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MACRO ENVIRONMENT FACTORS AND PERFORMANCE OF AGRO PROCESSING FIRMS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

The general research objective was to determine the effect of macro environmental factors on performance of agro processing firms in Nairobi City County, Kenya. The specific research objectives were; to determine the effect of political, economic, factors on performance of agro processing firms in Nairobi City County, Kenya. The study was anchored on dynamic capability theory, Keynesian economic Theory. The beneficiaries of the study are future researchers, agro processing firms' institutions of higher learning and the government. Descriptive research design was used for the study and the semi-structured questionnaire was the main data collection instrument. There are 41 agro processing firms in Nairobi City County and they formed the unit of analysis while the unit of observation was 328 senior management staff. Yamane sampling formula was used to sample 180 staff who were the study respondents. The questionnaires were self-administered with a help of one research assistant to the respondents by the researcher. Collected data was analyzed using quantitative techniques. Quantitative data was analyzed using descriptive and inferential statistics carried out using statistical packages for social science version 28 to generate information which was presented using tables. Inferential statistics including correlation and multiple regression analysis was used to make predictions or inferences about the population from observations and analysis. Pearson r correlation was used to measure strength and the direction of linear relationship between variables. Multiple regression model was fitted to the data in order to determine how the predictor/independent variables affect the response/dependent variable. The study concluded that political factors have a significant effect on performance of agro processing firms in Nairobi City County, Kenya.

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INTRODUCTION

The contemporary organization operates in a dynamic environment and firm must keep taps with the changing environment to remain competitive. Firm performance looks at the attainment of objectives of the company whether in financial or non-financial perspectives and assists managers to evaluate the success of the certain measures implemented towards improving firm performance (Brannon & Wiklund, 2016). Macro Environment is the collection of those factors and conditions, which has the capability of influencing the business positively or negatively (Thomas, 2020).

A macro environment is the condition that exists in the economy as a whole, rather than in a particular sector or region. In general, the macro environment includes trends in the gross domestic product (GDP), inflation, employment, spending, and monetary and fiscal policy. The macro environment is closely linked to the general business cycle as opposed to the performance of an individual business sector (Khartit, 2020). Businesses closely interact with and are influenced by changes in the macro environment, therefore they cannot be ignored (Song, 2017). The management of firms has become challenging due to political, socio-cultural, economic, technological, and legal factors. Managers need to have clear understanding of the external environment to implement the best suited strategies to adopt and survive in any environment (Sampaio, Saraiva & Monteiro, 2018).

Statement of the Problem

The Kenyan economy mainly depends on agriculture as the major contributor which is generating about 25% of GDP and providing employment up to 70% of the total population (Mwanyika and Koori, 2020). The agro processing sector constitutes about a third of manufacturing sector. The Kenya vision 2030 expects the agro processing sector to grow at a rate of 10% annually and generate about 15% of GDP (Immaculate, 2017).

Despite most of agro processing firms impressing innovative capability in their processing activities, Kenya is still performing poorly since the amount of fresh products from agro processing sector have been significantly low making the country a net exporter of its raw products. Agricultural products form 65% of Kenya's total exports and only 20% of the total agricultural products exported are processed (Barakat, 2018).

Economy survey (2020) indicates that agriculture sector performance has decelerated from 6.1% in 2018 to 3.6% in 2019. Agro processing firms are facing challenges from across border competition, increased global competition, bureaucracy, inadequacy of raw materials, distribution and marketing, slow economic development, policies and implementations (Ndicu, 2020). Agro processing firms in Kenya are still struggling to remain operational due to challenges such as poor roads and a lack of electricity, water, and network connections. Competition with imports from higher-income countries is another challenge that is slowing the takeoff of local agro processing (Lavi, 2020).To survive, Agricultural organizations must continuously align operations to the environment they operate in.

