Effect of investment Diversification on the Financial Performance of Commercial Banks in Kenya

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Abstract: *In the Kenyan economy, commercial banks have enlarged and opened many branches over the previous few years. This has resulted in extremely tremendous increase in deposit liabilities and in turn, a rise in volumes of investment portfolios. At every decision purpose, the portfolio manager has a list of investment opportunities at hand and may decide wherever to require a foothold supported market conditions and additionally the assessment of determinants. However most commercial banks in Kenya haven't mixed their portfolios this therefore has greatly influenced their performance. Many banks mostly still focus on constant common portfolios inside the markets. The main purpose of this study was to investigate the effect of portfolio diversification on the financial performance of commercial banks in Kenya. The specific objectives was to: investigate the effect of insurance investment on the financial performance of commercial banks in Kenya, establish the effect of government securities on the financial performance of commercial banks in Kenya, determine the effect of real estate investment on the financial performance of commercial banks in Kenya and to establish the effect of buying shares on the financial performance of commercial banks in Kenya. This study adopted exploratory research design because it was trying to explain the cause relationship between independent variable and dependent variable. The population of interest in this study consisted of 40 commercial banks. A sample of 40 operational commercial banks in Kenya was studied. Secondary data was collected using data collection sheets as the main data collection tool and interview schedule as the primary data. Data collection sheets were used to collect data guided by the objectives of the study. The data collected was analyzed using explanatory and inferential statistics with help of SPSS package version 20.inferential statistics were done through ANOVA and multiple regression. The average capital structure for banks in the banking sector was 64.040 with a standard deviation of 3.87239. The study concluded that a majority of the banks over the years have in practice employed the use of insurance investment on the financial performance of commercial banks in Kenya. The study recommended that banks should focus its work to promote the confidence in portfolio diversification, and develop marketing policies that encourage its use.*
Keywords: *Insurance, Government securities, Real estate investment, investing in shares and Financial Performance*

I. Introduction

Diversification is a portfolio strategy designed to cut back risk by combining various investments. Diversification gain from shifting into non-interest income in bank's revenue and reduced volatility of bank profits (Stiroh, 2004). In investment planning and finance, diversification improved cost influence through lower risk from diversification if it occurred; it lowered the needed risk premiums on un-insured debt (Moon, 1996).Income supply diversification refers to banks shifting their financial gain sources into non- intercession financial gain generating activities as opposed to the normal inter-mediation financial gain generating activities. Banks have shifted their sales mix by diversifying in financial gain sources. There are two main sources of financial gain; interest financial gain and non-interest income. Non-interest income elements embrace fees and commissions on loans and advances, other fees and commissions, buying shares trading financial gain, dividend financial gain and different non-interest income. Non interest financial gain increase bank franchise price and banks with higher non-interest income have higher market betas (Baele et al, (2007). The U.S. industry is steady shifting off from ancient sources of revenue like Loan-making and toward untraditional activities that generate fee financial gain, service charges, commercialism revenue, and different kinds of noninterest financial gain. whereas noninterest financial gain has perpetually contend a very important role in banking revenue, By 2001, noninterest financial gain accounted for forty third of web operational revenue (net interest financial gain and noninterest income), up from solely twenty fifth in 1984.This shift toward noninterest financial gain has contributed to higher levels of bank revenue in recent years, however there's conjointly a way that it will lower the volatility of bank profit and revenue, and cut back risk. Financial performance could be alive of however sound cash health of a bank is and therefore the method it guarantee to its depositors, shareholders, staff and therefore the economy at big. Because of this reality, efforts are created up from time to time, to live the

moneyposition of each bank and manage it efficiently and effectively (Batiz-Lazo and Woldesenbet, 2006). Financial institutions are increasingly generating gain from "off-balance sheet" business and fee gain. (Albertazzi and Gambacota, 2006) as cited by Uzhegova(2010) noted that decline in interest margins, had forced banks to go looking for various sources of financial gain, resulting in diversification into commercialism activities, different services and non-traditional cash operations. The idea of revenue variations followed the concept of portfolio theory that states that folks can crop firm's risk by diversifying their portfolios. The connection between financial gain offer diversification and cash performance remains a debatable one in every theory and empirical findings with positive, negative and even no relationship between them being exemplified. Earlier studies showed combine results regarding the connection between gain offer diversification and cash performance.

The recent global money crisis of 2007/2009 stipulate the importance of bank performance each in national and international economies and they have to be compelled to keep it beneath police watch in any respect times. Arun and Turner (2004) argued that the importance of banks was more pronounced in developing countries as a result of money markets were typically underdeveloped, and banks were typically the solely major supply of finance for the bulk of companies and were typically the most installation of economic savings (Athanasoglou et al, 2006). One potential channel is that noninterest financial gainis also less keen about overall business conditions than ancient interest financial gain, soassociateenhanced reliance on noninterest financial gain reduces the repeated variation in bank profits and revenue or else, expanded product lines and cross selling opportunities related to growing noninterest financial gaincouldsupplyancient diversification edges for a bank's revenue portfolio. If noninterest financial gain and gross interest financial gainare negatively or solelyfaintlycorrelative, as an example, noninterest financial gaincould diversify bank revenue and improve the risk/return trade-off. The powerto scale back risk is clearlya subject of right smart importance for individual banks, similarly as their regulators and supervisors. If noninterest financial gain lowers the volatility of bank profits and reduces risk, as an example, it would be affordableto scale back capital necessities for banks with a diversified revenue portfolio and for supervisors to apportion their scarce resources. Similarly, the prices of bank superintendencearea unit tied to the perceived peril of the establishment, therefore banks have extra incentives to scale back risk. Managers with giant equity interests in banks with franchise prices have additional incentives to scale back risk and maintain that value. Finally, there'sproofthat enormous banks act as if they're risk-adverse. All of those factors contribute to the keen interest in risk-reduction among bank managers. This study uses combination and individual bank information from the 2010 to 2015 to look athowever noninterest financial gain affects the mean and variation of bank profits and revenues, and to work outby trial and errorwhether or not concentration in nontraditional activities is correlative with risk indicators. the educational literature is mixed on the chance and come back effects of nontraditional activity enlargementRadecki (1999) on the sources of noninterest financial gain, with a spotlight on payment services, for big bank holding firms in 1996. yankee Banker,(2001).

