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WORLD TRADE ORGANIZATION: KEY ISSUES AND CHALLENGES

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ABSTRACT

WTO, in the present shape as a main forum for trade organizations and the most effective mechanism for litigating trade disputes, has been hailed as one of the most successful post World War II international organizations. However, ten years after its successful institutionalization, and with an uncertain outcome for Doha round of negotiations, repeated calls are being made in favour of the needs for rediscovering the path leading to consensus building and transparency-enhancement. Still member countries are having divergent viewson Doha Round and are not agreed upon. At present WTO is facing numerous issues andchallenges, which needs solution, otherwise it may derail. In the present paper an attempt has been made to know various issues and challenges, which WTO is confronting.

Keywords: WTO, Issues and challenges, Doha Round, GATT, WTO principles, Ministerial Conference.

I. INTRODUCTION TO TOPIC

The World Trade Organization (WTO) is an organization that aims to oversee and liberalize international trade. The organization officially commenced on 1st January 1995 underthe Marrakech Agreement and dynamic leadership of its 1st Director General (DG) Arthur Dunkel, replacing the General Agreement on Tariffs and Trade (GATT), which commenced in 1948. The organization deals with regulation of trade between member countries; it provides a platform for negotiating and formalizing trade agreements, and a dispute resolution process aimed at enforcing member's adherence to WTO agreements. Most of the issues that the WTO focuses on derive from previous trade negotiations, especially from the Uruguay Round (1986-1994). Recently some more issues have been arisen due to Doha Round. The organization is attempting to complete negotiations on the Doha Development Round, which was launched in 2001 with an explicit focus on addressing the needs of developing countries. The conflict between free trade on industrial goods and services but retention of protectionism on farm subsidies to domestic agricultural sector by developingcountries and the substantiation of the international liberalization of fair trade on agricultural products by developed countries remain the major obstacles. These points of contention have hindered any progress to launch new WTO negotiations beyond the Doha Development Round. As a result of this bottleneck, there have been an increasing number of bilateral free trade agreements signed. The Doha Round stalemate is often cited to call into question the WTO's ability to serve as a forum for negotiating 21st century trade agreements. Some experts go further and question the organization's overall relevance. At the same time, political and negotiating energy is increasingly focused on plurilateral and regional trade deals.

Today, the most obvious challenge is that the Doha Development Round, which is to further liberalize trade and reform the WTO. After a decade of talks, it still remains to be concluded. The Doha Round is focused on reducing important trade barriers in sectors, such as agriculture, industrial goods and services. This would encourage businesses around the world to specialize in the production of goods and services, achieve economies of scale, and increase their efficiency and productivity, which would allow them to deliver improved and cheaper products to global consumers. As importantly, the Doha Round is particularly focused on providing increased market access to goods and services from developing countries. In the end, the WTO estimates that the Doha Round could increase global GDP by $150 billion per year.However, since the launch of the Doha Round, countries have turned to free trade agreements (FTAs) in order to gain significant trade access in new markets and to explore new trade related issues that are currently not addressed within the WTO. As more FTAs have been concluded, the central role of the WTO in liberalizing trade has been called into question. In addition, the WTO has played a very limited role in helping address other global issues related to trade, such as food security, climate change and global trade imbalances.At present WTO's current Director-Genera, Roberto Azevedo, making every sincere efforts to break the deadlock between developing and developed countries. Till date 8 Ministerial Conferences (highest decision making body) have been taken place and 9th is due in December, 2013, in Bali. At present WTO have 159 members and 25 observer governments. The headquarter of WTO is in Geneva, Switzerland.

PRINCIPLES OF TRADING SYSTEM

The WTO establishes a framework for trade policies; it does not define or specify outcomes i.e. it is concerned with setting the rules of the trade policy games. Five principles are of particular importance in understanding the WTO:

i. Non-discrimination: National treatment implies both foreign and national companies are treated the same and it is unfair to favor domestic companies over foreign ones. Any trade concessions, etc offered to a nation must be offered to others.
ii. Reciprocity: It reflects both a desire to limit the scope of free-riding and a desire to obtain better access to foreign markets. Reciprocal concessions intend to ensure that such gains will materialise.
iii. Binding and enforceable commitments: The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a schedule (list) of concessions. These schedules establish ceiling bindings: a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade.
iv. Transparency: The WTO members are required to publish their trade regulations indicating its adherence to WTO regulations, which are bindings.
v. Safety valves: In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health. Three types of provision in this direction are (i) For the use of trade measures to attain non-economic objectives; (ii) Ensuring fair competition; members must not use environmental protection measures as a means of disguising protectionist policies; and (iii) Intervention in trade for economic reasons.

CRITICISM OF WTO

It is argued that the WTO does not manage the global economy impartially, but its operation has a systematic bias toward rich countries and multinational corporations, harming smaller countries which have less negotiation power. The WTO has been criticized on the following grounds:

❖ Principles are very opaque and not allowing enough public participation, while being very welcoming to large corporations.
❖ Some national laws and decisions for safety and protection of people's health, environment and national economies have been deemed as barriers to free trade.
❖ Rich countries are able to maintain high import duties and quotas in certain products, blocking imports from developing countries (e.g. garments);
❖ The increase in non-tariff barriers such as anti-dumping measures allowed against developing countries;
❖ The maintenance of high protection of agriculture in developed countries while developing ones are pressed to open their markets;
❖ Many developing countries do not have the capacity to follow the negotiations and participate actively in the Uruguay Round;
❖ The TRIPs agreement which limits developing countries from utilizing some technology that originates from abroad in their local systems (e.g. medicines and agricultural products); and
❖ Rich countries want to push poor countries to reciprocate equally, in what would therefore actually be an unequal result as it would maintain the unequal terms of trade.

ISSUES AND CHALLENGES RELATED TO WTO

At present numerous issues and challenges are being faced by WTO. These have been explained below:

❖ **Completion of Doha Round:** It is the biggest issue and challenge confronting WTO. Successful completion of this round of negotiations will de-escalate tension among member countries and minimizes numbers of other confronting issues and challenges
❖ **Tariff peaks and tariff escalation:** Tariff peaks and tariff escalation distort trade and frustrate efforts, particularly by developing countries, to add more value to raw material and agricultural products as part of their efforts to diversify and grow their economies. Tariff peaks and escalation should be eliminated.
❖ **Export restrictions:** Just as with tariffs, members have their own reasons for using export restrictions and for not wanting them to be used, there is a need for negotiations, which could be usefully on this issue.
❖ **Trade-distorting subsidies:** While subsidies can address market failures, they can also distort trade. Ways must be found of managing tensions between good subsidies and any adverse effects they may have on third parties, as well as avoiding bad subsidies.
❖ **International investment:** Like in the area of competition, there is absence of multilateral rules on investment as a gap in cooperation. Current bilateral arrangements and FTAs are not a satisfactory substitute for a comprehensive international investment agreement.
❖ **Competition policy:** Members should engage in the quest for a more trade supportive international competition policy framework, like other international organizations such as UNCTAD, OECD, etc.
❖ **Agriculture:** For a variety of reasons, there has long been an asymmetry between agriculture and manufactured goods in the degree of progress on trade opening. This has lessened growth and development opportunities for some countries and agriculture opening must be seriously addressed.
❖ **The digital economy:** E-communication has lowered costs, shrunk distance, squeezed time and provided a vast range of opportunities for those who have access to it. Regulation should not stifle this medium and it is believed that the WTO work programme on e-commerce should be strengthened.
❖ **Trade facilitation:** Effective international action on trade facilitation would generate win-win

outcomes for the international trading community. It should be strongly negotiated in the 9
th Ministerial Conference in Bali in December 2013.
❖ **Trade finance:** The absence of trade finance can severely damage trade. WTO should continue to monitor the situation and work with other stakeholders to minimize the impact of scarce or costly trade finance and to help build capacity in developing countries.
❖ **Aid for Trade:** Aid for trade should be anchored in the WTO. Over time, aid for trade should develop into investment for trade through a closer relationship between development assistance and private investment.
❖ **Currencies and international trade:** While monetary and exchange rate matters are the responsibility of the IMF, it is recognized that there is a link between trade and exchange rates, and urge continued cooperation between the IMF and the WTO in order to avoid the risk.
❖ **Climate change and trade:** It is the prime responsibility of environment negotiators to define necessary mitigation actions, and a shared responsibility of the trade and environment communities to ensure compatibility between the two regimes.
❖ **Coherence of international economic rules:** There is a need for greater coherence among international policy regimes in order to benefit from synergies among policies that often operate in isolation.
❖ **The Dissatisfaction of the developing countries with the WTO system:** The developing countries are among those members who find it most difficult to handle the increased and more complex work load associated with the extension of WTO rules into new economic areas.
❖ **Corruption and integrity:** Although the WTO does not have an explicit mandate to address corruption, but it is believed that the WTO can contribute in a variety of ways to purging this scourge, particularly through its work on various dimensions of transparency and on government procurement.

