THE EFFECT OF PORTFOLIO MANAGEMENT PRACTICES ON THE PERFORMANCE OF KANO STATE INVESTMENT AND PROPERTIES LIMITED, NIGERIA

BY

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BEING A DISSERTATION SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION AND ENTREPRENURSHIP, FACULTY OF SOCIAL AND MANAGENMENT SCIENCES, BAYERO UNIVERSITY KANO, NIGERIA IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE (M.Sc.) IN MANAGEMENT

SUPERVISED BY: Dr. B.A. K/MATA

MAY, 2016

DECLARATION

I declare that this dissertation titled "The Effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria" is the outcome of my research efforts. To the best of my knowledge and beliefs, this work has never been submitted to any institution for the award of a degree or certificate of whatever kind. The various sources of information used throughout the course of studies have been duly acknowledged by means of reference.

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CERTIFICATION

This is to certify that this dissertation titled "The Effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria" by Raimi Adoke Hameed was carried out under my supervision.

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APPROVAL PAGE

This dissertation titled **"**The Effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria" meets the regulation governing the award of the degree of Master of Science (M.Sc.) in Management, Department of Business Administration and Entrepreneurship, Bayero University, Kano-Nigeria and is approved for its contribution to knowledge.

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DEDICATION

This dissertation is dedicated to my parents who always advise and encourage me to be patient and remain strong in all circumstances. Indeed, may Allah give them long life to reap the fruit of their labour.

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ABSTRACT

Given the complexity of today's industry, the process of planning and controlling the activities of a firm in order to minimize the effect of risk on a firm's performance is very important. The study empirically assessed the effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria. The inability of a firm to effectively manage its portfolio investment in such a way that it will lead to a sustainable performance has been identified as the bane of industrial growth in Nigeria. The study applied correlation and multiple regression analysis as its estimating techniques. Portfolio management is a process of investing and managing different securities with view of maximizing the return of investors for a given level of risk. Specifically, the result from the study indicates that there exist relationship between corporate risk management and diversification on firm's performance. The study used portfolio management questionnaires of (Jonas, 2010) to measure portfolio management (corporate risk management, diversification and security choice) and firm performance. The study used multiple regressions for analysis. Importantly, the findings indicated that two hypotheses were supported. Hence, two of the dimensions of portfolio management namely: corporate risk management and diversification were found to be significantly related to a firm performance. However, the other dimension of portfolio management which is security choice was found not to be related to firm performance. Therefore, the current study recommends the firm to embrace and enhance more on the development of portfolio management via corporate risk management, right selection of security and diversification strategies in order to remain in competing for both present and future market.

CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Globally, portfolio management and firm performance have in recent years become popular topical issue in both developed and developing countries. They have succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of investment firm and society in general (Thorpe and Morgans, 2007). Thus, it is widely believed in finance literature that, the field of portfolio management is not only a tool for maximizing returns and minimization of risk of investors and investment companies but is also a medium through which the economic development of a nation could be enhanced.

Portfolio management is the act and practice of making investment decisions in order to make the largest possible return (Balzer, 2001). It is a technique for optimizing the organizational returns from investments by improving the strategy and ensuring resource sufficiency (Muller & Turner, 2005). Specifically, to optimize the outcomes from investment, proper selection of security is required (Killen, 2008). Organizations that do not align their portfolio with organizational strategies and governance will tend to increase the risks of running investments that are low priority. As a result, there will be critical resource shortages; as such investments and firm performance will not be optimized. Thus, application of the techniques of portfolio management within the context of organizational governance provides reasonable assurance that the organizational objectives can be achieved.

The ultimate objective of any firm is to maximize returns while also preserving its risk occurrence (Pandey, 2007). Therefore, Kaplan (2003) is of the view that when more and more securities are included in a portfolio, the risk of both individual security and firm security in the portfolio are reduced. Hence, the firm performance would be achieved when risk is totally reduced to the barest minimum. More importantly, Calvin (2005), state that investors are usually attracted by the performance of a sector before committing their funds in the investment firm. This is the more reason why investors rush to buy stock of some companies even at a higher price relative to the market situation. Additionally, Blomquist and Müller (2006) have summarized the importance of portfolio management as not only to keep the environment of the firm intact but also to ensure investment safety. They further stated that, the rationale behind any

investment is to reap good benefit in the future. Specifically, it has been reported that firm performance is likely to be strongly influenced not only by task performance of each individual investors but also by the performance of portfolio management (Blomquist & Müller, 2006).

However, the primary function of any firm is to promote high rate of returns among investment participants (Acharyya & Ball, 2011). If firm employees fail to perform their roles or responsibilities, it will be very unlikely that the firm goals will be achieved. Indeed, past studies have confirmed that work behavior measured in terms of employee cooperation, conformity, commitment, morale and participation, are part of the conditions for measuring the achievement of firm efficiency and goals (Li, 2002). However, success of a firm depends not only on the performance of the expected roles or responsibilities of employees but also on the commitment of the Portfolio Management (PM). How well both firm goals and investment participants' goals could be achieved will largely be dependent on the portfolio management.

Importantly, firm performance is essential to all investors and the investment firm. For instance, investors pay attention to current returns and the potential for future profits because of their interest in the market price of their investments (Kaplan, 2003). Firm performance is driven by the quality of allocation to tangible and intangible assets including corporate risk management (Onafalujo & Eke, 2011). Performance according to, Yazid, Razali, & Hussin (2012) is driven by past activities of the company which impact on the current and the future. Major concern had always been the measurement of firm performance. Acharyya & Ball (2011) stress that the primary goal of measuring performance is to assess the progress of achieving corporate objectives which can either be financial or non-financial.

Most often, combining assets into a portfolio carries the opportunity of risk reduction and at the same time acquiring a higher return compared to single asset investment. How well this is achieved depends on the portfolio manager is able to forecast economic conditions and the future prospects of companies, and to accurately assess the risk of each security under consideration. For example, Laslo & Goldberg (2008) have reported that higher firm performance can be achieved when managers learn that they have no basic differences in interests. More specifically, it has been revealed from the study of not only in Nigeria but also across the globe that effective portfolio management can be achieved by applying both fundamental and technical analysis. Additionally, Dye and Penny (2000) have summarized that, selection of securities is a goal-

driven process which increase the portfolio value by investing and divesting in a timely manner. They further stated that, selection of securities is made by studying their historical trends and performance. In other words, portfolio management requires continuous attention as high market risks which can be exacerbated by speculation, particularly in relation to the investments in the equity market. However, portfolio by nature is a combination of investment in various assets or securities. Thus, investors are generally assumed to be risk averse as such, they try as much as possible to have a well diversified portfolio in order to optimize high level of returns (Dye & Packer, 2000).

Given the foregoing analysis, some authors (Killen, 2008; Laslo & Goldberg, 2008; Cheng & Yu, 2011) have identified the firm performance as one of the key issue that enable investment firm to have continuity. The bulk of the performance problems and deficiencies of the investment firms in Nigeria could more appropriately be attributed to managerial inefficiencies and inappropriate selection of securities. Specifically and summarily, there is a general consensus that the managements of investment firms can achieve both investors and firm performance through diversification, human resources, proper selection of right securities, good investment climate and deploying the resources where appropriate (Bello, 2005).

In any part of this globe, firm performance and better return on investment are the ultimate goals of not only individual investors but also to the nation at large (Tullani & Halil, 2010), and therefore, governments are charged with the responsibility of creating enabling environment through which the investment firm can operate effectively. Thus, firm performance can guarantee the proper functioning of the economy and enhancing the standard of living of the individuals (Bello, 2005). Firm performance involves a broad range of activities including good policy, governance, infrastructure, human resources, access to finance and better atmosphere.

The present study is about exploring the effect of portfolio management practices (PMP) on firm through the mechanism of corporate risk management, diversification, and security choice. Performance of firm in relation to investors return by employees can be an important solution for improving performance and effectiveness in the Nigeria investment industries. Literature has offered support to the role of PM in improving effective functioning of organizations (Jonas, 2010). Research has also indicated that PM and their responsibility in a firm is significantly and negatively correlated (Drury, 2000), which means that a firm with PM will not likely exhibit

signs of positive effect on their performance except management organize the right selection of security in the portfolio. Kano State Investment and Properties Limited is expected to improve its' performance when the organization practice the concept of management skill and motivate development of good relationship among their employees in the firm.

Generally, the nature of policy of investment in Nigeria is not consistent. In essence, portfolio management practice is critical to promote investors with relevant information and availability of securities. Thus, the rationality of investors has prompt portfolio management to tailor the portfolio to their needs rather than to beat the market. The aim of this study is to examine the effect of Portfolio Management Practices (PMP) on the performance of Kano State Investment and Properties Limited, Nigeria. This is the focus of the present study.

1.2 Statement of the Problem

Globally, different studies on portfolio management and performance have been conducted with various findings; Such as Blomquist and Muller, (2006) Kearns, (2006) Kang, (2007) Pandey, (2007) Killen, (2008) Cheng and Yu, (2011) Acharyya and Ball, (2011) and Yazid, et al, (2012). Importantly, literatures revealed that information asymmetry, especially in emerging economies have been identified as one of the major bottlenecks in investment decision making (Aboody, David; Lev & Baruch, 2000). Inappropriate selection of securities (Blomquist & Muller, 2006); lack of management support (Tunali & Halil, 2010); insufficiency of resources (Elonen and Artto, 2003); low level of commitment and poor information flow on how to diversify (Elonen & Artto, 2003; Blomquist & Muller, 2006), and imperfect nature in the security market (Crawford & Helm, 2009).

However, a number of scholars and researchers have provided insight, theoretically as well as empirically into the portfolio management theories (Elonen & Artto, 2003; Kearns, 2006; Thorpe & Morgan's, 2007; Martinsuo & Lehtonen, 2007; Tunali & Halil, 2010; Izedonmi & Abdullahi, 2011; Crawford & Helm, 2009). In addition, bypass of managers established rules and processes which leads to distrust and poor cooperation (Kang, 2007); loss of transparency and effectiveness of the overall project (Elonen & Artto, 2003).

It is clear from the forgoing literature that most of the studies related to portfolio management, firm performance, roles and responsibilities were conducted in the United State of America and other western countries of the world but few has being conducted in Nigeria. Moreover, there is a dearth of a study on the relationship between Portfolio Management on the performance of Kano State Investment Company. The aim of this study is to investigate the effect of Portfolio Management Practices on the performance of Kano State Investment and Properties Limited, Nigeria.

In view of the focus and context of the previous studies, some gaps exist for future studies to fill in. First and foremost, previous studies did not exhaust test of questionnaire instrument on Kano State Investment and Properties Limited, Nigeria. For a broader understanding, there is a need to test the instrument on Kano State Investment and Properties Limited, Nigeria. Hence, this study aims at just achieving that by testing the instrument within the Nigeria context. Secondly, this present study aims to guide the investors on how to diversify their investment to earn better returns and minimize risk. Literature reveals that no single study has examined the effect of PMP on FP of Kano State Investment. Thus, this study will examine the effect Portfolio Management Practices (PMP) has on the performance of Kano State Investment and Properties Limited, Nigeria.

1.3 Research Questions

Based on the foregoing problem statement, the broad question to which this study attempts to answer is: what is the influence of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria. Based on the main research question, the specific research questions are raised in order to guide this study.

1. To what extent does corporate risk management enhance the performance of Kano State Investment and Properties Limited, Nigeria?
2. To what extent does diversification enhance the performance of Kano State Investment and Properties Limited, Nigeria?
3. To what extent does security choice enhance the performance of Kano State Investment and Properties Limited, Nigeria?

1.4 Research Objectives

Consistent with the above research questions, this study main objective is to determine the effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria. The specific objectives of this study are:

1. To examine the extent to which corporate risk management enhance the performance of Kano State Investment and Properties Limited, Nigeria?
2. To examine the extent to which diversification enhance the performance of Kano State Investment and Properties Limited, Nigeria?
3. To examine the extent to which security choice enhance the performance of Kano State Investment and Properties Limited, Nigeria?

1.5 Hypotheses of the Study

The following hypotheses are formulated for empirical testing and validation. This study has one independent variable (portfolio management) and one dependent variable (firm's performance).

H1. Corporate risk management is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.

H2. Diversification is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.

H3. Security choice is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.

1.6 Significance of the Study

This study, which is about investigating the effect of Portfolio Management Practices on the performance of Kano State Investment and Properties Limited Nigeria, is important to both theory and practice. This study is going to make several contributions to portfolio management and investors.

Firstly, the present study will reveal if portfolio management practices can significantly affect the investors return. Investors return is relevant in motivating them to exhibit positive behaviors as a result of personal interest they have when their return on investment improves (Jonas, 2010). In a different context, the literatures revealed that, more research on portfolio management have been conducted in the western world (Blomquist & Müller, 2006; Martinsuo & Lehtonen, 2007;

Achara & Ball, 2011; and Abbadi, 2012). Similarly, the antecedents of investors return on Kano State Investment and Properties have not been extensively addressed in the empirical literature and, therefore, this study will be significant in filling the gap by considering such returns on the investors.

Secondly, the present study will add to the existing literature by demonstrating the effect of diversification either related or unrelated as a way to reduce investors' risk. Still on the significance of this study, Muller & Turner (2005) suggest that future research might consider cross cultural comparative studies of investors return. In line with this, the present study will be conducted in a different context (i.e. Nigeria). This study will add to both the existing knowledge and the existing literatures by demonstrating how Portfolio Management Practices influences the performance of Kano State Investment and Properties Limited, Nigeria.

Generally, this study is important to private and public investment organizations by providing insight into the mechanisms for enhancing investors and investment firm goals. Findings of this study provide directions and guidelines for policies, management practices and management development programs that can help bring out investors in private firms and other public sector organizations (Li, 2007). Specifically, this study provides important managerial tips for the efficient functioning of the Kano State Investment and Properties Limited, Nigeria (KSIPL). Thus, this will be achieved by the portfolio management dedicating resources to factors that have significant and positive effects on profitability. In turn, the investors, security analysts, portfolio practitioners, stakeholders, financial analysts, theorists, can use the study as a measure for taking decision before investing their funds in such firm.

1.7 Scope and Limitations of the Study

This study involves examining the relationships between the independent variable (portfolio management) and dependent variable (firm performance). Specifically, the study will focus on all the portfolio management and investment officers of Kano State Investment and Properties Limited, Nigeria. Portfolio management and investment officers are the most important elements in the workforce structure of Kano State Investment, Nigeria and hence the need to understand how portfolio management influences firm performance. This is to ensure a sufficient degree of empirical estimation and give enough room to note the trend of portfolio management, firm

performance, and measures or estimate the changes arising there from. The study also identifies types of securities available in the country, ranges from positively and negatively correlated securities and factors militating against the investment opportunities. Importantly, this study is expected to be completed within a period of one year.

Despite the revealed insightful findings, this study has some limitations. The result from this study should be used with caution, because of some factors that may hinders its generalization, some of which include:

First, Because of time and financial constraints faced by this study, the analysis of this study experiences some weakness. Thus, detailed dimension or proxy of firm performance such as return on investment and return on asset which could have connected to using audited book and the comprehensive financial statements of the firm were not made available to the researcher as at the time of this study.

Second, some of the respondents find the research variables too technical. Also, the inability of the respondents of investment firm to provides adequate and correct information perhaps serve as a serious constraint in the course of carrying out this study. As such, this study was limited in terms of model scope to explain more comprehensive relationship between portfolio management and performance of firm. Therefore, suggesting that there are other factors that may have significant effects on the criterion variable (FP).

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This section presents reviewed literature of the two variables/constructs of this study namely, portfolio management and firm's performance. Hence, the review of the literature is presented logically for the independent variable (PM) and the dependent variable (FP).