In Africa a study by Landi&Venturelli (2012) analyzed the determinants and effects of diversification on efficiency and profitableness amongst the African banks and the results were that diversification absolutely affected efficiency in terms of profits, prices and revenue growth (Landi et al., 2012). In earlier study by DeYoung et al., (2011) on the consequences of product combine (diversification) on earnings volatility of commercial banks, it found that bank's earnings grow much volatile as banks tilt their product mixes towards fee based mostly activities and far fromancientintervention services, (DeYoung et al.,2011). As per (Odhiambo, 2013) in his study on the association between portfolio diversification and financial performance of deposit taking savings and credit co-operative societies authorized by SACCO societies administrative body in Nairobi county. Rate of interest on members' deposits as measure of financial performance was used as the dependent variable.Independent variable (working capital management) was measured by financial conversion cycle, current ratio, and debt ratio and turnover growth. The findings indicated that portfolio diversificationresults inhigherfinancial performance of a SACCO; therefore a positive relationship existed between portfolio diversification and financial performance variable.

The banks have come along beneath the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses problems poignant member establishments. The commercial banks and non-banking money establishments supply company and retail banking services however a tiny range, mainly comprising the larger banks, offer different services as well as investment banking (Pricewaterhouse Coopers 2009, 2010). The banking sector plays a very necessary role within the economy by facilitating the flow of cash from depositors to borrowers. Licensing of financial establishments in Kenya is finalized by the Minister of Finance through CBK. Ideally, financial reforms and free market ought to spur the adoption of innovations that improve potency and give a healthy balance between loaning and deposit rates. Over the last few years, the banking sector in Kenya has continued to grow in deposits, assets and profitability. The growth has been mainly associated by a trade wide branch network growth strategy each in Kenya and within the geographic area community region and automation of an out sized range of services and a move towards stress on the advanced

client wants instead of the off-the-rack banking merchandise. There is lots of competition as a result of new entrants into the market and increased innovations. Experience of Kenya in innovations in the banking sector has embraced a partnership approach (Ndung'u,2011).Pricewaterhouse Coopers (2009) reported changes in the restrictive framework wherever assessment exists, but the market continues to be restrictive. Declining interest margins due to customer pressure has crystal rectifier to mergers and reorganizations within the banking sector. The increased demand for non-traditional services as well as the automation of a giant range of services, a move towards emphasis on the client rather than the merchandise, and introduction of non-traditional players who currently supply money services, merchandise calls for vital product and market development that ought to end in more consolidation and partnerships within the banking sector (CBK, 2011).

1.2 Statement of the Problem
        In the Kenyan economy, commercial banks have enlarged and opened many branches over the previous few years. This has resulted in extremely tremendous increase in deposit liabilities and in turn, a rise in volumes of investment portfolios. Correct investment portfolio management ensures effectiveness, liquidity and safety within the use of resources among different objectives. At every decision purpose, the portfolio manager has a list of investment opportunities at hand and may decide wherever to require a foothold supported market conditions and additionally the assessment of determinants (Morris, 2010).The proponents of activity diversification argued that diversification provided a stable and less volatile income, economies of scope and scale, and the ability to leverage managerial potency across product (Choi and Kotrozo, 2006). Chiorrazzo et al (2008) noted that as a result of activity diversification, the economies of scale and scope caused through the joint production of financial activities light-emitting diode to multiplied potency of banking organizations. Product mix reduced total risks as a result of financial gain from fee based primary activities and so diversification ought to stabilize operational financial gain and provides rise to a lot of stable stream of profits (Uzhegove,2010). Diversification made it cheaper for establishments to win quality in their role as screeners or monitors of borrowers (Diamond et al (1986). Claessens and Jansen (2000) argued that foreign banks sometimes brought with them higher ability and technical capability, which then spilled over to the rest of the banking industry. These imposed competitive pressure on domestic banks, thus increasing potency of monetary intercession and that they provided a lot of stability to the national economy as a result of them being ready to draw on liquidity reserves from their parents' banks and provided access to the international markets. On the other hand, corporate finance theory suggests that corporation sought to focus so as to get the best attainable pleasure from management's experience and to scale back the agency issues activities for investors to diversify on their own (Jensen (1986), Berger and Ofek (1996) and Denis et al (1997). Delong (2001) found out that geographically focused bank mergers within the USA resulted in superior performance, while Stiroh and Rumble (2003) and Stiroh (2004) showed that a shift towards non-interest financial gain did not provide giant diversification advantage. Therefore there was lack of empirical proof on the effects of diversification on bank's monetary performance. However most commercial banks in Kenya haven't mixed their portfolios this therefore has greatly influenced their performance. Many banks mostly still focus on constant common portfolios inside the markets.

II.   Literature Review
2.1 Effects of Insurance investment on financial performance of banks.
        Earlier work on bank diversification advantages has taken many distinct approaches. Conditional exercises of bank combines with non-banks, examination of actual operations of banks concerned in several activities, and analysis of market reactions to bank diversification. These approaches don't provides a uniform image of the diversification prospects for banks, thus this remains an open analysis question. Saunders and Walters (1994), parenthetically, review eighteen studies that examine whether or not nonbank activities cut back bank company risk, and conclude that nine answer affirmative, six answer no,andthree offer mixed results. Beginning with the conditional exercises, Boyd and Graham (1988) and Boyd, Graham, and Hewitt (1993) simulate mergers between bank holding corporations and nonbank financial corporations and conclude that mergers and acquisition between bank holding corporations and insurance corporations would doubtless cut back the danger of bankruptcy. Rose (1989) compares monetary and business corporations from 1966 to 1985 and finds the discovered cash-flow correlation between banking and financial-service (insurance) lines were tiny and positive, implying some diversification advantages. Saunders and Walter (1994) perform a simulation exercise and conclude that there are potential gains within the reduction of risk from bank enlargement into new activities. They realize that property and casualty insurance could be notably engaging space for cash core bank enlargement. Recently, Lown et al. (2000) conclude that insurance corporations are the merger candidates with the largest potential to scale back risk. Santomero and Chung (1992) use possibility valuation techniques to simulate the volatility of plus returns from combos of 123 bank holding corporations and sixty two non-bank monetary corporations and conclude that bank enlargement into nonbanking businesses reduces risk generally.

above all, bank company mergers with securities and/or insurance corporations usually reduces the volatility of bank returns, whereas mergers with property/casualty insurance will increase risk however it will increase returns so the danger of failure isn't inflated considerably. Similarly, Saunders and Walter (1994) compare the market returns of banks and alternative monetary corporations and build portfolio returns from varied combos. They conclude that life and property insurance combos supply the largest potential to scale back systematic risk for cash center banks.

