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Analysis Of Risk Return Management And Investment Decisions In Stock Market

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Abstract

Investing is to distribute money (or sometimes another resource like time) with expectations of future benefit. In finance, returns are called investment benefit. Returns may consist of capital gains and/or investment income, including dividends , interest, rental income, etc. The expected return on the economy is the adequately reduced value of future returns. The historical return includes actual capital gains (or losses) and/or income for a period. The investment usually results in an acquisition of an asset, also known as an investment. When the asset is available at an investment value, it is normally expected to generate revenue or to appreciate the value so that it can be sold at a higher price or to both prices.
In terms of minimum risk and maximum profit, the art of choosing the right investment policy for individuals is called portfolio management.
Portfolio management refers to the management in the form of bonds, shares, assets, mutual funds etc., of individual investments to ensure that maximum gains are achieved in the specified time frame.
Portfolio management refers to the management of a person's money under the expert supervision of portfolio managers.
In the language of a layman, the art of managing an investment of a person is called portfolio management.
• *The latest portfolio management and decision research explores the role and merits of successful management and decision-making.*
• *Portfolio management is a dynamic, flexible and regular and systematic concept for analysis, judgment and action.*

I. INTRODUCTION

Investing means allocating money (and sometimes a different resource, for instance time) in expectation of some future benefits In finance, the return on investment is called return. Return can consist of capital gains and/or investment income, including dividends , interest, rent, etc. The expected return on the economy is the adequately reduced value of future returns. The historical return includes actual capital gains (or losses) and/or income for a period. The investment usually results in an acquisition of an asset, also known as an investment. If the asset is available at an investment price, either income is generated or value is expected to be sold at a higher price (or both). Investors usually expect higher returns from more risky investments. Financial assets range from lower risks, lower-return investments such as higher-risk government bonds to higher-expected equivalent rewards such as stock investments in emerging markets Investors, Novices in particular are often advised to adopt and diversify investment strategies and their portfolios. Diversification of the statistical effect of overall risk reduction.

OBJECTIVES OF THE STUDY

The objectives are as follows:
1. To research the pattern of investment and its associated risk & benefit
2. To find the best portfolio that gives the investor optimal return at minimum risk
3. To evaluate whether the portfolio selected returns the investor satisfactorily and constantly.
4. To recognize the right portfolio, analyze and pick and recommend the investor.

II. PORTFOLIO ANALYSIS

Different classes of securities which are kept together conduct differently and often have interest payments and dividends that differ from the study of individual securities. A mixture of securities held together will yield a positive outcome if put together to obtain a higher return after considering the risk factor. There are two approaches to the construction of the securities portfolio. They are

- Traditional approach
- Modern approach

TRADITIONAL APPROACH

The traditional approach was based on the fact that the risk can be measured on each safety through the process of identifying the standard deviation and on the choice of security when the deviation is the lowest. It takes individual needs including housing, life insurance and pension plans into account. Two major decisions are essentially the traditional approach. They are

a) Determining the objectives of the portfolio
b) Selection of securities to be included in the portfolio

MODERN APPROACH

Markowitz and Sharpe brought out modern approach theory. It is the securities combination that achieves the most efficient portfolio. Securities can be combined in many ways. By scientific reasoning and method, Markowitz developed the theory of diversification. Traditional portfolio theory assumes that returns are maximized by a securities mix. The modern approach discusses the relationship between various securities and then draws risks. Markowitz pays more attention to the portfolio selection process. This does not answer the individual needs.

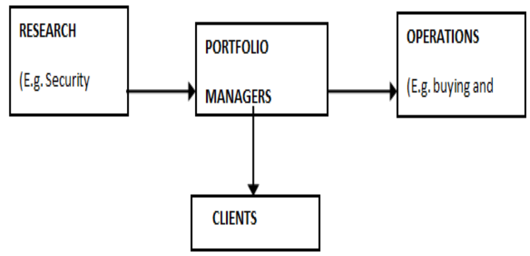
TYPES OF PORTFOLIO MANAGEMENT

Portfolio Management is further of the following types:

- **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.

STRUCTURE / PROCESS OF TYPICAL PORTFOLIO MANAGEMENT:

In the small firm, the portfolio manager performs the job of security analyst. In the case of medium and large sized organizations, job function of portfolio manager and security analyst are separate.



III. INVESTMENT DECISION

Basic questions for the investor in decision making:

1. What can different assets in the selection process be compared? Which are the quantitative attributes of the properties and how can they be measured?

2. How does one asset within the same portfolio affect the other in the same portfolio? And how could this relationship influence the portfolio of the investor?

3. What can be the risk and return of the portfolio in a selected portfolio?

The answers to these questions require quantitative analytical methods.

RESEARCH METHODOLOGY

The present study is an empirical research and descriptive approach is used to describe investor investment pattern detail.

SOURCE OF DATA

PRIMARY SOURCE

Information was collected through this source comprises of discus**sions with the personnel of company**.

SECONDARY DATA SOURCE

For the present study the data even be gathered by applying secondary data sources ie., Also the data collected from the news, magazines of the NSE and different books issues of this study.

IV. CONCLUSION

In this paper we discussed concepts for real options and a framework for strategic action. The main points are as follows:

· Financial techniques including discounted cash flow, NPV, and additional economic value are often difficult, if not impossible, to justify an investment in some projects, especially "exploratory" or "experimental" or learning projects. This very point is illustrated by the case of "Jin Beans Tonic Elixirs."

• Under conditions of uncertainty and irreversibility, businesses should keep options open and develop a portfolio of investment opportunities. Companies can postpone "commitment" to uncertainty and irreversibility. This can make a big difference in company strategy, including portfolio decisions, mergers and acquisition choices, governance, decision-making on technology, and so on.

• In order to develop a portfolio of investment opportunities, companies must continue to monitor risks, assess trends in the market and test new things on a small experimental basis.

Decisions on investment are never easy. Whether positive or negative cash flows are full of uncertainty. Choosing the appropriate discount rate is never easy, but the decision is dramatic. Technical analyzes using techniques for discounted cash flow do not alleviate uncertainty and do not allow intuition. One participant observed that his presentation in another class was characterized by the hunch of investing in a project by a company, although the NPV analysis was unfavorable. After talking about the topic for a short time, I let him know the big secret which one of my mentors revealed to me after spending days trying to justify a modest expense with the help of return on investment. He told me to tinker the numbers until they matched the desired result. Emerging technologies and a new product line seldom lead to positive NPVs unless the data are cooked. Real options combined with the development of a portfolio of products and projects can provide truth, beauty and clarification in the investment process.

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