2.2 The Concept of Portfolio Management

The concept of Portfolio Management has emerged from two complimentary views. The need to make rational investment decisions that result in the delivery of organizational benefits (Markowitz, 1952); and the need to optimize the use of resources to ensure the delivery of such benefits occurs in an effective and efficient manner (Dye & Penny, 2000). The term Portfolio Management has been described in different perspectives such as accounting, economics, administrative and financial management. Portfolio Management according to Suleiman (2003) is the process of selection and combining risk-return estimates for individual assets into an investment that will provide investors with maximum utility. He further makes it clear that, portfolio management is not merely a collection of unrelated securities. But, a carefully blended assets combination which provides an optimal set of investment and which the assets mix is worth more than the sum of the assets when considered independent of one another.

A similar definition was suggested by Van Horne (2001), who regards Portfolio Management as the decision to invest excess cash in marketable securities involving not only the amount to invest but also the type of security in which to invest. However, to some extent the two definitions are interdependent. Both should be based on an evaluation on expected net cash flows. An investment company may wish to arrange its portfolio so that securities will mature approximately, when the fund will be needed. In other words, such a cash flow pattern gives the firm a greater deal of flexibility in maximizing the average return on the entire portfolio (Cooper and Edgett, 2001). In essence, from the conceptual reasoning; portfolio management is a process of investing in different securities with view of maximizing the return of investors. Therefore, in fundamental nature, proper or efficient portfolio selection enhances returns on investment.

In a related development, Portfolio Management is said to be an ongoing process aimed at balancing an investor's investment (Dye & Penny, 2000). In the framework developed by the investor's investment policy, several strategies will be employed which ensure the accomplishment of the investor's long-term objectives. The established portfolio is then carefully monitored so as to enable adjustments of the strategy and tactics in order to accommodate the end results as well as changes in the investor's objectives. In other words, portfolio management is considered to be the sole responsibility of the senior management team of a company or business unit (Balzer, 2001). This business unit, also termed as the product committee holds regular meetings to discuss the management of the product and to make appropriate decisions on portfolio issues.

For a long period, there is perhaps no area of management that has more deeply and broadly influenced portfolio management (PM) than finance. Portfolio management is the selection of securities which will give a good return with a minimum amount of risk (Kaplan, 2003). Considerable research effort has also been put toward not only for effective and efficient utilization of proper planning but also to ascertain what the investors expect from the investment firm (Markowitz, 1952). Various studies suggest a wide range of factors responsible for the success of portfolio management (Elonen & Artto, 2003; Goerzen & Beamish, 2005; Kearns, 2006; Thorpe & Morgan's, 2007; Martinsuo & Lehtonen, 2007; & Jonas, 2010), ranging from reactions to proper selection of security, risk analysis, return on investment, fundamental analysis and technical analysis, corporate risk management and diversification which could be either related or unrelated. Similarly, Kaplan (2003) indicated that the use of PM in finance settings seems to be growing and has become one of the most active areas of research.

In addition, a portfolio management needs to be thoroughly abreast with the market conditions in order to guide their investors about the returns and levels of risk to be taken (Searle I, 2008). Thus, the portfolio management is about strengths, weaknesses, opportunities and threats in the choice of debt versus equity, domestic versus international, growth versus safety, and in the attempt to maximize return at a given risk (Muller & Turne, 2005). The importance of portfolio management is crucial to the firm because it involves time and investing in the right security. More emphasis has been placed in corporate finance literature on the study of long-term financial decisions; particularly on investments, dividends and company valuation decisions. Therefore,

the main aim of portfolio management is to select the securities which will give a good return with a minimum amount of risk (Kearns, 2006).

As Markowitz (1952) observes, Portfolio Management is concerned with the allocation of resources in order to maximize the value of the portfolio through some variables; profitability and Return on Investment. A vast variety of variables have being employed for achieving this maximization goal, which ranges from diversification, security choice and corporate risk management. Conversely, portfolio management in a related literature review can group a number of initiatives into a portfolio that supports a business segment, product or product line (Zwikael, 2008). These efforts are goal-driven. That is, they support major goals or components of the investment firms. Thus, they must also manage the entire investment by providing sound decision-making about which initiative to undertake, which to continue, and which to reject. Such that, the investors, shareholders, and the investment firms will be better-off while minimizing risk (Villalonga B, 2004). For example, Li (2007) have reported that, portfolio management role is characterized with uncertainty because it deals with future and the future is uncertain and unpredictable.

2.3 Nature of Portfolio Construction

Many researchers have contributed positively in the development of portfolio construction and its applicability Such as Markowitz (1952), Haugen and Robert (2001), Li, (2007) and Jonas, (2010). However, Markowitz reported some of the common practice of portfolio diversification and showed exactly how an investor can reduce risk by choosing stocks that do not move positively in the same direction. However, he did not stop there; he went on to work out the basic principles of portfolio construction about the relationship between risk and return. Thus, the past rates of return on any stock conform closely to a normal distribution. Normal distributions can be completely expressed by two numbers; one is the average or expected return, and the other is the variance or standard deviation. They are the only two measures that an investor needs to consider in the frame work of portfolio analysis structure. In addition, as observed by Markowitz (1959) a portfolio should not be chosen considering only individual characteristics of the investments, but it should be based on the overall risk and reward of the portfolio. When investment interactions are considered, one can create portfolios with the same expected return but lower risk than when not taking into account the interactions.

The literature has revealed that portfolio construction is to combine the investment opportunities into portfolios which provide the investor with positive return (Acharya & Ball, 2011). However, Markowitz (1952) introduced mean-variance on portfolio model construct. As the model conducts asset distribution based upon maximization processes of performance measures, it fits the purpose of active portfolio management. In essence, the rationale behind portfolio construction is to diversify investment instead of putting all investments in one direction.

2.4 Relationship between Risk and Return

The relationship between risk and return are the main indicators in finance literature. Research indicated that, the expected rate of return and the variance or standard deviation provide investor with information about the nature of the probability distribution associated with a single asset (Francis, Jack, Roger & Ibbotson, 2002). The statistics that can provide the investor with the information on the relationship between risk and return are covariance and correlation coefficient (Haugen and Robert, 2001). Covariance and correlation are related and they generally measure the same phenomenon. In order to better manage the risk of an investor and the investment firm both concepts are better put into consideration. Correlation is the degree of relationship between two variables while covariance is a statistical measure of the degree to which two variables (e.g., securities and returns) move together. The research has indicated that, a positive value means that, on average, they move in the same direction (Haugen & Robert, 2001).

Specifically, the correlation coefficient can range only from -1.0 or +1.0. Hence, two variables are perfectly positively correlated if correlation coefficient is +1.0, that means that the returns of two assets have a perfect positive linear relationship to each other and perfectly negatively correlated if correlation coefficient is -1.0, that means the asset returns have a perfect inverse linear relationship to each other. But most often correlation between assets returns is imperfect, when correlation coefficient equals 0; there is no linear relationship between the returns on the two assets. Combining two assets with zero correlation with each other reduces the risk of the portfolio. While a zero correlation between two assets returns is better than positive correlation, it does not provide the risk reduction results of a negative correlation coefficient (Haugen & Robert, 2001).

In contrast, Haugen and Robert, (2001) are of opinion that, the covariance primarily provides information to the investor about whether the relationship between asset returns is positive, negative or zero, because simply observing the number itself without any context with which to compare the number, is not very useful. The research has shown that, it can be useful to note that when investor knows correlation coefficient, the covariance between stocks A and B can be estimated via standard deviations of the assets' rates of return.

Therefore, as it was pointed out earlier, when the covariance is positive, the correlation coefficient will be also positive, when the covariance is negative, the correlation coefficient will be also negative. But using correlation coefficients instead of covariance investor can immediately asses the degree of relationship between assets returns and the possibility of risks.

The market portfolio of common stocks is thus the average market risk (Kelvin, 2001). Its beta is 1.0. Furthermore, wise investors do not take risk for fun; they are playing with real money. By extension, investment is defined as putting money into an asset with the expectation of capital appreciation, dividends, and/or interest earnings (Kelvin, 2001). Therefore, the portfolio managements are expected to advice any investors to take a well defined and calculated risk consistent with their fundamental and technical analysis knowledge. Consequently, they require a higher return from the market portfolio than from treasury bills. The differences between the return, the market, and the interest rate are termed the market risk premium (Bodies, 1998).

The central objective of this study is to assess the extent of the relationship between Portfolio Management on the performance of Kano State Investment and Properties Limited, Nigeria. Risk and return are directly related, the greater the risk of the investment, the greater the potential return from that investment. Thus, the principle state that potential return rises with an increase in risk whereas low levels of risk is associated with low potential returns (Jonas, 2010). Risk is defined as the variability of returns from an investment; on the other hand return is defined as income received from an investment plus any change in market price, usually expressed as a percentage of the beginning of the market price of the investment (Kurfi, 2003). Conversely, individual investor must be aware of transaction before choosing investment decision.

2.5 Portfolio Management and Investment Firm

According to Goerzen & Beamish, (2005) Portfolio Management is among organizational characteristics that have been found to have significant effect on investment companies. Portfolio management and firm performance include some of the major tasks that must be accomplished by the management in order to facilitate the success in an organization including; matching investments to objectives, balancing risk against performance, taking decisions about investment mix that led to the improvement in the return on investment, policy and execution of projects, determination of various investment that will meet the target of the firm and selection of security (Laslo et al., 2008).

Following the work of Jonas, (2010) he emphasizes on the portfolio management and industry performance in Australia. His empirical research involves the process of data collection instruments. The result of his findings demonstrated significant positive relationship between portfolio management and industry performance. Thus, relationship between portfolio and the performance of organization is measured using corporate risk management, diversification and security choice. In addition, he used regression analysis as part of his data presentation. More importantly, the dimensions of both corporate risk management and diversification were reported to have significant effect on industry performance. Similarly, a strong relationship between investment firm and portfolio management was found (Killen, 2008). This is measured via defined strategy, competent, and experience manager. The role of portfolio management of a firm is to put together the network of resources and human resources (Balzer, 2001). Specifically, literature revealed that wrong commitment to select "favorite project" regardless of management roles have negative effects when projects are continued without rational reasons (Balachandra, 1984).

Consequently, regarding the role of portfolio management, it is further argued that role clarity on work demands is relatively unimportant in the face of low leadership support (Bliese and Castro, 2000). But there is also result in their findings that the positive influence of portfolio management revealed success (Bonner, Ruekert, Walker, 2002; & Kessler, 2000). Especially right commitment to selected "favorite projects" takes positive effects when projects are continued with rational reasons.

2.5.1 Corporate Risk Management and Firm Performance

The occurrence of risk and its nature is uncertain and may adversely affect investor's attitude towards investment. Consequently, success is influenced by the corporate risk management (CRM) but depending on their kind of involvement, they are proposed to have either a positive or negative effect (Laslo and Goldberg, 2008). The positive effect of CRM will change the mind-set of the investors to invest more while the negative effects will not (Laslo & Goldberg, 2008). Similarly, regarding firm performance and antecedents of corporate risk management, roles and responsibilities of the portfolio management may also have an influence on investors, securities analyst, financial analyst, and the investment firm (Christiansen & Varnes, 2008).

However, Dorfman (2007) studied the insurance firms in Kenya in relation to corporate risk management and the insurance performance. Thus, his findings confirmed that Insurance Company's performance can be improved through prudent risk management. Furthermore, Stoddard (2004) concluded that, organizations that implement effective corporate risk management become successful while others not practicing this activity proved to be unsuccessful. Corporate risk management is defined as the identification, assessment, prioritization of risks and to maximize the realization of opportunities (Wenk, 2005). Effective corporate risk management can bring far reaching benefits to all organizations, whether large or small, public or private sector (Searle, 2008). These benefits include; superior financial performance, better basis for strategy setting, improved service delivery, and greater competitive advantage.

Relationship between corporate risk management and the performance of firm has the direct bearing on information quality to the investment. Information quality of an industry refers to the transparency that is achieved over the whole scope of portfolio (Elonen & Artto, 2003). However, Tunali & Halil (2010) analyze the relationship between macroeconomic variables; exchange rate and international crude oil prices of stock returns in the main Turkish stock market. They investigated this relationship within the Arbitrage Pricing Theory framework using a vector auto regression model as their measure for the period of 2002 and 2008. Their results show that there is a relationship between basic macroeconomic indicators of Turkish economy and stock returns. In another study, a weak support was found for the relationship between the corporate risk management when using monthly data to test the performance of the firm for the

period 2000 to 2004 (Izedonmi & Abdullahi, 2011). They investigated the effect of inflation, exchange rate and market capitalization by using an ordinary least square measure. They found that, there are no significant effects of those variables on the stocks' return in Nigeria. Additionally, as predicted, Theriou, Nikolaos, Aggelidis, Vassilios, Maditinos, Dimitrios, & Sevic Zeljko (2010) also found that two different results exist from empirical study as they investigate the risk-return relationship in the Athens stock exchange (ASE) during 1991-2002. Their result revealed negative relationship between corporate risk management on the firm performance. Elsewhere, it was reported positive relationship exists between corporate risk management on firm performance as a result of additional dimension of right security choice. However, scientific findings revealed contrary relationship between risk and performance (Sinaee, Hasanali, Moradi & Habibolah, 2010). A more recent study on Tehran Stock Exchange (TSE) monthly report (2012) strongly demonstrated that the risk dimension is based on the atmosphere that dictates the management tasks. In a different facet, corporate risk management refers to the practice of identifying the types of risk exposure within the company and proposing means to control their occurrence (Sinaee et al., 2010).

In another study, Hoyt & Liebenberg (2006) examined the determinants of corporate risk management (CRM) for 275 United States insurance companies for the period of 1995 to 2004. The study aimed to determine factors for insurance companies to practice corporate risk management and to estimate its relationship among firm performances. The study found that out of 275 companies, 166 firms are usable for analysis while a weak support was found for 109. The study used primary data for evidence of CRM. Using regression analysis, the study employed five independent variables: size; percentage of institutional ownership; international diversification dummy; industrial diversification dummy; and life insurance dummy. The results of the study indicated that size and international diversification were significant in determining CRM and the performance of the firms.

In an attempt to provide a broader and enriched framework for understanding the effect of corporate risk management and industry performance, Rasid & Rahman (2009) investigated corporate risk management practices in financial institutions in Malaysia using mail surveys. These were sent to 106 financial institutions listed under Malaysian Central Bank, consisting of commercial banks, Islamic banks, merchant/investment banks, discount houses, development

financial institutions and insurance companies. The study employed eight variables consisting of job designation, length of time holding current position, types of services, number of employees, annual revenue, annual total assets, firm's age, and ownership structure. The study found that corporate risk management has positive relationship with performance.

A study by Yusuwan, Adnan, & Omar (2008) focused on the corporate risk management practices on construction project companies specifically in Klang Valley, Malaysia. The study was undertaken to identify the level of performance and corporate risk management. Empirically, their research was interested to examine the policy undertaken when dealing with risks in a construction project, and to identify the problems and challenges for the implementation of risk management. The study employed questionnaire, survey and interviews. The study found that in terms of performance and perception of corporate risk management affects productivity, quality and project budget and that risk management is suitable to apply for project with certain characteristics such as new technology and is suitable to company during unstable political conditions. In contrast, Yazid, Hussin, & Razali (2008) focused on a cross-sectional study on foreign exchange risk management by Malaysian manufacturers. These companies were selected because they were involved in export and import activities. From 152 companies, 100 companies were randomly selected. The data was gathered from annual reports for 2005. The study mainly focused on foreign exchange risk management (FERM). The results of the study found that 45 percent of the companies were considered as a User (FERM) and 55 percent as a Non-User. The study also found two factors which influenced companies to involve in risk management, i.e., assets and employees. Furthermore, from the study it was found that 18 percent of users of risk management have performance in the framework of their business operation while the non-users show weak evidence. Unfortunately-and despite some success recorded between corporate risk management and firm performance, there exists mix relationship as revealed in the literature. Success is defined as the ability to solve problem (Tracy, 2002).

2.5.2 Diversification and Firm Performance

The relationship between diversification and firm performance have been the subject of abundant research in several fields, including strategic management, industrial organization, human resources management, industrial marketing and corporate finance (Berger & Ofek, 1995; Lam, 2000; Palich, Cardinal & Miller, 2000).