Ho$_1$: Insurance investment has no significant effect in financial performance of commercial banks in Kenya.

2.2 Effects of government securities on the financial performance of banks.

Bond issuance by a government, or a government agency like a deposit insurance fund or a specially created asset management company (AMC), is used in many instances of general banking crises to finance bank restructuring and is additionally often accustomed to finance the restructuring of state banks for privatization. Although there are several variations already applied, bonds are issued for two generic functions in bank restructuring: to finance the state. In purchasing of equity in banks and to finance the acquisition of distressed assets from banks. The design of the bonds issued for these functions was a vital determinant of the longer term money performance of restructured banks, and hence a necessary thing about the realization or failure of the restructuring efforts (Smith, 2012).There are several problems to be self-addressed in general bank restructuring, and this research focuses on those related to bond style. Fiscal, debt management, and other connected problems, while noted to give a broader context for the discussion of technical problems relating specifically to bank restructuring, are not absolutely developed during this research. Similarly, sovereign default is discussed solely in the context of bank restructuring, without a full exploration of the impact of the prices of bank restructuring on debt property. The principal intent is to illustrate the impact that various choices for bond style could wear sure-fire bank restructuring. Compromises are needed to address specific problems and issues, but a sure-fire program needs that bonds placed with banks for restructuring functions give ample interest financial gain to change the banks to be profitable, and do not make it tough to manage exposures to rate of interest, maturity, or buying shares risks. In general, this will need the employment of bonds with market-related terms and conditions. If a restructured bank is insufficiently profitable or has an embedded risk exposure arising from its bond holdings, the likely result can be the loss of the general public funds used for recapitalization and a necessity for resultant intervention and additional pricey restructuring (Nyaoma, 2012).

Once the decision has been taken to use public funds for bank restructuring, the issue then becomes the way to finance the expense. The option of state money expenditures to buy. The case of government owned banks is somewhat totally different. Bond design is still crucial for the money success of the bank, but the call to recapitalize reflects the popularity and measuring of losses already incurred by government as owner of the bank, rather than a choice to commit government funds to hide a little of the losses incurred by privately owned banks (Morris & Hough,2010) There are clear benefits, such as the existence of broader and deeper secondary markets, if the financing of bank restructuring is half of a bigger pool of usually solid government debt. However, in a crisis the sole practical answer is also direct placement of bonds with the banks being recapitalized. A transition or developing country may not have a longtime government debt market with the requisite breadth and depth. Where such a market is established, there may be few domestic establishments in a position or willing to buy the extra bonds needed to finance bank recapitalization, and international interest may be restricted or prohibitively overpriced within the wake of a banking crisis. Issuance of treasury bills is another potential approach to finance bank restructuring, but this has at least one major downside. Government was Janus-faced with the requirement for frequent refinancing of this short debt. Use of longer-term debt defers the refinancing needs, and provides time for some of the debt to be retired either from the proceeds of the next sale of the bank equity purchased by government, or from recoveries on the bank assets purchased (Lawal,2010).

Even if it's possible to fulfill the expense from general government revenues and finance activities, as discussed below there are reasons why it could be fascinating to produce recapitalized banks with bonds instead of money. Special recapitalization bonds fall into three broad classes. The most common category consists of bonds issued by the govt., but not like a additional usual government bond supply sold to a good vary of purchasers, recapitalization bonds are placed directly with the banks to be recapitalized, usually as payment for an equity investment or to purchase distressed assets. The two alternative approaches involve the employment of center, such as the deposit insurer, AMC, or bank restructuring authority, to issue the bonds and hold the government investment in banks (Bentler, 2014).

Ho$_2$: There is no significance between government securities and financial performance of commercial banks in Kenya.

2.3 Effects of real estate investment on financial performance of banks.

Previous studies on the consequences of real estate investment by establishments within the U.S. have used information from thrifts within the Eighties, time of liberation in the sector. Rosen et al. (1989) analyze