WTO AND INDIA: TRADE ISSUES

India, particularly, has some trade issues, which needs to be addressed. These are:

❖ **Trade Facilitation:** This is an area where businesses have the most to gain. The agreement that is being negotiated in Geneva would bind WTO Members to put in place trade facilitation measures that cut red tape and streamline customs procedures. Some progress has been made but important issues where convergence has yet to be achieved include customs cooperation–of which India is a proponent; customs
brokers; pre-shipment inspection; consularization; and certain transit issues.
❖ **Agriculture:** It consists of the following Issues:-

o **Food Security Concerns:** The proposal that India has been advancing with its partners countries on public stockholding for food security was presented in reply to food security concerns linked to instability and price volatility, which have come to the forefront particularly since the 2007-08 food crisis. This is an important issue for India, especially at the present time.
o **Export Competition:** Another element under agriculture is export competition. While members recognize the distorting effects of export measures, there are a number of political sensitivities that need to be addressed. To eliminate all forms of export subsidies there is a need to willingness to work towards an outcome that is acceptable to all Members in Bali (9th Ministerial Conference, December, 2013).

o **Tariff rate quota administration:** The other agriculture issue is tariff rate quota administration–how imports within quotas are shared among importers.

❖ Development: On development, the main discussions are on the functioning of a monitoring mechanism for S&D (special and differential treatment) provisions, which would allow countries like India to raise development related concerns. There must be an agreement on some issues for least developed countries (LDCs) that would support their efforts to integrate into world trade, such as duty free quota free market access, rules of origin, cotton and the operalization of the services waiver. In this regard welcome the steps India has taken to provide duty free access to LDC exports.

In light of above issues and challenges, the following questions must be answered:

- ✓ Is the WTO still relevant and useful?
- ✓ Can we still negotiate in the WTO?
- ✓ If so, what needs to be done to revitalize its negotiating function?
- ✓ Is the Doha agenda still relevant?
- ✓ What emerging issues does the multilateral system need to address, and how?
- ✓ Do we need to the way we negotiate in the WTO?
- ✓ Should there be another comprehensive Round?
- ✓ What should be the relationship between the multilateral trading system and preferential agreements?
- ✓ What is the place of the WTO in the broader context of global governance?
- ✓ How far the Bali Ministerial Conference in December, 2013 should help answer these questions?

CONCLUSION

To conclude, it can be said that WTO is facing numerous issues and challenges. To achieve its uphill task of free and fair trade among members, successful completion of Doha Round will be a great step in this direction. Thus, there is a need of (i) negotiations among members, as well as their sequencing, in order to achieve progressive, development friendly convergence of their trade regimes; (ii) the gradual alignment of different trade regimes, in particular preferential trade agreements and the multilateral trading system; (iii) deeper coherence between trade and other domestic policies, such as education, skills and innovation; and (iv) requirement of greater coherence between trade rules and policies, norms and standards in other areas of international cooperation.

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INFLATION AND INDIAN ECONOMY: UNDERSTANDING INFLATION AND CONTROLLING IT

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ABSTRACT

The relationship between inflation and growth remains a controversial one in both theory and empirical findings. The impact of inflation on growth, output, and productivity has one of the main issues examined in macroeconomics. Inflation can cause both short-term and long-term damages to the economy; most importantly it causes slowdown in the economy. This paper endeavors to explore the topic of Inflation and how and why it takes place and what is the effect of it on economy. Inflation is an economic indicator that assesses the fall in purchasing power of a currency. This is measured through various types of price indices including the Consumer Price Index and Producer Price Index (measuring prices set by producers for their output), using data obtained by the government. However, in the short and medium term inflation may be affected by supply and demand pressures in the economy, and influenced by the relative elasticity of wages, prices and interest rates.The paper in the course of discussion shall explore the following questions.Why inflation take place in economy and how it affects the economy?What are methods used to measure inflation and types of inflation?What are the actions taken by RBI and Ministry of Finance to control this economic problem?

I. INTRODUCTION TO TOPIC

Inflation is that state in which the price of goods and services rises on the one hand and value of money falls on the other. When money circulation exceeds the production of goods and services, the state of inflation take place in the economy. Inflation is an economic indicator that assesses the fall in purchasing power of a currency. This is measured through various types of price indices including the Consumer Price Index and Producer Price Index (measuring prices set by producers for their output), using data obtained by the government. Inflation is generally the percentage increase in these numbers, although it is nearly impossible to assess exactly due to changes in consumer preferences. Usually inflation is caused by an increase in the money supply, which leads to price increases.

Measurement of Inflation

India uses the wholesale Price Index to calculate and then decide the inflation rate in the economy. Most developed countries use the Consumer Price Index to calculate inflation. In India, data on a total of 435 commodities prices is tracked through WPI, which is an indicator of movement in prices of commodities in all trade and transactions. Many economists say that India must adopt CPI to calculate inflation as CPI measures the increase in price that a consumer will ultimately have to pay for. United States, the United Kingdom, Japan, France, Canada, Singapore and China use CPI to measure inflation.

Inflation is measure by general price index. General Price index measures the changes in average prices of goods and services. A base year is selected and its index is assume as 100 an on this basis price index for the current year is calculate. If the index of the current year is below 100, it indicates the state of deflation and, on the contrary, if index of the current year is above 100 it indicates the state of inflation. Some other price indices of importance are defined below:

Consumer Price Indices (CPIs)

Which measures the price of a selection of goods purchased by a "typical consumer?"

Cost-of-living Indices (COLI)

Are indices similar to the CPI which is often used to adjust fixed incomes and contractual incomes to maintain the real value of these incomes?

Producer Price Indices (PPIs)

Which measure the prices received by producers. T his differs from the CPI in that price subsidization, profits and taxes may cause the amount received by the producer to differ from what the consumer paid. There is also typically a delay between an increase in the PPI and any resulting increase in the CPI. Producer price inflation measures the pressure being put on producers by the costs of their raw materials. This could be "passed on" as consumer inflation, or it could be absorbed by profits, or offset by increasing productivity. An earlier version of the PPI was called the Wholesale Price Index.

Commodity Price Indices

Which measures the price of a selection of commodities. In the present commodity price indices are weighted by the relative importance of the components to the "all in" cost of an employee.

Important Banking Rates and Ratios:

Bank Rate: It is the rate at which the RBI extent credit to commercial banks.

Cash Reserve Ratio (CRR): A commercial bank is require to keep a certain percentage of its total deposits with the RBI in cash. It is called cash Reserve Ratio.

Statutory Liquidity Ratio (SLR): it is that ratio/percentage of its total deposits which a commercial bank has to maintain with itself at any given point of time in the form of liquid assets like cash in hand, etc.

Repo Rate : The rate at which the RBI borrows from banks for a short term. An increase in the repo rate may be a precursor to an increase in the bank rate.

Reverse Repo Rate : The rate at which banks deposit their surplus short-term funds with RBI. If RBI increases reverse repo rate, commercial banks, in turn, tend to pass on the impact through their short-term lend rates to their customers.

Why Are the Prices Rising?

It could be the breakdown of the "Goldilocks era" for global commodities-a period stretching back more than 30 years, during which the price of basic foodstuff remained relativelyconstant. For most of this period, the cost of staples such as wheat, corn and Soya has actually fallen in real terms. At present, the food buffer stocks are at-time lows as countries saw no need to accumulate them, but it seems this long period of stability is coming to an end. Experts believe we are on the cusp of a new era of volatility and rising prices, which will last for some time to come.

What is the effect?

