FINANCIAL PLANNING PRACTICES
AND PERFORMANCE OF PRIVATE SECURITY FIRMS IN NAIROBI CITY
COUNTY, KENYA

BY:

LAVINA AYIERA SHIKUNYI

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JUNE, 2019
DECLARATION

I hereby declare that this project is my original work and has not been submitted for any award at any other institution for consideration or any other certification.

Signature…………………………… Date………………………………………..

Lavina Ayiera Shikunyi

D53/CTY/PT/30804/2015

I confirm that this project was submitted for examination with my approval as the university supervisor.

Signature………………………………… Date……………………………………..

Dr. Jane Wanjira

Department of Business Administration,

School of Business

Kenyatta University
DEDICATION

I wish to dedicate this project to my family and friends for the support and encouragement. To my dad for the efforts and sacrifices, you made in bringing me up and teaching me the value of education.
ACKNOWLEDGEMENTS

Special thanks to my supervisor Dr. Jane Wanjira for her advice, guidance and suggestions throughout the project. It was with great pleasure that I got the opportunity to work with you. To my almighty God for seeing me through my MBA programme, without the help of God I would not have made it. His grace was sufficient all through, Glory and Honour to Him. Appreciation to my family and classmates, Veronica Gitau, Moraa Ratemo, Hamsa Muktar and others for their support in one way or another towards successful completion of this proposal. May the almighty god bless you all!
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<tr>
<td>FPSC</td>
<td>Financial Planning Standards Council</td>
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<td>KSIA</td>
<td>Kenya Security Industry Association</td>
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<td>NSE</td>
<td>Nairobi Stock Exchange</td>
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<td>ROA</td>
<td>Return on Assets</td>
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<td>ROE</td>
<td>Return on Equity</td>
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<td>ROS</td>
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<td>PIA</td>
<td>Protective Industry Association</td>
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<td>PSCs</td>
<td>Private Security Companies</td>
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<td>Private Security Industry Regulatory Authority</td>
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OPERATIONAL DEFINITION OF TERMS

**Dividend Policy**
is the decision by the finance manager whether the firm ought to appropriate all profits or hold them or to distribute a segment and hold the residual

**Financial Performance**
Financial performance is a measure of the company’s ability to use the assets from its primary business mode to create revenue. It is used to gauge a firm’s profitability over a period of time.

**Investment Practices**
Investment practices focus on ventures which affect the long haul budgetary and operational execution of organizations, and which influence the competitive advantage of firms.

**Risk Management**
is the process of articulating an opportunity or threat that significantly affects a firm’s survival

**Financial Planning Practices**
Involve a framework that gives direction to the long-term money related administrator in settling on choices identified with venture and monetary choices.
ABSTRACT

Security companies have been operating in a dynamic business environment due to the security threats and rapid increase of new entrants in the market. Failures of these companies have been attributed to poor or ineffective financial practices. The aim of the study was to determine the impact of financial planning practices on the financial output of private security companies in Nairobi city county Kenya. The study sought to establish the extent which dividend policy, investment practices, and risk management have on financial performance of private security firms in Nairobi City County. This study was based on the Modigliani-Miller dividend irrelevance theory, agency theory and portfolio theory. A descriptive survey methodology was applied for this study and it targeted 41 staffs of private security firms in Nairobi City County. The study also collected both secondary and primary data. A questionnaire was utilized for primary data gathering while secondary data was retrieved from the annual financial reports of the security firms. The collected data was entered into E-views for statistical analyses; descriptive and inferential statistics. Based on the findings that dividend policies have a significant influence on ROA it can be concluded that organizations should always ensure that the dividend policies are sound and facilitate participation of the employees as well as contribute to greater returns. Based on the findings that investment practices have a significant influence on ROA it can be concluded that firms should always ensure that the investment practices are sound and facilitate participation of the employees as well as contribute to greater returns. On risk management, based on the findings that risk management have a significant influence on ROA it can be concluded that firms should always ensure that the proper risk measures are put into place to facilitate greater returns hence earning profits. It is thus recommended that private security firms should always develop appropriate dividend policy which are informed by the changes in the environment and that accommodate environmental dynamism. Private security firms should always develop and implement appropriate investment practices which are informed by the changes in the environment and that accommodate environmental dynamism both locally and internationally. Private security firms should always develop and implement appropriate risk management measures which can protect the firms from rapid environmental changes to allow them thrive in the competitive world.
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In Africa, the increase in transgression and the improvement of the private security sector are related with the rot of administration and state limits that began in the late 1980s and continued all through the 1990s (Abrahamsen & Williams, 2005). According to Kathama (2012), background, has undoubtedly paved way to rise in unlawful acts in countries; taking Kenya as an example, and especially in the Nairobi city County, crime has risen strongly in the previous decades. These scenarios have led to the expanded development and mushrooming of private security organizations (PSCs) to aid the law authorization process in protecting the wellbeing and security.

Due to the massive growth and intense competition experienced, financial performance in private security firms is still a disturbing glitch to numerous private security firms paying little heed to the idea and routine with regards to financial planning practices. This puts organizations under tremendous strain to create, execute and refresh their monetary administration techniques (Shah, 2009). To do this, organizations need to create and execute financial planning techniques to oversee and enhance monetary execution. Financial planning systems therefore empower an association to survey its long-term financial planning circumstances, decide its targets, and afterwards detail financial procedures to accomplish those set targets (Shah, 2009).

Productivity, quality, Service or perceptual measures of the financial performance such as product quality, customer satisfaction and new product development are normally used as performance indicators. This execution is the yield or after effects of exercises done in relation to the purposes being pursued and to viably actualize the key arrangement, the
board must know whether the arrangement's objectives are being accomplished on schedule and with the allotted assets. The administrator at that point assesses the genuine accomplishment of work interim after some time. This is useful to recognize the deviation, assuming any, among genuine and arranged exhibitions (Awino, Muturia and Oeba, 2011). Performance must be overseen on the off chance that it very well may be precisely estimated (Awino and Mutua, 2014). As indicated by Ilesanmi (2011), the issue in many organizations is not an absence of measures, but a lack of focused and effective measures. The difficulties in choosing the correct measures incorporate picking the correct driving and slacking pointers, benchmarking against contenders, adjusting money related and non-monetary measures, and utilizing a fitting number of measures (Awino and Mutua, 2014).

Antikainen (2014) suggests to the fact that performance is a key factor with specific reference to the organization capacity for progress in the competition field. The improvement gives a decent chance to firms to add to the associations' primary concern through the improvement of the generation forms, instead of focusing on just the decrease or exclusion of expenses (Ramirez and Nembhard, 2014). The performance improvement provides a good opportunity for firms to contribute to the organizations' bottom line through the improvement of the production processes, rather than concentrating on only the reduction or omission of costs (Ramirez & Nembhard, 2014).

Locally, it is also evident that private security organizations embrace financial planning practices by clearly defining their mission and undertaking a financial evaluation of their competitive landscape and current state in order to realize good financial performance. However, still, with all these efforts put forward by these firms, there is still more to be
done to record impressive financial performance. These firms have realized very low
outputs in terms of financial performance, sales, market share, return on assets, and return
on investments and total shareholder return among others. In addition, private security
firms locally have engaged in financial planning practices considering it as a well-
thought-out strategy for appropriate allocation of time, financial resources and human
capital.

Despite all these engagements, these organizations still have unsatisfactory record of
accomplishment in terms of financial performance. According to Browne and Cudeck
(2013), specifying the financial implications of a firm’s financial initiatives lets the
management make effective use of their financial resources. This highlights the
relationship between financial performance and the practice of financial planning. Wendy
(2007), states that satisfactory profits and growth of a firm can be realized through setting
up a blueprint to guide in doing business. This captures the essence of budgeting practice,
which is one of the perspectives of financial planning practice. Therefore, the study
sought to explore and examine the conceptual framework elements: dividend policy,
investment practices, and risk management. Additionally, the study examined the effect
of dividend policy, investment practices, and risk management and performance of
private security firms in Nairobi city County Kenya.

1.1.1 Performance
Financial performance is an indicator of a firm’s capacity to utilize its assets realized
from its primary business position to generate profit and or revenue. It is used to establish
the level of profit of a firm over a time period. It also compares institutions across a
certain field or scope to rank the most profitable and most liquid. Financial performance
statements are useful in measuring the overall patterns and fluctuations of a firm’s profitability hence determining the practices that benefit the firm financially. The investors are also keen in inspecting financial records to determine which firm is best and lucrative enough for them to invest in, not only investors but also different stakeholders pay close attention to a firm’s financial performance (Sedlaeck, 2011). Altmeppen, Holifield, and Loon (2017), in another dimension, viewed financial performance as the ability of the management to strengthen its economy over time as measured by the parameters of profit margin, return on equity, return on sales and so forth. Altmepeen et al. (2017), further noted that financial performance is gauged by factoring in deviations in market share that instantly affect the ability of a firm to impose advertising levies. In the same light, Alam, Raza, and Akram (2011) noted that financial performance revolves around a combination of margin growth rates against set budgets, financial ratio analyses, and comparison with similar firms in the same firm.

Sharing the same view, Padachi (2006), defined financial performance as the measure of a firm’s general wellbeing within a given period with the objective of comparing firms of the same level across the same industry. Sandada (2014) asserts that, objective business financial performance measures entail financial records that involves actual profit, turnover, return on investment, return on capital employed and inventory turnover. There are various ways of measuring a company’s financial performance all of which should be considered at all cost. For instance, operation revenue, cash flows and total sales could be used to produce financial statements. There are three major financial statements used to gauge a company’s financial capabilities namely; income statements, the balance sheet, and cash flow statements (Sedlaeck, 2011). Financial performance is at the centre of
organizational excelling strategy. In Accounting there are reporting standards such as return on assets (ROA), return on sales (ROS) and return on equity (ROE) which are used in estimating financial success of an organization.