Different scholars have sought to investigate the effect of macro environment factors on the firm performance. Chikaodili (2020) study on effect of environmental factor on firm's productivity in manufacturing firms in Nigeria found that economic and technological environment has a significant positive effect on firm's productivity while political environment has a significant negative effect on firm's productivity. Kitonyi, Kibera, and Gathungu (2020) evaluated influence of macro environment factors on performance of small and medium-sized manufacturing enterprises in Nairobi City County and found that macro environment affects firm performance. Maina (2017) examined effect of environmental factors on performance of Barclays Bank and found that political, sociocultural, economic and technological factors significantly affect firm performance. Sagire (2017) study on impact of demographic and social factors on business performance in Kenya found that literacy levels and consumer preferences have a positive effect on performance. However, the studies were limited to specific firms' specifically general manufacturing firms and the banking sector. In addition, some authors relied on secondary data, used different research methodology and the studies were conducted in foreign countries and other counties in Kenya. There were few studies on Agro processing firms in Nairobi city County Kenya. None investigated the four macro environment factors which include; Political factors, economic factors, technology factors and social-cultural factors. To bridge the research

gaps, the study sought to determine the effect of macro environment factors on performance of agro processing firms in Nairobi City County, Kenya

Objectives of the Study

i. To determine the influence of political factors on performance of agro processing firms in Nairobi City County, Kenya.
ii. To establish the influence of economic factors on performance of agro processing firms in Nairobi City County, Kenya.

LITERATURE REVIEW

Theoretical Review

Dynamic Capability Theory

Dynamic capability theory was developed by Teece, Pisano and Shuen (1997). The theorists argue that firms with more dynamic capacity will outperform firms with fewer dynamic capacity. The theory aims at understanding how organizations use dynamic abilities to create and maintain performance in reaction to changing environmental factors (Wright, 2013). Dynamic capabilities enable a firm to utilize and reconfigure its existing competences and assets to be of value to the client, but difficult for other competitors to emulate. Dynamic skills assist the company to feel its prospects and then successfully allocate resources, frequently by adapting existing skills or establishing new ones. As the market and technology changes, the firm need to change the assets and develop new skills (Dangelico, Pujari & Pontrandolfo, 2017).

The dynamic capabilities enable the organization to achieve the ability to respond to changes (Khoshlahn & Ardabili, 2016). Small organizations can achieve agility in a better way than large firms because it is possible to obtain the feedback from the customers and partners promptly; hence enabling them to respond quickly to the changes. On the other hand, although large organizations have capabilities of obtaining the enormous amount of data from the market, they may be unable to respond quickly to the changes because of challenges in breaking the organization culture that is resistant to change (Appelbaum et al., 2017). The dynamic capability enables the organization to achieve agility because it provides a framework that the managers should follow in pursuit of agility. Political environment change with regime change in every country. Therefore a company's ability to adopt to regulations, policies, and legislation changes will greatly determine its performance. This theory tries to address the influence of political factors on performance of agro processing firms in Nairobi City County, Kenya.

Keynesian Economic Theory

Keynesian economic theory was developed by John Maynard and Maynard Keynes (1930). This theory is considered as a "demand-side" theory that focuses on changes in the economy over the short run. Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. Keynesian theorists argue that economies do not stabilize themselves very quickly and require active intervention that boosts short-term demand in the economy. They argue that wages and employment are slower to respond to the needs of the market and require governmental intervention to stay on track. They argue that prices also do not react quickly but gradually change when monetary policy interventions are made (Panico, 1993)

The government is the force behind an end to financial and economic downturns. This is undertaken through provision of prudent monetary and fiscal policies, and providing aggregate demand to increase the level of economic output, facilitated through a stable financial system that can spur continued economic stability. This theory was used to examine the role of government in ensuring that there is favorable economic growth in the nation that can spur economic prosperity and in so doing enhance the performance of firms and ultimately their firm value. The theory therefore, guide the determination of the effect of macro environmental factors by addressing the influence of economic factors on performance of agro processing firms in Nairobi City County, Kenya.

