International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

# Research Paper on Portfolio Management

***Rashi Agrawal, Ammar Ahmad Khizrai***

Student of Dr. Ambedkar Institute of management Studies & Research, Deekshabhoomi, Nagpur

ABSTRACT

Investment in securities i.e.: debentures, shares and bonds are beneficial as well as risky. For investment one needs to scientific knowledge as well as rational knowledge to bear the risk. In investment a person has to think on the basis of both analytical and emotional outlook. It is difficult to find someone who invest their total savings in only one security rather they want to invest in combination of securities. Instead, they want to invest in a group of securities that combination of securities or group of securities is known as portfolio. When portfolio is created it reduces the risk and maximises the returns. Portfolio management is the art and science of selecting and overseeing a group of investments that meet the long-term financial objectives and risk tolerance of a client or company.

## INTRODUCTION

Portfolio management is related with well-planned management of investment in securities. An investor who is investing in securities has to choose from a large number of securities and how to distribute funds over group of securities. An investor has to decide in which securities he should invest and how much. In portfolio management the return and risk go together. The investor tries to choose from portfolio in which the return is maximised with minimum degree of risk. The features of individual securities as well as portfolio are also different.
An investor can get good returns by investing his funds in portfolio. The performance of portfolio can be calculated from the return earned from it. Portfolio management consist of selection, security analysis, portfolio revision and portfolio evaluation. Portfolio management is a conglomerate process that tries to make investment exercise more profitable and less risky.

## PROGRESSION OF PORTFOLIO

Management of portfolio is a vital systematic method of advancing one's investment skilfully. Several parameters have contributed to the existence and growth of the concept. Inprevious decades analyst used financial statements to know the value of the collaterals. Railroad securities was the first one to analysed by this concept.As timepassed this method became very essential in the field of investment, despite most of theauthors adopted several ways to publish their reports.They commonly advocated the use of various ratios for this purpose.In the book"The art of Wall Street investing" by John Moody heactively promoted the use of financial ratio to know the value of the investment. The advanced type of analysis then became "common size" analysis.The other vital method adapted was the research of stock price fluctuation with the help of pricecharts. This method subsequently known as Technical Analysis.

## Approaches in Portfolio Development

Commonly, there are two approaches in the development of the portfolio of securities viz.
1) classic approach
2) Markowitz efficient frontier approach

1)**Classic Approach**: In classic approach two major decisions are taken care of.
a) To study the objective of the portfolio
b) election of securities to be added in the portfolio

1) **Analysis of Constraints**: the constraints are generallytalked about are: safety tax consideration,time- horizon, income needs liquidityand the temperament.
a) **Income Needs**: The need of income focuses upon the need for income in fixed rupees and current rupees. The need for income in current rupees originates from need of investorto fulfil all the day to day expenses. Theinvestors when neutralize effect of the inflation then the need of constant rupee rises.

b) **Liquidity**: The need of liquidity in the investment is highly self-centred of the investor. When an investor goes for high liquidity, then fund should be invested in such as money market funds, commercial papers and shares that are widely traded. Because they are high-quality short-term debt.

c.) **Safety**: An, serious necessity to be considered by the investor is the safety of the primary value at the duration of liquidation. Investment in debentures and bonds is safer than investing in the stocks.

2) **Determination of Objectives**: Portfolio has the similar objective of financing present and future expenses from a large pool of assets. The objective of portfolio bounds from income to capital appreciation. common objectives are: presentation of capital, current income, capital appreciation and growth in income.

3) **Selection of portfolio**: the selection of portfolio depends on its various aspects of the investor. The selection of portfolio under several objectives is deal subsequently.

a) **Objectives and asset mix**: If the majoraspect is obtaining adequate amount of income, sixty percent of the investment is made in debt instruments and leftover in equity. Proportion differs according to individual preference

b) **Growth of income and asset mix**: Here the investor needs a secure percentage of growth as the income from the capital he has invested. The proportion of equity differs from 60 to 100 % and that of debt from 0 to 40 %. The debt may be involved to reduce risk and to get tax exemption.

c) **Capital appreciation and Asset Mix**: It aids that amount of the investment made increases over the year. Investment in real estate can give quick capital growth but the problem is of cash flow. In the capital market, the amount of the shares is much higher than the original issue price.

d) **Safety of principle and asset mix**:Eventually; the risk adverse investors are very particular about the stability of principal. Usually, old people are more sensitive towards safety.

4)**Risk and Return Analysis**: The classic approach of portfolio development has some basicassumptions. An investor wants maximum return at minimum risk. But the rule of the game is that highrisk, high return. So, while developing a portfolio the investor must judge the risk-taking capabilityand the return desired.