Measuring the financial performance of an organization serves as a source of information on matters financial outcomes and the internal operations exhibited in an organization’s financial statements. Proper financial performance of an organization ensures that an organization’s strategy is successfully rolled out. Ofley (2003) attests that for an organization to thrive financially, and then its financial management must be at its best.

Financial performance can be viewed as a firm’s repayment ability. This is the firm’s capability of settling arrears from resources that are non-operational and operational, and evaluates the ability of a firm to settle all its debts and all financial issues and its ability to invest the extra capital. The figure of accrual net income is the indicator of ability of repayment of a firm. A firm's ability to generate a lot of money does not give the firm a warrant of survivability (Jelic & Briston, 2001).

The whole issue of financial performance has caught the attention of many researchers in the different fields of management and business. Financial performance is a topic of concern by many professionals in all types of institutions since it reflects organizational performance and hence its survival. High performance shows that management is effective and efficient in utilization of the company’s resources, which in turn translates into economic growth of a nation (Naser & Mokhtar, 2004).
1.1.2 Financial Planning Practices

According to Impandey (2013), financial planning is the process of investigating an association's speculation choices and evaluating reserve prerequisite and choosing the wellsprings of assets. Impandey (2013), additionally characterized financial planning practices as a framework that gives direction to the money related administrator in settling on choices identified with venture and monetary choices. Financial planning arranging is accepted to indicate the monetary system of an endeavor and add to the accomplishment of its goals.

Financial planning is in this way characterized as the way toward recognizing the key monetary destinations of a substance and building up an arrangement to accomplish them inside the budgetary system (Ehrhardt & Brigham, 2016). As financial planning is one of the levels of financial planning, it is sensible to acknowledge that it plays out an indistinguishable undertaking from the arrangement of budgetary arranging as a rule also referred to as the financial planning system. Financial planning practices include; dividend policy, investment practices and risk management. Financial planning process comprises of three main elements; budgeting practice, risk management, and Long-term investment which helps transform an association's vision or mission into concrete achievable decision and key execution.

Dividend policy according to Pandey (1999), is a choice by the financial director that manages whether the firm ought to appropriate all profits or hold them or to circulate a segment and hold the adjustment. Profit strategy is a fundamental zone of corporate back and profits are significant money costs for some enterprises. Kehinde and Abiola (2001),
characterized profit arrangement as the profit approach of firm records for how a firm partitions its salary between held income and profits.

Ibrahim, (2011), defines investment practices as the focusing on ventures that effectively influence long-lasting budgetary and operational implications of organizations, which have an effect on the profitability of firms and have a big change on the firm’s ability to compete. These include’ innovative work, consolidation of companies, the presentation of new products, the enactment of new practices of putting together assembling procedures and business advancements.

Risk Management is the process of articulating an opportunity or threat that significantly affects the capability of a firm to survive. According to (Bugalla & Lauria, 2016), Risk Management is a progression of Enterprise Risk Management, which is built on recognized, customary methods of risk management in silos. Therefore, once a company accomplishes a suitable level of risk-based knowledge and development, its management can then have a risk-based outlook and groundwork for practicing an approach to risk management.

1.1.3 Financial Planning Practices and Financial performance

Broad objectives adaption is what is termed as financial planning, use of other financial terms in an organizational and use of strategies (Andersen, 2009). The goals and objectives of an organization are met through financial planning which is a continuous process that helps in directing and allocating the financial resources according to Atieno (2013). Budgets are used in planning as outputs of finances. development or benefit and coordinating the restricted assets appropriately, beginning with the fundamental inquiries
of the amount of money that an investment requires for it entire performance and how the scarce resources can be allocated through the best strategy in order for the firm to achieve it desired objectives whether short lived or long lived. Along these lines, the methods and finishes would be overseen in a more legitimate manner, as far as expanding the adequacy and effectiveness of the settled resource procurement benefit (Arnold & Chapman, 2014).

Performance refers to the act of performing; execution, accomplishment and fulfilment of tasks. In broader sense, performance refers to the accomplishment of a given task measured against pre-set standards of accuracy, completeness, cost, and speed. Financial performance is the extent to which objectives of the firm and in this case financial objectives will be met or have been met. This puts organizations under tremendous strain to create, execute and refresh their monetary administration techniques. To do this, organizations need to create and execute financial planning techniques to oversee and enhance monetary execution. Financial planning systems therefore empower an association to survey its long-term financial planning circumstances, decide its targets, and afterwards detail financial procedures to accomplish those set targets (Aldehayyat, & Twaisi, 2011).

1.1.4 Private Security Industry (PSI) in Kenya

The entire concept PSC originated in the developed countries and later spread into the third world countries (Dempsey, 2008). In Kenya, Private Security Industry (PSI) division is at present to some degree managed yet at the same time not palatable, and principles of administration and polished skill change extensively. The decades have been uniquely testing to those into private security companies (Muturia, 2009). As indicated by
G4S Security Services (K) Ltd, (2016) the organization is encountering a sharp decrease in the overall industry and plunging benefits. This is mostly due to competition from other upcoming of security companies that offer the service at cheaper rates. (Wairagu, Kamenju, & Singo, 2014).

The presentation of control for the private security area came as an issue of earnestness prompting the establishment of the Private Security Industry Regulatory Authority (PSIRA) under 2010 act of Private Security Industry Regulation Bill. Therefore, the expected Security Sector Reform (SSR) rules can help in taming the relationship between private security organizations and law authorization institutions. Nevertheless, the Private Security Industry Regulation Bill, 2010 has some limitations since it does not cover all the aspects entangling the security industries in Kenya. The bill does not have an unmistakable enactment to set up least necessities for the straightforwardness and responsibility of PSC tasks (Wairagu et al., 2004).

In consideration of the Kenyan private security, it is observed that "folder case organizations" that don't work by the book have dependably existed, yet their numbers have expanded as of late (Wairagu et al., 2004). Kaguru and Ombui (2014), featured that a considerable measure of it needs to do with joblessness in light of the fact that where there is more grounded weight on business, individuals will work for not as much as the administration least. They additionally affirmed that keeping up a steadfast customer base inside, Security Companies in Kenya could be accomplished through a financial planning practices and execution to increase upper hand.
The private security industry in Kenya has become a potential employer in Kenya and is growing faster improving the Kenyan economy. For example, the industries was estimated at $43 million and provided employment opportunity to approximately 50,000 Kenyans. It has grown widespread across the country; the growth however is experienced in the urban areas only and not in the rural regions. The industry has bridged the gap which has been left by the government using their security arrangement. (Mkutu & Sabala, 2016). Currently, there is no oversight authority mandated to regulate the private security industry in Kenya. Consequently, the security companies operating in Kenya are over 2000 in number (Mkutu & Sabala, 2016).

Since 2013, revenues from core businesses have grown by 17% and Adjusted EPS by 48% while generating operating cash flow of Ksh 2.5 billion. The private security firms in Kenya recorded revenues at Ksh 2.45 billion in 2017. Strong cash generation has enabled firms to invest in growth, pay dividends of more than Ksh 700 million and at the same time strengthen their financial position. Revenues rose by 3.2% to Ksh 7.4 billion. The combination of growing revenues and improved productivity saw the firm’s adjusted earnings per share rise by 5.9% to 17.9 pence per share. The firms generated operating cash flow of Ksh 527 million, equivalent to 106% (PSI,2018).

1.2 Statement of the Problem

Financial decision making and its influence on organizational performance has received antecedent importance out of realization that it is the decisions which determine resources prioritization, financial position, firm’s external relationships, plans and overall organizational strategy. How the decisions are made, how they impact on the
organization and how to improve on them is now a central concern to the field of management (Naooviai, 2012). The private security industry is progressively perceived as assuming a noteworthy part in supporting conditions helpful for advancement, speculation and development in Kenya (Kaguru & Ombui, 2014). Few studies in Kenya have been undertaken to investigate on the operationalization of private security companies. For instance, a study by Kaguru and Ombui (2014), sought to establish the effect a regulatory framework would have on the financial performance of G4S security Service Company particularly. The study found that a flexible regulatory framework would enhance the financial performance of the private security firm. Although the study considered the effect of decisions on financial performance of private security companies, it was difficult to come up with a common policy guideline because Kaguru and Ombui (2014), focused on only one company. Moreover, no empirical study has been undertaken to address the influence of financial planning practices and performance of private security firms in Nairobi City County, Kenya. It is with consideration to the background above that the study sought to fill the gap by examining the impact of financial planning procedures on the performance of private security firms within Nairobi County.

1.3 General Objective of the study

To evaluate the effect of financial planning practices on financial performance of private security companies in Nairobi City County, Kenya.

1.3.1 Specific objectives

The study addressed the following specific objectives
i. To determine the effect of dividend policy on financial performance of private security firms in Nairobi City County.

ii. To establish the effect of investment practices on financial performance of private security firms in Nairobi City County.

iii. To determine the effect of risk management on financial performance of private security firms in Nairobi City County.

1.4 Research Hypotheses

To effectively address the study’s research objectives and questions, the following hypotheses were formulated:

\( \text{H}_0^1: \) Dividend policy has no effect on performance of private security firms in Nairobi City County Kenya.

\( \text{H}_0^2: \) Investment practices has no effect on performance of private security firms in Nairobi City County Kenya.

\( \text{H}_0^3: \) Risk management has no effect on performance of private security firms in Nairobi City County Kenya.

1.5 Significance of the study

The findings of study assist in the formulation of policy guidelines for application in the private security firms, specifically in strengthening the policies on financial planning practices and financial performance. Policy makers include the government and the legislators who come up with the laws that govern how private security firms or any firm
in the country operates. Policy makers in individual security firm also dictate how the firm carryout its day-to-day operations.

This study also goes a long way in ensuring that the private security firms employ proper financial planning practices that in turn ensure that the public reaps maximum benefits from the private security firms. This implies that through financial planning practices there will be proper long-term resource management. The study implications are also aimed at assisting different security firms achieve success in their planning and financial performance through identifying best practices on planning aimed at improving financial performance for optimal profitability.

