhancing financial sustainability within the agricultural sector.

Conclusions

The study assessed the effect of internal control frameworks on the financial performance of listed agricultural companies at the Nairobi Securities Exchange and found significant relationships across all four components. The control environment emerged as a foundational driver of financial performance, shaping organizational discipline and governance. Risk assessment was shown to be flexible and applicable, enabling firms to proactively manage financial threats. Information and communication systems were critical for integrating functions and ensuring timely, accurate financial reporting, while monitoring activities played a vital role in controlling expenditure and preventing inefficiencies. Together, these internal control elements significantly influenced the

financial outcomes of agricultural firms, underscoring their strategic importance in sustaining sectoral performance.

Recommendations

First, the study recommends that the listed agricultural based companies should indulge in having a strengthened control environment for the improvement of financial performance of listed agricultural based organizations. Secondly, the study recommends that risk assessment function should be given priority when associated with financial performance, risk assessment function signifies how the process and components are used by the companies' units as required by anchored regulations in the available policies. Thirdly, the study recommends that information and communications functions should be initiated with minimal political affiliation and allow independent decisions to be made for the success of financial performance within the listed agricultural based companies. Lastly, the study recommends for proper initiation of the monitoring activities functions. This function deals directly with companies expenditures, both development and recurrent costs that should be handled diligently in the companies' units for financial performance purposes.

Areas for further research

First, a similar study can be done using similar variables on other organizations or Parastatals or even in the private sector that are not listed apart from the listed companies, to compare study findings. Secondly, a similar study can be done in different geographical areas and different methodologies while considering different economic statuses but the variables should be retained, to assess the effectiveness of the independent variables on the dependent variable and compare.

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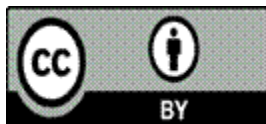
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