The main losers are poor people who live in cities in developing countries, who are facing higher prices for imported food on low incomes. Food riots from Haiti to Indonesia are causing increasing political instability. The World Bank says that the high price of food could lead to developing countries missing international poverty targets. The main gainers are farmers in rich and emerging market nations like the US, Brazil, Argentina, Canada and Australia, Who are getting record prices for their harvests.

Causes of Inflation

let's get back to our discussion on the fundamentals of inflation. Economists believe that inflation is a monetary phenomenon. However, in the short and medium term inflation may be affected by supply and demand pressures in the economy, and influenced by the relative elasticity of wages, prices and interest rates.

1. Over-expansion of money supply i.e. excess liquidity in the economy leads to inflation because "too many money would be chasing too few goods".
2. Expansion of Bank Credit Rapid expansion of bank credit is also responsible for the inflationary trend in a country.
3. Deficit Financing: The high doses of deficit financing which may cause reckless spending, may also contribute to the growth of the inflationary spiral in a country.
4. A high population growth leads to increase in demand and money income and cause a high price rise.
5. Excessive increase in the price of fuel or food products due to political, economic or natural reasons will lead to inflation for short- as well as long-term.

For example – We all remember that price of crude went up from $50 to $140 within two years. Almost every industry including agriculture, transportation and manufacturing depends on crude for its operation. Any excessive increase in the price of crude leads to increase in cost of good and services i.e. inflation.Another example – China and India consist of almost 34% of the world's population. As the economy in these two countries are growing at a rate of over 9%, people are consuming more and more goods due to increased income and better life. Demand for those goods and services have led to a high inflationary environment in these countries.

States of Inflation

There are different states of inflation which is characterized based on its value as well as variation from the previous value.

1. Hyperinflation – It is a very high rate of inflation, usually a rate in excess of 50%. History has some excellent examples of hyperinflation. In Germany, inflation exceeded 1 million % in 1923. It was said that a horse cart full of money would not buy even a newspaper. Right now, Zimbabwe is having an inflation of 1 million %. They have to issue currency of $500 Million dollar (I am not kidding!!) which could only buy a lunch at McDonalds.
2. Deflation – It is the decrease in the general price level of goods and services only when annual inflation is below 0% resulting in the real value of money. Hence, it is sometimes called "negative inflation". Japan suffered from deflation for almost a decade in 1990s. To control recession and Central Bank of Japan was forced to have a negative interest rate on deposit for over a decade.
3. Disinflation – It refers to a time when the rate of change of prices is falling while the inflation rate is positive. For example – if the inflation rate comes down from 3% to 2%, we would say it is disinflation. In India, we have a disinflation because inflation has come down from a high of 13% to 6% and it is still dropping.
4. Stagflation – It is an economic situation in which inflation and economic stagnation occur simultaneously and remain unchecked for a period of time. Stagflation can result when an economy is slowed by an unfavorable supply shock, such as an increase in the price of oil in an oil importing country, which tends to raise prices at the same time that it slows the economy by making production less profitable.

<u>Effects of Inflation on economy</u>

As we know Inflation is the increase in the price of general goods and service. Thus, food, commodities and other services become expensive for consumption. Inflation can cause both short-term and long-term damages to the economy; most importantly it causes slow down in the economy.

1. People start consuming or buying less of these goods and services as their income is limited. This leads to slowdown not only in consumption but also production. This is because manufactures will produce fewer goods due to high costs and anticipated lower demand.
2. Banks will increase interest rates as inflation increases otherwise real interest rate will be negative. (Real interest ~ Nominal interest rate – inflation). This makes borrowing costly for both consumers and corporate. Thus people will buy fewer automobiles, houses and other goods. Industries will not borrow money from banks to invest in capacity expansion because borrowing rates are high.
3. Higher interest rates lead to slowdown in the economy. This leads to increase in unemployment because companies start focusing on cost cutting and reduces hiring. Remember Jet Airways lay off over 1000 employees to save cost.
4. Rising inflation can prompt trade unions to demand higher wages, to keep up with consumer prices. Rising wages in turn can help fuel inflation.
5. Inflation affects the productivity of companies. They add inefficiencies in the market, and make it difficult for companies to budget or plan long-term. Inflation can act as a drag on productivity as companies are forced to shift resources away from products and services in order to focus on profit and losses from currency inflation.

Action Taken by RBI and Ministry of Finance to control economic problem

As most of economists feel that the most horrible economic problem which India is facing currently is inflation. To come out of these problems RBI and ministry of finance and other relevant government and regulatory entities are taking various initiatives which are as follows;

RBI MONITORY POLICY

With the introduction of the Five year plans, the need for appropriate adjustment in monetary and fiscal policies to suit the pace and pattern of planned development became imperative. The **monitory policy** since 1952 emphasized the twin aims of the economic policy of the government:

- Spread up economic development in the country to raise national income and standard of living, and
- To control and reduce inflationary pressure in the economy.

This policy of RBI since the First plan period was termed broadly as one of controlled expansion, i.e.; a policy of "adequate financing of economic growth and at the same time the time ensuring reasonable price stability". Expansion of currency and credit was essential to meet the increased demand for investment funds in an economy like India which had embarked on rapid economic development. Accordingly, RBI helped the economy to expand via expansion of money and credit and attempted to check in rise in prices by the use of selective controls.

OBJECTIVES OF MONITORY POLICY

- PRICE STABILITY
- MONITORY TARGETTING
- INTEREST RATE POLICY
- RESTRUCTURING OF MONEY MARKET
- REGULATION OF FOREIGN EXCHANGE MARKET

WEAPONS OF MONITORY POLICY

Central banks generally use the three quantitative measures to control the volume of credit in an economy, namely:

- Raising bank rates
- Open market operations and
- Variable reserve ratio

However, there are various limitations on the effective working of the quantitative measures of credit control adapted by the central banks and, to that extent, monetary measures to control inflation are weakened. In fact, in controlling inflation moderate monetary measures, by themselves, are relatively ineffective. On the other hand, drastic monetary measures are not good for the economic system because they may easily send the economy into a decline. In a developing economy there is always an increasing need for credit. Growth requires credit expansion but to check inflation, there is need to contract credit. In such a encounter, the best course is to resort to credit control, restricting the flow of credit into the unproductive, inflation-infected sectors and speculative activities, and diversifying the flow of credit towards the most desirable needs of productive and growth-inducing sector. It should be noted that the impression that the rate of spending can be controlled rigorously by the contraction of credit or money supply is wrong in the context of modern economic societies. In modern community, tangible, wealth is typically represented by claims in the form of securities, bonds, etc., or near moneys, as they are called. Such near moneys are highly liquid assets, and they are very close to being money. They increase the general liquidity of the economy. In these circumstances, it is not so simple to control the rate of spending or total outlays merely by controlling the quantity of money. Thus, there is no immediate and direct relationship between money supply and the price level, as is normally conceived by the traditional quantity theories. When there is inflation in an economy, monetary restraints can, in conjunction with other measures, play a useful role in controlling inflation.

FISCAL POLICY

Fiscal policy is another type of budgetary policy in relation to taxation, public borrowing, and public expenditure. To curve the effects of inflation and changes in the total expenditure, fiscal measures would have to be implemented which involves an increase in taxation and decrease in government spending. During inflationary periods the government is supposed to counteract an increase in private spending. It can be cleared noted that during a period of full employment inflation, the aggregate demand in relation to the limited supply of goods and services is reduced to the extent that government expenditures are shortened.Along with public expenditure, governments must simultaneously increase taxes that would effectively reduce private expenditure, in an effect to minimise inflationary pressures. It is known that when more taxes are imposed, the size of the disposable income diminishes, also the magnitude of the inflationary gap in regards to the availability of the supply of goods and services. In some instances, tax policy has been directed towards restricting demand without restricting level of production. For example, excise duties or sales tax on various commodities may take away the buying power from the consumer goods market without discouraging the level of production. However, some economists point out that this is not a correct way of combating inflation because it may lead to a regressive status within the economy.