The research will add to the current literature in financial planning practices field and performance, which will be beneficial to the academicians. Because the area of research is relatively thin in Kenya, then it should also act as an incentive for additional research which will improve and outspread the current study. To scholars the study will be important in discovering the direct association between managing financial planning practice. The results are of great help to researchers and scholars, because it will provide useful reference which can be used as literature for future studies, for it is anticipated to assist them increase over-all information on the topic in terms relationship of variables.

1.6 Scope of the Study

This study was limited to the private security companies in Nairobi city county Kenya and their effects of practices of financial planning on financial performance. It also paid close attention to the effect of dividend policy, effective investment practices and
accurate risk management in relation to financial performance of private security firms in Nairobi County.

The researcher targeted all the forty-one licensed and registered under KSIA private security companies in Nairobi City County-Kenya. The study was based on the last ten years financial results of the companies concerned. The secondary data contained financial statements of the companies ranging from 2008 to 2017. A descriptive transverse design was applied in the study. The design was more appropriate since it brought out the organization’s tradition and exhibited the underlying significant relationships of the variables under investigation. Sufficient data was collected for the study.

1.7 Limitations of the Study

The study faced a challenge of non-participation by some respondents because of fear of exploitation and incrimination by management. Respondents may have expected that their identities would be uncovered for giving out data about the organization. In alleviation, the investigation persuaded the respondents that the examination was entirely for scholastic reasons and that any data would be treated as classified information.

The private sector is considered sensitive and may be viewed as confidential. In this regard, some managers hesitated to fill in the questionnaire for fear of releasing it to their competitors. To mitigate on this problem the researcher persuaded them that the examination was entirely for scholastic reasons and that any data would be viewed as classified.

Some managers in the organizations were involved in tight engagements due to their busy schedule of work hence their availability as respondents was limited. To mitigate this
problem, the researcher allocated more time to data collection. Duration of two weeks was allowed for data collection.

1.8 Organization of the Study

Five chapters are used to organize the study. Chapter one covers the background of the study, problem statement, purpose of the study, objectives, research questions, and study organization. Chapter two is organized into; theoretical framework, empirical review, summary of reviewed literature gap and conceptual framework. The subtopics under theoretical review include; Modigliani and Miller dividend irrelevance theory, Agency theory and Modern portfolio theory. The subtopics under empirical review present the following subtopics: dividend policy, investment practices and risk management in relation to financial performance.

Chapter three covers the research methodology used in the study. The study describes the activities undertaken during the study including the; research design, target population, methods of data collection, procedure of the research, analysis of the data, interpretation and presentation. It also highlights the ethical issues.

Chapter four presents and discusses the findings derived from analysis of the data gathered for the study. Lastly, chapter five presents a summary of the key findings made by the study, conclusions drawn from the findings, and recommendations proposed by the researcher. The study also discusses suggested areas for future research on the subject of financial practices.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter looks at related work developed and written by other scholars. This chapter begins by outlining the main theoretical literature work relating to financial planning practices and financial performance. This chapter further examines the empirical literature on the empirical studies undertaken by different scholars in the field. Lastly, this chapter summarizes the literature identifying the research gap that the study pursues to fill.

2.2 Theoretical Literature Review
This study was based on the Modigliani-Miller Dividend Irrelevance Theory, Agency Theory and Portfolio theory.

2.2.1 Modigliani-Miller Dividend Irrelevance Theory
Miller and Modigliani (1961) attested that dividend policy is not relevant for the cost of capital and the company worth. This world avoids taxes and transaction costs. At this point investors can build an income pattern by trading shares, the expected return required would be inconsistent to the way the company receives its dividend policy and new matters regarding offers. Since the company’s ventures openings, expected future net money streams and cost of capital are not influenced by the decisions of guidelines, its market value is unaffected by any adjustment in the association's payout design. Therefore, guidelines are not essential, and a company can pick any payout design without influencing its net worth. Miller and Modigliani theory implies that guidelines are influenced by the firm's speculations and financing choices. Miller and Modigliani theory (1961) contended that the company's net worth is resolved just by its fundamental
acquiring force and its business risk. With reference to our major variables in focus, the theory is suitable for the study since it describes how guidelines of policies can influence a company's financial performance. Specifically, the theory reveals that profitability is the only factor that can be used in establishing firm valuation and that if the dividends are set to high, the firm has to compensate that effect by issuing new shares. Therefore, for this study, the theory indicates that private security firms are set up on the principle that firm valuation is dependent on the revenues generated rather than retained profits.

2.2.2 Agency Theory

Agency theory elaborates company investigation to consider proprietorship division and control and the inspiration of the administration. In organization risk, management matters seem to influence administrative thinking on hedging and taking risks (Smith and Stulz, 1985). Agency costs showed an upward trend from detachment of possession and control of circumstances, which are not reconcilable between agents and principals. (Pandey, 2007), Jensen (1986) and Williamson (1988), describe an agreement as a disciplinary rule to warrant administrators an offer inclination towards making best use of wealth for the shareholders. Therefore, in the organizations that generate high income and profit, making agreements more extensive can be acquired as a tool to narrowing down the extension for administrators until the point when assets of organization may not be vandalized because of their individual function. In this way, organizations with fewer obligations have more chances to venture and in examination, with other varying companies in the security industry, they have greater liquidity. The contention between advantages of investors and creditors has outcomes like increment of loan fee by banks,
expansion of supervision expenses and lessening of venture. Along these lines, this contention shows that high debt use prompts poor performance (Barako, 2010).

With reference to our major variables in focus, the theory is suitable for the study since it describes how investment policy can affect the financial wellbeing of a company. In particular, as per the tenets of this proposition, the major aim of a company is to make best out of its stock market value. Simply put, those managing the firm bear the responsibility of achieving that target, that is for maximizing shareholders wealth. Therefore, the achievement that a private security company gets reveals how successful the management is in adapting to changing situations. The response of a company in a quick manner is attributed to the business environment changes, which ultimately highlights a company's management quality.

2.2.3 Modern Portfolio Theory

Modern Portfolio Theory by Harry Markowitz’s phenomenon of portfolio choice is seen when the future is not predictable. In this theory, he evaluated the line of distinction in the portfolio assets and the overall chance of the portfolio (Amenc & Le Sourd, 2003). The conjecture gives an answer to the issue of portfolio decision for risk opposed financial specialist: the ideal portfolios, from the risk adverse investor perspective, are characterized as those that have the least risk for a given return.

The theory is relevant to the study because it suggests that it is practical for money related masters to fabricate a capable front line of perfect portfolios, which offers the most extraordinary and possible expected financial returns in consideration to a specific risk level. It gives powers and suggests that, for speculators it is not adequate just to focus
at the ordinary dangers and stock return of one stock. By placing assets into various stocks, a money related authority can win in the event of expanding, by lessening the dangers in the portfolio given. This theory thus tries to quantify the benefits of enhancement and spreading risk.

2.3 Empirical Review

This chapter reviews empirical literature relevant to each of the selected elements of planning practice, which are; dividend policy, investment practices and risk management and financial performance.

2.3.1 Dividend Policy and Financial Performance

A study by Maladjian and El Khoury (2014), was based on the principal components of policy guidelines of Lebanese banks, recorded at the Beirut stock market. Seven factors were put under these included; firm efficiency as far as productivity, liquidness, obligation value coefficient, company size, firm development over time, chance profile and profit pay-out proportion for the past period. It was delineated that a proportional difference in the degree of the firm, risk level and earlier year's dividend payout policy provoked a proportionate difference in profit pay-out proportion. While a concurrent upward trend in firm development change over time and income prompt less alluring change in profit payout proportion. The research did not examine the relationship between financial performance and investment decision as well as management of risk.

Uwuigbe (2013), researched on link between financial performance and dividend policy of firms listed at the Nigerian stock Monetary records for the period near 2006 and 2011 were utilized to gather the applicable information. Relapse procedure was utilized for
information investigation and it was realized that there is a correlation between size of firms and dividend policy, financial performance and autonomy of the board was corresponding and measurably important for recorded companies at the Nigerian bourse. The study did not test the applicability of the findings regarding the influence of dividend policy on financial performance in private security companies.

A study by Bunyasi (2007), focused on the effects of dividend pay-out option on the market value of shares of public companies quoted at the NSE. The study focused on event study for the period between 1997 and 2005. She concluded that dividend pay-out in the Exchange signals investors’ wealth thus resulting to price changes due to the confidence gains. The study focused on dividend pay-out hence the need to assess dividend policy in other industries such as private security firms.

2.3.2 Investment Practices and Financial Performance

Ayman (2011) investment practices have a considerable level of impact on the financial and operation execution of these firms in the long run and hence an influence on their competitive and extremely hard for new firms to cope with the situation concentrates here. Patra (2008) pointed out the significance of information in an effective internationalization. The research did not establish the applicability of the findings regarding the influence of investment practices on financial performance in private security companies.

Patra (2008) examined the relationship between finance and investment practices together with the spread of liquidity and remittances from Taiwan and China Stock Markets from industries. Granger method asserts that there is a correlation between decisions of investment, remittances, and choices of the cash dividend distribution both in the stock...
markets of China and Taiwan after an investigation on their dynamic relationships was carried out. With regard to this therefore, the study recommends that the required influencers seek a joint operation of these to achieve desired goals. The study only focused on the relationship between investment finance and investment practices and did not incorporate financial performance of private security companies.

According to Okumu (2004), the results are probably going to be more positive when these essential practices are finished considering the authoritative objectives, for example, development or benefit and coordinating the restricted assets appropriately, beginning with the fundamental inquiries of the amount of money that an investment requires for it entire performance and how the scarce resources can be allocated through the best strategy in order for the firm to achieve it desired objectives whether short lived or long lived. Along these lines, the methods and finishes would be overseen in a more legitimate manner, as far as expanding the adequacy and effectiveness of the settled resource procurement benefit. The study did not establish the relationship between investment decisions, dividend policy and financial performance of private security companies.