1980-1985 information on returns on direct investments in land assets by thrift service companies, market equity returns of real estate investment trusts (REITs), and profits of economic banks that operated under strict restrictions on land investment. In their analysis, the low correlation between returns on real-estate and non-real-estate assets is outweighed by the bigger variability of real estate returns once land investment exceeds a comparatively low threshold of around four p.c of total assets. McKenzie, Cole, and Brown (1992) estimate the typical returns on a group of nontraditional assets, comprising real estate, within which thrifts were allowed to venture following the Thrift service companies are subsidiaries of thrift holding corporations that are approved to interact in any activity regulators seem moderately regarding the business of thrifts (Williams, 1988). Passage of the 1980 installation establishment liberation and financial management Act and therefore the 1982 Garn-St. Germain Act.Supported information from annual periods ending on June, 1987 and June 1988, they realize that average returns on real estate investment were considerably lower to those on ancient assets, though they admit that in their sample amount real estate investments generally performed poorly, particularly for capital-deficient establishments. The authors justify this finding by contention that since the deposit insurance system for thrifts wasn't risk-based at the time, thrifts managers of capital-deficient thrifts found it engaging to accumulate risky, high-potential-return assets. That they had very little to lose, as any losses would be borne by the deposit insurance fund, a scenario of ethical hazard. The Federal Deposit Insurance Corporation Improvement Act (1991) currently needs the Federal Deposit Insurance Corporation to line premiums supported risk (Acharya et al., 2010). As is well-known, the Eighties led to crisis for the U.S. thrift business, with regulators closing or putting into receivership quite one thousand thrifts. Many authors (Cole, 1993; Cole, McKenzie, & White, 1990; Pantalone& Platt, 1987; Rudolph & Hamden, 1988) show that these unsuccessful establishments command massive shares of non-traditional assets -- together with equity stakes in business real estate -- in their portfolios, compared with well-capitalized thrifts. Mistreatment information from 1984 to 1989, Cole and McKenzie (1994) realize that well-capitalized thrifts selected portfolios that were on the brink of their economical frontiers so asto guard their equity capital, whereas insolvent thrifts selected risky, high-return portfolios that ex post made returns way below the economical frontier. Boyd, Graham, and Hewitt (1993) simulate mergers of indiscriminately hand-picked BHCs and non-bank corporations to look at the result of enlargement into non-bank activities. The authors selected the dates to scale back the consequences on returns of the high initial prices of finance in nontraditional assets that were incurred within the years following the passage of those2 acts in 1980 and 1982, severally. Risk sometimes will increase from simulated mergers with corporations in land and land development. Alternative connected studies specialize in the enlargement of the U.S. business banks and BHCs into non-traditional banking activities while not specifically examining real estate investment. Boyd and Graham (1986) examine the result of BHC enlargement into nonbank activities allowable by the Federal Reserve using information from 1971 to 1983. They realize that from 1971 to 1977, once the Federal Reserve's regulative policy was additional permissive, BHCs' degree of involvement in non-banking activity was positively(negatively) related to risk, measured by the quality deviation of BHCs' returns on assets (ROA) and BHC Z-scores. On the contrary, they realize no statistically important relationship between the extent of non-bank activity and risk over the 1978-1983 period, once Fed reserve regulation was additional demanding. Wall (1987) examines information on BHCs with nonbank subsidiaries and finds that these subsidiaries tend to extend (decrease) the danger of BHCs with less risky (highly risky) banks. Similarly, Brewer (1989) studies BHC securities market information from 1978 to 1986 and finds a weak negative relationship between BHC risk and level of non-banking activity, wherever the previous is measured by the volatility of BHC stock returns and therefore the latter by one minus the quantitative relation of the BHCs total banking assets to total assets. Stiroh (2004) finds that bigger reliance on noninterest financial gain – a class that features fiduciary financial gain, service charges, commerce revenue, and costs – is related to higher risk and lower risk-adjusted profits at U.S. business banks from 1978 to 2001.information from U.S. monetary holding corporations from 1997 to 2002, Stiroh and Rumble (2006) report that gains from diversification created attainable by liberation are quite offset by the prices of inflated exposure to volatile activities. The Z-score measures the likelihood that a BHC can fail or as an alternative the amount of normal deviations below mean that ROA should fall so as to bankrupt the firm. Lown, Osler, Strahan, and Sufi (2000).Many studies have used international information to check the consequences of restrictions on banking activity on bank performance. Barth et al. (2004) calculated an index of national restrictions on banking activity that accounts for restraints on real estate investment furthermore securities investment and possession of non-financial corporations. They incorporated this index with alternative independent variables in regression models of varied bank risk indicators. With information from 107 countries from the Nineteen Nineties and early 2000s, they realize that bigger banking activity restriction is related to a bigger chance of a banking crisis. Gonzales (2005) tests the consequences of restrictions on banking activity employing information set of 251 banks in thirty six countries from 1995 to 1999. He finds that banks in countries with bigger restrictions on banking activities have lower bond values, when regulating the presence of deposit insurance the standard of countries' rule of law, the historic origins of countries' legal systems, and record variables. He conjointly finds proof that bigger bank risk is related to reductions in bond price. In

summary, real estate investment by banks and BHCs will in theory have each positive and negative effect on bank performance as measured by risk, returns, and risk-adjusted returns. The outcome is an empirical question. Previous empirical studies have made mixed results. Studies of U.S. thrifts' land activity within the Eighties indicate that the positive effects have usually outweighed the negative effects. Newer studies generally realize inflated risk, lower risk-adjusted returns, or the two U.S. banks and BHCs have interaction of non-traditional activities. Proof from some international studies, however, do realize enhancements in risk and returns related to lower restrictions on banking activities together with, however not restricted to, real estate investment. The liberation movement within the U.S. industrywithin the last 3 decades has been comprehensive. as an example, the Riegle-Neal interstate Banking and Branching potency Act (1994) allowed Bank Holding companies (BHCs) to amass banks in different states and allowed FDIC-insured banks to branch interstate, subject to some restrictions. Similarly, the Gramm-Leach-Bliley Act (GLBA) of 1999 allowed business banks, investment banks, and insurance firmsto merge to createmonetary services holding firms. In brief, the former act relaxed the foundations on geographic diversification whereas the latter allowed product diversification. The trend in liberationwithin the U.S. stopped wantingpermittingbusiness banks to engage in in realestate activities like developing realestate , buyingrealestate for resale, or providing realestate brokerage services -- activities permissible in different countries, for example in North American nation and Germany. In the U.S., federal statutes and a few state laws severely limit real estate activity by banks and BHCs, thoughthey are doing not entirely proscribe it. All banks and BHCs are allowed to haverealestate for current and future operations. The degree of restriction away from that differs looking onwhether or not the establishmentmay be a BHC, a national bank (NB), a state-The Dodd-Frank Wall Street Reform and shopper Protection Act of 2010 needs the Federal Reserveto limit proprietary commerce of securities, commodities, and derivatives by BHCs and forbids BHCs from finance in hedge funds and personal equity companies. It doesn't, however, re-impose restrictions on interstate branching or possession of investment banks and insurance firms that were relaxed in 1999. H.R. 4173--111th Congress: Dodd-Frank Wall Street Reform and shopper Protection Act. (2010). Recent UN agency surveys of national variations in bank laws, together with restrictions on assets activity, arecrystal rectifier by James Barth, Gerard Caprio, and Ross Levine. Results of these surveys square measureon the market at: chartered Federal Reserve-member bank (SMB), or a state-chartered Federal Reserve-nonmember bank (SNMB).Federal Reserve Regulation Y authorizes BHCs to interact in investment in real estate for purposes aside from operations solely with the permission of the Federal Reserve Board of Governors. Similarly, Federal Reserve Regulation H authorizes SMBs to take a position in assets for purposes aside from operations solely with the Board's previous approval. The full service bank Act of 1864 permits NBs to haveassetsjust for bank operations, as payment for loans (with a five year time limit on such ownership) or if the real estate was non inheritable as a results of a default. The least restrictive rules apply to SNMBs that are employed in states that have comparatively lenient rules on bank real estate investment. in line withinformationprovided to the authors by the Conference of bank Supervisors, thirty-nine states and the District of Columbia enable banks to either take equity stakes in real estate, develop real estate, or both. SNMBs within the remaining eleven states and Puerto RICO Act follow rules just like or additional restrictive than those followed by NBs and SMBs. In theory, real estate investment will have each positive and negative effects on BHC performance. Among the potential paybacks are diversification of money flows, economies of scale and/or scope (cost complementarity) and larger charter values. The potential down sides are three. First, real estate investment returns could also beadditional volatile than returns from ancient banking assets, soraising, instead of lowering, overall BHC risk. Second, inadequate expertise couldend in poor real estate investment and real estate management selections by BHCs, Gonzales (2005) and Ramirez (2002) realize that bank product diversification raise charters price. Harming their come and risk performance. Third, larger complexness of BHCs that invest in real estate couldcreate them additional opaque and complicate their regulation and watching. The purpose of the study was to investigate the consequences of assets investment by BHCs operativewithin the U.S. on their stock returns; total risk (conditional variance of their stock returns); risk-adjusted stock returns (the Sharpe ratio); and market risk (market betas of the stocks). The study focuses on assets investment activity outside of ancientassets lending like residential and business mortgage loans. the real estate business studied includes the restricted activities allowed by federal authorities furtherbecause theadditional in-depth activity allowed in thirty-nine states and District of Columbia. The non-parametric Wilcoxon procedure associate degree an extended generalized autoregressive not absolutely heteroskedastic (GARCH) framework of researchwas used to conduct the tests. Three sets of BHC stock portfolios arefashioned according to: investment versus non-investment in real estate , investment in real estate beneath lenient versus strict restrictive constraints, and the quantitative relation of real estate investment to total assets. Portfolios supported BHCs that do and don't invest in real estate were used tocheck the hypothesis whether or not the risks, returns and risk-adjusted returns of the 2teamswere identical. Portfolios designedin line withthe sort of regulation beneaththat BHCs invest in real estate lenient or strict change usto check hypotheses regardingthe link between the s kind of regulation and therefore the returns and risk of BHCs. Portfolios supportedthe real estate investment to total assets quantitative relation were used to

