

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

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Abstract

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 the bane of industrial growth in Nigeria. This study empirically examined the effect of Portfolio Management Practices on the Performance of Kano State Investment and Properties Limited, Nigeria. The study used portfolio management scales developed by (Jonas, 2010) to measure portfolio management (corporate risk management, diversification and security choice) and firm performance. The study also 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 positively related to a firm performance. However, the other dimension of portfolio management which is security choice was found not to be negatively related to firm performance. Therefore, it was recommended that the firm should embrace and enhance more on the development of portfolio management via corporate risk management, and diversification strategies in order to remain in competition for both present and future market.

Keywords: Portfolio Management, Firm's Performance, Modern Portfolio Theory

1. INTRODUCTION

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 & 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. 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).

Furthermore, 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 been conducted in Nigeria, the few studies were that of Berger, and Ofek, (1995), (Diversification and its Effect on Firm's value and performance), Abbadi, (2012), (the Effect of Capital Structure on Performance of Nigerian Financial system and finally, Bello, (2005). (The socially Responsible Investing and Portfolio Diversification).

Moreover, there is a dearth of a study on the relationship between Portfolio Management on the performance of Kano State Investment Company, (Berger, & Ofek, 1995). Moreover, the present study is about examining the effect of portfolio management practices (PMP) on firm through the mechanism of corporate risk management, diversification, and security choice. Additionally, the 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 portfolio management in improving effective functioning of organizations (Jonas, 2010). Research has also indicated that portfolio management and their responsibility in a firm is significantly and negatively correlated (Drury, 2000), which means that a firm with portfolio management 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.

Therefore, in view of the focus and context of the previous studies, (i.e. studies of Berger, and Ofek, (1995), (Diversification and its Effect on Firm's value and performance), Abbadi, (2012), (the Effect of Capital Structure on Performance of Nigerian Financial system and finally, Bello, (2005). (The socially Responsible Investing and Portfolio Diversification) 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 Portfolio Management Practices on Firm Performance 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.

2. CONCEPTUAL FRAMEWORK

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. Furthermore, 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.

Moreover, 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 been 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, 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.

Portfolio Management and Investment Firm

According to Goerzen and 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 & Goldberg, 2008). Following the work of Jonas, (2010) emphasizes on the portfolio management and industry performance in Australia. The empirical research involves the process of data collection instruments. The result of the 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, the study used regression analysis as part of the 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).

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 & Goldberg, 2008). The positive effect of Corporate Risk Management 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, the study 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.

Empirical Literature

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 and Becerra (2006) argued 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 and 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 weak 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, Horst & Zhang, 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, Horst & Zhang, 2008). On the other hand, a few studies such as Luffman and Reed (1984) suggested an opposite result, arguing that unrelated diversified firms performed better than related firms. Singh and 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 and 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 and 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.

Additionally, in an investment firm, portfolio performance is the critical variable in determining the success of both investors and the investment companies (Khorana,

Ajay, Henri, & Lei, 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 and 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, 2001).

Theoretical Literature

Modern Portfolio Theory (MPT)

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).

The Arbitrage Pricing Theory (APT)

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

A lot of empirical studies adopted the Modern Portfolio Theory in several different contexts of portfolio management and firms' performance. E.g. Rudd (1981) employed this model in Social Responsibility and Portfolio Performance. While Lang, and Stulz (1994) used Modern Portfolio Theory in Diversification and Firm Performance another study of Kakani (2000) used this theory in Financial Performance and Diversification Strategy of Indian Business Groups. Therefore, due to the rich literature support available. This study also adopts the Modern Portfolio Theory.

Implication of the Literature Review on the present study/ Research Gap.

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 Firms' Performance were explored in a non-western context. Secondly, 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.

3. METHODOLOGY

A cross-sectional survey design was employed for this study. The unit of the survey is employees of Kano State Investment and Properties Limited, Nigeria, cross-sectional surveys are the most common type of surveys and are quantitative in approach. They provide a structured approach to data collection that allows for the systematic comparison of variables against each other (Greenwood, & Axford, 2004, DeVaus, 2002, McKernan, 1991, Minichiello, & Sullivan 2004). A structured questionnaire was adapted and administered to the selected respondents, after which the questionnaire was collected and analyzed using SPSS version 20 in which multiple regression analysis was used.

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 was drawn using Krejcie and Morgan (1970) statistical formula for drawing sample size. The formula is expressed below;

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

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

$$n = \frac{61(0.5)(1-0.5)}{61 - 1\left(\frac{0.05}{1.96}\right)^2 + 0.5(1-0.5)} \quad n = \frac{30(0.5)}{60(0.000651) + 0.5(0.5)}$$

$$n = \frac{15.25}{0.03906 + 0.25}$$

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

$$n = 52.75 \approx 53$$

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.

Methods of Data Collection

This study employed primary data and utilize both descriptive and inferential tools to analyze the data that were collected 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.