2.3.3 Risk Management and Financial Performance

Njoroge (2013) did study the risk management practices by AAR Insurance Company and singled out that the most dangerous risk facing any company was reputational risk. A case study was utilized in the study. The target population was made of 40 principle management and senior staff at AAR Insurance Kenya Limited from the finance department, underwriting and 31 operations the examination suggested that the Board
should keep going out on a limb proprietorship and driving the risk policy over the business. It was likewise suggested that the association should centre around new rising danger composes, for example, notoriety, operational dangers and IT security while not losing centre around the customary dangers, for example, credit and market dangers. AAR ought to likewise characterize Risk Management structure and program which empowers viable revealing and union of information. The study did not establish the relationship between investment decisions, dividend policy and financial performance of private security companies.

Singapore Government (2012) and the Institute of Chartered Accountants concentrates in England and Wales that human capital envelops the most essential chance among firms that are independent. High trained personnel output and lack of knowledge both result in wastage of labour and additional planning cost. In the long run, human factor decreases the prosperity and wellbeing and changes the overview of the brand of independent ventures as a business (Alpa & Virdi, 2005)

A study by Hameeda and Al Ajmi (2012) focussed on conventional and Islamic Bahrainian banks. The objective of the study was to identify management of risks by the banks. The findings indicated that the Brahanian banks had a deep understanding of risk management. Moreover, it was discovered that it had effective hazard recognizable proof, chance appraisal examination, and chance checking and credit chance investigation. They likewise set up that credit, liquidity and operational limit were the most imperative risks standing up to both customary and Islamic banks in Bahrain. The risk management sharpens were directed by how much overseers grasped risk and risk management effective risk distinguishing proof, chance evaluation examination, chance observing and
credit chance investigation. From the examination, Islamic banks were observed to be essentially not the same as their customary partners in articulating risk management dangers. High danger was identified to occur more in Islamic banks in comparison to regular banks. The relationship between investment, dividend policy and financial performance was not tested in the study.

Yusuwan, Adnan and Omar (2008), concentrated on recognizing the level of familiarity with chance administration in their investigation the management of chance practices on construction companies in Klang Valley, Malaysia, which they carried out to determine the policy procedures followed in tackling risks involved in construction companies and identifying risk management challenges and issues. They used poll surveys and gatherings to assess 27 public and privately-owned businesses working in Klang Valley. Their investigations presumed that risk management emphatically adds to the profitability and monetary execution. The study did not establish the relationship between investment decisions, dividend policy and financial performance of private security companies.

2.4 Summary of Research Gap
A good number of scholars have done various studies on financial planning practices. This gave a guiding concept on for the study. However, it was not exhaustive but rather seemed general on the issue. Some studies contributed much but were silent on the relationship between financial planning practices and performance, which is the main focus of this study. There was no contribution of new knowledge on private security firms. However, the theoretical foundation and financial planning practices literature provides very good information and guidance on financial planning practices.
It is also evident from the empirical literature that many writers argue that financial planning practice facilitates effective organization. It is also important to realize that none if not little empirical information is available with regards to the relationship between financial planning practices and financial performance of private security firms in Nairobi city county Kenya. This gap epitomizes the current research objective of this study, which is the analysis of financial planning practices elements (dividend policy, working capital management and budgeting practice) and financial performance of private security firms in Nairobi city County Kenya.
<table>
<thead>
<tr>
<th>Author year</th>
<th>Study focus</th>
<th>Findings</th>
<th>Research gaps</th>
<th>Focus of the current study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joshua, Wallace &amp; Viatalis</td>
<td>Influence of financial planning practices on the performance of county governments</td>
<td>Positive relationship between performance of county governments and budgeting practices,</td>
<td>Need to test the applicability of the results in private security firms in Nairobi County.</td>
<td>The study assessed the influence of practices of financial on financial performance of private security firms in Nairobi, Kenya.</td>
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<tr>
<td>(2016),</td>
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<tr>
<td>Maladjian and El Khoury</td>
<td>Determinants of dividend policy of banks in Lebanon listed in the Beirut stock exchange</td>
<td>Level of risk and year’s dividend policy resulted in proportionate dividend change pay out</td>
<td>The study focused on banks hence the need to assess companies in other industries such as private security firms.</td>
<td>The research assessed the influence of dividend policy on financial performance of private security companies</td>
</tr>
<tr>
<td>(2014),</td>
<td></td>
<td></td>
<td>Did not examine the relationship between financial performance and investment decision as well as management of risk.</td>
<td>The study tested the relationship between investment decision, risk management, and financial performance of private security firms.</td>
</tr>
<tr>
<td>Author (Year)</td>
<td>Title</td>
<td>Findings</td>
<td>Conclusion</td>
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<td>-----------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Uwuigbe (2013),</td>
<td>The link between dividend policy and financial performance of listed companies in the Nigerian stock exchange</td>
<td>Dividend policy and financial performance was important and proportional for listed companies in the Nigerian bourse</td>
<td>Relationship between investment decision, risk management and financial performance not established. Need to test the applicability of the findings regarding the influence of dividend policy on financial performance in private security companies. The study assessed the effect of dividend policy on financial performance of private security firms.</td>
<td></td>
</tr>
<tr>
<td>Njoroge (2013),</td>
<td>Practices of risk management by AAR Insurance</td>
<td>Observed the most significant risk to be reputational risk</td>
<td>Relationship between investment, dividend policy and financial performance not addressed.</td>
<td>The study tested the relationship between investment decision, risk management, and financial performance of private security firms.</td>
</tr>
<tr>
<td>Mwangi (2013),</td>
<td>Practices of management and performance of big Kenyan pharmaceutical companies.</td>
<td>Companies that embraces management experienced improved financial performance</td>
<td>Relationship between investment, dividend policy and financial performance not addressed. Need to test the applicability of the results in private security firms</td>
<td>The study will confirm the influence of practices of risk management on financial performance of private security companies.</td>
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<tr>
<td>Hameeda &amp; Al Ajmi (2012),</td>
<td>practices of risk management on Islamic and conventional Bahrainian banks</td>
<td>Positive correlation between risk management practices and financial performance</td>
<td>Relationship between investment, dividend policy and financial performance not tested. Need to test the applicability of the results in private security firms</td>
<td>The study tested the relationship between investment decisions, dividend policy and financial performance of private security companies. The study assessed the</td>
</tr>
<tr>
<td>Authors</td>
<td>Research Title</td>
<td>Findings</td>
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<tr>
<td>Ayman, (2011),</td>
<td>Influence of management practices on financial performance</td>
<td>Investment practices affect the long-term financial and operational outcome of firms and have a great effect on the level of competition of organisations. Relationship between risk management, dividend policy and financial performance not established. Need to test the applicability of the results in private security firms. The study tested the link between management of risk, dividend policy and financial performance of private security companies.</td>
<td>influence of practices of risk management on financial performance of private security companies</td>
<td></td>
</tr>
<tr>
<td>Yusuwan, Adnan &amp; Omar, (2008),</td>
<td>practices of risk management on construction project companies in Klang Valley, Malaysia</td>
<td>Risk management encourages financial performance productivity. Relationship between investment, dividend policy and financial performance not established. Need to test the applicability of the results in private security firms. The research analyzed the relationship between investment decisions, dividend policy and financial performance of private security companies. The study investigated the influence of risk</td>
<td></td>
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<tr>
<td>Patra, (2008),</td>
<td>Relationship between finance and investment practices and the distribution of cash dividends and returns of the stock market”</td>
<td>Positive relationship between profits (returns the cash dividend distribution) and investment practices</td>
<td>Relationship between risk management and financial performance not established. Need to test the applicability of the results in private security firms.</td>
<td>The study tested the link between management of risk and financial performance of private security firms. The research assessed the effect of dividend policy and investment decisions on financial performance of private security firms.</td>
</tr>
<tr>
<td>Author (Year)</td>
<td>Title</td>
<td>Description</td>
<td>Need</td>
<td>Findings</td>
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<td>--------------</td>
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<tr>
<td>Rosily (2007),</td>
<td>Impact of financial planning on Canadian’s emotional and financial wellbeing.</td>
<td>Canadians report significantly higher levels of financial wellbeing compared to their limited planning counterparts</td>
<td>Need to test the applicability of the results in private security firms in the Kenyan context</td>
<td>The study assessed the influence of financial practices on financial performance of private security companies in Nairobi, Kenya.</td>
</tr>
<tr>
<td>Bunyasi (2007),</td>
<td>Influence of dividend policy on the value of the market of shares of public companies quoted at the NSE.</td>
<td>Dividend pay-out in the Exchange signals investors’ wealth thus resulting to price changes due to the confidence gains</td>
<td>Need to test the applicability of the findings regarding the influence of dividend policy on financial performance in private security companies. Relationship between investment decision, risk management and financial performance not established.</td>
<td>The study examined the influence of dividend policy on financial performance of private security firms. The study tested the relationship between investment decision, risk management, and financial performance of private security firms.</td>
</tr>
<tr>
<td>Muli (2003), Property risks management in Kenya. Insurance sector case study</td>
<td>practice of risk management influences the financial performance of insurance firms</td>
<td>Relationship between investment, dividend policy and financial performance not tested. Need to test the applicability of the results in private security firms</td>
<td>The study tested the relationship between investment decisions, dividend policy and financial performance of private security firms. The study assessed the influence of risk management practices on financial performance of private security companies</td>
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</tbody>
</table>
2.5 Conceptual Framework

Conceptual framework is described as a segment of the sensible research process in which a thought is portrayed as a quantifiable situation or in quantifiable terms that basically gives an indisputable significance of the thought (Cooper and Schindler, 2010). A conceptual framework can likewise be described as a diagrammatic presentation of the connection among independent and dependent variables as illustrated in Figure 2.1.

