 ISSN - 2250-1991 | IF : 5.215 | IC Value : 77.65

Research Paper Management

Original Article Role of Surgical Decompression of Peripheral Nerves in Leprosy

T.DEEPA — Assistant Professor, PG and Research Department of Commerce with CA, Hindusthan College of Arts and Science, Coimbatore

S.Shankari — Assistant Professor, Department of Management Studies, Hindusthan Institute of Technology, Coimbatore

ABSTRACT

The art of selecting the right investment policy for the individuals in terms of minimum risk and maximum return is called as portfolio management. Portfolio management refers to managing money of an individual under the expert guidance of portfolio managers. Portfolio management is the best investment plan to the individuals as per their income, budget, age and ability to undertake risks. Portfolio management minimizes the risks involved in investing and also increases the chance of making profits. It enables the portfolio managers to provide customized investment solutions to clients as per their needs and requirements .It refers to managing money of an individual under the expert guidance of portfolio managers This article reveals that the clear overview of portfolio management .

KEYWORDS Investment, Risk, Return, Investor, Business.

Introduction

A Portfolio is to a collection of investment tools such as stocks, shares, mutual funds, bonds, and cash and so on depending on the investor's income, budget and convenient time frame. Portfolio management is the art of selecting the right investment policy for the individuals in terms of minimum risk and maximum return. It refers to managing an individual's investments in the form of bonds, shares, cash, mutual funds etc so that he earns the maximum profits .In plain terms, it is managing money within the stipulated time frame of an individual under expert guidance of portfolio managers.

Need for Portfolio Management

Portfolio management presents the best investment plan to the individuals as per their income, budget, age and ability to undertake risks. Portfolio management minimizes the risks involved in investing and also increases the chance of making profits. Portfolio managers understand the client's financial needs and suggest the best and unique investment policy for them with minimum risks involved. Portfolio management enables the portfolio managers to provide customized investment solutions to clients as per their needs and requirements.

Risk and Return

Risk and return is a complex topic. There are many types of risk, and many ways to evaluate and measure risk. In the theory and practice of investing, a widely used definition of risk is:

"Risk is the uncertainty that an investment will earn its expected rate of return."

From the above does not distinguish between loss and gain. Typically, individual investors think of risk as the possibility that their investments could lose money. They are likely to be quite happy with an investment return that is greater than expected - a "positive surprise." However, since risky assets generate negative surprises as well as positive ones, defining risk as the uncertainty of the rate of return is reasonable. Greater uncertainty results in greater likelihood that the investment will generate larger gains, as well as greater likelihood that the investment will generate larger losses and in higher or lower accumulated value. In financial planning, the investment goal must be considered in defining risk. If your goal is to provide an acceptable amount of retirement income, you should construct an investment portfolio to generate an expected return that is sufficient to meet your investment goal. But because there is uncertainty that the portfolio will earn its expected long-term return, the long-term realized return may fall short of the expected return.

Objectives of Portfolio Management

- Return: Portfolio is technique of investing in securities. The ultimate object of investment in the securities is return. Hence, the first objective of portfolio management is getting higher return.
- Growth: Some investors do not need regular returns. Their object of portfolio management is that not only their current wealth is invested in the securities; they also want a channel where their future incomes will also be invested.
- Liquidity: Some investors prefer that the portfolio should be such that whenever they need their money, they may get the same.
- Availability of Money at Pre-decided Time: Some persons invest their money to use it at pre-decided time, say education of children, etc. Their objective of portfolio planning would be that they get their money at that time.
- Favorable Tax Treatment: Sometimes, some portfolio planning is done to obtain some tax savings.
- Maintaining the Power: Inflation eats the value of money, i.e., purchasing power. Hence, one object of the portfolio is that it must ensure maintaining the purchasing power of the investor intact besides providing the return.
- Risk Reduction through Diversification: It is the perhaps most important object of the portfolio management. All other objectives can be achieved even without portfolio, i.e., through investment in a single security, but reduction possible only through portfolio.

Benefits of Portfolio Management

- Maximizes the return on your product innovation investments
- Maintains your competitive position
- Achieves efficient and effective allocation of scarce resources
- Forges a link between project selection and business strategy
- Achieves focus and Communicates priorities
- Achieves balance and enables objective project selection

Types of Portfolio Management

Active Portfolio Management: As the name suggests, in an active portfolio management service, the portfolio managers are actively involved in buying and selling of securities to ensure

maximum profits to individuals.

Passive Portfolio Management: In a passive portfolio management, the portfolio manager deals with a fixed portfolio designed to match the current market scenario.