More recently, however, Campa and Kedia (2002) pointed out that investment firms do not randomly become diversified. Thus, they provide evidence that diversified firms traded at a discount prior to becoming diversified. In the same direction, Graham, Lemmon and Wolf (2002) showed that segments acquired by diversifying firms already traded at a discount before the acquisition, also refuting the post acquisition negative relationship between diversification and investment firm's performance. Furthermore, Villalonga (2004) using a unique database is able to build more precise measures of industry diversification, and she finds that the diversification discounts revealed better performance. In a different and very clear dimension, Santaló & Becerra (2006) argue that, the performance of firms in the chemical and allied product industry has a negative relationship in terms of related diversification. Thus, firms in the transportation equipment industry have a positive relationship with unrelated diversification.

Interestingly, Salomon, (2006); Renneboogter, Horst & Zhang, (2008); Rudd, (1981); Studied how small firms respond to changes in economic activities by diversifying their investment. Contrary to the expectations, the study found that there is a very small relationship between changes in economic conditions and the performance of the investment firms. Naturally, most of the firms would diversify so as to gain the economy advantage and to remain in competitive business (Tunali & Halil, 2010). In other words, investors or their asset managers are diversifying their portfolios in an irresponsible stock which accounted for weak performance (Salomon, 2006). Specifically, it was revealed that return on investment and risks were used as a measure of performance on diversification (Renneboog et al., 2008).

Results of empirical findings of Singh and Gu (1994) revealed that, the relationship between diversification and firm performance have been mixed and uncertain. According to Kim (1989) these mixed results have been attributed to a failure to discriminate between diversification across and diversification within firms. Some empirical studies, however, failed to find a positive relationship between the extent of related diversification and profitability, and stability of return (Renneboog et al., 2008). On the other hand, a few studies such as Luffman & Reed (1984) suggested an opposite result, arguing that unrelated diversified firms performed better than related firms. Singh & Gu (1994) examined the relationship between diversification and performance in the food service industry. Their findings indicated that business cycle affects the relationship between diversification and performance of food service firms. In the same vein,

another study showed a weak support for firm performance between diversified and undiversified groups (Lee & Jang, 2007). In the opinion of Li & Wong, (2003) close linkages and resource support among affiliated firms would lead to superior performance. The study used return on asset and return on investment as their measure. According to Shergill, (1991) there is no one measure that is generally acceptable in measuring the extent of firm diversification and performance. In addition, empirical studies on the effect of diversification on performance of firms show mixed results. For instance, Kahloul & Hallara (2010), using data of French companies found a negative relationship; Pandya & Rao (1998), experienced a positive association between diversification and performance while analyzing data of Indian firms.

In a related development on the relationship between diversification and performance, Chen and Yu (2011) view diversification as a corporate strategy and the overall plan which covers the scope of the organization as a whole. Their findings show that diversification help firms to pursue economic returns. Research that an investor may show positive interest on related diversification, the same is true for other unrelated diversification. Therefore, diversification refers to expanding the size of the business, achieves an economy of scale, and thereby generates effects for overall operation of firms (Anit & Livnat, 1988). In a different dimension, Suleiman (2003) defines diversification as the investment strategy that involves the evaluation, fundamental issue and manages related risk to increase effectiveness. On the contrary, Vanhorne (2002) argues that diversification is regarded as the decision to invest excess cash in marketable securities involving not only the amount to invest but also the type of security in which to invest.

Though, the review of empirical literature from Management and Finance disciplines show that the relationship between diversification construct and performance are complex and is affected by intervening and contingent variables of related and unrelated diversification (Datta, Rajagopalan & Rasheed 1991; Hoskisson, Robert, & Hitt 1990; Kerin, Roger, Mahajan & Varadarajan 1990). Similarly, they further argued that increased performance of firms due to diversification occurs when the marginal benefits are greater than the marginal costs of diversification. In addition, their empirical result revealed that mixed benefit effect of diversification on performance, leads to the conclusion that a non-linear relationship may exist between diversification and firm performance. Further, Delios & Xu (2008) sampled about 800 Chinese firms and found that focused firms outperformed in the investment industry. By

implication, there exist a positive linear relationship between diversification and a firm's performance. However, different results were obtained in the study conducted by (Gonenc & Aybar, 2006) in which weak evidence was found for a positive relationship between group diversification and performance in Turkish industrial firms. Their studies use the return on equity and the firm age as basis of performance measure. This implies that the performance of diversification strategies is centered upon wrong policy recommendation.

In contrast, literature revealed that product diversification can enhance firm performance by creating synergy through internalization of business activities and also facilitate demand interaction (Goezen & Beamish, 2005; Li & Greenwood, 2004). Consequently, results of empirical findings of Luffman & Reed (1984) arguing that unrelated diversified firms performed better than related firms. That is, firm stand a chance to experience positive relationship in their performance when unrelated diversification exists. In line with this, Schoar (2002 p226) stated that "It is a remarkable fact that there exist relationship between diversification and performance." More specifically, Kock & Guillen (2001) have empirically demonstrated that unrelated diversification had significantly elevated through competencies and technological abilities while using return on capital as performance measure. As observed by Siggelkow (2003) intra-industry product diversification may positively affect firm performance. For example, Chang & Hong (2000) in their study of Korean firms found that both related and unrelated diversification have a positive impact on firm performance; Kakani (2000) found that unrelated diversification has a negative impact on Indian firms performance, using the return on equity and return on asset as their measure while Li and Wong (2003) found that the interaction effect of related and unrelated diversification is significant for the performance of Chinese firms. A more recent study (Chen and Yu, 2011) strongly demonstrated that the diversification (related or unrelated) dimension is quite universal and it depends on one firm to the other. In spite of the substantial number of empirical studies in finance, researches on the relationship between diversification and firm performance have produced mixed related results (Lee & Jang, 2007).

2.5.3 Security Choice and Firm Performance

Generally, the study of security choice is essentially based on the notion that all individual investors are similar in some ways and perhaps different in others regarding the choice of security selection (Thorpe & Morgan's, 2007). Security choice has been defined differently by

different scholars. Most of the contemporary financial analysts have agreed that security choice is defined as that pattern of systematic arrangement of investments, hoping to minimize risk, return maximization, feelings and behaviors that distinguish one investor from another and that persist over time and situations (Martinsuo & Lehtonen, 2007; Lee & Faff, 2009; Jones, Beatty, and Mothersbaugh, 2002). In essence, Security choice is defined as the systematic way of arranging investments that give possible returns considering the historical nature of the investment and the risk occurrence (Dawidson, 2004).

However, Jonas (2010) used a survey research method to show the relationship between security choice, portfolio and the firm performance. Specifically, literature revealed his result indicates positive effect between intervening variable of security selection and the independent variable firm performance (FP). The research was consistence to the study of Jolly (2003) as positive relationship exist between selection of security and performance of Brazil chemical company.

Another explanation is credited to Thorpe & Morgan's, (2007) who demonstrated on middle managers' of portfolio (MMP) and project portfolio management (PPM) contribution on the success of securities choice arrangement. Both are capable of being directly influenced by the senior management. Due to the relatively high innovation and the role in particular, clarity and significance of the PPM context is assumed to have direct effects on the investment industry. Thus, clarity and role significance are rather not independent but understood as complementary regarding their influencing effects security choice has on performance. Their findings confirmed that, clearly defined role of MMP positively determined the extent to which the security choice and firm performance could be achieved. In turn, this go a long way to minimize the tendency of risk and maximize returns of investors and the investment companies. In addition, Martinsuo & Lehtonen (2007) identified that simplicity in terms of the number of personnel was a significant variable contributing to the perceived relationship between the nature of the securities combination in portfolio and firm performance.

In another context, Lee & Faff (2009) have empirically demonstrated that a significant negative effect on the number of project-related problems reported. However, it is established from their findings that organizations do not have to implement all the elements of PPM to create benefits. Particularly, value of investment could be enhanced by properly choosing the right elements of securities selection to improve firm performance.

As expected, Benninga (2008) found a positive relationship between security choice and the performance of firm using the measure of log-returns. Therefore, the monthly return data is calculated as log-returns, and these returns are applied by the portfolio management analysts. This relationship has been found to be reconciled to minimize the risk dimension of investors. In a related model, the integration of environment, social or governance (ESG) criteria in investment processes, as perceived by the investor, is positively correlated with the right security choice (Barnett et al, 2006; Renneboog, ter et al., 2008; & Rudd, 1981). Environmental, social and governance refers to the three main areas of concern that have developed central factors in measuring the sustainability and ethical impact of a firm (Dammer, 2008). Conversely, negative perceptions of portfolio in relation to security choice and performance of the firm in a competitive environment and volatile nature of the economy relate to negative performance. This negatively correlates with the portfolio management for inability to adopt the dimension of technical analysis and fundamental analysis (Olsson, 2008). Technical analysis refer to the study of market generated data like prices and volumes to predict and determine the future direction of price movement while fundamental analysis refer to the analysis that deals with the financial, economic, as well as other quantitative and qualitative elements associated with a security choice with the sole intention of determining its performance to the firm (Martin & Ping, 1991).

In related scenario, security choice and firm performance have attracted much research attention. In addition, Markowitz (1952) investigates the relationship between security choice and risk associated to performance. In his research, investors' behaviors were measured on self-sacrifice and general compliance dimensions. His study which employed selection of negatively unrelated portfolio approach of data collection demonstrated significant positive relationship between security choice, risk associated and performance of the firm. Benefit derived and security choice research continues to flourish after Cooper & Edgett (2001); Dawidson (2004) seminal work with considerable significant relationship (Killen, Hunt & Kleinschmidt, 2008).

On the contrary, Cleary, Kennedy, O'Donnell, O'Regan, and Bontis (2007) present findings which significantly depart from the various international studies. The study further reveals that security choice and risk adjustment that constitutes their control variable under study is positively correlated with a firm's performance. Additionally, as predicted, Engstrom & Stefan (2003) found that security choice and performance dimension exhibit a positive relationship with

corporate profitability of the investment companies. The study was based on a sample of intangible assets firms listed on the United Stock Exchange (USE) from 2000 to 2008 and the data evaluated using ordinary least square and multiple regressions as their measure.

2.6 Portfolio Performance and Investment Firm

In an investment firm, portfolio performance is the critical variable in determining the success of both investors and the investment companies (Khorana, Ajay, Henri Servaes, & Lei Wedge (2007). They present empirical findings on the relationship between industry and portfolio performance. Thus, the effect of portfolio performance on United States domestic-equity mutual funds increased when higher managerial experience, the level of managers' education, and the ability to predict the risk associated were involved. Additionally, their findings confirmed that performance has significant positive impact on the portfolio of the company. In a different study, a weak support was found for the US domestic-equity mutual funds with decreasing inflows which is evidence as a result of underperforming of the fund managers (Khorana & Ajay, 2001). However, Opt & Veld (2004) analyzed the portfolio performance in Netherland industry. In addition, using a sample of manufacturing firms listed on the securities database of global property of Netherlands-based firms. Their result show significant relationship between firms' performance using variables of dividend yield and security choice. The database contains prices market capitalization, dividends, and company characteristics of real estate companies listed on the stock exchanges for the period of 2000 to 2005. The empirical results demonstrated that, even though, there are positive returns on the firms with other related control variables, the most active Netherlands firms did not provide the expected portfolio performance (Ernst, H. 2001).

Going by the persistent issues of portfolio performance, Bello (2005) analyses the management of portfolio in an information technology equipment industry. The relationship between portfolio management, return, risk structure, and funds do not differ significantly from conventional funds in the degree of portfolio diversification. Efficiency and profitability is measured using correlation and regression analyses. Analysis of variation (ANOVA) is used to study the roles of management of portfolio on return. Additionally, Engstrom & Stefan (2003) used the industry equipment companies covering the period of seven years and twenty-five days. Their studies establish evidence that risk is negatively related to return on investment but positively significant and correlated in the diversification. Perhaps, it does not significantly influence the return of

firms in information technology equipment of United State. Role is defined as a set of connected behaviors, rights, obligations, beliefs, and norms as conceptualized by an individual who occupies a given social position or status (Elonen & Artto, 2003; Blomquist & Muller, 2006).

Goerzen & Beamish (2005) conducted empirical research of Japanese multinational enterprise (MNE) using secondary data. They advocate the use of structural equation modeling (SEM) over ordinary least square (OLS) due to the in accuracies of relative measures. Their results revealed greater portfolio performance for the period of 2000 to 2003. Similarly, portfolio performance has significantly related to a positive expectation of return (Cooper, Edgett & Kleinshmidt, 2004). Such findings have indicated the importance of portfolio selection that reduces the level of risk. However, weaker perceptions hold in the U.S during the period of 2003 as more active firms demonstrated negative portfolio performance (Boer, Brounen, & Opt 't Veld, 2004). Contrarily, past studies have confirmed that, after controlling for individual investors' differences, that positive relation between trading activity and portfolio performance is less evident (Brooks, Christiansen & Varnes, 2008).

Jeffery and Leliveld (2003) argue that project portfolio management has its role on return as well on risk of the firm. Additionally, there study revealed the effect of different variables of portfolio including return on investment, risk analysis and security selection of 34 medium-to large-size information technology companies in United Kingdom. Thus, size of the firm is measured in terms of natural logarithm of sales while financial assets to total assets ratio were used as proxies. There results was correlated a significant positive effect on the portfolio. Project portfolio management is defined as the identifying, prioritizing, authorizing, managing and controlling the component projects and programs and the associated risks, resources and priorities in an investment firm (Dammer, 2008).

In the majority of research, Laslo and Goldberg (2008) they investigated more on the management support of information technology in Brazil. In project management, Crawford (2008) identifies top management support as one key theme that has emerged more recently. However, several empirical studies show contrary results of positive or negative influence of top management involvement (Bonner, J.M., Ruekert, R.W, Walker, O.C, 2002; Kessler, 2000; Boer, D. & Brounen, D, 2004; Brentani & Kleinschmidt, 2004). In terms of empowerment and intervention, the roles of the line management and the top management are considered as similar

regarding their influence on task execution and the project portfolio manager's role definition. The influence of empowerment on task execution is assumed to be basically mediated by the project portfolio manager's role definition, whereas the influence of intervention construct on success is basically seen as a moderator for the impact of the extent of task execution (Bliese & Castro, 2000).

Despite all these extensive literatures review on the portfolio performance, firm performance and portfolio management, to the best of the researcher's knowledge none, except the works of Jonas (2010) that conducted an empirical research in Australia. He employed the questionnaire to measure portfolio management (corporate risk management, diversification and security choice) and scale to measure firm performance. More specifically, he used regression analysis to tests the relationship among the research dimensions and firm performance. His empirical result revealed that, corporate risk management and diversification have positive effect on the firm performance. Though, security choice contribution to firm performance is minimal. Also, the present study adopted the questionnaire of Jonas (2010) to assess the effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria. Most of the literature reviewed measures firms' performance in terms of return and risk, (Sabi, 2006); Renneboog, ter Horst & Zhang, 2008; and Rudd, (1981), the ordinary least square, (Izedonmi and Abdullahi, 2011), structural equation modeling, (Goerzen & Beamish, 2005). In contrast, (Killen, 2008) suggests organization to the dimension of well defined strategy, competent, and experience managers as his measures. Yet others used variables of natural logarithm of sales and financial assets to total assets as their measures (Jeffery & Leliveld, 2003).

Therefore, having exhausted the various work of scholars and researchers in different firms, industries and organizations; The aim of this study is to reveal the contents of the independent variable portfolio management (PM) and the dependent variable firm's performance (FP), and their dimensions in depth which will guide the current study to investigate the effect of Portfolio Management Practices on the performance of Kano State Investment and Properties Limited, Nigeria.

2.7 Theoretical Framework

There are some theories to be discussed which will enable the investment participants to enjoy the maximum return on their investment bearing in mind of risk reduction; Modern Portfolio Theory (MPT), The Arbitrage Pricing Theory (APT), The Capital Asset Pricing Model (CAMP), Portfolio Return and Risk, Efficient Portfolio (Markowitz, 1959).