As a result, this may lead to a further rise in prices of goods and services, and inflation can spread from one sector of the economy to another and from one type of goods and services to another. Therefore, a reduction in public expenditure, and an increase in taxes produces a cash surplus in the budget. Keynes, however, suggested a programme of compulsory savings, such as deferred pay as an anti-inflationary measure. Deferred pay indicates that the consumer defers a part of his or her wages by buying savings bonds (which, of course, is a sort of public borrowing), which are redeemable after a particular period of time, this is sometimes called forced savings. Additionally, private savings have a strong disinflationary effect on the economy and an increase in these is an important measure for controlling inflation. Government policy should therefore, include devices for increasing savings. A strong savings drive reduces the spendable income of the consumers, without any harmful effects of any kind that are associated with higher taxation. Furthermore, the effects of a large deficit budget, which is mainly responsible for inflation, can be partially offset by covering the deficit through public borrowings. It should be noted that it is only government borrowing from non-bank lenders that has a disinflationary effect. In addition, public debt may be managed in such a way that the supply of money in the country may be controlled.

The government should avoid paying back any of its past loans during inflationary periods, in order to prevent an increase in the circulation of money. Anti-inflationary debt management also includes cancellation of public debt held by the central bank out of a budgetary surplus. Fiscal policy by itself may not be very effective in combating inflation; therefore a combination of fiscal and monetary tools can work together in achieving the desired outcome.

DIRECT MEASURES

Direct controls refer to the regulatory measures undertaken to convert an open inflation into a repressed one. Such regulatory measures involve the use of direct control on prices and rationing of scarce goods. The function of price control is a fix a legal ceiling, beyond which prices of particular goods may not increase. When ceiling prices are fixed and enforced, it means prices are not allowed to rise further and so, inflation is suppressed. Under price control, producers cannot raise the price beyond a specified level, even though there may be a pressure of excessive demand forcing it up.In times of the severe scarcity of certain goods, particularly, food grains, government may have to enforce rationing, along with price control. The main function of rationing is to divert consumption from those commodities whose supply needs to be restricted for some special reasons; such as, to make the commodity more available to a larger number of households. Therefore, rationing becomes essential when necessities, such as food grains, are relatively scarce. Rationing has the effect of limiting the variety of quantity of goods available for the good cause of price stability and distributive impartiality.Another control measure that was suggested is the control of wages as it often becomes necessary in order to stop a wage-price spiral. During galloping inflation, it may be necessary to apply a wage-profit freeze. Ceilings on wages and profits keep down disposable income and, therefore the total effective demand for goods and services. On the other hand, restrictions on imports may also help to increase supplies of essential commodities and ease the inflationary pressure. However, this is possible only to a limited extent, depending upon the balance of payments situation. Similarly, exports may also be reduced in an effort to increase the availability of the domestic supply of essential commodities so that inflation is eased.In general, monetary and fiscal controls may be used to repress excess demand but direct controls can be more useful when they are applied to specific scarcity areas. As a result, anti inflationary policies should involve varied programmes and cannot exclusively depend on a particular type of measure only.

Fixed Interest Rate

As we know high inflation reduced the value of money. A number of smaller countries who do not have sophisticated banking system rely on tying their currency with that of a developed country. Under a fixed exchange rate currency regime, a countrysinglequotes currency is tied in value to another single currency or to a basket of other currencies (or sometimes to another measure of value, such as gold). A fixed exchange rate is usually used to stabilize the value of a currency, vis-à-vis the currency it is pegged to.

Government Measures

Apart from these two broad methods, government takes some protectionist measures as well to fight inflation. Government may ban export of essential items such as pulses, cereals and oils to support the domestic consumption and hence reduced their prices. Also, government may lower duties on the import of similar items which are having less supply in the economy.

Positive side of inflation

You may be wondering how come inflation is good for economy. A little bit of inflation is not a bad thing. It implies the possibility of higher prices and profits in the future. To the worker, a little bit of inflation may imply rising wages in the future. What I am trying to say is that they are based more on "psychology" than "economics".

Conclusion

The inflation rate has been rising continuously. It has a major impact on investments. A rising inflation rate erodes the value of investments. Inflation is a rise in prices of goods and services over time. It is calculated by taking into consideration a set of goods and services. The prices of the items in that set are compared to prices one year ago. Here, inflation is measured based on the Wholesale Price Index (WPI) which measures the change in prices of a selection...Inflation was the buzzword last week. Whether it was the IMF, ADB or government, they are of the opinion that if anything that can put a spanner in the growth path it is inflation. Inflation in food in the past year has been in double digits though the recent two readings have shown a marginal decline. Non-food price inflation is also now on the rise.

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RETAILING: EMERGING AS A BOOM IN INDIA

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ABSTRACT

Retailing consists of the sale of goods/merchandise for personal or household consumption either from a fixed location such as a department store or kiosk, or away from a fixed location and related subordinated services. A shopping mall, shopping centrem or shopping arcade is a building or set of building that contain stores and have interconnecting walkways that make it easy for people to walk from store to store. The retailing industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The marketer tries to attract the consumer and boost the sale with the permutation and combition of different retail format. The success of this business will depend upon the consumer mood, their sentiment and perception toward different retail format. The objective of the paper is to study efforts of retailers towards customers‟ retention by way of loyalityprogrammes and to analyse customers‟ viewpoints about round the clock opening of malls and factors affecting the malls as a shopping destination. The study reveals that the malls are becoming increasingly popular in that there is gradual increase in the walk-ins. This paper also discuss about the journey of retailing market from mandi to malls.

I. INTRODUCTION TO TOPIC

Retailing includes all the activities involved in selling goods or services directly to final consumers for their personal, non-business use. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers either directly or through wholesalers and then sells smaller quantities to the end users. Retailer is the final stage of any economic activity. By virtue of this fact, retail occupies an important place in world economy. Retailing sector offers variety of products, provides many choices and higher level of customers services. Retailing is a lucrative business which earns huge profits but it has to perform its primary activity that is to create and satisfy its customers. Retailing is a distribution channels function, where one organization buys products from supplying firms or manufacturers and then sells these products directly to consumers. Retailing is performed by retailer who links producers and consumers.

The economic significance of retailer industry is shown by official statistics where retailing is responsible for above 9% of output and employment. Retailing is an even more important activity, and goes beyond those businesses that the government officially classes as retailer. In past decades, the Indian market place has Trans ford dramatically. After Independence, India opted for a centrally planned economy to try to achieve effective and equitable allocation of national resources and balanced economic development. India‟s mixed economy combines features of both capitalist market economy and the socialist planned economy, but has shifted more towards the former over the past decade because of the liberalization of the economy in 1991.From here stated a change in internal government policies - from anti - maker to more marker friendly policies. Since independence, there have been phases of nationalizing such areas as banking but more recently, there have been phases of privatizing such sectors. Economic reforms brought foreign competition, led to privatization of certain public sector industries, opened up sectors hitherto reserved for the public sectors and led to an expansion in the production of fast-moving consumer goods. The reforms did away with the license raj (investment, industrial and import licensing) and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors including the sector under study- Retail Sector.

Retailing: From the Mandi to the Mall

Retailing is an age-old practice that serves as a point of contact between the primary producer and individual end consumer. Thus retailers are a crucial link between the manufacturer and buyer. The consumer touches the producer‟s goods at the point of retail: the retailer stocks the producer‟s goods and by selling the goods to the end consumer, earns a margin, called profit, in the language of economics. Retailing has existed in India for centuries. There was (and, in rural areas, still is) the concept of mandis or bazaar, which meet every week to facilitate the buying and selling of products. People buy households goods and items to last them through the week till the mandi meets again. Mandis were also places where people met to socialize.Owing to evolving consumer preferences, mandis were subsequently replaced by stationary markets, the „mom and pop‟ or kirana shops and larri-galla vendors and hawkers, owner manned general stores, paan/beedi shops, conveniences stores, and hand-cart and pavement vendors. Unlike in mandis, retailing here happens through the week.