![Conceptual Framework Diagram]

**Independent Variables**
- Dividend Policy
  - Cash dividend
  - Stock dividend
- Investing practices
  - Research and development practices
  - Acquisition practices
- Risk Management
  - Risk Identification
  - Risk assessment
  - Risk evaluation
  - Risk control

**Dependent Variable**
- Financial Performance
  - Return on Equity
  - Earnings Per share
  - Market share

**Hypotheses**
- \( H_0_1 \)
- \( H_0_2 \)
- \( H_0_3 \)

**Figure 2.1: Conceptual Framework**

*Source: Researcher (2018)*
The conceptual framework relates dividend policy, investment practices and risk management to financial performance. As financial planning is one of the levels of financial planning, it is sensible to acknowledge that it plays out an indistinguishable undertaking from the arrangement of budgetary arranging as a rule also referred to as the financial planning system which affects financial performance. The dividend policy influences the financial performance in terms of cash dividend and stock dividend. On the other hand, risk identification, risk assessment, risk evaluation and risk control also influence financial performance.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section covers the research methodology used in the study. The study describes the activities undertaken during the study including the; research design, target population, methods of data collection, procedure of the research, analysis of the data, interpretation and presentation.

3.2 Research Design

Mugenda and Mugenda (2009), states that a research design is a structure determining the techniques and methods for gathering and investigating the required data. The study adopted a descriptive research design. As indicated by Cooper and Schindler (2010), the aim of a descriptive design is to get a precise method for catching a populace's attributes at a solitary point in time identifying with what, where, how, who and when of an examination subject. This examination configuration is suitable for the investigation as the study has the chance to generalize about piece of the individuals from the populace keeping in mind the end goal to make speculations regarding the phenomenon. The descriptive design is viewed as solid for setting up connections and reasonable of a phenomenon, circumstance, or issue demeanor by thinking about a cross-segment of the populace during a specific time.

3.3 Target Population

According to Cooper and Schindler, (2010) a target population is the whole conglomeration of research participants who meet the assigned arrangement of study
criteria. The study targeted all the forty-one licensed private security companies that are registered by KSIA in Nairobi County city-Kenya (KSIA, 2018).

3.4 Sample Size and Sampling Design

According to Cooper and Schindler (2010), sample size is the number of sampling units which are to be included in the sample. The study applied the census method and sampled all 41 licensed private security companies. To select the respondents, stratified random sampling is utilized; hence it is suitable for the study as it ensures a representative sample. To start the sampling process, the populace was divided into strata on the basis of management level. Then simple random sampling was utilized to obtain a sample population from each stratum. Each respondent gets an equal probability of being selected for participation for the study using simple random sampling (Cooper & Schindler, 2010). According to Mugenda and Mugenda (2003), 30% of the population size is sufficient for the study. At least 30% of the total population is representative (Borg and Gall, 2003). The distribution of the sample size is shown in Table 3.3. The study had a sample size of 286 respondents from which Senior Management had 39 respondents, Low-level Management 28 respondents and 219 Security Staff.

Table 3.2: Sample Size of the Study

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Target Population</th>
<th>Sample (30%)</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>130</td>
<td>39</td>
<td></td>
</tr>
<tr>
<td>Low-level Management</td>
<td>95</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Security Staff</td>
<td>733</td>
<td>219</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>958</strong></td>
<td><strong>286</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: KISIA (2018)*
### 3.5 Operationalization and Measurement of Variables

This chapter outlines the key parameters used as measurement of variables for the study and the anticipated hypothesis direction of each as illustrated in Table 3.3.

**Table 3.3: Operationalization and Measurement of Study Variables**

<table>
<thead>
<tr>
<th>Category</th>
<th>Measurement of variables</th>
<th>Operationalization Parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend Policy</td>
<td>Dividend Payout ratio</td>
<td>• Cash dividend (Cash issued to shareholders)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Stock dividend (additional shares)</td>
</tr>
<tr>
<td>Investment</td>
<td>Capital structure mix</td>
<td>• Research and development practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Acquisition practices</td>
</tr>
<tr>
<td>Risk Management</td>
<td>Risk Management Policy</td>
<td>• Risk Identification</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risk assessment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risk evaluation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Risk control</td>
</tr>
<tr>
<td>Performance</td>
<td>Return on Investment</td>
<td>• ROI</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Earnings Per Share</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Profitability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Market share</td>
</tr>
</tbody>
</table>

*Source: Author (2018)*
3.6 Data Collection Instruments

The study used both primary and secondary data. Primary data was gathered from the respondents in the sample using semi-structured questionnaires.

The questionnaires were appropriate for the study since it ensured the researcher was able to reach a large population of people within a limited time and at lower costs. The questionnaires also help in the reduction of biasness since the respondents did not include their names when filling the questionnaires. Secondary data was gathered from financial reports.

The questionnaires consisted of four chapters. Part I gathered general information on the respondents’ socio-demographic characteristics such as gender, age, and academic qualifications. Part II, III, and IV comprised Likert type scale closed-ended questions assessing the respondents’ views on the effects of dividend policy, investment practices, and risk management practices on financial performance of private security firms respectively.

A 5-point Likert scale was also adopted and used for measuring the responses. Secondary data was sought from annual financial reports of the respective private security firms in Nairobi available on their websites. The secondary data was collected from the financial statements of the companies ranging from 2008 to 2017. Secondary data comprised of newspapers, company audited accounts, internet, research publications and other sources. Data was compiled in the statistical package of social science software.
3.7 Pilot Study

The study assistants were used to steer the questionnaires so as to measure the questionnaires strength through the pilot study. Any possible deficits, errors and omissions which could be present in the questionnaire were identified through the pilot test and they were removed before the real data was gathered as indicated by Brotherton (2008). A total of 10 respondents was used for pilot study and were picked at random. Test re-test approach was used to test for instrument reliability. The instruments were self-administered and re-administered to respondents within a one-week interval.

Bryman and Bell (2011), argue that a pre-test of the questions with suitable respondents can help to assess whether the questionnaire is going to cause any problems for respondents. For reliability testing, the questionnaires were administered to 10 respondents who were selected by the researcher.

3.8 Validity and Reliability of Research Instrument

3.8.1 Validity

Validity is the degree to which inquiries about outcomes can be precisely interpreted and summed up to different populations. It is the degree to which research instruments measure what they are expected to quantify (Mugenda & Mugenda, 2010). Content validity was used to assess the quality of the questionnaire. Mugenda and Mugenda (2003), noted that content validity of a research instrument represents a particular domain of markers or substance of a specific subject. Content authenticity of a study instrument is upgraded through judgment by experts. Content legitimacy suggests whether an instrument gives agreeable extent of a subject. In such manner, the researcher looked for
the opinions of specialists in the field of concentrate particularly lecturers and supervisors. This encouraged the vital correction and change of the study instruments in this way upgrading validity.

The content validity of the instrument was resolved in two different ways. First the scientist examined the instrument items with the academic supervisor, and arbitrarily interacted with the staffs in the security organizations. These staffs demonstrated by a tick for each questionnaire item in the event that it quantified what should gauge or not. The advice included recommendations, elucidations and different sources of information which were utilized in rolling out fundamental improvements. The average content validity Index (CVI) formula used to capture adequate and representative sets of items which were used to tap the content was;

Content Validity Index = \( \frac{\text{Number of items declared valid}}{\text{Total number of items}} \)

3.8.2 Reliability

Reliability is a measure of how consistent the results from a test are. The researcher used the Cronbach's alpha to assess the interior consistency of the questionnaire. Acceptable reliability coefficient is expected to be 0.7 and above (Nunnaly, 1978). If the coefficient falls below 0.6, the researcher will make necessary corrections to the research instrument. All the variables had a reliability of more than 0.7. The pilot test showed that the scales measuring the objectives had a very high reliability after a few amendments
3.7 Data Collection Procedure

Before going to the field, the researcher applied for a research permit from National Commission for Science Technology and Innovation (NACOSTI). The permit proved that the researcher has been cleared to carry research in the study location. Prior to conducting the actual study, the questionnaire was subjected to a pilot study to ensure that it is manageable, relevant and effective. The research assistants were used to issue the questionnaires to the respondents through self-introduction. The respondents were presented with the questionnaires accompanied by an introduction letter from the university. In addition, secondary data was extracted for the audited financial statement for the previous five years.

3.9 Data Analysis and Presentation

The data collected was analyzed using Statistical Package for Social Science version 21 after the data was edited, coded and entered in the software. Mugenda and Mugenda (2003), explain that editing of data is done to eliminate any errors. For consistencies and completeness, the data was edited before analysis. To analyze the information gathered the data was analyzed using inferential and descriptive analysis.

Simple statistical methods are what descriptive statistics are, their main role was no identify the relationship between variables in data description. Organization of data is done effectively and in an organized manner through the help of descriptive statistics.

The findings were categorized using tables, frequency distributions, and charts. Inferential statistics were utilized to show the correlation between the variables.

The study applied the following regression model
\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \] 

(1)

\[ Y = \text{Financial Performance} \]

\[ \beta_0 = \text{Constant} \]

\[ X_1 = \text{Dividend policy} \]

\[ X_2 = \text{Investing practices} \]

\[ X_3 = \text{Risk management} \]

\[ \beta_1 \text{ and } \beta_3 \text{ are the regression co-efficient or change introduced in } Y \text{ by every independent variable} \]

\[ \varepsilon = \text{the random error term taking care for all other variables that influence financial performance process but not captured in the model.} \]

ANOVA test was carried to find the level of significance of the variance by the use of a one-Way ANOVA with aim of determining the existence of significant variations between the variables.

### 3.10 Ethical Considerations

Prior to going to the field to collect data, first the researcher applied for a research permit from National Commission for Science Technology and Innovation (NACOSTI). The permit showed that the researcher has been cleared to carry research in the various private security firms within the Nairobi. In addition, the study ensured that the necessary diligent elucidations are given to the respondents prior the start of the examination. In leading the investigation, the researcher strived to pursue the examination moral
guidelines by acquiring verbal and written assent from the respondents. Besides, the information gathered was treated with privacy and was not to be uncovered to some other outsider.
CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings derived from analysis of the data gathered for the study. The study gathered both secondary and primary data. The chapter begins by describing the response rate of the questionnaires used to gather the primary data. In the second part, general information of the respondents is presented. Next, results addressing the research questions of the study are presented. The last part of the chapter contains a discussion of the findings in relation to previous studies.