2.7.1 Modern Portfolio Theory

This theory was introduced and developed by a renowned researcher (Markowitz, 1952). In its simplest form, Modern Portfolio Theory (MPT) provides a frame work to construct and select portfolio based on the expected performance of the investments and risk appetite of the investor. Thus, MPT also commonly referred to as Mean-Variance analysis. Specifically, it is widely applicable in the finance theory as the investors, finance analyst and the investment organization will gain an understanding of the theory (Markowitz in 1952). He further emphasizes that, MPT can reduce an investor's risk by creating a diversified portfolio that includes different types, or classes of securities that may produce strong returns in any economic environment. Therefore, it may be useful to point out here that, the theory of portfolio selection is a normative theory. A normative theory is one that describes a standard form of behavior that investors should pursue in constructing a portfolio theory (Elton, 1995).

2.7.2 The Capital Asset Pricing Model

The theory of Capital Asset Pricing Model (CAPM) has an important role to play when selecting portfolios according to mean/variance preferences (Brealy & Mayer, 1996). In other words, the logic behind this theory is that investors are compensated for taking necessary risks, but not for taking unnecessary risks (Olsson, 2008).

Furthermore, this model is based on the behavior of the risk-averse investors. That is, it implied equilibrium relationship between risk and expected returns for each security. In market equilibrium, a security will be expected to provide a return commensurate with its unavoidable risk. This is simply the risk that cannot be avoided by diversification. The greater the unavoidable risk of a security, the greater the return that investors will expect from the security. Similarly, the relationship between expected return, avoidable risk and the valuation of security

that follows is the essence of the Capital Asset Pricing Model (Van Horne, 2001). The Capital Asset Pricing Model was building on a number of assumptions (Pandey, 2002).

i. Capital Market Efficiency implies that security prices reflect all available information with no taxes regulations or floatation costs.
ii. Risk aversion which means investors evaluate a security's risk and return in terms of the variance or standard deviation. By implication, giving the level of risk the investors prefer the highest expected returns.
iii. Homogenous expectations, which imply that all investors have the same expectations about the risk and expected return of securities.
iv. Single time period, which means, all investors decisions are based on single time period.
v. Risk-free rate means that, all investors can lend or borrow at a risk-free rate of interest.

2.7.3 The Arbitrage Pricing Theory

In finance literature, the Arbitrage Pricing Theory (APT) is an equilibrium model as to how prices are determined. Originally, this theory is based on the idea that in competitive financial markets arbitrage will ensure that riskless assets provide the same expected return with risky ones. The model is based on the simple notion that securities prices adjust as investors form portfolios in search of arbitrage profits (Van Horne, 2001).

In a similar context, Laslo and Golderg (2008) are of the view that, to determine which security is expensive or cheap one need to look at a small number of common risk variables, which are market related undiversifiable risk and diversifiable risks. The key point behind APT is the rational statement that the market return is determined by a number of different factors. These factors can be fundamental factors or statistical.

However, the concept of return of a security in APT is measured to have two components: predictable returns and unpredictable returns. The predictable return is the risk-free return on a zero beta security, whereas the sources of the unpredictable return is associated with market-

related (undiversifiable risk) caused by macro economic variables such as the term structure of interest, gross domestic product, inflation level, changes in default premium (Van Horne, 2001).

2.7.4 Efficient Portfolio

Van Horne (2001) demonstrates that, the risk–averseness of investors would generally make the investors to choose portfolios that offer the highest return for a given level of risk. In an array of limitless securities, a portfolio with the highest expected return for a given level of risk is said to dominate other portfolios.

2.7.5 Portfolio Return and Risk

Considerable research effort has been put toward determining the best theory in finance and investment. Various studies suggest a wide range of factors responsible for variation of expected return and the expected level of possible risk and that depends on the circumstances and the conditions guiding the investment policies and strategies (Lager 2002 & Van Horne, 2001). Therefore, the expected return on a portfolio is determined by weighted average of returns on the individual securities, while the risk of a portfolio is the dispersion or variability of the return of the portfolio around its expected return. Thus, it is measured by the expected variance (or standard deviation) of the distribution (Lager, 2002).

The justifications for choosing the arbitrage pricing theory and efficient theory to underpin this study were based on the literature reviewed.

Firstly, Arbitrage Pricing Theory provides a room for both the investment firm and investors to decide on which of the two securities that will command high price. As such, from the research conducted, to sell the more expensive and buying the cheaper securities is better. Doing so, will guarantee more investment opportunities as price of each security is one of the determining factors in selecting the choice of portfolio that gives highest return with the spread of risk through diversification.

Secondly, by choosing “efficient portfolio theory”, investment firm and investors are better off with the option of availability of information at their disposal. Thus, these will enable them to understand the diversification and selection of different securities that give highest possible return with a given level of risk.

2.8 Diversification as a Central Theme in Finance

Before deeper scientific research on portfolio, there were many speculations about the fundamental analysis and technical analysis that shape the investment and properties industries (Markowitz in 1952). In other words, this will assist the investors, shareholders, financial analyst, and other participants that trade with investment business regards on how to invest their money to maximize returns and minimize risks. Conventional wisdom has always dictated that do not put all your eggs in one basket (Markowitz, 1959). In more technical terms this adage is addressing the benefits of diversification. In essence, the adage means that putting all your money in investments that may all go broke at the same time, i.e. whose returns are highly correlated, is not a very prudent investment strategy. Thus, if that one single investment goes broke, it is very likely due to its high correlation with other investment, that the other investment are also to go broke, leading to the entire portfolio going completely ruined. The concept of diversification is so sensitive and so strong that it has been continually applied to different areas in finance. Indeed, this will give room for a more precise measure of diversification and risk which will enhance the chances of return maximization (Frank, Fabozzi & Markowitz, 2002).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses research methodology and also the procedure undertaken by this study. Specifically, this chapter discuses aspects of research design which include; population of the study, sampling size and sampling techniques, measures used in developing the research instrument, methods of data analysis, and model specification.

3.2 Research Design

A research design is defined as an overall plan for research undertaking (Saunders, Lewis & Thornhill, 2003). This study employed exploratory method design, because it sought to explain the relationships between portfolio management and performance of Kano State Investment and Properties Limited, Nigeria. Exploratory research is to enable the understanding of a new phenomenon, which further studies will be conducted to gain verifiable and conclusive evidence (Zikmund, 2000; Sekaran & Bougie, 2010). In other words, exploratory design method is appropriate where the study seeks to describe the characteristics of certain groups, estimate the proportion of people who have certain characteristics and make predictions (Churchill, 1991). Thus, hypotheses were formulated to provide explanation of their relationships by demonstrating the relationships as statistically significant. The design is meant to analyze the Portfolio Management Practices of Kano State Investment and Properties Limited, Nigeria and to also investigate how it influences their performance. Specifically, the variables used for the study are independent variable (portfolio management) and the dependent variable (firm performance).

3.3 Population of the Study

Population of the study refers to the entire group of people, events or things of interest that the researchers wish to investigate (Sekaran and Bougie, 2010). They further state that population of the study is the group of people, events or things of interest for which the researcher wants to make inferences based on the responses from an acceptable sample of the study. Therefore, this study focuses on the portfolio management and investment officers of Kano State Investment

and Properties Limited, Nigeria as its population. As at the time of this study, the entire populations of the firm are sixty-one (61) in number.

3.4 Sample Size and Sampling Techniques

Sample is a set of individuals or participants selected from a larger population for the purpose of a survey (Sekaran & Bougie, 2010). An optimal sample is important for minimizing the cost of sampling error, thus indicating the need for selecting an appropriate sample. Therefore, in deciding the sample size for this study adopting a scientific approach becomes necessary. The sample size of this study is 53. Therefore, Krejcie and Morgan (1970) scientific approach was used for the selection, as it is a generalized scientific guideline for determining the sample size. Thus, based on Krejcie and Morgan (1970) see appendix II or using formulae below.

$$n = \frac{(N)p\ (1 \quad p)}{N \quad 1(\frac{B}{C})^2 + \ p(1 \quad p)}$$

Where n is the computed sample size needed for the desired level of precision; N is the population size; p is the proportion of population expected to choose; B is acceptable amount of sampling error, or precision; and finally C is Z statistic associated with the confidence level which is 1.96 that corresponds to the 95% level. B can be set at .1, .05, or .03, which are + 10, 5, or 3% of the true population value, respectively. In this study, the acceptable amount of sampling error or precision is set at .05 or 5%. Confidence level of 1.96 corresponds to the 95% level.

Before collecting the data for this study, the proportion of participants who would respond "favourably" or unfavourably might not be known, therefore, consistent with (Dillman 2000; Bambale, 2013), the proportion of .05 would be used instead of .03 for a more homogenous sample. Using .05 will lead to a greater sample size than using .03; however, it always provides an adequate sample size for a smaller or greater population (Bambale, 2013).

Where N = 61, p = 0.5, B = 0.05, C = 1.96

$$n = \frac{61(0.5)\ (1 \quad 0.5)}{61 \quad 1(\frac{0.05}{1.96})^2 + \ 0.5(1 \quad 0.5)}$$

$$n = \frac{30\ (0.5)}{60(0.000651) + \ 0.5(0.5)}$$

$$n = \frac{15.25}{0.03906 + 0\ .25}$$

$$n = \frac{15.25}{0.28906}$$

$$n = 52.75 \quad 53$$

Based on the results of sample size computation, this study needed 53 participants to complete the survey. As expressed in the formula, the sample falls within the sample frame of $\pm$5% margin errors. As can be observed there is no significant difference between the determined sample size of 53, using the Krejcie and Morgan's scientific guideline. Because the aim is to have a larger sample size that would be more representative of the study population, therefore, the determined sample size of 53 obtained using the Krejcie and Morgan's scientific guideline has been adopted. Selecting clusters randomly makes cluster sampling a probability sampling technique (Hulley, 2007). Single-stage cluster sampling involves the division of the population into convenient clusters, randomly choosing the required number of clusters as sample subjects, and investigating all the elements in each of the randomly chosen clusters, (Sekaran, 2003). However, it may also reduce the representativeness of the study sample but cluster sampling offers convenience. For this reason one need to maximize the number of subareas to allow for variations in the population within the available resources (Hulley, 2007).

The multi-stage sampling design was used in this research, in the sense that it is normally used to overcome problems associated with a geographically dispersed population when face-to-face contact is needed or where it is expensive and time consuming to construct a sampling frame for large geographical area and it offers precise and detailed information (Hulley, 2007). There are two basic probability sampling plans: the unrestricted or simple random sampling, and the restricted or complex probability sampling plans. In the simple random sampling design, every element in the population has a known and equal chance of being selected as a subject. The technique is also regarded for high generalizability as determined by Hair (2010) rule of thumb.

Cluster sampling as the name implies, is on the surface, similar to stratified sampling as one need to divide the population into discrete groups prior to sampling (Hulley, 2007). Then random sampling was used to select disproportionately certain number of staff from the study area. This

study then adopted data collected from every case (element) within the selected clusters. Therefore, the researcher decided to take a census of thirty (30) portfolio management and twenty (23) investment officers as the sample size out of the total of sixty-one (61) staff as a cluster.

3.5 Methods of Data Collection

This study employed primary data and utilize both descriptive and inferential tools to analyze the data that were drawn from Kano State Investment and Properties Limited, Nigeria. However, the present study adopted Jonas (2010) questionnaires. Primary data was collected using questionnaires. The data collection process took at least 15 days. The questionnaires are preferred in this study because respondents of the study were assumed to be literate therefore able to answer questions asked adequately. Kothari (2004) terms the questionnaire as the most appropriate instrument due to its ability to collect a large amount of information in a reasonably quick span of time. It guarantees confidentiality of the source of information through anonymity while ensuring standardization (Churchill, 1991). It is for the above reasons that questionnaire method was chosen as an appropriate instrument for this study. A questionnaire is a data collection tool in which written questions are presented and are to be answered by the respondents in written form. According to Mugenda and Mugenda (1999), questionnaires are commonly used to obtain important information about a population under study. Each item is developed to address specific themes of the study. In addition, Dhillon (2013) stated that questionnaires allow respondents to answer questions at times that are convenient to them.

A convenience sampling technique was used. Convenience sampling technique enables researchers to obtain a sample of convenient elements. Respondents were selected because of their area of specialization. This survey study was conducted using a structured questionnaire. The questionnaires obtain information from respondents regarding their perception about portfolio management (i.e. independent variable) and firm performance (dependent variable) while performing their primary roles in the company. Also, the questionnaire obtained information regarding to demography of the respondents, gender, marital status, age, work experience, educational qualification, and the designation. Important to note is that the questionnaire instrument consists of 33 items (i.e. questions). From the total number of the questionnaire item a total of 25 items measured portfolio management, while a total of 8 items

measured firm performance. Responses to the questions regarding to the independent variable and dependent variable were measured using a 5 point Likert scale from 1= Strongly Disagree; 2= Disagree; 3= Not sure; 4= Agree; 5= Strongly Agree.

3.6 Methods of Data Analysis

This study employed the quantitative approach in which statistical computation were used to explain the relationship between variables under investigation. The statistical package for social science (SPSS) version 20 has been used in analyzing the relationship between the variables for the study. Therefore, upon the completion of data collection, combinations of both descriptive inferential statistics were employed to analyze and interpret the data. Portfolio management is the independent variable while firm performance is the dependent variable of the study. Dependent and independent variable were analyzed using the multiple linear regressions. Response rate and demographic variables were analyzed using the descriptive statistics. Different statistical tools were used to address, to assess and interpret data. Multiple regressions were used to analyze the relationship in the research frame work. Specifically, linear regression analysis was employed to test the effect corporate risk management, diversification and security choice on the performance of Kano State Investment and Properties Limited, Nigeria. On the other hand, the descriptive statistic which includes mean, standard deviation frequencies and percentage were also employed to describe the response rate and the mean characteristic of the sample.

3.7 Model Specification

The present research used the firm performance as dependent variable and portfolio management as independent variable. As stated in the previous section, the present study used linear regression model to assess the level of effect the independent variable has on the dependent variable. The model was specified as follows:

$Yi= \alpha+ \beta i\ Xi + ...\beta n\ Xn+ei$

Yi denote the dependent variable and Xi denotes the number of the independent variables

Where:

Yi= Firm performance (FP)

Xi= Corporate risk management (CRM)

Xii= Diversification (D)

Xiii= Security choice (SC)

α= Constant value

βi= the coefficient of variables

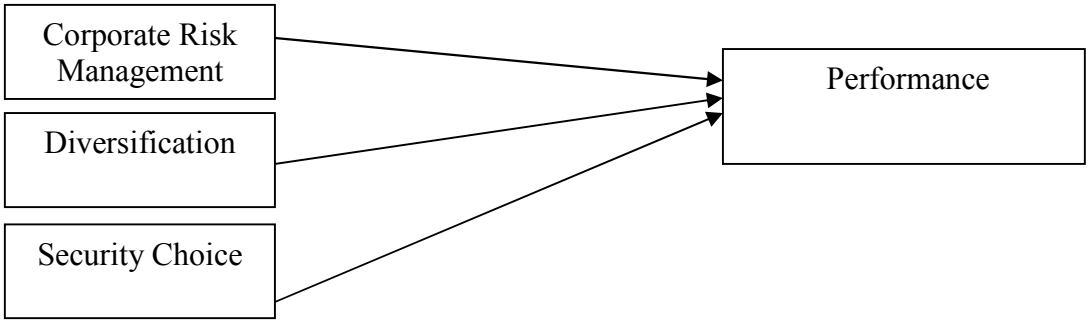
ei= error term associated with variables

Therefore, the regression equation for this study is:

FP= α+βi CRM + βi D+ βi SC +ei

The chart below shows the research model of the study

Portfolio management (IV) **Firm performance (DV)**



Source: 1. Jonas (2010), 2. Researcher Proposed Model (2015).

3.8 Instrumentation and Measurement of Variables

The present study has two major constructs to be measured namely portfolio management and firm's performance which are independent variable and dependent variable. This section discusses the instruments used in measuring the constructs of the model and to determine the extent of their relationships.