Conceptual Framework

Independent Variables

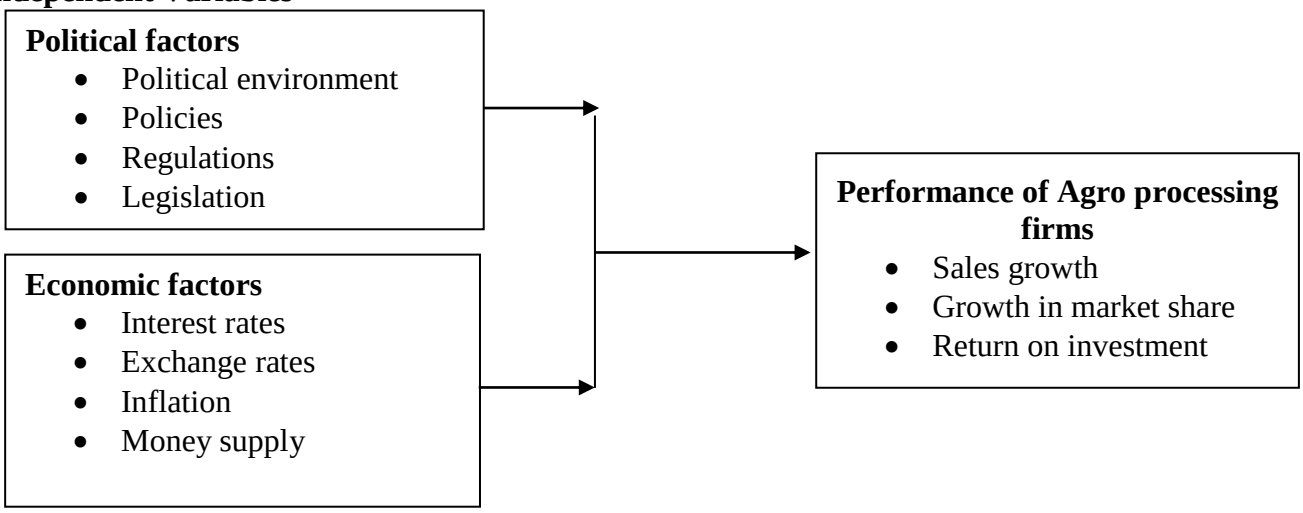

Figure 1: Conceptual Framework

Political Factors

Political factors are concerned with how government policies and Acts affect the operation of business. George (2019) refer to the political environment as the totality of all factors and issues resulting from the political actions of the government, which are capable of changing the expected outcome and value of a given economic entity by altering the probability of achieving business objectives. The political elements of the macro environment mainly highlight the role of the state and other relevant political factors (Whittington et al., 2014). Examples of political variables of importance to consider are a potential change of government and the introduction of new governmental initiatives. The political-legal environment includes such factors as political stability, strategic development objectives, small and medium business promoting, the government executed institutional promotion and regulatory policy, the government's support and institution's regulating legislation. Legal and bureaucratic restrictions are one of the main obstacles to business growth (Barkauskas, 2015).

Muhammad (2012) suggest that it is important for an organization to establish a political connection with a government. The political connection that a firm has with the government influences its strategic choices. Oliver and Holzinger (2008) explain political compliance strategies as firm-level actions undertaken to conform with political requirements and expectations for purposes of value creation and maintenance by anticipating or adapting to public policy. In this regard, government actions that come in the form of policies, regulations, legislation and the creation of secured atmosphere (which is the general outlook of the political environment) affect firms' actions and performance. Organizations are to monitor these variables to know and understand their dynamics. The influence of these factors can have a combined effect on the performance of any organizations regardless of the organization size.

Economic Factors

Pearce and Robinson (2013) posit that the economic factors are concerned with the nature and the direction of the economy in which the firm operates in. A growing economy is conducive for doing business although sectors within the economy grow at different levels but generally a growing economy means firms will thrive while a contracting economy results in businesses struggling to remain afloat. The businesses must consider the availability of credit, level of disposable incomes and the propensity of people to spend. In most economies, interest rates fluctuate less frequently as compared to commodity prices and foreign exchange rates (Kwong, 2016). Nevertheless, since interest rates are volatile, this expose both economy and business to interest rate risk. In general, a firm's incentive to raise capital or to invest is highly impacted by interest rate volatility.