5)**Diversification**: Once the assets mix is fixed and risk –return relationship is analysedthe further step is to diversify the portfolio. The major advantage of diversification is that theunsystematic risk is minimized.

**Modern Approach**: The classic approach is ainfinite financial plan for the individual(focus on the needs such as housing, life insurance). But these types of finance planningapproaches are not done in the Markowitz approach. this approach gives higher attention to theprocess of selecting a portfolio. Planning can be applied more in the selection of general stockportfolio than the bond portfolio. Stocks are selected on the basis of risk and return analysis noton the basis of need of return or appreciation. Return consists of the market return anddividend.In modern approach the last step is placement of assets process that is to pick the portfoliothat meets the needs of the investor. The risk taker has to choose the level of risk. Highrisk taker chooses high level of portfolio lower-level risk portfolio is chooses by a lowerresistance risk taker. The neutral level investor would choose the medium level risk portfolio.

## ROLE OF PORTFOLIO MANGEMENT

In past times portfolio management was an unusual term. A method which is farther fromthe reach of the small investor, but the era has changed now. Portfolio management is now a general term and is mostlyused in INDIA. The concepts and approach related to portfolio Management can be find now in the headlines of the financial magazines and newspapers. In the early years of 90‘s India boarded on a program of economic globalization and liberalization, with hugesupport private players. This amendsmeasure has made the Indian industry capable, With accelerated computerization, elevated market transparency, improved infrastructure and consumer Services, greater volume and closer integration. The stock markets are dominated by large corporate investors with their different portfolios. A huge number of mutual funds have risenin the market since 1987. With this growth investment in securities has earned appreciable momentum.Along with the increasein the securities investment way among Indian investors have restored due to the growth of the quantitative modes. Professional portfolio management, assisted by research is currently being adopted by mutual funds, investment planning board, individualInvestors and large brokers. The Securities Exchange Board of India (SEBI) is anadministrative body in INDIA. It ensures that themarket of securities is free from scam, and undoubtedly the main motive is to safeguard that the investor ‘s money is secure. With the arrival of computers, the aggregate process of portfolio management has turn into quite Easy. The computer can consume large amounts of data, execute the calculations accurately and can give the results in seconds in any desired form. Furthermore simulation, artificial intelligence Etc brings means of testing different solutions. The orientation towards globalization and liberalization of the economy has boosted free flow of capital across international borders.

Currently portfolio not only include domestic securities but foreign securities also. So financial investments Can ‘t be acquired without appropriate management. Other important progress in the field of Investment management is the addition to Derivatives with the scope of opportunities and Futures. This has widened the scope of investment management. Investment is now not anuncomplicated process. It requires a systematicapproach, professional Expertise and scientific knowledge. Portfolio management is the exclusive way by which an investor can get maximum Returns, while it minimizes the risk at the same time. So,objectives of portfolio management can be Stated as: -

1. Minimization of risk.
2. Capital growth.
3. Liquidity.
4. Optimal resource allocation.
5. Tax planning.

## CONCLUSION

From the above it can beunderstood that a Portfolio is a combination of different securities. Portfolio Can be built with the help of Classic approach and Modern Approach. The major Objective of portfolio management is to help the investor decideto invest in which different securities so, that risk can be minimized and returncan be maximized. In classic approach the, restraint investors need for current income and fixed income are evaluated. The common Objectives of portfolio are current income, fixed income, conservation of capital, capital growth. As per the purpose of portfolio even if it is a stock portfolio or bond portfolio or combination of both portfolios to be decided. Thenceforth, equity component of the portfolio is decided. Classic approach takes the whole financial plan of the investor. In the Modern Approach Markowitz Model is used. More value is given in this concept to Risk and Return Analysis.

**REFRENCES**:

1. Investment Analysis And Portfolio Management By Frank K.Reilly , Keith C Brown ; South Western College Publication . 7th Edition
2. Security Analysis And PortfolioManagement By K. Nagaranjan, G. Jayabal ; New Age International (p) Limited , Publishers. 2011 Edition
3. Security Analysis And PortfolioManagement ByPunithavathyPandian ; Vikas PublishingHouse Pvt Ltd. 2011 edition
4. Advanced Financial Management: Kohok, M. A. Everest
5. ISI Journal Citation Reports © Ranking: 2012: 1/86 (Business Finance); 3/332 (Economics) Online
6. www.portfoliomangement.com
7. www.investopedia.com
8. www.encylopedia.com
9. www.wikipedia.com
10. https://efinancemanagement.com/investment-decisions/portfolio-management