3.8.1 Portfolio Management (PM)

The expectation of this construct is to determine the relationship with the firm performance. Portfolio Management is the process of combining securities in a portfolio tailored to the investor's preferences and needs, monitoring that portfolio, and evaluating its performance (Dye & Packer, 2000). To measure portfolio management (PM), 25 items adopted from Jonas (2010) are used. A five point Likert scale ranging from (1"strongly disagree", 2 "disagree", 3 "Not sure", 4 "Agree" and 5 "strongly disagree") were used to measure portfolio management

performance. Some of the example of items concerning portfolio management performance includes: (1) I am happy as corporate risk managers are consistent in providing prompt and efficient services on risk issues. (2) I am satisfied with the way this firm diversifies and (3) I am satisfied with the overall conduct of the firm regarding security selection.

3.8.2 Firm's Performance (FP)

The firm performance is an indicator or measurable values that demonstrate how effectively a firm is achieving key business objectives (Martinsuo & Lehtonen, 2007). The performance of the Kano State Investment and Properties Limited, Nigeria could be to maximize the shareholders wealth, improve the return on investment of investors and economic growth. Performance is a multidimensional concept that depends upon the indicators used to assess it. The empirical literature reports a high diversity of performance indicators (Jones et al., 2002). A common distinction is between financial and non-financial measures. Non–financial measures include goals such as satisfaction and business success rating made by owners or business managers; financial measures include factors such as sales growth and Return on Investments (ROI). Firm performance is also defined as the measures put in place to achieve strategic or operational goals (Abaddi, 2012). To measure FP, 8 items were adopted from Jonas (2010). The questions were adopted to suit the present study and the items are rated on a 5-point scale. Some of the example of the items to be used for firm performance includes; (1) I am happy as my return on investment improves because of firm performance; (2) I am happy to invest more as financial performance of the firm is achieved; and (3) I am delighted as my financial health improves through firm performance.

3.9 An Overview of the Kano State Investment and Properties Limited, Nigeria

Kano State Investment and Properties Limited (KSIP), is a Kano state owned Liability Company. It was established in 1971 as the Kano State Investment Company to carry out investment activities on behalf of the Kano State government, to stimulate and enhance industrial and commercial growth in the state as well as to promote housing/property development objectives of the state Government. Initially, it was incorporated under the companies Decree of 1968 in 1971, supervised by the state ministry of finance. The overriding objective of the company is to stimulate and enhance the firm and commercial growth of Kano State as well as monitoring the

housing policy of the state government. In line with this, it also plays the role of assisting local and foreign investors to promote and run their own business whether by way of direct equity investment or through joint equity partnership. In 1976, the government took over the Management of Kano State's Investments and Properties including low cost housing schemes and hotels following a restructuring and a report by the Ali Al Hakim commission. Prior to the restructuring, the company was alleged to have been controlled by the governor, Audu Bako who invested resources in some businesses thought to have been overvalued. In 1978, federal and housing was transferred to the company and the company's name was changed to Kano State Investment and Properties Limited to reflect the changes (KSIP, 2015).

More importantly, the key words in KSIP is professionalism and integrity, these has become not only our motto but also our driving force through these prospective investors and entrepreneur rally around KSIP for investment promotion and opportunities. KSIP also assists indigenous entrepreneurs in understanding and adoption modern approach to investment in the promotion, establishment of industrial ventures, expansion and modernization or diversification of such venture. Thus, it also encourages and facilitates the acquisition of investments, shares and securities through proper management of portfolio management that ensure return on investment at a given minimal of risk. The firm also assists foreign investors through corporate risk management in understanding the various degree of risks, diversification, security choice, local environment and its required sufficient assistance as may be necessary to enable them takeoff their business operation successfully. KSIP co-ventures with other development finance institutions the banking community and foreign investors in the promotion of projects deemed viable, desirable and strategic to its overall objectives (KSIP, 2005).

The present research use Kano State Investment and Properties Limited, Nigeria as case study. This firm was choosing because, with volatile nature of the Nigerian economy the firm still has continuity in their operational activities. Today, the company is located at Ado Bayero House, Kano and over the years has purchased real estate and shares in major companies including the former NAI Bank, Kapital and NEM Insurance, Jaiz International and national oil. The company therefore partner with local and foreign investors in the exploitation of Agriculture, Industrial and Commercial potentials of Kano State.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

This chapter presents, analyzes and interprets results from the data collected for this study. Specifically, this chapter analyzes the goodness of measures through validity, reliability analysis of measures being used. In addition, using the data gathered from the questionnaire survey in the present study, this chapter analyzes the relationship between portfolio management dimensions including corporate risk management, diversification, security choice and performance among investment officers and portfolio management of Kano State Investment and Properties Limited, Nigeria. This section was divided into 4 main sections. The first section explains the response rate and description of the study sample. The second section presents descriptive analyses of the study variables. The third section presents the goodness of measures, and the last section presents the use of multivariate analysis to test the study hypotheses.

4.2 Response Rate

The data for this study was collected from portfolio management and investment officers of Kano State Investment and Properties Limited, Nigeria. In this study, attempts were made to achieve more response rate by reminding the respondents through telephone calls, and self-visit (Sekaran, 2003). As a result of these efforts, 51 questionnaires were returned out of the 53 questionnaires distributed by hand delivery to the respondents in the firm. Out of these 51 responses collected, 48 questionnaires were useable for further analysis making a valid response rate of 90%. A response rate of 30 percent is accepted for survey (Sekaran, 2003; Hair, 2010). Specifically, after the data collection a total of 3 copies of the questionnaire were removed from the study because of incomplete response and 2 copies of the questionnaire were not returned.

Table 4.1 shows the distribution of the questionnaires, the total number of responses by each participant and valid response rate.

Table 4.1: Response Rate of the Questionnaires

Descriptions	Frequencies	Percentages %
No. of distributed questionnaires	53	100
Returned questionnaires	51	96
Retained/Useable questionnaires	48	90
Returned but Incomplete questionnaires	3	5
Unreturned copies of the questionnaires	2	3

Source: Field Survey, 2015

4.3 Data Cleaning

Data cleaning is important in conducting any multivariate analysis. This is due to the fact that the quality and the meaningfulness of the outcome of the analysis depend on the data screening and editing (Gorondutse and Hilman, 2013). Although, according to Tabachnick and Fidell (2007) the best way of ensuring precision is all the way through proof reading of the original data with respect to computerized data file. Conversely, with big data set, proof reading is complicated or even unattainable (Pallant, 2011). For this reason, there is need to investigate data through descriptive statistics using computer software. In this way, all the unseen errors that are not easily experiential would be exposed (Hair, Black, Babin, & Anderson, 2010). Hence, missing values and outliers were thoroughly checked and treated.

4.3.1 Detection of Missing Values

Missing values refer to the unavailability of suitable value on one or more variable for data analysis (Hair *et al*., 2010). In view of the negative consequences of missing data in the analysis, the researcher took precautionary action from the field to prevent the occurrence of missing values. First, the questions were written in a simple language that could be easily understood. The researcher employed research assistant, each question was explained to the research assistant by the researcher to easily carry out the research work successfully. The researcher actively participated in the distribution of the questionnaire; the respondents were persuaded to fill the questionnaire on the spot. However, some respondents did not fill on the spot but in a later time. A preliminary descriptive statistic that was conducted to identify missing values and it shows no missing values. Hair *et al*., (2010) asserted that any case with more than 50 percent missing values should be deleted as long as there is adequate sample. Hence, no missing values were detected in the study, as a result of the steps taken by the researcher as explained above.

4.3.2 Outliers

Tabanchnich and Fidell (2007) recommend the identification of univariate outliers through the observation of Z score. The Z score for each and every item must be within the range of $\pm$ 3.29 (0.001) significance level. Any value exceeding $\pm$ 3.29 were due to some mistake of data entry; 5 cases were recorded. In this case, Tabachnick and Fidel (2007) Mahalanobis Distance (D) was conducted to discover and deal with multivariate outlying cases (Hair et al., 2010). The method

is to run Mahalanobis in the SPSS and then judge against the values with that of the Chi-square table (Tabachnick & Fidell, 2007). Known that 47 items were adapted, representing the degree of freedom in the X2 table with $P < 0.001$, so the standard is 81.40 (Tabachnick & Fidell, 2007). This means that any figure with a Mahalanobis Distance of 38.40 and higher than, is a multivariate outlier and should be removed. In this regard, 6 cases were established to be 81.40 and above, and consequently, representing multivariate outliers, and were removed from continuation in the analysis. In this vein, a total of 7 cases of univariate and multivariate outliers were recorded. Therefore, copies of the questionnaire with serial number 21, 49 were deleted as univarate outliers, and 5, 11, 17, 33, 46 were deleted as multivariate outliers, the remaining 48 questionnaires were considered for further analysis.

4.4 Descriptive Analysis

This section presents the statistical frequency distribution of the respondents regarding their characteristics as well as the statistical description of the variables used in this study.

4.4.1 Descriptive Analysis of Respondents' Characteristics

The statistical frequency distribution of the respondents was objectively classified and presented in logical categories to reflect the originality of the study. Specifically, this section provides background information of the respondents that participated in the survey. The characteristics examined included gender, age, marital status, highest educational qualifications, designation and working experience (i.e. time spent in investment firm). All these demographic characteristics of the respondents are presented summarily in Table 4.2. The respondents consist of portfolio management and investment officers of Kano State Investment and Properties Limited, Nigeria. The characteristics have been measured on nominal and ordinal scales.

Table 4.2 Descriptive Analysis of Respondents' Characteristics

Demography	Details	N	% of Respondents
Gender	Male	45	94
	Female	3	6
Total		48	100
Age	21-30	4	8
	31-40	20	42
	41-50	17	35
	51-60	5	10
	Above 61	2	4
Total		48	100
Marital Status	Single	10	21
	Married	38	79
	Divorced	0	0
	Widow	0	0
Total		48	100
Educational Qualification	SSCE/WAEC	0	0
	ND/NCE	0	0
	B.Sc./HND	18	38
	MBA/M.Sc.	25	52
	PhD	5	10
Total		48	100
Designation	Portfolio Management	28	58
	Investment Officers	20	42
Total		48	100
Working Experience	Less than 1 year	2	4
	1-4 years	13	27
	4-8 years	19	40
	8-11 years	9	19
	Over 15 years	5	10
Total		48	100

Source: Field Survey, 2015

The majority of the respondents in the firm were male (94%). This indicates that male respondents' dominance in the current survey may also be attributed to lack of strong gender parity policies for recruitment in Kano State Investment and Properties Limited, Nigeria. In terms of marital status of the respondents, majority constituting 79% were married while 21% are single. Regarding age of the respondents it indicated that most of the respondents have fallen within 31-40 age brackets, while respondents within the age bracket of 61 and above constitute the minority. This shows that the sample of this study largely consist of young able men and women of the total work force considered in this study. On educational qualifications the result

shows that (38%) respondents are B.Sc./HND holders and MBA/M.Sc. constitutes (52%). In addition, minority of the respondents (10%) have had PhD as their highest qualification. It further discovered that none of the respondents are SSCE and ND/NCE holder. The descriptive statistic further shows that large pool of the respondents (58%) are portfolio management of the organizations, the remaining (42%) formed the investment officers. Finally, the result shows that majority of the respondents worked for 4-8 years and few of them constituting the minority worked for less than a year.

4.4.2 Descriptive Analysis of Variables

The general statistical description of variables used in this study is examined by using the descriptive analysis. Statistical values of means, standard deviation, minimum and maximum were calculated using the SPSS 20.0 for both independent and dependent variable of this study. The results for the descriptive analysis were shown in table 4.3. All the variables were measured on a five point Likert interval scale.

Table 4.3: Analysis of Variables

	N	Mean	Std. Dev	Minimum	Maximum
CRM	16	25.4875	4.18734	20.00	30.00
DIVER	16	23.2225	4.16093	20.00	30.00
SEC CHO	18	21.8333	2.88345	20.00	29.00
FIRM PER	16	25.1125	3.99983	20.00	30.00
Valid N (listwise)	16				

Source: Field Survey, 2015; Generated from SPSS 20.0

The descriptive statistics of portfolio management factors reveal that the mean value for corporate risk management of 25.4875 was relatively higher than the mean of the remaining two portfolio management factors (i.e. diversification and security choice). The descriptive analysis also revealed that security choice has the lowest mean value of 21.8333. Furthermore, as indicated in Table 4.3, mean value for firm performance (FP) is demonstrated to be 25.1125, indicating that most of the respondents' answer to questions asked about the firm performance fell on the interval scale "4" (i.e., Agree). Thus, the overall results stipulated that Kano State

Investment and Properties Limited minimize their risk in order to diversify their investment and also determine the type of security choice that can improve the performance of firm. This result is in agreement with previous empirical studies of Berger & Ofek (2005), Schoar (2002) and Gang & Rami (2007).

4.5 A Pilot Study

A pilot study is a small scale preliminary investigation conducted in order to evaluate feasibility, time and cost in order to predict an appropriate sample size and improve upon the study design prior to actual conduct of a full-scale study (Hulley, 2007). A pilot study is important because it can unveil shortcomings in the design of a proposed survey or procedure that can be addressed before time and resources are committed on large scale study (Doug, Burton, Cuthill, Festing, Hutton, & Playle, 2006).

Specifically, the reason for this pilot include study: (1) to determine validity and reliability of items in the questionnaire; (2) to assess the adequacy of item-wording, phrasing and question's construction for accurate results; (3) to evaluate whether questions are framed in a way that would yield better response; and (4) to find if respondents could supply the needed data. The validity of questionnaire is the extent to which it measures what actually it is supposed to measure not something else, whereas reliability of the questionnaire is the extent to which the questionnaire is free from errors and results there from are consistent and stable across time and contexts (Sekaran & Bougie, 2010).

4.5.1 Content and Face Validity

The content or face validity of the instrument was tested before the pilot study. Content validity is defined as the extent to which an instrument covers the meaning imbedded in a particular concepts (Joppe, 2000). In addition, content validity involves consulting with a small number of potential respondents or panel of experts for their opinion over the items, wordings and phrases contained on the instruments (Hair, Money, Samouel & Page; Sekaran &Bougie. 2010). Thus, content validity entails requiring a few samples of characteristic respondents/and or team of specialist to make judgment on the appropriateness of the items chosen to determine a variable (Hair et al., 2007; Hair, Black, Babin, Anderson, Tahtan, 2010; Sekaran & Bougie, 2010; Gorondutse and Hillman, 2012).

Therefore, a sample of the instrument of the study was circulated to specialist in order to get outcome regarding the appropriateness, comfortable, and sufficiency of the item that are planned to determine the constructs under examination. Similarly, experts who are well-known with the context of the study were also contacted to make sure the clearness of the research instrument. As such, a number of observations were rephrasing in order to determine the constructs properly and also to be clear to the possible respondents. This process of seeking for specialist opinion was completed within four-week period. Following delightful into consideration of the observation by the specialist, then the researcher came up with an enhanced version of the instrument which was eventually administered for the pilot study.

4.5.2 Methodology for the Pilot Study

Considering that this study is a pilot test of ongoing research, small sample of firm staff was randomly selected. This is in accordance with the commendation by Malhotra, (2008); Gorondutse and Hillman, (2012) that the sample size for pre-test is usually few, starting from 15 to 30 respondents, but it might be increased substantially if the test involves several stages. Hence, a total of 50 copies of the questionnaire were individually circulated and 43 were completed and returned out of which 7 were not properly concluded and thus, not regarded for further analysis.

4.6 Reliability of the Research Instrument

The reliability of any research questionnaire is best measured by the Cronbach‘s alpha statistic. It is designed as a measure of internal consistency of a research instrument. Reliability measures the extent to which results are consistent with time and acts as the best representation of the population under study (Joppe, 2000). Cronbach alpha is a consistency test of whether all items within the instrument measure the same thing. It is simply a measure of reliability of the questionnaire items. It is measured on the same scale as the Pearson’s product-moment correlation coefficient and typically varies between 0 and 1. Although a negative value is possible, such a value indicates a scale in which some items measure the opposite of what other items measure. The reliability of a measure indicates the extent to which it is without bias (error free) and hence ensures consistent measurement across time and across the various items in the instrument. Reliability of scores on instruments leads to meaningful interpretations of data

(Creswell, 2009). In other words, the items should hang together as a set, and be capable of independently measuring the same concept so that the respondents attach the same overall meaning to each of the items.