Indian consumers depend largely on kirana stores and hawakers, who are also termed as the unorganized segment, for their daily needs. Hawakers or larri-galla vendors and local kiranas constitute the two main forms of unorganized retail in the country. The unorganized segment accounts for almost 97 per cent of the total domestic retail trade.The modern corporate retail format, which includes hypermarkets supermarkets, and mega market or departmental store, stores, retails everything from household‟s groceries to furniture all under one roof. They are also known as organized retailers since they are registered for value added tax (VAT), income tax etc.As the final link between consumers and manufacturers, retailers are a vital part of the business word retailing adds values to products by making them easier for manufacture every time we want to buy a candy bar, an ice-cream, a dress or a bar of soap, similarly, it would be very costly for the manufacturer of these products to locate and distribute them to consumers individually. By bringing multitudes of manufacturers and consumers together at a single point, retailers make it possible for products to be sole, and consequently, business to be done. Retailing also provides services that make it a fun to buy products. These are sales people on hand who can answer questions, may offer credit, and display products that consumers know what is available and can see it before buying. In addition, retailing may provide many extra services, from personal shopping to gift wrapping and up to delivery that increase the value of products and services to consumers.
Reasons for Retail Growth
Favorable demographics
Rising consumer incomes
Real estate developments
Especially the emergence of new shopping malls
Availability of better sourcing options – both from within India and overseas – and changing lifestyle.

IMPORTANCE

Retailing is related with the channel mgt. port of marketing mix and is very important from point of view from wholesales suppliers and clearing and forwarding agents. Retailing acts as a good market researcher as it has direct retailing with consumers. Information about concededly latest preferences fashion, choices, needles and demands and commune leaked through relating to the miniatures or producers of goods.From the consumer‟s point at view the other servers him by providing the goods that he needs in the required assortment, at the required place and a convenient time, soulless in retailing comes from having a strong customer focus coupled with desired levels of services, product quality and innovating. All services to the consumers justify the existence of the facility to consumers for purchasing power of the consumers.The retail sector is the vital to the world economy, as it provides large scale employment to skilled and unskilled labour, casual part time and full time workers. Retailing support for society by increasing standard of life. It is one of the nation‟s largest industries in terms of employment. The retail sector can generate huge employment opportunities and can lead to job led economic growth. Global retailers are entering into the marking of developing countries bringing foreign investment in the country. Continuous growth in organized retailing sector results in increased taxation income of the govt.It also provides with special opportunities in career avenues. The emerging career options in retailing are attraahing young generation towards the field of retailing. Retailing as one of the largest private sector in the global economy has become most active and attractive sector of the last decade.

Objective of study

❖ To study the growth of retailing in India.
❖ To predict the future proposed of retailing.
❖ To study growth of various leading company in retailing in India.
❖ To study the present position of retailing.
❖ To identify the factors this plays important role in retailing.
❖ To assess the relative importance of these factors in terms of employment, consumer perception, gross domestic product, economic growth financial aspects etc.
❖ To study the reason of growth of retail sector in India.
❖ To identify the challenges for retail sector in present state.
❖ To assess the expected opportunities in various industries.
❖ To compare the present position of retailing with past position.
❖ To evaluate the area of strength and weakness of retailing in India.
❖ To suggest remedial measures for future growth of retailing.

SIGNIFANCE

Retailing is considered as one of the most nimble industry, where the manager comes in contact with the customers and responds to their everyday needs. To be successful in the competitive arena, retailers must be able to convince the shoppers, that they can satisfy their needs better than their competitors. It is one of the largest industries in India, with an employment of around 8% and contributing to over 11% of the country‟s GP. Retail industry in India is expected to rise by 25% yearly as it is being driven by strong income growth, changing lifestyles, and favorable demographic patterns. Shopping in India has witnesses a revolution with the change in the consumer buying behavior and the whole format of shopping also alerting the growth of retail industry. In India there are multistory malls, huge shopping centers, and sprawling complexes
Which offer food, shopping, and interment all under the same roof?

Retailing is the new buzzword in India. The global retail development index has ranked India first, among the top 30 emerging markets in the world. It is believed that India has the potential to deliver the fastest growth over the next 50 years. Retailing is the second largest sector after agriculture in India an contribute about 10-12% of the GDP (gross Domestic Product.) Retail has played a major role in the world in increasing productivity and profitability across a wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico and Thailand and more recently in China and India. Economies of countries like Singapore Malaysia, Hong Kong, Sri Lanka and Dubai have also been heavily assisted by the retail sector. Even though India has well over 5 million retail outlets of all sizes and styles the country sorely lacks anything that can resemble a retailing specialist with a great opportunity.The first challenge facing the organized retail industry in India is: competition from the unorganized sector. Traditional retailing has established in India for some centuries. It is a low cost structure, mostly owner-operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer‟s familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

In contrast, players in the organized sector have big expenses to meet and yet have to keep prices low enough to be able to compete with traditional sector. High costs for the organized sector arises from: higher labor costs, social security to employees, high quality real state, much bigger premises, comfort facilities such as air-conditioning, back-up power supply, taxes etc. Organized retailing also has to cope with the middle class psychology that the bigger and brightener a sales outlet is, the more expensive it will be. India‟s first true shopping mall-complete with food courts, recreation facilities and large car parking space was inaugurate as lately as in 1999 in Mumbai.(this mall is called “crossroads”). The prospects are very encouraging. The first steps towards sophisticate retailing are being taken, and “crossroads” is the best example of this awakening. More such mails have been planned in the other big cities of India. An FDI Confidence index survey done by AT Kearney, retail industry is one of the most attractive sectors for FDI (foreign direct investment) in India and foreign retail chains would make an impact circa 2003.

Future of Retail in India

India is a huge country. In the terms of area, it is the seventh largest country in the world and covers an area of 3,287,782 square kilometres and in terms of population, it is second largest country. Over 280 different dialects are also known to be spoken in this vast country. Since retailing is an integral part of the social infrastructure of our country, the haphazard growth of the social infrastructure in India has caused the Indian retail market to grow in a highly fragmented manner over the last five decades. India‟s vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. While organized retail in India is only two per cent of the total U$$ 215 billion retail industry, it is expected to grow 25% annually, driven by changing lifestyle, strong income growth and favourable demographic patterns.KSA-Techbnopak, a retail consulting and research agency, predicts that by 2010, organized retailing in India will cross the US$21.5-billion mark from the current size of US$ 7.5 billion.The Indian retail market is estimated at US$ 350 billion. But organized retail is estimated at only US$ 8billion.However, the opportunity is huge – by 2010, organized retail is expected to grow to US$ 22 billion. With the growth of organised retailing estimated at 40 per cent over the next few years.

SOME TOP RETAILERS IN INDIA

1.In 2001 Pantaloons launched India‟s first hypermarket „Big Bazar‟. It has the following segments.

- ❖ Food & Grocery : Big Bazaar, food Bazaar
- ❖ Shoe: Shoe factory
- ❖ Books, Music and Gifts: Depot
- ❖ Health and Beauty Care : Star, Sitar
- ❖ E-Tailing: Future Bazaar.com

2.Tata Group
3.Reliance
4.A V Birla Group

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STRESS MANAGEMENT IN PRIVATE SECTOR BANK

(A Study of ICICI Bank Karnal)

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I. INTRODUCTION TO TOPIC

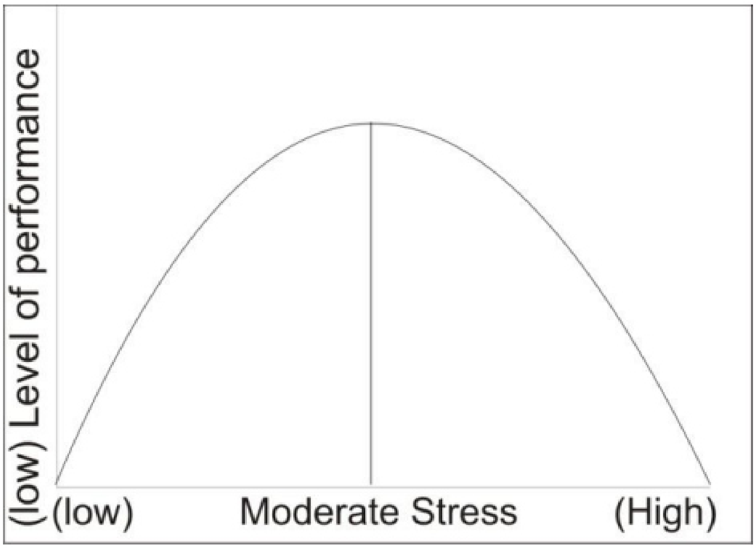
Stress is fact of every body life. In the competitive and fast moving modern life every individuals is under stress. Stress means the bodily strain that an individual's feels as a result of coping with some environment factors. In everyone's life stress starts from early part of life and continues till death. When people reach out for help, they a often dealing with circumstances, situations and stressors in their lives that leave them feeling emotionally and physically over whelmed. Many people feel that they have very little resources or skills to deal with the high level of stress they are experiencing. The word stress is derived from the latin word. "strictus", which means to "Tighten" This is appropriate when one thinks of the feeling that often accompany stressfull situations. The highest level of stress intensity is due to lack of opportunity for advancement-poor or inadequate supervisors and in sufficient personnel to handle an assignment. However; stress may also be experienced due to pressure within ourselves and from our habits behavior and personality although we may not be aware of many of our attitude we tend to be controlled by them They filter as well as influence our perceptions, allowing us to experience any what we want to do or we will experience. This is every apply brought out in the say " Life is 10% of what really happened and 90% is how an event that matters more than the event itself."In our normal life many situations cames when we faces stress. Employees also came under stress due to learning at new techniques. Students put in extra labour because of the stress of examination which brings them good marks. This is positive outcomes of stress. Now, many research works have proved that stress affects the efficiency of the employees in a very adverse manners. That is why no company can see its employees under stress. This situations increases the costs of the company. Hence, the company would like the take their employees out of stress at any cost.