4.2 Response Rate

The breakdown of the response rate corresponding to the questionnaires is shown in Table 4.1.

Table 4.4: Response Rate

<table>
<thead>
<tr>
<th>Response</th>
<th>Target Sample Size</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>41</td>
<td>87.80%</td>
</tr>
</tbody>
</table>

Source: Author (2018)

The study used a population size of 41 from which 36 fully responded to a questionnaire and gave back the answered questionnaires making a participation rate of 87.80%. The rate of participation was adequate to represent the general population and draw conclusions. Mugenda and Mugenda (2011) maintained that a 50% response rate is
sufficient, 60% is good, and above 70% is excellent for analysis and presentation of findings. On the basis of the contention the rate of response for the study was perfect.

4.3 Reliability Analysis

A reliability test for dividend policy, investing practices and risk management, was done and the results shown below.

Table 4.5: Reliability Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>No. of Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend policy</td>
<td>.834</td>
<td>8</td>
</tr>
<tr>
<td>Investing practices</td>
<td>.921</td>
<td>7</td>
</tr>
<tr>
<td>Risk management</td>
<td>.895</td>
<td>11</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Table 4.6 above shows that all the measures were above the 0.7 threshold as recommended by Nunnaly (2010). Pilot test discoveries showed that dividend policy scale had a Cronbach’s reliability alpha of 0.834, investing practices scale had an Alpha value of 0.921, risk management had Alpha value of 0.895. The pilot test showed that the scales measuring the objectives had a very high reliability after a few amendments.

4.4 Respondents’ Demographic Information

This section presents background characteristics of the respondents in terms of gender, age and tenure
4.4.1 Respondents’ Gender

The respondents were asked to indicate their gender. The participants’ responses were summarized using frequencies and percentages, as shown in Table 4.2.

**Table 4.6: Respondents’ Gender**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>21</td>
<td>58.3%</td>
</tr>
<tr>
<td>Female</td>
<td>15</td>
<td>41.6%</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100%</td>
</tr>
</tbody>
</table>

*Source: Author (2018)*

Table 4.7 shows that the majority (58.3%) of respondents were male while the remaining 41.6% were female. As revealed by the results, both genders were fairly represented in the study and thus the findings obtained would not be characterized by gender bias. The findings imply that the two-thirds gender rule was in place.

4.4.2 Respondents’ Age

The study also sought to determine the distribution of the respondents by age. The respondents were categorized into the following age brackets; 18-25 years, 26-20 years, 31-35 years, 36-40 years, 41-45 years, 46-50 years, and 51 years and above. The distribution of the respondents according to these age-brackets is presented in Table 4.3.

**Table 4.7: Respondents’ Age**

<table>
<thead>
<tr>
<th>Age Bracket</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>3</td>
<td>8.33</td>
</tr>
</tbody>
</table>
Table 4.8 shows that the (16.67%) of respondents belonged in the 31-35 years bracket, closely followed by 11.11% belonging to the 26-30 years group. 8.33% of the respondents reported they fit in the 18-25 years category while 11.11% indicated they fell between the ages of 36 and 40 years. The remaining respondents distributed among those that belonged to the 41-45 years bracket 30.55% - and 46-50-years group 22.22% This indicates that the majority of the respondents were in a position to respond to the questionnaires with ease.

### 4.4.3 Respondents’ Work Tenure

The respondents were asked to indicate the number of years they had worked for their respective companies. The tenure was categorized into; Less than 5 years, 5 to 10 years, over 10 years the distribution of the respondents is presented in the Table 4.4 below
Table 4.8: Respondents’ Tenure

<table>
<thead>
<tr>
<th>Tenure</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>9</td>
<td>25%</td>
</tr>
<tr>
<td>5 to 10 years</td>
<td>12</td>
<td>33.33%</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>15</td>
<td>41.67%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Author (2018)*

Table 4.9 above shows that a majority of respondents (41.67%) had worked for over 10 years in their respective private firms. The results also reveal that 33.33% of the participants had worked in their firms for a period 5-10 years. The rest of the respondents (25%) reported they had worked for less than 5 years. These results provided evidence that the participants included in the study had worked for the private security firms long enough and were able to give informed opinions regarding the subject of the study.

### 4.5 Descriptive Statistics

This section addresses the first research question of the study. The participants were asked to indicate using a set of statements their level of agreement to statement focusing on assessment of the impact of dividend policy on performance on the security firms. The statements were measured on a 5-point Likert scale spanning from 1 to 5 where 1 represented “Not at All” and 5 represented “Strongly agree.” The participants’ responses were summarized and analyzed using frequencies, percentages, means and standard deviation. Table 4.10 shows the results of the participants’ responses with regard to the statements.
4.5.1 Dividend Policy

Table 4.9: Dividend Policy

<table>
<thead>
<tr>
<th>Dividend Policy</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend policy is reexamined often</td>
<td>4.34</td>
<td>1.04</td>
</tr>
<tr>
<td>The organization involves personnel in setting the dividend policy</td>
<td>4.32</td>
<td>1.11</td>
</tr>
<tr>
<td>Market prices are more influential in determining stock prices than dividend policy.</td>
<td>4.25</td>
<td>1.33</td>
</tr>
<tr>
<td>The organization has an explicit target payout ratio</td>
<td>4.21</td>
<td>0.76</td>
</tr>
<tr>
<td>Changes in dividends payout affect the firm value</td>
<td>4.20</td>
<td>0.68</td>
</tr>
<tr>
<td>The management is most influential in developing the dividend policy</td>
<td>4.19</td>
<td>0.98</td>
</tr>
<tr>
<td>Dividends have an effect on the value of the firm</td>
<td>4.17</td>
<td>1.06</td>
</tr>
<tr>
<td>An optimal dividend policy strikes a balance between current dividends and future growth that maximizes firm value</td>
<td>4.09</td>
<td>0.34</td>
</tr>
</tbody>
</table>

Source: Author (2018)

Table 4.10 shows that a majority of respondents agreed that the dividend policies in their firms are reexamined often (mean = 4.34, std dev = 1.04), the firms include personnel in developing the dividend policies (mean = 4.32, std dev = 1.11), Similarly, a large fraction of respondents strongly agreed that; market prices are more influential in determining stock prices than dividend policy (mean = 4.25, std dev = 1.33), changes in dividends payout affect the firm value (mean = 4.2, std dev = 0.68), their firms have explicit target payout ratios (mean = 4.19, std dev = 0.98),

The study further found that dividends have an effect on the value of a firm (mean = 4.17, std dev = 1.06) Comparably, respondents agreed that an optimal dividend policy strikes a
balance between current dividends and future growth that maximizes firm values (mean = 4.09, std dev = 0.34). The findings are in line with Maladjian and El Khoury (2014), who observed that there was a proportional difference in the degree of the company, level of risk and earlier annual dividend pay-outs policy provoked a proportionate difference in profit pay-out proportion.

**4.5.2 Investment Practices**

To further probe into the effect of financial planning practices on financial performance, the researcher asked the respondents to give their views on the impact of investment practices on the performance of their firms. The respondents’ views were measured on a 5-point Likert scale and analyzed using percentages, mean, as well as, standard deviation. Table 4.11 displays the results of the analyzed responses.

**Table 4.10: Investment Practices**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The organization’s investments have significantly improved its overall financial performance</td>
<td>4.64</td>
<td>0.29</td>
</tr>
<tr>
<td>There is a link between investment and performance and organizational survival with regards to its financial performance</td>
<td>4.56</td>
<td>0.44</td>
</tr>
<tr>
<td>The firm always achieve its key goals, strategies, and objectives and this can be attributed to its superior investment practices</td>
<td>4.35</td>
<td>1.22</td>
</tr>
<tr>
<td>The organization’s only makes major acquisition after proper research is conducted</td>
<td>4.46</td>
<td>0.42</td>
</tr>
<tr>
<td>The capital structure can be said to have improved performance</td>
<td>4.42</td>
<td>1.02</td>
</tr>
</tbody>
</table>
All managers participate in research and development 4.36 0.98
process
There is an active research and development department 4.18 0.21
present

Source: Author (2018)

Table 4.11 shows that majority of respondents strongly agreed that; their firms’ investments have significantly improved the firms’ overall financial performance (mean = 4.64, std dev = 0.29), there is a link between investment and financial performance, as well as, organizational survival (mean = 4.64, std dev = 0.29), and their firms always achieve key goals, strategies and objectives due to superior investment practices (mean = 4.56, std dev = 0.44). The findings are in line with Patra (2008), that there is a correlation between decisions of investment, remittances, and choices of the cash dividend distribution.

In the same light, the respondents expressed strong agreement with the statements that; their firms’ only make major acquisitions after proper research is conducted (mean = 4.35, std dev = 1.22), the capital structure of their firms have improved organizational performance (mean = 4.46, std dev = 0.42), and that their firms have an active research and development department (mean = 4.42, std dev = 1.02). The results also show that respondents agreed that all managers in their firms take part in the researcher and development processes geared towards investment (mean = 4.36, std dev = 0.98). The findings concur with Ayman (2011) that investment practices have a considerable level of impact on the financial and operation execution of these firms in the long run and hence an influence on their competitive and extremely hard for new firms to cope with the
situation concentrates here pointed out the significance of information in an effective internationalization.

4.5.3 Risk Management

The findings in this section seek to address the second research question of the study that sought to investigate the influence of investment practices on financial performance of private security firms in Nairobi City County. In doing so, the respondents were asked to indicate their level of agreement with a number of statements measured on a Likert scale. The participants’ responses were analyzed using descriptive statistics and the results are displayed in Table 4.12.