Thus, (Sekaran and Bougie, 2010; Gorondutse and Hillman, 2012) state that the most accepted test of internal consistency reliability is Cronbach's alpha coefficient. Therefore, this study employed Cronbach alpha coefficient to estimate the internal consistency of the survey instrument in order to have meaningful interpretation of data. Therefore, the reliability tested for this study is based on individual items measuring each of the portfolio management dimensions and dependent variable (firm performance). The closer the alpha is to 1.00, the greater the internal consistency of items in the research instrument (Sekaran, 2003). At a more conceptual level, the coefficient of Cronbach's alpha may be considered as the coefficient between a sincere response and all other sincere responses of the same item that are drawn randomly from the same population of interest. This is in line with the yardstick that an instrument with coefficient of 0.60 was considered to have an average reliability while the coefficient of 0.70 and above shows that the instrument has a high reliability standard (Hair, Black, Anderson, & Tatham, 2006, 2010; Sekaran & Bougie, 2010). Additionally, a Cronbach's alpha of 0.50 was considered as supportive (Norusis, 2005). The generally agreed lower limit for Cronbach's alpha may decrease to 0.60 in exploratory research (Hair *et al*., 2010).

Table 4.4: **Summary of Reliability Analysis of Variables**

Variables	No of items	Cronbach's alpha
Dependent Variable		
Firm Performance	8	.879
Independent Variables		
Corporate risk management	8	.912
Diversification	8	.886
Security choice	9	.754

Source: Field Survey, 2015

From Table 4.4 above, the Cronbach's alpha ranges from .754 to .912, thus indicating that the instrument was reliable. The instrument has a good reliability as far as internal consistency is

concerned, that is, the instrument can give consistence results on the effect of portfolio management factors on the performance of Kano State Investment and Properties, Limited, Nigeria. Additionally, a research instrument can be considered to be reliable if the result of the study can be replicated under a similar methodology with stability of measurement over time (Grandey, 2000).

However, this study reliability result demonstrated that Cronbach value of (.754) belongs to security choice is the least reliability value for all the variables under investigation but also falls within the acceptable range as noted by (Sekaran, 2003). The highest Cronbach alpha value for this study reliability is (.912) which belongs to corporate risk management, followed by (.886) diversification and (.879) firm performance respectively. Thus, indicating that the instrument used for this study was reliable.

4.7 Inter-correlation between Variables

A correlation analysis was conducted to explain the relationships among all variables in the study. Pearson correlation was used to examine the correlation coefficient among the variables. Table 4.5 presents the inter-correlation between variables for this study.

Table 4.5: Inter-correlation between variables

Constructs	CRM	DIVERS	SEC CHO	FIRM PERF
CRM	1			
DIVERS	.578**	1		
SEC CHO	.219*	.499**	1	
FIRM PERF	.687**	.555**	0.089	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).

The correlation analysis is conducted before hypothesis testing in order to determine the extent to which they were related. The correlation analysis was also used to inspect for multicollinearity. Practically, when two or more variables are highly correlated the determination of important

predictors becomes confused (Aluko & Amidu, 2006). Multicollinearity increases the variance of regression coefficients and threatens the validity of the regression equation. The values of Pearson correlation in table 4.5 above show the relationship between all the variables of the study and hence, check for the multicollinearity. As noted by Cooper and Schindler (2003) there is no definite criterion for the level of correlation that constitutes a serious multicollinearity problem. The general rule of thumb is that it should not exceed .75. Similarly, Cooper and Schindler (2003) and Best and Khan (2006) indicated that correlations of 0.8 or higher are problematic.

In this study, the highest correlation between the independent and dependent variables as shown in the correlation matrix was between corporate risk management and firm's performance which was positively significant at .01 level (r = .687, p <.01). Considering this highest value of the correlation coefficient it means that all the variables of this study were within the acceptable range as discussed above and would not cause any problem of multicollinearity. However, the correlation matrix indicates strong positive statistical correlation between corporate risk management (CRM) and firm's performance.

In the case of correlation between security choice (SEC CHO) and the dependent variable firm's performance (FIRM PERF) result demonstrated no significant relationship between them at (r = 0.089, p <.555). This indicates that security choice is not likely to improve firm performance. Correlation between diversification (DIVERS) and firm's performance (FIRM PERF) was positively significant at .01 level (r = .555, p < .01). In addition, the correlation matrix depicted significant association between the remaining two portfolio management (corporate risk management and diversification) and firm performance. These correlation results suggest that portfolio management who exhibit corporate risk management and diversification are more likely to enhance organizational performance.

As expected, findings further reveals that corporate risk management correlate with diversification at (r = .578, p < .01), and with security choice at (r = .219, p < .05). Similarly, diversification correlate with security choice at (r = .499, p < .01). Finally, the correlation analysis results between the independent variables and the dependent variable suggest some statistical support to the hypotheses of this study. The correlation analysis result for this study

does not imply causation (cause and effect) but merely an association between the variables. However, in order to determine the effect of the relationship between independent and the dependent variable multiple linear statistical analyses is required. In the light of this Creswell (2012), opined that where more than one independent variable needs to be studied to explain the variability in a dependent variable multiple regression analysis is appropriate. This study has more than one independent variable to explain the variability in one dependent variable, hence the use of multiple linear regressions in this study and to test the formulated hypotheses.

4.8 Assumption of Multiple Regressions

To draw accurate conclusion about the regression analysis output and to be able to accurately apply the model of this study to another population of interest, assumptions of normality, multicollinearity, linearity, homoscedasticity, and independence of the residuals need to be examined and met (Hair. et al., 2010; Pallant, 2001). These assumptions apply to the independent variables, dependent variable, and to the relationship as a whole (Hair, et al., 2010). In other words, a number of conditions need to be met before we can use regression analysis with confidence (Muijs, 2011). The two most important conditions are that the relationship between independent and dependent variables must be linear and that the independent variables shouldn't be too strongly correlated to one another.

4.8.1 Normality

One of the approaches to assess the normality assumption is through histogram residual plots. This refers to the shape of data distribution for an individual continuous variable and its correspondence to normal distribution. To meet this assumption, the distribution of the plot needs to appear normally distributed. In other words, the assumption of normality is met when the residuals fall along the diagonal with no substantial or systematic departures and can be examined from the histogram of the standardized residuals and the Q-Q plots (Hair et al., 2010). Normal data distribution for the variables under study helps researchers to make inference, thus screening for normality is an important step in almost all multivariate analysis (Tabachnick & Fidell, 2007). Figure 4.1 of the normal histogram pictorially depicted that the normality assumption was achieved since almost all the bars on the histogram were closed to a normal curve. The plot shows that the points lie along a 45^0 diagonal line from the bottom left to top

right, hence demonstrating that normality assumption was not violated (See Figure 4.1 FP Histogram).

4.8.2 Multicollinearity

Multicollinearity/collinearity is concerned about the degree of high correlation among independent variables. Collinearity exists when the ability of an additional independent variable is related not only to its correlation to the dependent variable, but also to the correlation(s) of the additional independent variable to the independent variable(s) already in the regression equation (Hair, *et al*., 2010). Previously, using Pearson's correlation as shown in Table 4.5, the correlation matrix revealed no sign of multicollinearity problem among all the independent variables of the study. Additionally, variance inflation factor (VIF) and tolerance statistics are two statistical methods that can be used to assess collinearity/multicollinearity. It is generally believed that any VIF value that exceeded 10 and a tolerance value that is lower than .10 are indications of a potential problem of multicollinearity (Hair *et al*., 20100). The results in Table 4.6 showed that multicollinearity does not exist among the independent variables because the tolerance values are more than .10, and the VIF values are less than 10. The results indicate that the study does not have any multicollinearity problem.

Table 4.6 Tolerance and VIF Values

Independent Variables	**Collinearity Statistics**	
	Tolerance	**VIF**
Corporate risk management	.600	1.667
Diversification	.505	1.979
Security choice	.710	1.408

Source: Field Survey, 2015

4.8.3 Linearity

Linearity requires that the relationship between independent and dependent variable of the study is linear. Unfortunately, real data in almost any research application never follow a straight line relationship (Hoffman, 2010). According to Hair et al. (2008), if the analysis of residual does not exhibit any nonlinear pattern to the residuals, it is ensured that the overall equation is linear and can be examine through a residual plots (Hair *et al*, 2008; Muijs, 2011). The points should be

symmetrically distributed around a diagonal line in the p-p plot. In this study, evaluation of the assumption of linearity as shown in Figure 4.2 does not exhibit any nonlinear pattern to the residuals, thus signifying that the overall equation is linear (See Figure 4.2 Normal P-P Plot).

4.8.4 Homoscedasticity

Homoscedasticity is assumed when there is no pattern to the data distribution, and residuals are scattered randomly around the horizontal line through zero (0) of the residual plots (Norusis, 2005). The basic assumption of homoscedasticity requires that the variance of the dependent variable is approximately the same at all values of the independent variable or constant variance of the error term (Hair et al., 2010). Thus, in this study it appears that the homoscedasticity assumption for this study as indicated in Figure 4.3 was not violated. The plot in the figure shows that the residual scores were concentrated at the centre along (0) point, thus, suggesting that the homoscedasticity assumption was met. It also appears that the homoscedasticity assumptions for the variables were not violated (See Figure 4.3 Scatter Plot).

4.8.5 Independence of Error

The assumption of independence of error implies that the samples are independent from one another. Durbin –Watson value is used to test the independence of error terms (Norusis, 2000). The general rule of thumb is, if the Durbin -Watson value is between 1.5 and 2.5, the assumption of independence of error term is not violated. Going by this study, Durbin –Watson value of 1.613 the assumption is fulfilled. Hence, independence of error term is not violated. Having shown that the assumptions of linearity, homoscedasticity, normality, independence of the error term, and multicollinearity were not significantly violated, next section will present results of hypotheses testing.

4.9 Results of Multiple Regression (Hypotheses Testing)

This section presented results of hypotheses testing related to relationships between the portfolio management factors and firm performance (FP). As shown previously, a bivariate correlation was conducted to understand the relationship between portfolio management variables and firm performance. However, to understand the actual effect of the portfolio management variables on the dependent variable of FP, multiple regression analysis was conducted. In testing the hypothesis developed for this study, the choice of the level of significance was set at $p<.05$ and

p<.01 (Hair et al., 2010). The outcomes of the regression analysis gave answers to the research objectives and the hypotheses of this study. The multiple correlation (R), squared multiple correlation (R^2) and adjusted squared multiple correlation (R^2adj) indicate how well the combination of independent variables predicts the dependent variable.

The results (presented in Appendix IV) showed that the regression equation with all the predictors (i.e., corporate risk management, diversification and security choice) were significant, R=.692, R^2=.479, R^2*adj* = .466, F= (37.273, p < .001). In other words, the multiple correlation coefficients between the predictors and the dependent variable were .479; all these predictors accounted for 47.9% of the variation in the firm performance (FP). The generalization of this model in another population was .466. The value of R^2 dropped to only (1.3 %) in the R^2 *adj* which indicates that the cross validity of this model was fine. The significant F-values of (37.273) revealed that the models had overall significant results. Specifically, the relationship between the dependent variable and the independent variable was linear and the model significantly predicted the dependent variable.

The significant F-test show that the relationship (37.273, p < .001), indicates an overall significant prediction in independent variable to the dependent variable, but it lacks information about the importance of each independent variable. The table 4.7 shows the individual contribution of each predictor represented by the standardized regression weight for each predictor within a regression equation (Hoffman, 2010).

Table 4.7: Results of Regression Analysis

Independent Variables	Beta (β) values	t- values	P values
Corporate Risk Management	.522	6.112	.000
Diversification	.328	2.956	.004
Security Choice	-.239*	-1.922	.056
F Value			37.273
R			0.692
R Square			0.479
Adjusted R Square			0.466
Durbin-Watson			1.613

Source: Field Survey, 2015; Generated from SPSS 20.0

More importantly, the statistical testing of the hypotheses formulated for this study was established using t-values and p-values in regression results as follows:

Hypothesis 1: The first hypothesis states that, "corporate risk management is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria".
From the regression results in table 4.7 above the t-value of 6.112 and P- value of .000 showed that the result is significant. Therefore, the alternate Hypothesis is strongly supported. Hence, there is sufficient evidence, at 0.01% level of significance. Thus, there is a significant linear positive relationship between corporate risk management and performance of Kano State Investment and Properties Limited, Nigeria. This implies that when managers demonstrated effective corporate risk management, there is also a corresponding positive effect on firm's performance.

Hypothesis 2: The second hypothesis states that, "diversification is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria". The regression result in table 4.7 above demonstrated that diversification has a t-value of 2.956 and P-value of .004 indicating significant result. Therefore, the alternate Hypothesis is strongly supported at 0.01% level of significance. This implies that there is a linear positive relationship between diversification and performance of Kano State Investment and Properties Limited, Nigeria. That is, when management diversifies efficiently, firm's performance improves.

Hypothesis 3: The third hypothesis states that, "security choice is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria".
Table 4.7 above reveals that security choice has t- value of -1.922 and p- value of .056 this result is insignificant and the alternate hypothesis was rejected at 0.05% level of significance. In other words, there exists no significant relationship between security choice and firm performance. This implies that security choice does not significantly improve firm performance.

Regarding the relationship between the variables analyzed, as expected, the result demonstrated that two (2) out of three (3) of the portfolio management (corporate risk management and diversification) were significantly related with firm's performance. However, only security choice failed to show significant relationship with firm's performance.

Additionally, among all the predictors, corporate risk management (β = .522, t = 6.112, p < .000) had the highest, strong and positive standardized beta value coefficient. This indicates that corporate risk management was the most important variable in predicting high firm's performance in Kano State Investment and Properties Limited. The other predictor that is important in predicting high performance is diversification (β = .328, t= 2.956, p < .004). Among the tested predictors, it was only security choice (β = -.239, t= -1.922, p<.056), that demonstrated negative and non significant effect of relationship with firm's performance. Therefore, two predictor variables (i.e., corporate risk management and diversification) impacted on the dependent variable (FP) as hypothesized. Whilst hypotheses 1 and 2 were strongly supported, hypothesis 3 was rejected.

Table 4.8 Summary of the Study Findings

Hypotheses	Statement of Hypotheses	Remarks
H1	Corporate risk management is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.	**Supported**
H2	Diversification is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.	**Supported**
H3	Security choice is significantly related to the Performance of Kano State Investment and Properties Limited, Nigeria.	**Not Supported**

Source: Field Survey, 2015

Having presented the results and tests of the hypotheses of this study, next section is focused on the overall discussion of findings of the study.

4.10 Discussion of Findings

The results of the present study were presented in previous sections. Out of three research hypotheses formulated for the study, two were accepted whilst the remaining one was rejected. In this chapter attempts were made to discuss the results found in the context of firm performance. Towards this end, this section presented discussion of the findings based on the three (3) formulated objectives and hypotheses of the study. In this study firm performance is an

indicator when a firm built itself to become financially strong, has a record of long term profitability and clear growth prospects (Abbadi, 2012).

4.10.1 Relationship between Corporate Risk Management and Firm Performance

The first objective of this study was to examine the extent to which corporate risk management enhance the performance of Kano State Investment and Properties Limited, Nigeria. Corporate risk management is concerned with the methods that a company uses to minimize financial losses. Thus, it also involves risk managers, and executives' managers to prevent loss exposure through internal controls of people, resources, and technologies (Bauer, Derwall & Hann, 2009). As expected, the finding is consistent with hypothesis H1, which states that corporate risk management is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria. Specifically, the finding has indicated a positive relationship between corporate risk management and firm performance. The result indicates that the issue of risk reduction within the firm has been given due consideration.