What s it Stress

Although we all talk about stress, it often is not clear what stress is really about. Many people consider stress to be something that happens to them, and event such as an injury or a job loss. Other thinks that stress is what happens to our body, mind and behavior in response to an event (e.g. Heart pounding anxiety, or nail bitting) while stress does involve events and our response to then, these are not the most important factors. Over thought about the situations in which we find ourselves are the critical factors stress can came from any situation or thoughts that make you feel frustrated, angry or anxious. Everyone sees situation differently and have different coping skills for this reasons no to peoples will response exactly the same way to a given situations.

Relationship between level performance and stress.

There is a difference of opinion among the management experts regarding the relationship between stress and efficiency. Some believe that there is a deep relationship between the two, while some refuse to accept their relationship. The following diagram shows such a thinking who is accepted by most of the experts.



The above diagram is shows that low stress- When the stress happens to be low the individuals lacks of energy. His heart is not in his work consequently efficiency also touch the lowest level.In moderate stress:- In moderate level, the level of efficiency also starts moving upwards. At this level of stress an individual is full of energy available resources are used at their optimum level. As a results of its, efficiency is at its best.And last in high stress:- As the stress starts mounting to higher level, the efficiency starts declining. A time comes when the level of stress is maximum and the level of efficiency is at its lowest. The reasons for it is that and individual cannot tolerate stress more than a particulars level.Now the import question is how to end stress. Stress can be overcome with the help of stress management. Stress management refers to the process through which stress can be controlled. It must, however be kept in mind that the stress management never talks of eliminating stress thoroughly. In short, It can be said that in case stress crossing a certain limit, It has to be controlled or managed to avoid its negative effects. Stress can be overcome with the help of stress management. Management of stress is possible with the help of the following technique. For example: Meditation, Yoga, Exercise, Balanced diet, Time management, sufficient sleep job enrichment, Participations in management, open communications etc.

Definitions of Stress

"Stress is the reaction of people dye to excessive pressure or other type of demand place an them (United Kingdom Health and Safety Commission, 1999)
Some few examples who is the causes of stress.

- Employee also come under stress for learning new techniques
- Students are under stress when their examinations near because now they have to put in extra work for their study.

Objectives

To examine the causes of stress.

➢ To find out relationship or effects of stress an job satisfactions, motivation, morale, performance of employees.
➢ To ascertain the disorders an count of health and psychology.
➢ To judge the impact of such stress an their work place and family set-ups and society.
➢ To suggest certain measures to overcome such stresses so that there can be effective stress management.
➢ To suggest various steps to reduce organizational complexities to reduce stress.

Stress in Banking field

In this country banking field is the project model of profitable industry. But in present position of the list of service provider started growing rapidly. When Banking filed convert into nationalization the work load and competitions increased and increased competition is the main causes of increased stress. High expectations of the customer is also causes of increased stress. R.T.I. also one a cames of increased stress because from R.T.I Power customer aware.

Data Collections

This study is based on primary data collected through a pre tested structured questionnaire. The questionnaire will be developed with a view to study the male or female. Data has been collected have two categories male and female employees working in the bank. There strength is 50 add 25 are male and 25 female. Data collections from structured questionnaire.Every care will be taken in developing the questionnaire.

Research Methodology

The study under considerations is based an demographic variables. Percentile method has been used.

Table 1

Table showing demographic variables of respondent

Category	No. of Person	Age Group			
		30-35	Less than30	>35	Total
Male	25	10	5	10	25
Female	25	7	8	10	25

Source: Primary Data

There are 50 respondent divided in two categories 25 male and 25 female and their age group is 30-35, less than 30 and more then 35.

In male categories age group of 30-35, 10 respondents who are affected from stress and the age group 4 less than 30 5 respondent who are affects from stress. In age group of >35, 10 respondent who are affected from stress.

Table 2

Showing variables of stress

S.No.	Variables	Total Person	No. of	% who stress from the reasons
1	Work Load	20	20/50x100	40%
2	Over time	10	10/50x100	20%
3	Transfer	4	4/50x100	8%
4	Shift Change	6	6/50x100	12%
5	Holiday work	7	7/50x100	14%
6	Change Technique	3	3/50x100	6%

Source: Primary Data

This table shows how many person include in Male & Female who's effective from workload, over times, transfer, shift change, today work and change in technique, admission, shifting is more expansive from one place to another. This table is showing that 40% person affected from work load, 20% overtime, 8% person to transfer, 12% person shift changing in person extra work in holiday. 6% person affected from change techniques in banking field.

Table 3

Table showing stress management techniques

S.No.	Variable	Female Yes( )	Male (No)
1.	Yoga	X	✓
2.	Time Management	✓	✓
3.	Effective Management	✓	✓
4.	Meditations	✓	X
5.	Social Interactions	✓	✓
6.	Change your attitude	✓	✓
7.	Proper Selections	X	✓
8.	Crate healthy climate	✓	✓
9.	Providing Counseling	X	✓

This table is showing that female who are affected from change technique, transfer, overtime. They release their stress by time management effective management, meditations, social interactions, change your affirmed create healthy climate and male who are affected from overload, overtime & shift change. They release their stress from yoga, time management , effective management, change your affirmed, proper selections & providing counseling.

Female person who effective from change technique, transfer, overtime. They release their stress from, Yoga, Time Management, Proper selections and female who's effective from overload, over time & shift change. The release their stress from yoga, change attitude, meditations.

Finding & Suggestions:-

People feel little stressed when they have the time, experiences and resources to manage a situations. They feel great stress when they think they can't handle the demand put upon them. After change in field, competitions and customer awareness stress in increased. Stress removed from time management, job satisfactions, Yoga meditations, proper selections and create healthing climates information's skills, reducing conflicts and career planning is the best technique of overtime to the stress .

Conclusions:-

Based an the preceding discussion of the results, a number of conclusions were drawn from this shady. If our thinking is positive we can face any circumstances. At any situations finally general & specific technique is used to release from stress.

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"PORTFOLIO MANAGEMENT IN INDIA- AN ANALYSIS"

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ABSTRACT

Investing in equities requires time, knowledge and constant monitoring of the market. For those who need an expert to help to manage their investments, portfolio management service (PMS) comes as an answer. The business of portfolio management has never been an easy one. Juggling the limited choices at hand with the twin requirements of adequate safety and size able returns is a task fraught with complexities. Given the unpredictable nature of the market it requires solid experience and strong research to make the right decision. In the end it boils down to make the right move in the right direction at the right time. That‟s where the expert comes in. The term portfolio management in common practice refers to selection of securities and their continuous shifting in a way that the holder gets maximum returns at minimum possible risk.

Portfolio management services are merchant banking activities recognized by SEBI and these activities can be rendered by SEBI authorized portfolio managers or discretionary portfolio managers. A portfolio manager by the virtue of his knowledge, background and experience helps his clients to make investment in profitable avenues. The purpose of present study is to analyse the scope and importance of portfolio management in India. This paper also focuses on the types and steps of portfolio management which a portfolio manager should take to provide maximum returns and minimum risk to his clients for their investments.

Keywords: Portfolio Management, Portfolio Manager, SEBI, Risk, Returns.