Model Specification and Measurement of Variables

In this study firm's performance is used as the dependent variable which was measured using adapted 5 item questionnaire developed by Jonas (2010), which were on five-point Likert scale. While, Corporate risk management (CRM), Diversification (D) and Security choice (SC) were used as independent variables and were measured using five Likert scale developed by Jonas (2010), moreover, 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:

$$Y_i = \alpha + \beta_1 X_i + \beta_2 X_{ii} + \beta_3 X_{iii} + \dots + \beta_n X_n + e_i$$

Y_i denote the dependent variable and X_i denotes the number of the independent variables

Where:

Y_i = Firm performance (FP)

X_i = Corporate risk management (CRM)

X_{ii} = Diversification (D)

X_{iii} = Security choice (SC)

α = Constant value

β_i = the coefficient of variables

e_i = error term associated with variables

Therefore, the regression equation for this study is:

$$FP = \alpha + \beta_1 CRM + \beta_2 D + \beta_3 SC + e_i$$

4. RESULTS AND DISCUSSION

Descriptive Statistics 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 1.1 All the variables were measured on a five-point Likert interval scale.

Table 4.1: Descriptive Statistics of Variables

Variables	N	Mean	Std. Dev.	Minimum	Maximum
Corp. Risk Mgt.	16	25.4875	4.18734	20.00	30.00
Diversification	16	23.2225	4.16093	20.00	30.00
Security Choice	18	21.8333	2.8845	20.00	29.00
Firm Performance	16	25.1125	3.99983	20.00	30.00
Valid (Listwise)	N 16				

Source: Rabi, Adoke & Aminu, 2017

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).

Results of the Regression Analysis

To examine the relationship among the variables used for this study a regression analysis was ran, with three predictor variables viz; corporate risk management, diversification and security choice, these variables were examined to see their contributions in explaining firms’ performances. The table 4.2 below shows that $R = .692$, $R^2 = .479$, adjusted $R^2 = .466$, F-change 171.516, and this shows that 46.6% of the variability in the firms’ performances (Dependent variable) has been explained by the independent variables (corporate risk management, diversification and security choice). Therefore, the result obtained shows that independent variables (corporate risk management, diversification and security choice) are good predictors of firms’ performance. Similarly, ANOVA is used to test the relationship in the mean difference of variables as it can be seen in table 4.3 below. It shows that the model is statistically significant at 0.000. Hence the model is fit and good for this study.

Furthermore, it is argued by Lind, Marchal and Wathen, (2008) that if t-value exceeds 1.645, it means that there is a significant relationship hence the hypothesis would be rejected. Based on this argument it can be seen in table 4.4 below that among all the three predicting variables, corporate risk management is the variable that best predict the dependent Variable with $\beta = .507$, $t = 6.112$, $P = 0.000$. Based on the suggestion by Cohen (1988), the first hypothesis (There is no significant relationship between corporate risk management and firms’ performance.) will be rejected since it has t-value that exceeds 1.645. This implies that when all other variables were held constant, corporate risk management explains 50.7% of the dependent variable. The next variable is diversification. It has the following values $\beta = .324$, $t = 2.176$, $P = 0.031$. Referring to Cohen (1988) the second hypothesis (There is no significant relationship between diversification and firms’ performance.) will be rejected, since it has t-value that exceeded 1.645, this means that when all other variables were held constant, diversification explains 32.4% of the dependent variable. Finally, security choices have the following values $\beta = -.229$, $t = -0.922$, $P = 0.056$, based on the suggestion by Cohen (1988) the third hypothesis (there is no significant relationship between security choice and firms’ performance will be accepted, because it has t-value that is less than 1.645 and this also shows a negative relationship with the dependent variable.

Table 4.2: Model Summary^b

Model	R	R Square	Adjusted Square	R Dfi	Sig. Change	F	Durbin-Watson
1	.692 ^a	.479	.466	4	171.516		1.613

Source: Rabi, Adoke & Aminu, 2017

Table 4.3: 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			

Source: Rabi, Adoke & Aminu, 2017

Table 4.4: Coefficient table

Model	Unstandardized Coeff.	Standardized Co.	T - Sig.	95.0%	Correlation	Collinearity

1	B	Std. Error	Beta	Lo	Hi	Partial	Tolerance	VIF
Constant	1.565	.242	6.469	.0001	.0872	.043		
CRMG	.407	.067	.507	6.112	.000	.2769	.433	.600
DIVFC	.142	0.65	3.24	2.176	.031	.13	.271	.169
SED.	.207	.070	-.229	-.1.92	.056	.069	.344	.226
CHO							.710	1.408

Source: Rabi, Adoke & Aminu, 2017

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

Source: Rabi, Adoke & Aminu, 2017

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 reveal 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 ($r = .499, p < .01$).

5. CONCLUSIONS AND RECOMMENDATIONS

The study has examined the effect of portfolio management on the firms' performance in Kano-Nigeria. The empirical analyses focus on the impact of portfolio management on the performance of firms in Nigeria. The major portfolio management considered are: corporate risk management, diversification and security choice. The study reveals two important findings. First the results of the study show that corporate risk management and diversification are significantly related to firms' performance, in other words the staff of Kano state investment and properties limited perceived that corporate risk management and diversification will enhance the performance of firm. Furthermore, it was found that security choice was negatively related to firms' performance which means that the staff of Kano state investment and properties limited perceived security choice as not relevant in improving the performance of firms and this is the reason for the negative relationship.

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.

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