The statistical significant relationship between corporate risk management and performance of Kano State Investment and Properties Limited, Nigeria is consistent with numerous previous studies (Hoyt & Liebenberg, 2006; Dorfman, 2007; Yusuwan, Adnan, & Omar, 2008; Tunali & Halil, 2010). The rationale behind such relationship or positive effect could be range from the following factors namely; ability to adopt fundamental and technical analysis, risk mitigation and ability to predict economic conditions. Thus, it appears obvious that a very large allocation of cash may be needed to invest in a sufficient number of investments to replicate the performance of that firm. Similarly, some studies have demonstrated mix results of corporate risk management and firm performance on one hand to be significant and on the other hand as not significant (Yazid, Hussin, & Razali, 2008; Theriou, Nikolaos, Aggelidis, Vassilios, Maditinos, Dimitrios, & Sevic, 2010). Additionally, in a survey of employees working in Malaysian financial institution, results demonstrated that corporate risk management was significantly related to industry performance (Rasid & Rahman, 2009).

4.10.2 Relationship between Diversification and Firm Performance

Secondly, this study was aimed at examining the extent to which diversification enhance the performance of Kano State Investment and Properties Limited, Nigeria. Accordingly, hypotheses H2 states that diversification is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria. Similarly, the study observes a positive relationship between diversification and firm performance as significant. Diversification is defined as a means of expanding the size of the business, achieves an economy of scale in manufacturing, and thereby generates synergic effects for overall operation of firms (Schoar, 2002). The result of the hypothesis is supported by Martin & Sayrak (2003), Schoar (2002), Villalonga (2004), Engstrom & Stefan (2003), and Goerzen & Beamish (2005). In line with this, Chang & Hong (2000) in their empirical studies found that both related and unrelated diversification have a positive effect on firm performance.

It was not surprising, as the result was in line with hypothesis H2 that diversification is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria. As hypothesized, the results of regression analysis have demonstrated that diversification have a positive relationship with Kano State Investment and Properties Limited, Nigeria and that depend on the level of operation of the firm. Specifically, the result demonstrated both positive effects of diversification to the firm and the investors. That is the more reason why individual investor is open minded on diversification dimension as it reduces the possible risk occurrence. Thus, this finding is expected because individual investor and the investment firm that participate in the business operation were reported to minimize cost and maximize the level of their return on investment (Delios & Xu, 2008). More recently, in a study conducted among French companies, diversification was found to be negatively correlated with industry performance (Kahloul & Hallara, 2010). Importantly, related to this finding, some empirical studies demonstrated that both positive and negative relationship exist between diversification and firm performance (Lee & Jang, 2007; Martin & Sayrak, 2003; Kock & Guillen, 2001; Kakani, 2000; Chang & Hong, 2000). In a similar study, Chen and Yu (2011) who examined relationships between related diversification and unrelated diversification and firm performance reported all the two were significant predictors, but the facets of unrelated

diversification was most consistently related to the firm performance. Thus, the current finding is consistent to both related and unrelated diversification.

4.10.3 Relationship between Security Choice and Firm Performance

Finally, this study examines the extent to which security choice enhance the performance of Kano State Investment and Properties Limited, Nigeria. Security choice is defined as the ability of an investor to select or to arrange his or her investment such that it will meet the expected return on investment (Martinsuo & Lehtonen, 2007). Thus, an individual investor who is predisposed to experience negative choice of security is likely to control the arrangement of security choice to meet the expected return. Unexpectedly, the finding related to the objective of this study revealed was not consistent with hypothesis H3, which states security choice is significantly related to the performance of Kano State Investment and Properties Limited, Nigeria.

The results show that assets in a portfolio are increased while the specific risk element of the portfolio is reduced; as the portfolio size tends to the market, the portfolio's risk approaches the market (systematic or non-specific) risk level. Aluko & Amidu (2006) argued that in order to assist in making a choice between two or more investments, the risk-return tradeoff is needed and the most commonly used measure is the expected return divided by the risk. This measures the unit of expected return for each unit of risk. More importantly, the current finding is consistent with several past studies (Olsson, 2008; Lee & Faff, 2009; Engstrom & Stefan, 2003). For example, Martinsuo & Lehtonen (2007) have demonstrated that security choice was significantly related to firm performance as a result of simplicity in the number of personnel.

Some plausible reasons about the non-significant relationship between security choice and performance among firm workers were proffered as follows: First, all related previous studies (Benninga, 2008; Engstrom & Stefan, 2003; Cleary, Kennedy, O'Regan, and Bontis, 2007). That shown significant relationship between security choice and firm performance were conducted in western cultures and more importantly in a promising economy and well organized environment. Second, investment officers who participated in this study might not have taken security choice to be an important portfolio management characteristic that could impact on their relationship

with others, or the firm they work with. Perhaps, they might also not have considered measures of security choice important for career development and success. Third, another reason for the non-significant effect of security choice on the performance of Kano State Investment and Properties Limited, Nigeria might be because security choice is practically more difficult to understand, assess and measure compared to the other two portfolio management dimensions.

4.11 Chapter Summary

This chapter presented analysis and discussion of findings for this study. First, this chapter further described the general characteristics of the sample and descriptive statistics of the main variables involved in the study. More importantly, this chapter presented the empirical results and hypotheses testing of the study. The findings from self-reported data collected using hand delivery have shown strong support for most of the hypotheses of the study. Hypotheses 1 and 2 of portfolio management dimensions and performance of Kano State Investment were empirically strongly supported. Specifically, corporate risk management and diversification were found to have strong significant relationship with firm performance (FP). However, security choice has failed to have any significant relationship with firm's performance. Finally, discussions of findings revealed some agreement between the current findings and previous findings on diversification and corporate risk management except in the relationship between security choice and FP in which the current result showed negative effect.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

This chapter summarizes the findings and the interpretation of the empirical results for the study; conclusion and recommendations are drawn for further studies. Appropriate data collection process were followed for the data collection, an acceptable response rate of 48 was obtained for the data analysis. Data cleaning were conducted regarding missing values and outliers. No missing values were detected from the responses, and regarding outliers a total of 7 cases of univariate and multivariate outliers were recorded and treatment was carried out in order to ensure good data.

Descriptive statistic was followed mainly to provide the profile of the respondents of Kano State Investment and Properties Limited, Nigeria. Basic information such as gender, age, academic qualification, work experience and designation, of the firm employees were discussed, which gave an insight on the employees' demographic information. All the assumptions of multiple regression analysis conducted were found to be normal and none of the condition was violated. Construct reliability was conducted for the variable and Cronbach' alpha values were found to be good. The reliability of the variables were; corporate risk management (CRM, =.912); diversification (Div, =.886); and firm performance (FP, =.879).

More importantly, multiple regression analysis of the construct was conducted, and it was found that both corporate risk management and diversification have significant relationship with firm performance, whereas on the other hand, there is no significant relationship between security choice and firm performance. A review of the literature indicates only a small number of studies that applied such model on firm performance (Martinsuo & Lehtonen, 2007). Most studies have applied only segments of the model (Goerzen & Beamish, 2005). However, no specific studies could be found in the literature that applies such model on the performance of Kano State Investment and Properties, Nigeria. The main objective of the study is to establish the effect of portfolio management dimension of (corporate risk management, diversification, and security choice) on performance of Kano State Investment and Properties Limited, Nigeria.

5.2 Conclusions

Although previous studies have established links between portfolio management construct and firm performance in some contexts, these links have not been thoroughly examined with respect to samples drawn from portfolio management and investment officers in the industry. After extensive review of literature, two important research gaps were identified by this study regarding the relationship between the portfolio management and firm performance. In the first place, the relationship between portfolio management factors and FP were explored in a non-western context. Second, the portfolio management dimensions (corporate risk management, diversification, security choice) were tested on the performance of portfolio management and investment officers of Kano State Investment and Properties Limited, Nigeria. The current study has validated the significant relationship between corporate risk management and diversification in a newer context (Nigeria). However, the other dimension of portfolio management which is security choice was found not to be related to firm performance. In general, the rationale behind the performance of the firm is connected to mitigation of risks occurrence by the corporate risk management, right diversification strategy, and ability to forecast both fundamental and technical analysis.

5.3 Recommendations

The study found the effect of portfolio management practices on the performance of Kano State Investment and Properties Limited, Nigeria. The study revealed that among the dimensions of portfolio management (corporate risk management and diversification) have significant impacts on firm performance (dependent variable). Therefore, having discussed the various findings associated with this current study, this section presented recommendation as follows:

i. Kano State Investment and Properties Limited, Nigeria should effectively adopt appropriate tactics to minimize corporate risk so that the firm and other participants can be able to reap the full benefits of their return on investment.
ii. Since firm diversification distributed across a limited number of organizations may leave investors exposed to more risk than they want for the expected returns. To ensure full diversification benefits, firm diversification should be pursued as organization's diversification is implemented.

iii. Kano State Investment and Properties Limited, Nigeria should engage in the right choice of security so that it enhances firm's performance.

5.4 Suggestion for Further Studies

This research work examines the effect of portfolio management on the performance of Kano State Investment and Properties Limited, Nigeria. With particular reference to Nigeria, there is need to conduct the same research using a different sources of data, employing similar or different scales of measuring variables/constructs, and technique for data analysis. Specifically, current findings implied that more factors could be incorporated to explain performance by the management of Kano State Investment and Properties, Limited Nigeria. In view of this, current study recommends further research to examine additional risk measures or return related factors in an attempt to explain why investors resist not investing in different investment opportunity in Kano State Investment and Properties, Limited. Doing so particularly in (Nigeria context) in this area will not only complement this study but will also help in bringing about improvement in portfolio management practices and better control mechanisms in the Kano State Investment and Properties. Furthermore, a similar study should be conducted in order to find the impact of portfolio management on firm performance using different research study dimensions and new model. Further research should address this issue and revive this stream of research from a fresh perspective beyond a general effect of portfolio management on performance across all contexts of this study. In addition, future research may be replicated in other cultures but within the same initial settings of investment firm.

More importantly, there is the need for future research to conduct this study covering the Nigerian banking sectors. The current study does not include corporate image and corporate growth in the model. Therefore, future research in banking industries can employ such research construct of; mediating factor (corporate image and corporate growth) to investigate the extent of relationship portfolio management play on the performance of financial industries. Inclusion of these factors in the model can help to improve the predictive power of the model. Testing these additional factors may perhaps not necessarily be done in a direct relationship form. Therefore, future research may want to find out under what conditions portfolio management can better predict industry performance.

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APPENDIX I

QUESTIONNAIRE

BAYERO UNIVERSITY, KANO NIGERIA
DEPARTMENT OF BUSINESS ADMINISTATION AND ENTRP ENEURSHIP P.M.B. 3011 KANO, NIGERIA

Dear Respondent,

This questionnaire is designed purely for academic research purpose. It is meant to aid in data collection that can satisfy requirement for award degree of M.Sc. in Management (Finance and Investment). The questionnaire is designed to source data for testing the relationship among two main factors in your company, namely: portfolio management and firm's performance, under the supervision of Dr B.A.K/Mata. Your responses will be strictly treated as confidential and, therefore, your identity is not required.

Thank you in anticipation for your cooperation and assistance.

Raimi Adoke Hameed
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Supervisor: Dr B.A. K/Mata.
Mobile: 08037023603

Part A: Demographic Information

Information: Please read and tick as appropriate in the provided boxes your exact assessment of the following demographic information.

Q1- What is your Gender?

1. Male [ ]
2. Female [ ]

Q2- Please indicate your marital status

1. Single [ ]
2. Married [ ]
3. Divorced [ ]
4. Widow [ ]

Q3- What is your Age?

1. 21 to 30 years [ ]
2. 31 to 40 years [ ]
3. 41 to 50 years [ ]
4. 51 to 60 years [ ]
5. Above 61 years [ ]

Q4- What is your Work Experience?

1. Less than 1 year [ ]
2. 1 to 5 years [ ]
3. 5 to 10 years [ ]
4. 10 to 15 years [ ]
5. Over 15 years [ ]

Q5- What is your Educational Qualification?

1. SSCE/NECO/WASCE [ ]

2. Diploma/NCE [ ]

3. B.Sc./HND [ ]

4. Masters Degree [ ]

5. PhD [ ]

6. Others (specify) [ ]

Q6- What is your Designation?

1. Portfolio Management [ ]
2. Investment Officers [ ]

PART B: PORTFOLIO MANAGEMENT

Instructions: Below are the statements that describe the extent of your agreement regarding portfolio management. Please use the following scales to indicate your level of acceptance regarding to the respective statements. **1= Strongly Disagree; 2= Disagree; 3= Not sure; 4= Agree; 5= Strongly Agree**

ITEM CODES	SURVEY QUESTIONS	1	2	3	4	5
CORPORATE RISK MANAGEMENT (CRM)						
CRM1	I am happy as corporate risk managers are consistent in providing prompt and efficient services on risk issues.					
CRM2	I perceived less risk when dealing with this firm.					
CRM3	The risk managers identify risks through the firm analysis and fundamental analysis.					
CRM4	The risks of investors are being monitored by the corporate risk management.					
CRM5	The corporate risk manager may use historical data to mitigate the risk of the investors.					
CRM6	The firm risk affects the attitude of investors where there returns conflict to the cost of their investment.					
CRM7	I am delighted with the firm because of its sincerity to mitigate the adverse effect of loss.					

CRM8	I am happy as corporate risk managers proffer solutions to risk occurrence.					
DIVERSIFICATION (DIVER)						
DIVER1	The firm would diversify to gain economic advantages.					
DIVER2	This firm and the investors have enjoyed economy of scale through diversification.					
DIVER3	The cost of investors is reduced to the barest minimum when firm diversified.					
DIVER4	The firm would diversify to gain in terms of social or governance advantages.					
DIVER5	Through diversification, the firm would gain competitive advantages.					
DIVER6	I am satisfied with the way this firm diversifies.					
DIVER7	Diversification occurs when investors' marginal benefits are greater than the marginal costs.					
DIVER8	I enjoy unrelated diversification of this firm because it leads to the performance.					
SECURITY CHOICE (SEC CHO)						
SEC CHO1	The choice of security arrangement of the firm always meets my expectation.					
SEC CHO2	I am delighted with the security choice of this firm.					
SEC CHO3	This firm always place emphasis on investors' returns through right security selection.					
SEC CHO4	I am satisfied with the overall security choice and the performance of this firm.					
SEC CHO5	I am happy with the security arrangement of this firm.					
SEC CHO6	The firm is characterized by project related problems that affect the choice of security.					
SEC CHO7	Through proper selection of security, my risk is reduced to the barest minimum.					

SEC CHO8	Through proper choice of security, my return on investment is enhancing.					
SEC CHO9	I am satisfied with the overall conduct of the firm regarding security selection.					

PART C: FIRM PERFORMANCE

Instructions: Below are the statements that describe how you perceive the performance of firm you work with. Please use the following scales to indicate your level of acceptance of the respective statements. **1= Strongly Disagree; 2= Disagree; 3= Not sure; 4= Agree; 5= Strongly Agree**

FIRM'S PERFORMANCE (FIRM PERF)

FIRM PERF1	I am happy as my return on investment improves because of firm performance.					
FIRM PERF2	Generally, the risk-return profile of the firm determines the extent of its performance.					
FIRM PERF3	I am happy to invest more as financial performance of the firm is achieved.					
FIRM PERF4	Generally, the internal facilities of the firm lead to performance.					
FIRM PERF5	The provisions of capital intensity of the firm enhance its performance.					
FIRM PERF6	The ability of the firm's to deal with the competitive situation lead to performance.					
FIRM PERF7	I am delighted as my financial health improves through firm performance.					
FIRM PERF8	Through firm performance my expectations are met.					

Sources: 1. Jonas (2010), 2 Researcher Adopted, questionnaire (2015).

Thank you.