I. INTRODUCTION TO TOPIC

Portfolio management in common parlance refers to the selection of securities and their continuous shifting in the portfolio to optimize returns to suit the objectives of an investor. This however requires financial expertise in selecting the right mix of securities in changing market conditions to get the best out of the stock market. In India, as well as in a number of western countries, portfolio management service has assumed the role of a specialized service now a days and a number of professional merchantbankers compete aggressively to provide the best to high net worth clients, who have little time to manage their investments. The idea is catching on with the boom in the capital market and an increasing number of people are inclined to make profits out of their hard-earned savings. Portfolio management service is one of the merchant banking activities recognized by Securities and Exchange Board of India (SEBI). The service can be rendered either by merchant bankers or portfolio managers or discretionary portfolio manager as define in clause (e) and (f) of Rule 2 of Securities and Exchange Board of India (Portfolio Managers) Rules, 1993 and their functioning are guided by the SEBI. According to the definitions as contained in the above clauses, a portfolio manager means any person who is pursuant to contract or arrangement with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the management or administration of a portfolio of securities or the funds of the client, as the case may be. A merchant banker acting as a

Portfolio Manager shall also be bound by the rules and regulations as applicable to the portfolio manager. Realizing the importance of portfolio management services, the SEBI has laid down certain guidelines for the proper and professional conduct of portfolio management services. As per guidelines only recognized merchant bankers registered with SEBI are authorized to offer these services. Portfolio management or investment helps investors in effective and efficientmanagement of their investment to achieve this goal. The rapid growth of capital markets in India has opened up new investment avenues for investors. The stock markets have become attractive investment options for the common man. But the need is to be able to effectively and efficiently manage investments in order to keep maximum returns with minimum risk. Portfolio is a collection of asset. The asset may be physical or financial like Shares Bonds, Debentures, and Preference Shares etc. The individual investor or a fund manager would not like to put all his money in the shares of one company, for that would amount to great risk.

Main objective is to maximize portfolio return and at the same time minimizing the portfolio risk by diversification. Portfolio management is the management of various financial assets, which comprise the portfolio. According to Securities and Exchange Board of India (Portfolio manager) Rules, 1993; “portfolio” means the total holding of securities belonging to any person; Designing portfolios to suit investor requirement often involves making several projections regarding the future, based on the current information. When the actual situation is at variance from the projections portfolio composition needs to be changed. One of the key inputs in portfolio building is the risk bearing ability of the investor. Portfolio management can be having institutional, for example, Unit Trust, Mutual Funds, Pension Provident and Insurance Funds, Investment Companies and non-Investment Companies. Over time, other industry sectors have adapted and applied these ideas to other types of "investments," including the following: Application portfolio management: This refers to the practice of managing an entire group or major subset of software applications within a portfolio. Organizations regard these applications as investments because they require development (or acquisition) costs and incur continuing maintenance costs. Also, organizations must constantly make financial decisions about new and existing software applications, including whether to invest in modifying them, whether to buy additional applications, and when to "sell" -- that is, retire -- an obsolete software application. Product portfolio management: Businesses group major products that they develop and sell into (logical) portfolios, organized by major line-of-business or business segment. Such portfolios require ongoing management decisions about what new products to develop (to diversify investments and investment risk) and what existing products to transform or retire (i.e., spin off or divest).

Methods of Portfolio Management

Portfolio Management is used to select a portfolio of new product development projects to achieve the following goals:

- Maximize the profitability or value of the portfolio
- Provide balance
- Support the strategy of the enterprise Portfolio

Management is the responsibility of the senior management team of an organization or business unit. This team, which might be called the Product Committee, meets regularly to manage the product pipeline and make decisions about the product portfolio. Often, this is the same group that conducts the stage-gate reviews in the organization. A logical starting point is to create a product strategy - markets, customers, products, strategy approach, competitive emphasis, etc. The second step is to understand the budget or resources available to balance the portfolio against. Third, each project must be assessed for profitability (rewards), investment requirements (resources), risks, and other appropriate factors. The weighting of the goals in making decisions about products varies from company. But organizations must balance these goals: risk vs. profitability, new products vs. improvements, strategy fit vs. reward, market vs. product line, long-term vs. short-term. Several types of techniques have been used to support the portfolio management process:

a) Heuristic models

b) Scoring techniques

c) Visual or mapping techniques

The earliest Portfolio Management techniques optimized projects profitability or financial returns using heuristic or mathematical models. However, this approach paid little attention to balance or aligning the portfolio to the organizations strategy. Scoring techniques weight and score criteria to take into account investment requirements,profitability, risk and strategic alignment. The shortcoming with this approach can be an over emphasis on financial measures and an inability to optimize the mix of projects. Mapping techniques use graphical presentation to visualize a portfolios balance. These are typically presented in the form of a two-dimensional graph that shows the trade-offs or balance between two factors such as risks vs. profitability, marketplace fit vs. product line coverage, financial return vs. probability of success, etc. The recommended approach is to start with the overall business plan that should define the planned level of R&D investment, resources (e.g., headcount, etc.), and related sales expected from new products. With multiple business units, product lines or types of development, we recommend a strategic allocation process based on the business plan. This strategic allocation should apportion the planned R&D investment into business units, product lines, markets, geographic areas, etc. It may also breakdown the R&D investment into types of development, eg. technology development, platform development, new products, and upgrades enhancements, line extensions, etc. Once this is done, then a portfolio listing can be developed including the relevant portfolio data. We favor use of the development productivity index (DPI) or scores from the scoring method. The development productivity index is calculated as follows: (Net Present Value x Probability of Success) Development Cost Remaining. It factors the NPV by the probability of both technical and commercial success. By dividing this result by the development cost remaining, it places more weight on projects nearer completion and with lower uncommitted costs. The scoring method uses a set of criteria (potentially different for each stage of the project) as a basis for scoring or evaluating each project.

Investment Portfolio Management and portfolio theory

Portfolio theory is an investment approach developed by University of Chicago economist Harry M. Markowitz (1927) who won a Nobel Prize in economics in 1990.Portfolio theory allows investors to estimate both the expected risks and returns, as measured statistically, for their investment portfolios. Markowitz described how to combine assets into efficiently diversified portfolios. It was his position that a portfolios risk could be reduced and the expected rate of return could be improved if investments having dissimilar price movements were combined. In other words, Markowitz explained how to best assemble a diversified portfolio and proved that such a portfolio would likely do well.

There are two types of Portfolio Strategies:

A. Passive Portfolio Strategy: A strategy that involves minimal expectation input, and instead relies on diversification to match the performance of some market index.

B. Active Portfolio Strategy: A strategy that uses available information and forecasting techniques to seek a better performance than a portfolio that is simply diversified broadly

Objectives of Portfolio Management

The basic objective of Portfolio Management is to maximize yield and minimize risk. The other objectives are as follows:
a) Stability of Income: An investor considers stability of income from his investment. He also considers the stability of purchasing power of income.
b) Capital Growth: Capital appreciation has become an important investment principle. Investors seek growth stocks which provide a very large capital appreciation by way of rights, bonus and appreciation in the market price of a share.
c) Liquidity: An investment is a liquid asset. It can be converted into cash with the help of a stock exchange. Investment should be liquid as well as marketable. The portfolio should contain a planned proportion of high-grade and readily salable investment.
d) Safety: safety means protection for investment against loss under reasonably variations. In order to provide safety, a careful review of economic and industry trends is necessary. In other words, errors in portfolio are unavoidable and it requires extensive diversification.
e) Tax Incentives: Investors try to minimize their tax liabilities from the investments. The portfolio manager has to keep a list of such investment avenues along with the return risk,
profile, tax implications, yields and other returns
There are three goals of portfolio management:
1. Maximize the value of the portfolio
2. Seek balance in the portfolio
3. Keep portfolio projects strategically aligned
It provides a set of portfolio management tools to help achieve these goals. With multiple business units, product lines or types of development, we recommend a strategic allocation process based on the business plan. The Master Project Schedule provides a summary of allactive as well as proposed projects and classifies them by status (active, proposed, on-hold) and by business unit/product line to align projects with the strategic allocation.