examine hypotheses regardingthe consequences of changes within thereal estate investment quantitative relationon BHC come and risk performance. Several results were obtained. First, we offerproof that assets investment includes a net negative impact on BHC performance. Specifically, victimization the non-parametric Wilcoxon tests, we discover that BHCs finance in real estate show lower returns and risk-adjusted returns and greater total risk than BHCs not finance in real estate. Second and equally, portfolios of BHCs that invest in real estate beneath lenient rules have lower returns and risk-adjusted returns and larger total risk than portfolios of BHCs that invest beneath stricter rules. Third, among BHCs investing in real estate ,portfolios of BHCs with higher shares of real estate relative to total assets have returns and total risks that square measure statistically just like those of BHCs with lower shares. Using the GARCH framework, we discoverproof indicating that the portfolio of BHCs with above-median shares of assets relative to total assets has lower returns and larger market risk, compared to BHCs positioned below the sample median in terms of assets holding. These results areproof that edges from diversification, economies of scale, economies of scope, and will increase in charter pricerelated toreal estate investment are outweighed by larger variability of returns on real estate investment, lack of BHC experience in real estate investment and larger BHC complexnessthanks to engagement in real estate If these results will be generalized to larger and wider levels of activity in real estate by banks, the implication for policy manufacturers would be that permitting BHCs to enter the sector of assets or loosening the restrictions on such activities would change BHCs to require larger risks that don't result in corresponding will increase in returns. as a result of the quantity of real estate investment as a percentage of the entire assets of the BHCs is comparatively little in the sample, the present results should not be taken as ruling out the chance of a intensity level of real estate investment above that BHCs would so exhibit vitaledges from real estate development of experience and economies of scale insidethe sector of real estate investment within the longer-run. This study focuses on the industryinstead ofdifferent industries, and that we caution against generalizing the results to different industries. we have a tendency totarget banks for many reasons, not the least of that is that information on the estate holdings of U.S. Companies in different industries don't seem to be available. The activities of banks and BHCs also are of specific concern thanks tothe chance of a contagion impactwithin themonetary services business and sequent externalities within the economy's real sector, associate degree example of that was determinedthroughout themonetary crisis of 2007 to2009. Finally, as banking is one in every ofthe foremost heavily regulated sectors of the economy, policy makers even haveassociate degree interest obviousconcerningthe consequences of the various rules governing bank behavior. Indeed, abundant of the talk over bank regulation has turned around queries of that industries to permit banks to enter, likedialogue over GLBA's repeal of Glass-Steagall Act (1933) restrictions on insurance and investment banking activity by business banking companies. Portfolio returns (R) are calculated by averaging individual stock returns and dividends. With equal weights on every stock.victimisation equal weights prevents the stocks of enormous BHCs from disproportionately moving the results. different authors World Health Organization use equal weights in studies of BHC portfolios embodyElyasiani and Mansur (1998) and Elyasiani, Mansur, and Pagano (2007). The real estate investment to total assets quantitative relation (RE) of every| portfolio in each quarter is calculated by averaging the RE of every stock within the portfolio in every quarter with associate degree equal weight on each stock. The portfolio construction method filters out attainable noise that will obscure the consequences of real estate investment or assets investment rules on one stock risk and return volatility.This techniquerelies on the idea that the noise factors don't seem to berelated with assets investment. Finally, a unique set of results focuses on overall gain and risk, and shows that risk adjusted returns arepowerfully, negatively related to the share of financial gain derived from noninterest sources. Commercefinancial gain, especially, is related to a decline in profit per unit of risk, while increased fiduciary financial gain is related to a gain. Noninterest financial gain shares also areabsolutely linked with economic condition risk, measured by the "Z-score." Taken along, these results imply that the move toward noninterest financial gainis truly worsening the risk/return trade-off for the standard bank as volatility will increasewhereas average returns don't. Economies of scope enable elimination of redundant operations or investment of a hard and fastprice investment like computer infrastructure. These results counsel caution for those basic cognitive process that the shift toward noninterest financial gain offers giant diversification edges, guarantees additional stable bank earnings, and lowers the chance of the U.S. industry. Noninterest financial gain, notablycommerce, is kind of volatile and therefore the correlation between gross interest financial gain and noninterest financial gain is rising as product lines blur and banks progressively substitute nontraditional sources of financial gain for interest financial gain. This implies that the industrymight notnotice the reduction in volatility and risk that some predict

Ho$_3$: There is no significance between real estate investment and financial performance of commercial banks in Kenya.