Table 4.11: Risk Management

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks faced by the organization significantly affect performance</td>
<td>4.50</td>
<td>0.23</td>
</tr>
<tr>
<td>Risk management policy is often reviewed.</td>
<td>4.49</td>
<td>1.02</td>
</tr>
<tr>
<td>The most significant risk faced by the organization is security risk.</td>
<td>4.49</td>
<td>0.11</td>
</tr>
<tr>
<td>Risk management policy is well documented</td>
<td>4.47</td>
<td>1.04</td>
</tr>
<tr>
<td>Private security companies face a lot of risk</td>
<td>4.45</td>
<td>0.91</td>
</tr>
<tr>
<td>The most significant risk faced by the organization is organization faces financial risk</td>
<td>4.43</td>
<td>1.02</td>
</tr>
<tr>
<td>Do you have some degree of control of the risk you have identified</td>
<td>4.13</td>
<td>0.51</td>
</tr>
<tr>
<td>In your opinion, has the Risk Management process reduced the prevalent risk you have identified in your department</td>
<td>4.42</td>
<td>0.65</td>
</tr>
</tbody>
</table>
faces and improved performance in that area?

The organization has a risk management policy in place. 4.41 0.24
Risk management is an organization wide initiative 4.38 1.11
The most significant risk faced by the organization is 4.34 0.87
organization faces Market risk

**Source: Author (2018)**

As evident in Table 4.12, that the respondents strongly agreed that risks faced by their firms significantly affect performance (mean = 4.50, std dev = 0.23). With reference to the different risks the firms are subject to (mean = 4.49, std dev = 1.02), majority of the respondents claimed their firms respond by reviewing risk management policies regularly (mean = 4.47, std dev = 1.04). In terms of the kind of risk faced by private security firms, a large fraction of the respondents strongly agreed that the most significant risk is related to security uncertainties (mean = 4.45, std dev = 0.91). In the same note, majority of the respondents agreed that the most significant risk facing their security firms involved financial uncertainties (mean = 4.43, std dev = 1.02). Respondents further agreed that the most significant risk was associated with market uncertainties (mean = 4.13, std dev = 0.51).

The results also indicate that majority of the respondents expressed agreement with the statements that; risk management policies for their firms are well documented (mean = 4.42, std dev = 0.65), their firms have risk management policies in place (mean = 4.41, std dev = 0.24), and risk management in their firms is an organization wide initiative (mean = 4.38, std dev = 0.11), Moreover, respondents reported that they strongly agreed with the fact that their firms faced a lot of risks (mean = 4.34, std dev = 0.87).
asked about whether their firms have any control on risks, a majority of respondents expressed strong opinion that they did (mean = 4.64, std dev = 0.29). The findings are in line with Njoroge (2013), who found that board should keep going out on a limb proprietorship and driving the risk policy over the business. Njoroge (2013) further noted that the association should centre around new rising danger composes, for example, notoriety, operational dangers and IT security while not losing centre around the customary dangers.

4.6 Test of Hypotheses

4.6.1 Dividend policy has no significant influence on financial performance

This section presents the results of testing the hypothesis that predicted there is no significant influence of dividend policy on financial performance of private security firms in Nairobi City County. Dividend-pay-out ratios for the firms’ dividend policy while return on assets did for financial performance. A simple linear regression analysis was employed in testing the hypothesis. Table 8 shows the overall summary of the regression model.

Table 4.12: Overall Summary of the Model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.721a</td>
<td>.519</td>
<td>.658</td>
<td>.432</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), dividend policy

Source: Author (2018)

The coefficient of determination (R-Square) shows how dividend-payout ratio or the dividend policies varies with the financial performance of private security firms in
Nairobi County. Table 4.13 shows that the R-square for the model was 0.519. This implies that dividend-pay out ratio or dividend polices could account for 51.9% of the variation in financial performance of private security firms in Nairobi County. Additionally, the coefficient suggests that other factors account for 48.01% of the variation in the financial performance of the security firms. The findings are in line with Uwuigbe (2013), that there is a correlation between size of firms and dividend policy, financial performance and autonomy of the board was corresponding and measurably important for recorded companies at the Nigerian bourse.

The next part of the regression analysis involved computing the ANOVA. The ANOVA was generated to help evaluate whether the model was statistically significant in explaining the link between dividend policy (dividend-pay out-ratio) and financial performance (ROA) of private security firms in Nairobi County. Table 4.14 displays the results of the ANOVA.

**Table 4.13: ANOVA Results**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>124.11</td>
<td>1</td>
<td>124.11</td>
<td>16.95</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>65.89</td>
<td>9</td>
<td>7.321</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>190</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors: (Constant), dividend policy

*Source: Author (2018)*

Table 4.14, indicates that the regression model fitted was statistically significant at 5% in explaining the link between dividend policy and financial performance of private security
firms in Nairobi City County. In other words, there is a 5% chance that the model would give a wrong prediction on the financial performance of the security firms. The findings were in line with Bunyasi (2007), who found that dividend pay-out in the Exchange signals investors’ wealth thus resulting to price changes due to the confidence gains. The next output displayed in Table 4.14 shows the coefficients associated with the regression model.

**Table 4.14: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>0.64</td>
<td>.025</td>
<td>2.56</td>
<td>.000</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>1.501</td>
<td>.834</td>
<td>.512</td>
<td>1.80</td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors: (Constant), dividend policy

**Source: Author (2018)**

From the results presented in Table 4.15, the following regression equation was generated:

**ROA=1.64+ 1.501* dividend policy**

The findings imply that holding the dividend policy at constant, the financial performance (ROA) of private security firms in Nairobi County would remain at 0.64. Additionally, the results indicate that unit change in the dividend policies (dividend-policy ratio) would produce a corresponding increase in the financial performance of
private security firms in Nairobi County by a factor of 1.501. Moreover, the results show that there is a positive correlation between dividend policy (dividend-payout-ratio) and financial performance of the Nairobi County private security firms as indicated by $t=1.80$, $p < .05$. Consequently, the null hypothesis that dividend policy has zero significant influence on the financial performance of private security firms in Nairobi County was rejected. The study findings are in line with Bunyasi (2007), that dividend pay-out in the Exchange signals investors’ wealth thus resulting to price changes due to the confidence gains.

4.6.2 Investment Practices Have No Significant Influence on Financial Performance

This section addresses the second hypothesis of the study that claimed investment practices have no significant effect on the financial performance of private security firms in Nairobi City County. Return on Asset (ROA) was used to measure financial performance while investment practices were based on the composite scores derived from the investment scale of the questionnaire. In testing the hypothesis, a simple linear regression was used. Table 4.10 shows the overall summary of the model.

**Table 4.15: Overall Summary of the Model**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.783&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.613</td>
<td>.0565</td>
<td>.213</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Investment practices

*Source: Author (2018)*
The coefficient of determination (R-Square) shows how investment practices vary with the financial performance of private security firms in Nairobi City County. Table 4.10 shows that the R-square for the model was 0.613. This means that investment practices explain 61.3% of the variation in financial performance of private security firms in Nairobi City County. Additionally, the coefficient suggests that other factors account for 38.7 of the variation in the financial performance of the security firms.

The next part of the regression analysis involved computing the ANOVA. The ANOVA was generated to help evaluate whether the model was statistically significant in explaining the link between investment practices and financial performance (ROA) of private security firms in Nairobi City County. Table 4.11 presents the results of the ANOVA.

Table 4.16: ANOVA Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>121.26</td>
<td>1</td>
<td>121.26</td>
<td>16.75</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>65.17</td>
<td>9</td>
<td>7.241</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>186.43</td>
<td>10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author (2018)

a. Dependent Variable: financial performance

b. Predictors: (Constant), investment practices

As illustrated in Table 4.15, the regression model fitted was statistically significant in explaining the link between investment practices and financial performance of private
security firms in Nairobi City County at 5% significance level in other words, there is a 5% chance that the model would give a wrong prediction on the financial performance of the security firms. The next output displayed in Table 4.12 shows the coefficients related to the regression model.

**Table 4.17: Regression Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.71</td>
<td>.135</td>
</tr>
<tr>
<td>Investment Practices</td>
<td>0.98</td>
<td>.834</td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors (Constant), investment practices

*Source: Author (2018)*

Based the results presented in Table 4.12, the following regression equation was generated:

**ROA=0.71+ 0.098* Investment Practices**

The equation reveals that a unit increase in investment practices leads to 0.71 increase in financial performance (ROA) of private security firms in Nairobi City County. Additionally, the results indicate that unit change in the investment practices would produce a corresponding increase in the financial performance of private security firms in Nairobi City County by 98%. Moreover, the results show that there is a large positive correlation between investment practices and financial performance of the private
security firms in Nairobi City County as indicated by $t=1.175$, $p < .05$. Consequently, the null hypothesis that investment practices do not have significant effect on the financial performance of private security firms in Nairobi City County was rejected. The findings concur with Ayman (2011), that investment practices have a considerable level of impact on the financial and operation execution of these firms in the long run and hence an influence on their competitive and extremely hard for new firms to cope with the situation concentrates here pointed out the significance of information in an effective internationalization.

### 4.6.3 Risk management has no significant influence on financial performance

The researcher further sought to test the hypothesis that risk management has no significant effect on the financial performance of private security firms in Nairobi City County. A simple regression analysis was adopted in testing this hypothesis. For the variables included in the model, financial performance was proxied using the ROA of the firms while risk management was operationalized using mean composite scores derived from the risk management scale in the questionnaire. The overall fit of the model is displayed is shown in Table 4.14.
Table 4.18: Overall Summary of the Model

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.612&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.374</td>
<td>.0599</td>
<td>.191</td>
</tr>
</tbody>
</table>

Source: Author (2018)

a. Predictors: (Constant), risk management

Table 16 shows that the R-square for the model was 0.374. This suggests that risk management practices accounted for 37.4% of the variation in financial performance of private security firms in Nairobi City County. This also implies that other factors account for 62.6% of variability in the financial performance of private security firms.