APPENDIX II

Table for Determining Sample Size from a Given Population

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

APPENDIX III

ANALYSIS OF VARIABLES USED

SD = Strongly Disagree
D = Disagree
NS = Not sure
A = Agree
SA = Strongly Agree

Result of independent Variables

Item of Corporate Risk Mgt	**Responses Rate**				
	SD	**D**	**NS**	**A**	**SA**
I am happy as corporate risk managers are consistent in providing prompt and efficient services on risk issues.	1 2%	0 0%	0 0%	22 51%	20 47%
I perceived less risk when dealing with this firm.	0 0%	0 0%	0 0%	21 49%	22 51%
The risk managers identify risks through the industry analysis and fundamental analysis.	0 0%	0 0%	0 0%	22 51%	21 49%
The risks of investors are being monitored by the corporate risk management.	0 0%	1 2%	0 0%	20 47%	22 51%
The corporate risk manager may use historical data to mitigate the risk of the investors.	0 0%	0 0%	0 0%	21 49%	22 51%
The firm risk affects the attitude of investors where there returns conflict to the cost of their investment.	0 0%	1 2%	1 2%	22 51%	20 47%
I am delighted with the firm because of its sincerity to mitigate the adverse effect of loss.	0 0%	0 0%	1 2%	20 47%	22 51%
I am happy as corporate risk managers proffer solutions to risk occurrence.	0 0%	2 4%	0 0%	20 47%	21 49%

Item of Diversification	Responses Rate				
	SD	D	NS	A	SA
The company would diversify to gain economic advantages.	1 2%	0 0%	1 2%	20 47%	21 49%
This firm and the investors have enjoyed economy of scale through diversification.	0 0%	1 2%	0 0%	22 51%	20 47%
The cost of investors is reduced to the barest minimum when firm diversified.	2 4%	1 2%	1 2%	16 37%	23 55%
The firm would diversify to gain in terms of social or governance advantages.	0 0%	1 2%	0 0%	20 47%	22 51%
Through diversification, the firm would gain competitive advantages.	0 0%	0 0%	2 4%	21 49%	20 47%
I am satisfied with the way this firm diversifies.	0 0%	0 0%	0 0%	21 49%	22 51%
Diversification occurs when investors' marginal benefits are greater than the marginal costs.	1 2%	0 0%	0 0%	20 47%	22 51%
I enjoy unrelated diversification of this firm because it leads to the performance.	0 0%	0 0%	0 0%	21 49%	22 51%

Item of Security Choice	Responses Rate				
	SD	D	NS	A	SA
The choice of security arrangement of the firm always meets my expectation.	1 2%	1 2%	0 0%	21 49%	20 47%
I am delighted with the security choice of this firm.	0 0%	0 0%	0 0%	21 49%	22 51%
This firm always place emphasis on investors' returns through right security selection.	0 0%	1 2%	2 4%	20 47%	20 47%
I am satisfied with the overall security choice and the performance of this firm.	1 2%	0 0%	2 4%	20 47%	20 47%

I am happy with the security arrangement of this firm.	0 0%	0 0%	1 2%	22 51%	20 47%
The firm is characterized by project related problems that affect the choice of security.	1 2%	2 4%	0 0%	19 45%	21 49%
Through proper selection of security, my risk is reduced to the barest minimum.	0 0%	2 4%	1 2%	20 47%	20 47%
Through proper choice of security, my return on investment is enhancing.	0 0%	1 2%	0 0%	20 47%	22 51%
I am satisfied with the overall conduct of the firm regarding security selection.	0 0%	0 0%	2 4%	20 47%	21 49%

Item of Firm's Performance	**Responses Rate**				
	SD	**D**	**NS**	**A**	**SA**
I am happy as my return on investment improves because of firm performance.	0 0%	0 0%	0 0%	20 46%	23 54%
Generally, the risk-return profile of the firm determines the extent of its performance.	0 0%	0 0%	0 0%	19 44%	24 56%
I am happy to invest more as financial performance of the firm is achieved.	0 0%	0 0%	3 6%	20 47%	20 47%
Generally, the internal facilities of the firm lead to performance.	1 2%	0 0%	2 4%	20 47%	20 47%
The provisions of capital intensity of the firm enhance its performance.	0 0%	0 0%	1 2%	27 63%	15 35%
The ability of the firm's to deal with the competitive situation lead to its performance.	1 2%	2 4%	0 0%	20 47%	20 47%
I am delighted as my financial health improves through firm performance.	0 0%	0 0%	1 2%	20 47%	22 51%
Through firm performance my expectations are met.	0 0%	0 0%	2 4%	20 47%	21 49%

Source: Field Survey, 2015

APPENDIX IV

Correlations

		Corporate risk management	Diversification	Security choice	Firm's performance
Corporate risk management	Pearson Correlation	1	.518**	.195*	.637**
	Sig. (2-tailed)		.000	.012	.000
	N	48	48	48	48
Diversification	Pearson Correlation	.518**	1	.479**	.451**
	Sig. (2-tailed)	.000		.000	.000
	N	48	48	48	48
Security choice	Pearson Correlation	.195*	.479**	1	.046
	Sig. (2-tailed)	.012	.000		.555
	N	48	48	48	48
Firm's performance	Pearson Correlation	.637**	.451**	.046	1
	Sig. (2-tailed)	.000	.000	.555	
	N	48	48	48	48

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

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

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.100	4	6.025	37.273	.000[b]
	Residual	26.186	162	.162		
	Total	50.286	166			

a. Dependent Variable: Firm's Performance

b. Predictors: (Constant), Corporate risk management, Diversification, Security choice

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.692[a]	.479	.466	.40205	1.613

a. Predictors: (Constant), Corporate risk management, Diversification, Security choice

b. Dependent Variable: Firm's Performance

APPENDIX V

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	1.565	.242		6.469	.000	1.087	2.043					
Corporate risk management	.407	.067	.507	6.112	.000	.276	.539	.637	.433	.347	.600	1.667
Diversification	.142	.065	.324	2.176	.031	.013	.271	.451	.169	.123	.505	1.979
Security Choice	.207	.070	-.229	-1.922	.056	.069	.344	.555	.226	.168	.710	1.408

a. Dependent Variable: Firm's Performance

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions			
				(Constant)	Corporate Risk Management	Diversification	Security Choice
1	1	4.847	1.000	.00	.00	.00	.00
	2	.119	6.384	.01	.01	.00	.01
	3	.014	18.326	.50	.00	.61	.00
	4	.011	21.099	.33	.77	.26	.00
	5	.009	23.595	.16	.22	.13	.99

a. Dependent Variable: Firm's Performance

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	3.3249	4.9542	4.3356	.38102	48
Residual	-1.07138	.93365	.00000	.39717	48
Std. Predicted Value	-2.653	1.623	.000	1.000	48
Std. Residual	-2.665	2.322	.000	.988	48

a. Dependent Variable: Firm's Performance

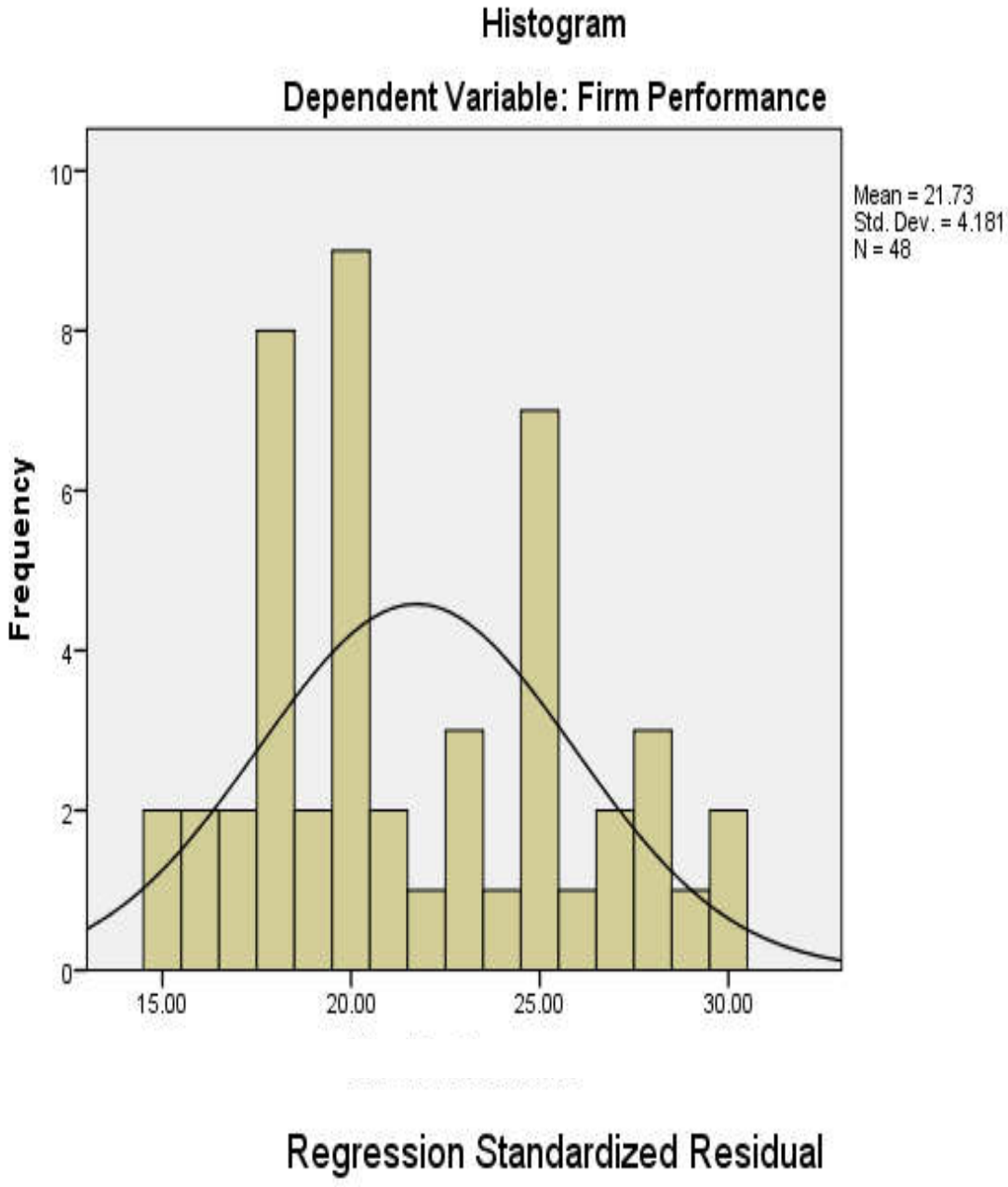

Figure 4.1 FP Histogram

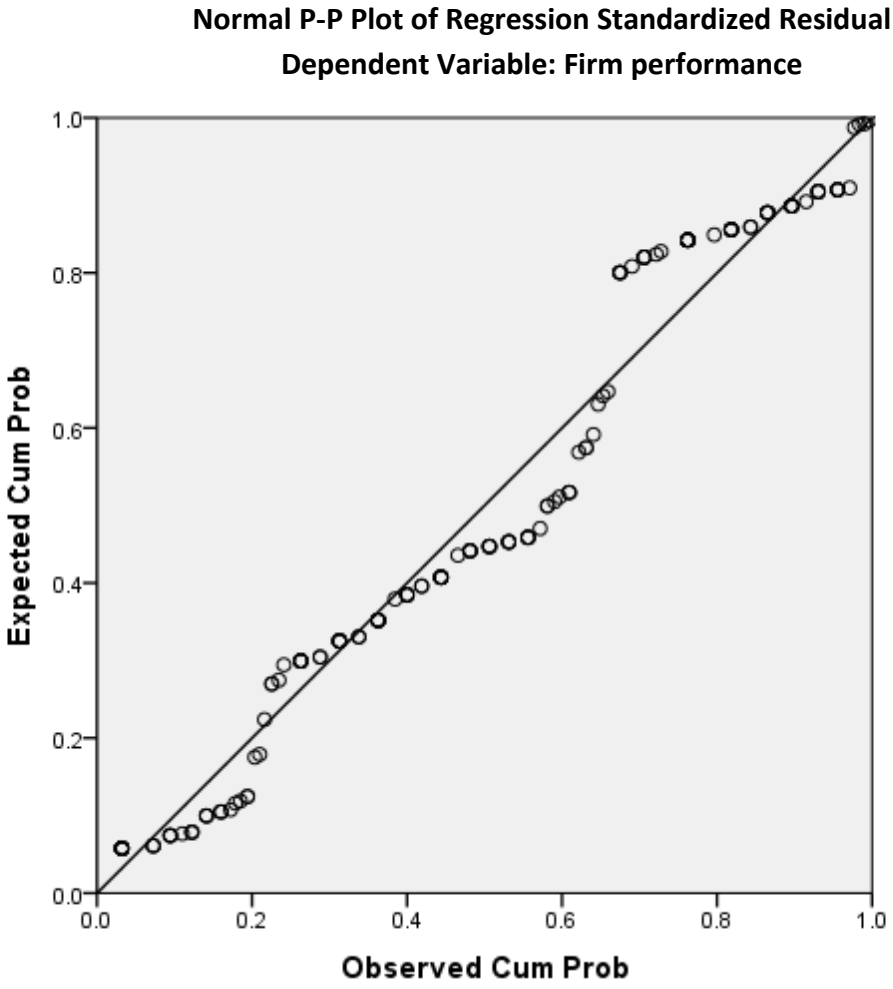

Figure 4.2 FP Normal P-P Plot

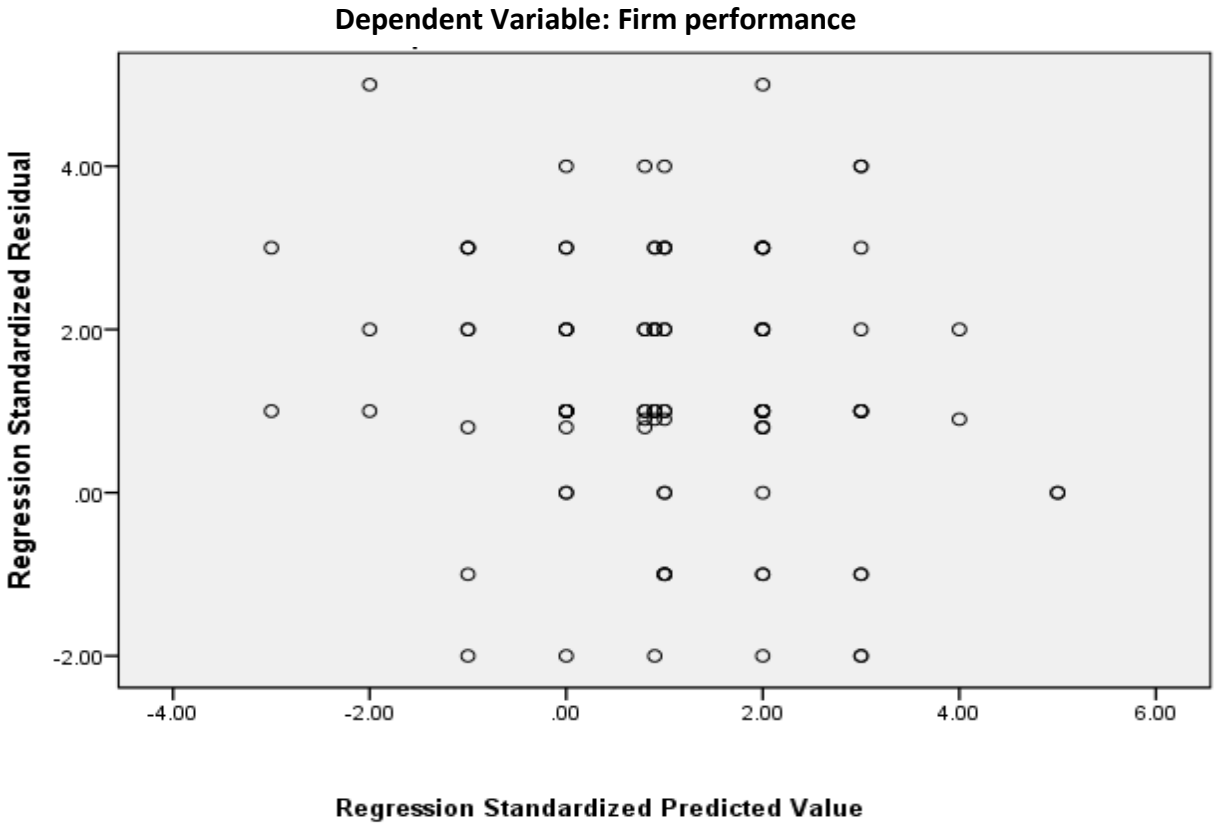

Figure 4.3 FP Scatter Plot