2.4 Effects of Buying Shares on Financial Performance of Banks

The securities market plays a vital role in economic development by promoting capital formation and raising economic process through commerce on securities within the market (Nisa and Nishat, 2011). They

stressed that commerce of securities during this market facilitates savers and users of capital by fund pooling, risk sharing, and transfer of wealth. Chike and Inyiama (2014) expressed that firm's monetary performance and businesses are unit successively influenced by general economic conditions, the performance of the monetary markets, inflationary rates, monetary resource, interest rates, foreign currency exchange rates, changes in laws, laws and policies of the financial organization, capital market and alternative regulators furthermore as competitive factors on a world, federal, state and native government basis. Stock markets promote savings and investments by providing an avenue for portfolio diversification to each individual and company investors and conjointly fuel economic process through diversification, mobilizing and pooling of savings from completely different parties and availing them to banks and alternative corporations for best utilization (Kimani and Mutuku, 2013). They noted that investment in shares afterward earn investment financial gain to the investors and in addition, the liquid nature of those markets makes it attainable for the investors to exchange possession of securities, and reap capital gains there on. the tiny size of most of our banks, particularly before consolidation, every with big-ticket headquarters, separate investment in computer code and hardware, serious fastened prices and operational expenses, and with bunching of branches in few business centers all resulted to high expenditure for the business. These successively had implications for the price of intervention, the gap between deposit and loaning rates, hence each of these place undue pressures on banks to interact in sharp practices so as to raise fund for survival. However, share price are a unit for most necessary indicators employed by investors to come to a decision whether or not to speculate or do not invest on a selected share of a company; as their main objective venturing within the securities market is to maximize the expected come back at low level of risk (Zakaria, Muhammad and Zulkifli, 2012).

Earnings info was thought to contain the best info i.e. Content of all the accounting information since it contains necessary discussion regarding the connection between accounting earnings and stock costs (Chang, Chen, Su and Yangtze 2008). The investors expect to earn an exact rate of comeback by investing within the bank/company and any surprises that will cause the completed come back to show a discrepancy from the expected come back causes the investors to regulate the stock worth, thus to be able to earn the expected returns (Khan and Rafiq,2013). They additionally expressed that even the monetary managers take finance selections by considering the worth of the firm's stock being listed within the secondary market as investors conjointly incorporate their perception of firm's performance and expectations regarding future prospects into the stock price by the number demanded and availed, at an exact worth. to regulate these share costs, investors want sound data of the determinants of share worth movements.

The relationship between stock costs and firm earning per share (EPS) that seems to be debatable like several alternative performance measures was studied by Umar and liliopsid genus (2013). This study examined the connection between stock costs and firm EPS from 2005 to 2009. employing a straight forward linear regression model on a panel of a hundred and forty Nigerian corporations from a completepopulation of 216 firms' operated in Nigerian securities market (NSE), it had been discovered that firm EPS has no prophetical power on stock costs and will not be relied upon for the prediction of the behavior of stock costs in African nation. This finding is but contrary to the findings of Ball and Brown (2001), Yangtze and Wang (2008) that discovered that firm's stock costs movement encompasses a positive important relationship with firm EPS. In a connected study undertaken by Hemadivya and Devi (2013), efforts were created to search out the connection and therefore the impact of EPS on value of shares of hand-picked corporations using regression and correlation analysis, it had been found that value is considerably affected by changes in EPS with relevance BHEL(manufacturing sector). The correlation between value and EPS of BHEL is 0.76 that indicates that there's a high positive and important relationship between value and EPS of BHEL. On the connection between value and EPS of TCS (service sector), the study indicates that the correlation between value and EPS of TCS is 0.280 that indicates that there's a positive and insignificant relationship between value and EPS of TCS. This can be according to the findings of Malakar and Gupta (2002). They wanted to search out whether or not EPS could be an important determinant of share worth movement by considering share worth of eight major cement corporations in Asian nation for the period 1968 to 1988. The study reveals that Earnings per share are found to be important determinant of share worth. In his study as cited by Hemadivya and Devi (2013), Tuli and Mittal (2001) conducted a cross sectional analysis by taking under consideration earnings quantitative relation of one hundred and five corporations for 1989-93 and located that earnings per share were important in determining the share worth Wang, Fu, and Nilotic language (2013) through empirical observation analyzed the connection between accounting info and stock worth with many accounting info indices. The results, supported sixty listed corporations in Shanghai securities market for 2011, indicates that positive relationship exist between accounting info and stock worth, however the important degree varies; earnings per share and come back on equity have the foremost significant correlation. Mlonzi, statesman and Nthoesane (2011) investigate whether or not there are any important abnormal returns round the public announcement of earnings and to ascertain whether or not the economical capital market hypothesis applies to the tiny ALtX market. The study targeted on all the businesses listed on the JSE-ALtX that proclaimed annual earnings between Jan and Dec 2009 using

Capital asset pricing Model (CAPM). Empirical proof demonstrates that there's substantial negative share worthreaction to earnings announcements on the tiny ALtXsecurities market. The ALtXconjointly shows the weak variety of market potency. The study offers that in a recessive amount, shareholders' wealth is worn within the tiny ALtX market; but, the weak variety of market potency provides a chance for entrepreneurs and investors to take advantage of the marketplace for profits once the market is acting well.

Domestic currency depreciation and its uncertainty negatively affected the stock Performance for all the countries. The significant impact of foreign exchange market events on the stock market Performance suggested that international portfolio managers who invested in the newly emerging East Asian stock markets should assess the worth and strength of the domestic currency as a constituent of their stock market investment decisions. A notable contribution in financial markets literature was made by Simpson and Evans (2003) who explored the relationships between Australian banking stock Performance and major economic variables of monetary policy like exchange rate and short and long-term interest rates. They used the monthly data for the stock Performance, exchange rates and interest rates for the period of January 1994 to February 2002. The study found no evidence that Australia's bank stock market Performance form a co integrating relationship with short term and long-term interest rates and exchange rates over the period of study and therefore conclusions might not be drawn relating to long-term rational expectations in the Australian banking market bank assets purchased (Studies have been conducted on the risk-return relationship characteristics in different stock markets world over in developing and developed markets by the following scholars, Oludoyi, (2003) examined the risk characteristics of the firms quoted on Nigerian stock market. He concluded that the covariance of the firms' with market portfolio is positive and that the returns on the firms' stocks tend to move in the same direction with return on the market portfolio. This implies that majority of firms in a portfolio with a positive beta have restricted scope for portfolio diversification.