Kokemuller (2017) stated that the volatile interest rates affect business as they have a direct effect on borrowing and investment since as firms borrow money, they are directly involved with interest rate. The GDP is a measure of the country's overall economic performance. Poor economic conditions worsen the quality of the finance

portfolio, thereby reducing profitability. If GDP grows, the likelihood of making more sales also increases and firms are likely to benefit from that in form of higher profits (Suheyli, 2015). Interest rates represent the cost of borrowing capital for a given period borrowing capital for a given period of time (Muthama, Mbaluka & Kalunda, 2013). Inflation is a sustained increase in the general price level of goods and services in an economy over a period due to the devaluation of the fiat currency being used (Simiyu & Ngile, 2015). Interest rate risk is the exposure of the firm's financial position due to fluctuations in interest rates. Excessive and frequent interest rate changes pose significant threats to a firm's earnings and capital base changes and increase its operating expenses. Changes of interest rates may also affect the underlying value of assets, liabilities and present value of future cash flows (Osoro & Ogeto, 2014).

Exchange rate also known as a foreign-exchange rate, forex rate, between two currencies is the rate at which one currency will be exchanged for another (Simiyu & Ngile, 2015). Money supply refers to the total amount of money in circulation or in existence in a country. There are several standard measures of the money supply, including the monetary base, M1, and M2 (Shrestha & Subedi, 2014). Inflation refers to the persistent increase in general price levels in an economy over the time. Low or medium levels of inflation in a country can have a positive effect on the business sector, in that it can act as an incentive to production (Suheyli, 2015).

Firm Performance

Different authors and researchers have coined various definitions of performance of firms over the years. According to Li, (2017), performance of a firm refers to how well an organization attains its market criteria as well as financial goals. Istanbul (2017) asserted that the performance of an organization is regarded as a state of competitiveness of a firm which is reached through attaining a given level of efficiency and productivity which ensures a sustainable market presence. Elkordy (2018) opined that performance refers of the ability of firms to operate profitability and remain competitive in the business environment. Measuring the performance of an institution is a representation of quantification of results of various activities undertaken within that organization over time (Juma & Okibo, 2016). For performance measurement to be undertaken there is need to know the link between objectives, performance measurements and organization results and the relevance of the performance metrics. In general, both financial and non-financial criteria can measure the procurement performance (Demirbag et al., 2016). The measures of financial goals include, sales growth, return on investment profit, business performance and organization effectiveness (Venkatraman & Ramanujam, 2016). Centrally, the measures of nonfinancial criteria are market share and innovation performance (Demirbag, 2006).

Empirical Review of Literature

Kozubikova, Kotaskova, and Dvorský (2019), studied impact of political factors on performance on multinational companies in Czech Republic and Slovakia. The study employed secondary data collected for a period of five years. Findings showed that firm performance was affected by state regulation and state support of business activities, and legal environment. Sadiq, Othman, and Keong (2019) analyzed effect of political factors on organizational performance in Pakistan. Data was collected using questionnaires from 60 firm managers. Findings showed that politically influenced firms, through the presence of politicians and bureaucracy, manipulate earnings through accruals in order to report poor organizational performance but with less taxable income. The study further showed a negative relationship between politically influenced firms and organizational performance.

Matta (2016) explored the impact of political instability on firm performance in Tunisia. The study used secondary data. Findings showed that political instability was a major concern for smaller and exporting firms particularly those that suffered from acts of vandalism or arson. The study also revealed a significant relationship between political stability and firm performance. Ugwu, Umah, and Mbah (2021) evaluated effect of macro environmental factors on performance of small scale enterprises in Nigeria. The study adopted a survey design. The target population was 316 small scale enterprises. Data was collected using questionnaires. The study concluded that political factors had a negative significant effect on the profitability and output of small scale enterprises in South East, Nigeria. Kigera (2016) studied impact of political environment on the performance of International Hotel Chain in Kenya. The study adopted a descriptive survey design. Data was collected using questionnaires. Findings showed that

political environment had a very great impact on performance of International Chain Hotels particularly government policies and legislation.