Functions of Portfolio Management

The basic purpose of portfolio management is to maximize yield and minimize risk. Every investor is risk averse. In order to diversify the risk by investing into various securities following functions are required to be performed. The functions undertaken by the portfolio management are as follows:

1. To frame the investment strategy and select an investment mix to achieve the desired investment objective;
2. To provide a balanced portfolio which not only can hedge against the inflation but can also optimize returns with the associated degree of risk;
3. To make timely buying and selling of securities;
4. To maximize the after-tax return by investing in various taxes saving investment instruments.

Steps in portfolio management

1) Identification of the objectives:
The starting point in this process is to determine the characteristics of the various investments and then matching them with the individuals need and preferences. All the personal investing is designed in order to achieve certain objectives.

These objectives may be tangible such as buying a car, house etc. and intangible objectives such as social status, security etc. Similarly, these objectives may be classified as financial orpersonal objectives. Financial objectives are safety, profitability and liquidity. Personal or individual objectives may be related to personal characteristics of individuals such as family commitments, status, depends, educational requirements, income, consumption and provision for retirement etc.

2) Formulation of Portfolio Strategy:
The aspect of Portfolio Management is the most important element of proper portfolio investment and speculation. While planning, a careful review should be conducted about the financial situation and current capital market conditions. This will suggest a set of investment and speculation policies to be followed. The statement of investment policies includes the portfolio objectives, strategies and constraints. Portfolio strategy means plan or policy to be followed while investing in different types of assets. There are different investment strategies. They require changes as time passes, investor‟s wealth changes, security price change, investor‟s knowledge expands. Therefore, the optional strategic asset allocation also changes. The strategic asset allocation policy would call for broad diversification through an indexed holding of virtually all securities in the asset class.

3) Selection of Asset mix:
The most important decision in portfolio management is selection of asset mix. It means spreading out portfolio investment into different asset classes like bonds, stocks, mutual funds etc. In other words selection of asset mix means investing in different kinds of assets and reduces risk and volatility and maximizes returns in investment portfolio. Selection of asset mix refers to the percentage to the invested in various security classes. The security classes are simply the type of securities as under: a. money market instrument b. fixed income security c. equity shares d. real estate investment e. international securities.

Once the objective of the portfolio is determined the securities to be included in the portfolio must be selected. Normally the portfolio is selected from a list of high-quality bonds that the portfolio manager has at hand. The portfolio manager has to decide the goals before selecting the common stock. The goal may be to achieve pure growth, growth with some income or income only. Once the goal has been selected, the portfolio manager can select the common stocks.

4) Portfolio Execution:
The process of portfolio management involves a logical set of steps common to any decision, plan, implementation and monitor. Applying this process to actual portfolios can be complex. Therefore, in the execution stage, three decisions need to be made, if the percentage holdings of various asset classes are currently different from desired holdings. The portfolio than, should be rebalanced. If the statement of investment policy requires pure investment strategy, this is only thing, which is done in the execution stage. However, many portfolio managers engage in the speculative transactions in the belief that such

transactions will generate excess risk-adjusted returns. Such speculative transactions are usually classified as timing or selection decisions. Timing decisions over or under weight various asset classes, industries or economic sectors from the strategic asset allocation. Such timing decisions are known as tactical asset allocation and selection decision deals with securities within a given asset class, industry group or economic sector. The investor has to begin with periodically adjusting the asset mix to the desired mix, which is known as strategic asset allocation. Then the investor or portfolio manager can make any tactical asset allocation or security selection decision.

5) Portfolio Revision:

Portfolio management would be an incomplete exercise without periodic review. The portfolio, which is once selected, has to be continuously reviewed over a period of time and if necessary revised depending on the objectives of investor. Thus, portfolio revision means changing the asset allocation of a portfolio. Investment portfolio management involves maintaining proper combination of securities, which comprise the investor‟s portfolio in a manner that they give maximum return with minimum risk. For this purpose, investor should have continuous review and scrutiny of his investment portfolio. Whenever adverse conditions develop, he can dispose of the securities, which are not worth. However, the frequency of review depends upon the size of the portfolio, the sum involved, the kind of securities held and the time available to the investor. The review should include a careful examination of investment objectives, targets for portfolio performance, actual results obtained and analysis of reason for variations. The review should be followed by suitable and timely action. There are techniques of portfolio revision. Investors buy stock according to their objectives and return-risk framework. These fluctuations may be related to economic activity or due to other factors. Ideally investors should buy when prices are low and sell when prices rise to levels higher than their normal fluctuations. The investor should decide how often the portfolio should be revised. If revision occurs to often, transaction and analysis costs may be high.

6) Portfolio Performance evaluation:

Portfolio management involves maintaining a proper combination of securities, which comprise the investor‟s portfolio in a manner that they give maximum return with minimum risk. The investor should have continues review and scrutiny of his investment portfolio. These rates of return should be based on the market value of the assets of the fund. Complete evaluation of the portfolio performance must include examining a measure of the degree of risk taken by the fund. A portfolio manager, by evaluating his own performance can identify sources of strength or weakness. It can be viewed as a feedback and control mechanism that can make the investment management process more effective. Good performance in the past might have resulted from good luck, in which case such performance may not be expected to continue in the future. On the other hand, poor performance in the past might have been result of bad luck. Therefore, the first task in performance evaluation isto determine whether past performance was good or poor. Then the second task is to determine whether such performance was due to skill or luck. Good performance in the past may have resulted from the actions of a highly skilled portfolio manager. The performance of portfolio should be measured periodically, preferably once in a month or a quarter. The performance of an individual stock should be compared with the overall performance of the market.

Importance of Portfolio Management

Individuals will benefits immensely by taking portfolio management services for the following reason: -

a) Whatever may be the status of the capital market; over the long period capital markets have given an excellent return when compared to other forms of investment. The return from bank deposits, units etc., is much less than from stock market.
b) The Indian stock markets are very complicated. Though there are thousands of companies that are listed only a few hundred, which have the necessary liquidity. It is impossible for any individual wishing to invest and sit down and analyses all these intricacies of the market unless he does nothing else.
c) Even if an investor is able to visualize the market, it is difficult to investor to trade in all the major exchanges of India, look after his deliveries and payments. This is further complicated by the volatile nature of our markets, which demands constant reshuffling of portfolio.

In the past one-decade, significant changes have taken place in the investment climate in India. d) Portfolio management is becoming a rapidly growing area serving a broad array of investors- both individual and institutional-with investment portfolios ranging in asset size from thousands to cores of rupees.

e) It is becoming important because of Emergence of institutional investing on behalf of individuals. A number of financial institutions, mutual funds, and other agencies are undertaking the task of investing money of small investors, on their behalf. Growth in the number and the size of invisible funds- a large part of household savings is being directed towards financial assets.
f) Increased market volatility- risk and return parameters of financial assets are continuously changing because of frequent changes in governments industrial and fiscal policies, economic uncertainty and instability.
g) Professionalization of the field and increase use of analytical methods (e.g. quantitative techniques) in the investment decision-making, and
h) Larger direct and indirect costs of errors or shortfalls in meeting portfolio objectives -increased competition and greater scrutiny by investors.

Prospects of Portfolio management in India

⇒ At present, there are a very few agencies which render this type of services in an organized and professional way.
⇒ However, their share in the total volume is very small.
⇒ There is no constraint on the demand for this type of financial service as every entity would be saving and investing and interested in optimizing the rate of return.
⇒ The size of capital market is increasing.
⇒ There is an increase in the number of stock exchanges.
⇒ New instruments are being introduced in the capital market.
⇒ The equity cult is spreading in the interiors and rural areas.
⇒ The percentage of investment of the household savings is bound to go up.
⇒ It is conservatively estimated that during the eighth plan resources to the tune of over Rs.50000crore will be mobilized through the stock market.
i) ⇒ India today has 20 million investors, as compared to 2 million in 1980

Conclusion

Risk and return go hand in hand, these are the two sides of the investment coin. So, risk is to be managed properly and in a systematic manner for the profitability and overall development of a business organisation.In the present study, it has been analysed that every business operates in different types of risks, but it can manage these risks in a strategic manner by maintaining a conservative financial profile and by following prudent business and risk management practices. So, each and every business should design „Internal Control System" by making structured policy with pre defined authorities and responsibilities for safeguarding of its against loss. It has also been analysed that Portfolio management is a very crucial aspect because it facilitates maximum returns and minimum risk.

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