Goriaev (2004), in his study on the risk factors in the Russian Stock Market, found that the difference in return between the companies susceptible to the country risk and those with stable profit in any macro-economic environment is about 59% premium. The corporate governance aspect also accounted for 25% risk premium, and the size and dollar factor accounted for premium of between 33% to 39% per annum in the Russian market. Menggen (2007), in his study on the risk return tradeoff in Chinese market, sampled the daily, weekly and monthly market return observations, using GARCH – M model, his findings were that the risk-return relationship in Shanghai stock market was quiet different from Shenghen market. He found the risk-return relationship was positive and statistically significant for the daily returns in Shenghen Stock market, while in Shanghai market there was a negative and insignificant relationship.

Battilossi&Houpt (2006) studied risk, return and volume in Spain using Bilbao Stock Exchange as case study of an emerging Market.They found evidence of autocorrelation but there was no risk return relationship, they also found a fragile evidence of the effect of trading volumes on returns. Mayanja&Legesi (2007), in his study on cost of equity capital and risk on the Ugandan stock market to establish the inexpensive source of finance between equity finance and bank finance. Their findings were that the assumption often made by stock brokers that all stocks have the similar risk is erroneous.A study by Gitari (1990) found out that it was apparent that Kenyan Publicly quoted companies' exhibit systematic risk that is positively related to return. This relationship was not statistically significant thereby suggesting that investors may either be under or overcompensated for taking high risks. This suggested the need of low risk analysis on the part of investor, rather than being mere risk takers. The results also indicated a negative but statistically insignificant association between unsystematic risk and return. He also found that the nature of risk-return relationship was independent of the nature of the industry in which a company operates reinforcing the conclusion on the relationship between unsystematic risk and returns.

Another study by Muli (1991) on the estimation of the systematic return-risk for the Nairobi Stock Exchange indicated a market risk of four percent and a return of approximately six percent. With one-year Government of Kenya Treasury bonds having a coupon rate of fifteen percent (July 1991), the full market return was twenty one percent which was consistent with the general market interest rates in the commercial sector. The market risk and risk premium calculated appeared to be good estimates of the total market parameters. Further, the market risk and return were therefore approximately 4% and 5.7% respectively. However, this" study was done eight years ago when the market was at a very low stage of development. One of the limitations was that lack of a trading floor might have affected the diversification effectiveness of the market by inhibiting activity level (Muli, 1991). There were also six stockbrokers in the market, less than the current twenty and more securities have been listed since then, opening up more avenues for investment diversification.

Musyoki (2011) examined the predictability of accounting earnings using changes in share prices of companies listed at Nairobi Securities Exchange in finance and investment centre. The study covered the period between the year 2001 and 2005. The data was obtained from the Nairobi Stock Exchange, where the information selected were earnings per share, dividend yield, price to earnings ratio and the share price. This information was standardized using logarithm and analyzed using SPSS program

Several studies have used international informationto checkthe consequences of restrictions on banking activity on bank performance. Barth et al. (2004) work outassociate degree index of national restrictions on banking activity that accounts for restraints on assets investment further as securities investment and possession of non-financial companies. They embody this index with differentfreelance variables in regression models of varied bank risk indicators. With information from 107 countries from the Nineties and early 2000s, they realize that larger banking activity restriction is associated with a largerchance of a banking crisis. Gonzales (2005) tests the consequences of restrictions on banking activity employing ainformation set of 251 banks in thirty six countries from 1995 to 1999. He finds that banks in countries with larger restrictions on banking activities have lower charter values, whendominant for the presence of deposit insurance, the standard of countries' rule of law, the historic origins of countries' legal systems, and record variables. He conjointly finds proof that larger bank risk is associated with reductions in charter price.

Ho₄: There is no significance between buying shares and financial performance of commercial banks in Kenya.

III. Materials and Methods

The study employed exploratory research design. The study targeted 40 respondents with a sample size of 40 respondents. The study used 5-point likert questionnaires as the method data collection instruments. The Cronbach's coefficient alpha was applied on the results obtained to determine how items correlate among them in the same instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables

3.1 Data Analysis

The study conducted initial data analysis using simple descriptive statistical measures such as, mean and standard deviation to give glimpse of the general trend. However, correlation analysis was used to determine the nature of the relationship between variables at a generally accepted conventional significant level of $P=0.05$ (Sekaran, 2003). In addition, multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.,* 2010). The beta (β) coefficients for each independent variable generated from the model, was subjected to a t –test, in order to test each of the hypotheses under study. The regression model used to test is shown below:

$Y = \square + \square_1 X_1 + \square_2 X_2 + \square_3 X_3 + \square$

Where:-
x_1=insurance investment.

x_2=government and securities
x_3=real estate investment
x_4 =buying shares
Y = the dependent variable (Financial performance)

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 20. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$.

IV. Results and Discussion

4.1 Correlation results

Pearson's measures the strength and direction of the linear relationship between variables. Pearson Correlations results in,From table 1.0 The variables were at 99% level of confidence, since 1 percent change in insurance investment leads to 80.0% change in the growth of financial perfomance.1% change in government securities leads to 87.1% change in the growth of financial performance, 1% change in real estate investment leads to 85.4% change in the growth of financial performance and 1% change in buying sharesled to 90.3 % change in the growth of financial performances. From our finding it clearly indicated that insurance has high level of association and the growth of financial performance as compared to other independent variable variables.

Table 1.0 Correlation

		Insurance investment	Government and securities	Real estate investment	Buying shares	Financial performance
Insurance investment	Pearson Correlation	1	.740**	.754**	.805**	.800**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	201	201	201	201	201
Government and securities	Pearson Correlation	.740**	1	.856**	.869**	.871**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	201	201	201	201	201
Real estate investment	Pearson Correlation	.754**	.856**	1	.874**	.854**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	201	201	201	201	201
Buying shares	Pearson Correlation	.805**	.869**	.874**	1	.903**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	201	201	201	201	201
Financial performance	Pearson Correlation	.800**	.871**	.854**	.903**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	201	201	201	201	201
**. Correlation is significant at the 0.01 level (2-tailed).						
* Correlation is significant at the 0.05 level (2-tailed).						