Yoke and Chan (2018) examined the impact of Value Added Tax (VAT) on performance of manufacturing firms in ASEAN countries. The study utilized secondary panel data of 20 years. Findings showed that value added tax is positively and significantly related to firm performance. Manufacturing firms performed better in countries with low VAT. Ruhomaun and Nagavhi (2019) investigated effect of macro and micro economic variables on performance of firms listed in Malaysian stock exchange. The study used a panel data of 5 years (2012- 2016). The study reveals that exchange rate has a negative but not significant impact on firm performance. Additionally, both interest rate and financial distress have a negative and significant effect on firm performance. Mohd and Siddiqui (2020) studied effect of macroeconomic factors on firm performance in Pakistan. This study focused on 35 textile companies and collected secondary data for 10 years. The data was collected from the companies' financial reports and official websites. Results showed that inflation had a significant effect on firm performance. Other economic factors that influenced firm performance were labor unit cost and exchange rate though to a moderate extent.

Yinusa (2018) studied determinants of firm profitability in Nigeria. The study targeted 114 firm listed in the stock exchange. The nature of data collected was secondary. Findings showed that short term leverage, inflation rate, interest rate, and financial risks have a significant effect on firm profitability. The cost of borrowing affected business profits significantly. Owolabi (2017) examined the relationship between economic characteristics and financial performance in Nigeria. The study sample 31 manufacturing firms listed in the Nigerian Stock Exchange. The study used secondary data collected for five years. Findings showed that government expenditure, inflation, and exchange rate had not significant effect of return on assets. Interest rate had a significant effect on return on equity.

RESEARCH METHODOLOGY

The study adopted descriptive research design. For purpose of this study the target population was Agro processing firms in Nairobi City County. According to Kenya Association of Manufacturers (KAM, 2021), there are 41 Agro processing firms in Nairobi City County. The unit of observation was 328 senior management staff in the Agro processing firms in Nairobi City County. The staff were drawn from the four departments; finance and accounting, processing, administration, and marketing. The study used a sample of 180 staff obtained using Yamane 1967 sampling formula. Questionnaire was selected as a tool for gathering information to be used in the study. The questionnaire was semi-structured. Data from questionnaires was coded and analyzed using Statistical Package for Social Sciences (SPSS) version 28 computer software. Pearson r correlation was used to measure strength and the direction of linear relationship between variables. Multiple regression models were fitted to the data in order to determine how the predictor/independent variables affect the response/dependent variable.

Research Findings

Descriptive Statistics Analysis

Political Factors and Performance of Agro Processing Firms

The first specific objective of the study was to determine the influence of political factors on performance of agro processing firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to political factors and performance of agro processing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 1.

From the results, the respondents agreed that legislature barring market access adversely affects firm performance. This is supported by a mean of 3.826 (std. dv = 0.840). In addition, as shown by a mean of 3.811 (std. dv = 0.904), the respondents agreed that operating in unsecure environment increases operational costs. Further, the respondents agreed that political instability leads to high employee turnover. This is shown by a mean of 3.796 (std. dv = 0.937).

From the results, the respondents agreed that firm performance is affected by civil and national conflicts. This is supported by a mean of 3.789 (std. dv = 0.876). In addition, as shown by a mean of 3.768 (std. dv = 0.879), the respondents agreed that Government subsidies of foodstuffs affect profitability. Further, the respondents agreed that political environment destabilizes distribution

channel. This is supported by a mean of 3.746 (std. dv = 0.977).