Discretionary Portfolio management services: In Discretionary portfolio management services, an individual authorizes a portfolio manager to take care of his financial needs on his behalf. The individual issues money to the portfolio manager who in turn takes care of all his investment needs, paper work, documentation, filing and so on. In discretionary portfolio management, the portfolio manager has full rights to take decisions on his client's behalf.

Non-Discretionary Portfolio management services: In non discretionary portfolio management services, the portfolio manager can merely advise the client what is good and bad for him but the client reserves full right to take his own decisions.

Who is a Portfolio Manager?
An individual who understands the client's financial needs and designs a suitable investment plan as per his income and risk taking abilities is called a portfolio manager. A portfolio manager is one who invests on behalf of the client. A portfolio manager counsels the clients and advises him the best possible investment plan which would guarantee maximum returns to the individual. A portfolio manager must understand the client's financial goals and objectives and offer a tailor made investment solution to him. No two clients can have the same financial needs.

The 4 Key Steps for Successful Portfolio Management
Executive Framing: The executive framing is always first. By clarifying metrics of interest, priorities, and major strategic concerns, portfolio management is focused on the very specific needs of the corporation as dictated by its executives. Framing is often the difference between building an effective decision tool and an academic exercise. It can also provide guidance, so you can streamline data collection.

Data Collection: The next step is to collect the data. It is important to bear in mind that data need not be perfect to build an initial portfolio model. The best way to start portfolio analysis is to make do with the data at hand. After all, this is the data that the company is already using to inform decisions. The quality of insights available from fairly “high level” data is often quite surprising. Data can be improved over time as needed.

Modeling and Analysis: Modeling and analysis are best done by someone (or a team) with both modeling and business savvy. Unfortunately, it can be easy to create a model that is mathematically accurate but “misses the point”. Always generate a series of analyses to understand the model dynamics and validate these by comparing them to an existing plan and by reviewing them with appropriate business and financial experts within your company.

Synthesis and Communication: Once models are created and the analysis is done, it is vital to synthesize the information to make it easy to share with executives. Analysis means little if it doesn't lead to greater understanding and insight, an improved strategic conversation, and more informed decisions. This step will often kick off a new round of analysis, as decision makers use the new insights they gained to formulate new and more profound questions.

Limitations of Portfolio Analysis

Defining and Categorizing Products
Portfolio analysis involves separating a company's products and services into different categories that represent its business portfolio. But it is not always easy to define and categorize products. This can lead to subjective decisions about how to categories products and services. For example, the owners of a grocery store might decide that candy and fruit are two of its product categories. If the store sells candied fruit, the owners might have difficulty placing the product in an appropriate category.

Forecasting
Portfolio analysis relies upon estimates or forecasts about the future. Forecasting often involves looking at financial data, such as the sales history of different products, and using that data to extrapolate about the future. For example, if a small grocery store's candy sales have increased 5 percent a year for the past two years, it might forecast that annual sales will continue to increase at a 5 percent rate.

Complex Product Interactions
Portfolio analysis typically focuses on the profit potential of individual products and product categories, which can ignore complex underlying relationships between different types of products. It is possible for the sales of one product to influence the sales of another, even if they are not in the same product category. For example, suppose a restaurant loses money on malts because it doesn't charge a high enough price for them, but it makes a lot of profit on burgers. The owners might decide to raise the price of malts. But it might be missing a very important point -- that many customers visit the restaurant because its malts are so inexpensive. While they are there, they decide to order a burger as well. Higher malt prices could lead to fewer customers, which would result in lower burger sales and, ultimately, lower profits.

Alternative Investments
Since portfolio analysis focuses on the products and services that a business offers, it ignores possible alternative investments that could be better than investing more in current product offerings. A company might be better off investing in a new technology, for example, than allocating more resources to its current products and services.

Conclusion
Portfolio management is believed to be the leading strategy in the success of the modern companies. Adopting these strategies as discussed above enables the company to provide confidence to stakeholders (shareholders, customers, employees, and suppliers). . Additionally, embracing technology helps the company to lower down the cost of running the projects as well as improving reducing the payback period. In an effort to improve portfolio management, the company should embrace a culture of promoting the management of the portfolio by ensuring that the process is deeply rooted throughout the company. . Among them include, adopting poor tools and in-effective technology, in adequate knowledge and understanding.

References
1. https://books.google.co.in
2. onlinelibrary.wiley.com
3. ppm4libs.pressbooks.com
4. www.studymode.com
5. www.thinkingportfolio.com