4.2. Model Summary

From the results on model summary as shown in table 4.11, R= 0.927, R- square = 0.878, adjusted R-square= 0.856, and the SE= 0.272. Multiple correlation R coefficients indicate the degree of linear relationship of financial perfomance with all the predictor variables, whereas the coefficient of multiple determinations R-square shows the provision of the total variation in the dependent variable growth of growth of financial performance that is explained by the independent variables.The R-square gives us the coefficient of determination between the variables the results from the regression analysis give an R-square value of 0.859, which means that 85.9% of the independent variables cause the change on dependent variable .

Table 1.2 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.927[a]	.878	.856	.272
a. Predictors: (Constant), Insurance, insurance investment, M- banking ,Agency Banking				

4.3 Analysis of Variance (ANOVA)

The significance of the regression model was tested using Analysis of Variance (ANOVA) whichprovides information about levels of variability within the regression ANOVA shows the importance of the relationship between the independent and the dependent variables

Table 1.3 ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.353	4	22.088	299.068	.000[b]
	Residual	14.476	196	.074		
	Total	102.829	200			
a. Dependent Variable: financial perfomance						
b. Predictors: **:** Insurance, Government securities, Real estate investment, investing in shares						

The F test provides an overall test of significance of the fitted regression model. The F value of 299.068 with p value of 0.000 that is < than 0.005, hence the model is significant. Therefore, it indicates that all the variables in the equation are important hence the overall regression is significant.

4.4 Hypotheses Testing

Hypothesis 1 (Ho1)H_{O1}:stated that there is statistical significant effect of insurance investment on financial performance.it revealed that coefficients of estimate which was significant basing on $\beta1$= 0.161 (p-value = 0.001 which is less than α = 0.05) implying that we reject the null hypothesis and conclude that insurance investment has positive and significant effect on financial performances. This indicates that increase in insurance investment leads to an increase on financial performances, i.e an increase in a given unit of insurance investment may contribute 16.1% on financial performances

Hypothesis 2 (Ho$_2$) stated that There is statistical significant effect of Government and securities on financial performances. Findings showed that Government and securities had coefficients of estimate which was significant basing on $\beta2$= 0.273 (p-value = 0.00 which is less than α = 0.05) which implies that we reject the null hypothesis and argue government and securities had positive and significant effect on financial performances that is in increase in a unit of government and securities may contribute 27.3% of financial performances.

Hypothesis 3 (Ho3) There is statistical significant effect of Real estate investmenton financial performances. Findings showed that Real estate investment had coefficients of estimate which was significant basing on $\beta3= 0.0116$(p-value = 0.037 which is less than $\alpha = 0.05$) which indicates that we reject the null hypothesis and infer that Real estate investmenthas positive and significant effect on financial performance. This implies that the higher the Real estate investment the higher thefinancial performance that is in presence of Real estate investment can contribute 11.6% of financial performances.

Hypothesis 4 (Ho4) There is statistical significant effect of Buying shares onfinancial performances. Findings showed that Buying shares had coefficients of estimate which was significant basing on $\beta3= 0.374$(p-value = 0.000 which is less than $\alpha = 0.05$) which indicates that we reject the null hypothesis and infer that Buying shares has positive and significant effect on financial performance. This implies that the higher the Real estate investmentthe higher the financial performance that is in presence of insurance can contribute 37.4% of financial performances.

Table 1.4 Multiple Regression Model
Table 1.4 Coefficients of insurance investment, government and securities, Real estate investment, buying shares and financial performance

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
	(Constant)	.389	.122		3.195	.002
	Insurance investment	.161	.047	.158	3.435	.001
	Government and securities	.273	.059	.276	4.662	.000
	Real estate investment	.116	.055	.128	2.105	.037
	Buying shares	.374	.060	.424	6.218	.000
a. Dependent Variable; financial performance						

V.   Conclusion

The study concluded that a majority of the banks over the years have in practice employed the use of insurance investment on the financial performance of commercial banks in Kenya. The study concluded that there were significant differences in insurance investment employed by different banks. This meant that banks have different policies as to how they employ insurance investment in their operations. Generally, most banks employ different insurance investment in its operation.The study concluded that there was a significant relationship between insurance investment and financial performance of commercial banks in Kenya. This implies that insurance investment influences financial performance of commercial banks in Kenya.The study concluded that there was a significant difference in government securities in different banks. This implies that the government securities in individual bank vary and is determines the financial performance for Individual Banks in the financial years.

The study concluded that there was a significant relationship between government securities and financial performance of commercial banks in Kenya. This implies that the government securitieshad a significant effect on financial performance in that in duration of bonds repayment of bonds and types of bonds which are elements that determine government securities vary in ratio for individual banks thus established negative of positive relationship on the financial performance of commercial banks.There was a significant difference in real estate investment for Individual Banks. This implies that the real estate investments for Individual banks vary.The study concluded that there was a significant relationship between real estate investment and financial performance. This implies that real estate investment has a relationship with the financial performance, where the level of real estate investment affects the financial performance.

The study concluded that there was a significant relationship buying shares and financial performance of commercial banks in Kenya. This implies that need to regularly buy shares to raise their performance and provide the enabling environment that will accelerate financial growth.From the regression equation, the study concluded that buying shares was the most important factor contributing significantly to financial performance, followed by Real estate investment, Insurance Investment and Government Securities. These findings could be interpreted to mean Financial Performance of commercial banks in Kenya depends on certain factors which could be among these factors highlighted in the model.

5.2 Recommendations
The study recommended that;
Banks should focus its work to promote the confidence in portfolio diversification, and develop marketing policies that encourage its use.
Investment do realize enhancements in risk and returns related to lower restrictions on banking activities together with return, however not necessarily restricted to real estate investment and the need for diversification

Also since the investors expect to earn an exact rate of comeback by investing within the bank/company and any surprises that will cause the completed come back to show a discrepancy from the expected come back causes the investors to regulate the stock worth, thus to be able to earn the expected returns and the need for diversification.

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