Table 1: Political Factors and Performance of Agro Processing Firms

	Mean	Std. Dev.
Legislature barring market access adversely affects firm performance	3.826	0.840
Operating in unsecure environment increases operational costs	3.811	0.904
Political instability leads to high employee turn over	3.796	0.937
Firm performance is affected by civil and national conflicts	3.789	0.876
Government subsidies of foodstuffs affect profitability	3.768	0.879
Political environment destabilizes distribution channel	3.746	0.977
Aggregate	**3.788**	**0.873**

Economic Factors and Performance of Agro Processing Firms

The second specific objective of the study was to establish the influence of economic factors on performance of agro processing firms in Nairobi City County, Kenya. The respondents were requested to indicate their level of agreement on various statements relating to economic factors and performance of agro processing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 2.

From the results, the respondents agreed that interest rate fluctuations, and currency value a have strong effects on firm performance. This is supported by a mean of 3.996 (std. dv = 0.865). In addition, as shown by a mean of 3.919 (std. dv = 0.945), the respondents agreed that national taxation affects firm performance. Further, the respondents agreed that the exchange rate has hampered the productivity of their business. This is shown by a mean of 3.908 (std. dv = 0.611).

From the results, the respondents agreed that the high interest rate has discouraged borrowing to procure more machinery. This is supported by a mean of 3.801 (std. dv = 0.908). In addition, as shown by a mean of 3.761 (std. dv = 0.776), the respondents agreed that high tax payment has reduced the production of goods. Further, the respondents agreed that the high rate of inflation has affected material requirement planning. This is supported by a mean of 3.697 (std. dv = 0.892).

Table 2: Economic Factors and Performance of Agro Processing Firms

	Mean	Std. Dev.
Interest rate fluctuations, and currency value a have strong effects on firm performance	3.996	0.865
National taxation affects firm performance	3.919	0.945
The exchange rate has hampered the productivity of our business	3.908	0.611
The high interest rate has discouraged borrowing to procure more machinery	3.801	0.908
High tax payment has reduced the production of goods	3.761	0.776
The high rate of inflation has affected material requirement planning	3.697	0.892
Aggregate	**3.722**	**0.841**

Performance of Agro Processing Firms

The respondents were requested to indicate their level of agreement on various statements relating to performance of agro processing firms in Nairobi City County, Kenya. A 5 point Likert scale was used where 1 symbolized strongly disagree, 2 symbolized disagree, 3 symbolized neutral, 4 symbolized agree and 5 symbolized strongly agree. The results were as presented in Table 3.

From the results, the respondents agreed that the performance of their firm has been improving over the years. This is supported by a mean of 3.876 (std. dv = 0.805). In addition, as shown by a mean of 3.959 (std. dv = 0.785), the respondents agreed that the return of investment in their firm has been improving over the years. Further, the respondents agreed that their firm has received many new clients in the last one year. This is shown by a mean of 3.900 (std. dv = 0.611). The respondents also agreed that the sales volume in their organization has been improving. This is shown by a mean of 3.801 (std. dv = 0.681). From the results, the respondents agreed that they are satisfied with the performance of this firm. This is supported by a mean of 3.761 (std. dv = 0.909).

Table 4: Performance of Agro Processing Firms

	Mean	Std. Dev.
The performance of our firm has been improving over the years	3.876	0.805
The return of investment in our firm has been improving over the years	3.959	0.785
Our firm has received many new clients in the last one years	3.900	0.611
The sales volume in our organization has been improving	3.801	0.681
Am satisfied with the performance of this firm	3.761	0.909
Aggregate	**3.897**	**0.747**

Inferential Statistics

Correlation Analysis

Table 4: Correlation Coefficients

		Firm Performance	Political Factors	Economic Factors
Firm Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	166		
Political Factors	Pearson Correlation	.828**	1	
	Sig. (2-tailed)	.002		
	N	166	166	
Economic Factors	Pearson Correlation	.844**	.289	1
	Sig. (2-tailed)	.001	.061	
	N	166	166	166

From the results, there was a very strong relationship between political factors and the performance of agro processing firms in Nairobi City County, Kenya (r = 0.828, p value =0.002). The relationship was significant since the p value 0.002 was less than 0.05 (significant level). The findings are in line with the findings of Martemyanova (2018) who indicated that there is a very strong relationship between political factors and firm performance

Moreover, the results revealed that there is a very strong relationship between economic factors and performance of agro processing firms in Nairobi City County, Kenya (r = 0.844, p value =0.001). The relationship was significant since the p value 0.001 was less than 0.05 (significant level). The findings conform to the findings of Mokogi, Mairura and Ombui (2015) that there is a very strong relationship between economic factors and firm performance.

