

Hypothesis Testing for Relationship between Interest Rate, Inflation, Exchange Rate and GDP.

Table 4.7 Hypothesis Testing for Relationship between Interest Rate, Inflation, Exchange Rate and GDP.

Hypothesis	T Stat	Sig.	Conclusion
H01: Interest rate volatility has no significant effect on the financial performance of commercial banks listed at the Nairobi Securities Exchange.	.823	.448	Reject H01 Since (0.448 > 0.05)
H02: Inflation rate (Consumer Price Index) volatility has no significant effect on the financial performance of commercial banks listed at the Nairobi Securities Exchange.	-1.446	.208	Reject H02 Since (0.208 > 0.05)
H03: Exchange rate volatility has no significant effect on the financial performance of commercial banks listed at the Nairobi Securities Exchange.	4.657	.006	Accept H03 Since (0.006 < 0.05)
H04: Gross Domestic Product (GDP) volatility has no significant effect on the financial performance of commercial banks listed at the Nairobi Securities Exchange.	-1.316	.245	Reject H04 Since (0.245 > 0.05)

Conclusion

In the review of empirical studies, the researcher reviewed research works done by: Kipngetch (2011), Akotey et.al (2012), Muchiri (2012), Gikungu (2012), Illo (2012), Ghimire (2013) Mwangi (2013, Murungi (2013), Kaluba & Chirwa (2015) and Chimkono (2016)

The reviewed literature evidently established a gap in Kenyan research since majority of the research conducted considered variables in different sectors, or used a single variable. This present research consequently constricts the gap by establishing the effect of macro-economic variables volatility on the financial performance of commercial banks at the Nairobi Securities Exchange.

According to research findings, table 4.2 above indicated negative relationship between Interest and financial performance. The interpretation is that there was a very weak association between interest and financial performance which is not significant 0.05. Correlation results in table 4.2 gave relationship results between inflation and financial performance. Negative relationship was revealed of -0.493 which was not

significant at 0.05.

The findings revealed strong positive relationship between exchange rate and financial performance of 0.938 which was significant at 0.05 having p-value of 0.000. This means that when exchange rate increases by one percent financial performance increases by 93.8 percent when all other factors are held constant.

Relationship between GDP and financial performance was analyzed and very weak negative relation of -0.041 was revealed which was not significant at 0.05. The interpretation was when GDP increases by one percent financial performance decreases by 4.1 percent when all other factors are held constant.

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