The next part of the regression analysis involved the ANOVA results. The ANOVA was generated to help evaluate whether the model was statistically significant in explaining the link between risk management and financial performance (ROA) of private security firms in Nairobi County. Table 4.15 displays the results of the ANOVA.
Table 4.19: ANOVA Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>126.30</td>
<td>1</td>
<td>126.30</td>
<td>18.33</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>62.03</td>
<td>9</td>
<td>6.89</td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td>188.33</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors: risk management

Source: Author (2018)

As displayed in Table 4.15, \( F(1, 9) = 18.33, p < .05 \), indicating that the regression model fitted was statistically significant in explaining the link between risk management and financial performance of private security firms in Nairobi City County at 5% significance level. In essence, this shows there is a 5% chance that the model would give a wrong prediction on the financial performance of the security firms. The next output displayed in Table 4.16 shows the coefficients related to the regression model.

Table 4.20: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>1.02</td>
<td>.12</td>
<td>8.5</td>
<td>.000</td>
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<tr>
<td></td>
<td>1.35</td>
<td>.942</td>
<td>.428</td>
<td>1.43</td>
</tr>
</tbody>
</table>

a. Dependent Variable: financial performance

b. Predictors (Constant), risk management

Source: Author (2018)
Based the results presented in Table 4.16, the following regression equation was generated:

**Financial performance =1.02+ 1.35* risk management**

The research reveals that a unit increase in risk management practices leads to an increase in financial performance (ROA) of private security firms in Nairobi City County by 1.02. Additionally, the results indicate that unit change in risk management would generate a corresponding increase in the financial performance of private security firms in Nairobi City County by a factor of 1.35. Moreover, the results show that there is a significant and positive correlation between risk management practices and financial performance of the private security firms in Nairobi City County as indicated by $t=1.143$, $p < .05$. Consequently, the null hypothesis that risk management practices do not have significant effect on the financial performance of private security firms in Nairobi City County was rejected. The findings are in line with Hameeda and Al Ajmi (2012), who found that organizations have a deep understanding of risk management. Moreover, it was discovered that it had effective hazard recognizable proof, chance appraisal examination, and chance checking and credit chance investigation.

**4.7 Discussion of the Findings**

The aim of the study was to investigate the impact of practices of financial planning on financial performance of private security firms in Nairobi City County. In fulfilling this purpose, the study set out to determine how dividend policies, investment practices, and risk management strategies affect the performance of the security firms. The framework of the study was anchored on three theories namely; Modigliani-Miller Dividend
Irrelevance Theory, Agency Theory, and Portfolio Theory. The application of the theories served an important role in ensuring the credibility and soundness of the study. Based on the suppositions of the three theories, the researcher was able to refine the research questions, identify variables of interest, and predict expected relationship outcomes with reference to the impact of financial planning practices on financial performance of private security firms in Nairobi City County.

As pertains to the first objective of the study, the findings revealed that most security private firms in Nairobi City County conduct review of their dividend policies regularly. Additionally, it was found that dividend policies indeed have a significant influence on the financial performance of the security firms. The findings support a series of past studies. For instance, the findings tie well with Maladjian and El Khoury (2014) who established that dividend payout policies had a significant influence on the profitability of Lebanese banks. The findings are also in line with Uwuigube (2013) who found there exists a significant link between dividend policy and financial performance of banks listed in the Nigerian Stock Market.

The findings also indicated that investment practices had contributed to the overall improvement in performance of most private security firms in Nairobi City County. Moreover, the study found that there was a significant and positive correlation between investment practices and financial performance of the security firms. These results are consistent with Patra (2008) who found existence of a significant and positive association between investment strategies and liquidity performance of firms listed in the Taiwan and China Stock Markets. The findings also corroborate the views of Ayman (2011) who
asserted that investment practices have a considerable level impact on the financial operations and competitive advantage of firms.

Lastly, the study found that risk management practices affect the performance of most private security firms in Nairobi County. The regression results further confirmed that risk management practices have a significant and positive impact on the financial performance of the security firms. These findings validate the evidence put forward by Yusuwan et al. (2008) and Hameeda and Al Ajmi (2012) who found risk management and financial performance of firms have a positive relationship.

CHAPTER FIVE: SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This section covers the summary of the core study findings, conclusion and research recommendations. The study also discusses suggested areas for future research about financial planning practices.

5.2 Summary of Findings
The first aim of the study was to assess the influence of dividend policy on the financial performance of private security companies in Nairobi City County. This objective was
associated with the hypothesis, which postulated that dividend policy had no significance on financial performance on the security firms. Analysis of the survey data drawn from representatives of all the security firms in Nairobi City County revealed that a majority of the firms conducted regular reviews of their dividend policies. Based on the regression results, it was found that there was a significant and positive correlation between dividend policy and financial performance of the private security companies. In particular, the findings showed that a unit increase in dividend-payout ratio produces a 150% increase in the financial performance (ROA) of the firms.

The second goal of the study was establishing the impact of investment practices on the financial performance of private security companies in Nairobi City County. In evaluating this objective, a hypothesis was formulated which predicted practices of investment have no significant impact on the financial performance of the security companies. Findings from the primary data sourced from surveying 41 security firms revealed, that majority of the respondents held strong agreement with the fact that investment practices had contributed significantly to the improvement of their firms’ performance. Additionally, the regression results showed that a unit increase in investment practices generated a 98% raise in the overall financial performance of the security companies.

The third goal of the study set out to investigate the effect of risk management on the financial performance of private security companies in Nairobi City County. This objective gave rise to the hypothesis that risk management practices have no significant effect on the financial performance of private security companies in Nairobi County. The study showed that a majority of the respondents held strong agreement with the fact that
their risk management practices affected their firms’ performance. The regression results further showed that there was a significant and positive association between risk management and financial performance of the security firms. In particular, the findings showed that an increase in unit in risk management practices contributed to improvement in the financial performance of the security companies.

5.3 Conclusion

Based on the findings that dividend policies have a significant influence on ROA it can be concluded that organizations should always ensure that the dividend policies are sound and facilitate participation of the employees as well as contribute to greater returns.

Based on the findings that investment practices have a significant influence on ROA it can be concluded that firms should always ensure that the investment practices are sound and facilitate participation of the employees as well as contribute to greater returns.

On risk management, based on the findings that risk management have a significant influence on ROA it can be concluded that firms should always ensure that the proper risk measures are put into place to facilitate greater returns hence earning profits.

5.4 Recommendations

It is thus recommended that private security firms should always develop appropriate dividend policy which are informed by the changes in the environment and that accommodate environmental dynamism.
It is thus recommended that private security firms should always develop and implement appropriate investment practices which are informed by the changes in the environment and that accommodate environmental dynamism both locally and internationally.

It is thus recommended that private security firms should always develop and implement appropriate risk management measures which can protect the firms from rapid environmental changes to allow them thrive in the competitive world.

5.5 Recommendations for Further Research

The study focused on a case of Nairobi City County. Restricting the study to Nairobi City County, limits the generalizability of the findings of the conclusions and insights drawn. Consequently, future researchers should make their studies more generalizable by focusing on multiple regions or counties across the county. In addition, provided the study focused on private security firms, further research ought to be undertaken in public security companies to assess whether the findings are consistent.

REFERENCES


Appendix I: Introduction Letter

Lavina Shikunyi,

P.O BOX 14658-00100

Nairobi,

Kenya.

Dear Sir/Madam

REQUEST FOR PERMISSION TO CONDUCT RESEARCH AND RESPONSE TO QUESTIONNAIRE

I am a Master of Business Administration Student from Kenyatta University undertaking a research on the topic “Financial Planning Practices and Financial Performance in Private Security Firms in Nairobi City County Kenya.” I would kindly like to seek your permission to conduct the research. In your organisation. You are kindly requested to assist in providing a sincere opinion or response to the questions contained in this questionnaire. All information provided will be treated strictly as confidential and purely for academic purpose. Looking forward to your favourable response.

Yours Sincerely,

Lavina Ayiera.

D53/CTY/PT/30804/2015
## Appendix III: Secondary Data Collection Tool

<table>
<thead>
<tr>
<th>Security Firm</th>
<th>Year</th>
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<th>Current Assets</th>
<th>Current Liabilities</th>
<th>Short-term Debt</th>
<th>Long-term Debt</th>
<th>Shareholder Equity</th>
<th>Annual Average Inflation</th>
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</table>
Appendix V: Proposal Approval Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean.graduate@kcu.ac.ke
Website: www.kcu.ac.ke

From: Dean, Graduate School
Date: 31st August, 2018

To: Lavina Ayiera Shikunyi
   C/o Accounting and Finance Dept.

Ref: DS3/CTV/PT/30804/2015

Subject: Approval of Research Project Proposal

This is to inform you that Graduate School Board at its meeting of 22nd August, 2018 approved your Research Project Proposal for the M.B.A Degree Entitled, “Strategic Financial Planning Practices and Financial Performance of Private Security Firms in Nairobi City County, Kenya”.

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University’s Website under Graduate School webpage downloads.

Thank you.

ANNBEL MWINIKI
For Dean, Graduate School

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Jane Wanjiru
C/o Department of Accounting and Finance
Kenyatta University

AM/Jan
Appendix VI: Nacosti Authorization Letter

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D88/CTY/P/30804/2015

DATE: 31st August, 2018

Director General,
National Commission for Science, Technology and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,


I write to introduce Lavina Ayiera Shikunyi, who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the Department of Accounting and Finance.


Any assistance given will be highly appreciated.

Yours faithfully,

[Signature]
PROF. PAUL OKEMO
FOR: DEAN, GRADUATE SCHOOL
Appendix VII: Nacaosti Permit

THIS IS TO CERTIFY THAT:
MISS. LAVINA AYIERA SHIKUNYI
of KENYATTA UNIVERSITY, 14658-100
Nairobi, has been permitted to conduct
research in Nairobi County

on the topic: STRATEGIC FINANCIAL
PLANNING PRACTICES AND FINANCIAL
PERFORMANCE OF PRIVATE SECURITY
 FIRMS IN NAIROBI CITY COUNTY, KENYA

for the period ending:
30th October, 2019

Applicant’s Signature

Permit No.: NACOST/I/P/18/43108/25976
Date Of Issue: 1st November, 2018
Fee Received: Ksh 1000

Director General
National Commission for Science,
Technology & Innovation