Regression Analysis

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.937	.878	.879	.10582

The model summary was used to explain the variation in the dependent variable that could be explained by the independent variables. The r square for the relationship between the independent variables and the dependent variable was 0.878. This implied that 87.8% of the variation in the dependent variable (performance of agro processing firms in Nairobi City County, Kenya) could be explained by independent variables (political factors, economic factors, technology factors and social-cultural factors).

Table 6: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	172.027	4	43.01	338.66	.002[b]
	Residual	20.568	161	.127		
	Total	198.595	165			

The ANOVA was used to determine whether the model was a good fit for the data. F calculated was 338.66 while the F critical was 2.428. The p value was 0.002. Since the F-calculated was greater than the F-critical and the p value 0.002 was less than 0.05, the model was considered as a good fit for the data. Therefore, the model can be used to predict the influence of political factors, economic factors, technology factors and social-cultural factors on performance of agro processing firms in Nairobi City County, Kenya.

Table 7: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.150	0.040		3.750	0.001
political factors	0.387	0.112	0.384	3.545	0.003
economic factors	0.486	0.107	0.482	4.121	0.001

The regression model was as follows:

Y = 0.150 +0.387 (Political Factor) + 0.486 (Economic Factor.

From the results, political factors has a significant effect on performance of agro processing firms in Nairobi City County, Kenya, β_1=0.387, p value=

(0.003). The relationship was considered significant since the p value 0.000 was less than the significant level of 0.05. The findings are in line with the findings of Muthoni (2016) who indicated that there is a very strong relationship between political factors and firm performance.

The results also revealed that economic factors has significant effect on the performance of agro processing firms in Nairobi City County, Kenya, β1=0.486, p value= 0.001). The relationship was considered significant since the p value 0.001 was less than the significant level of 0.05. The findings conform to the findings of Mokogi, Mairura and Ombui (2015) that there is a very strong relationship between economic factors and firm performance.

Conclusions

The study concluded that political factors have a significant effect on performance of agro processing firms in Nairobi City County, Kenya. Findings revealed that political environment, policies, regulations and legislation influences the performance of agro processing firms in Nairobi City County, Kenya.

Economic factors have a significant effect on performance of agro processing firms in Nairobi City County, Kenya. Findings revealed that interest rates, exchange rates, inflation and money supply influence the performance of agro processing firms in Nairobi City County, Kenya.

Recommendations

The study found that political factors have a significant effect on performance of agro processing firms in Nairobi City County, Kenya. This study therefore recommends that the management of agro processing firms should put into consideration the political factors to enhance firm performance

In addition, the study found that economic factors have a significant effect on performance of agro processing firms in Nairobi City County, Kenya. This study therefore recommends that the management of agro processing firms should put into consideration interest rates, exchange rates, inflation and money supply to enhance firm performance.

Suggestions for Further Studies

This study focused on the effect of macro environment factors on performance of agro processing firms in Nairobi City County, Kenya. Having been limited to agro processing firms in Nairobi City County, Kenya, the findings of this study cannot be generalized to other firms in Kenya. The study therefore suggests further studies on the effect of macro environment factors on performance of other firms in Kenya.

Further, the study found that the independent variables (political factors, economic factors, technology factors and social-cultural factors) could only explain 87.8% of the performance of agro processing firms in Nairobi City County, Kenya. This study therefore suggests research on other factors affecting performance of agro processing firms in Nairobi City County, Kenya.

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