

A STUDY ON MUTUAL FUND WAY TO ENHANCE PORTFOLIO MANAGEMENT

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ABSTRACT

A **Portfolio** is a collection of investment instruments such as stocks, shares, mutual funds, bonds, deposits, cash, etc. depending on individual investor's income, budget and his / her investment time horizon. **Management** is the organization and coordination of activities of a company in accordance with certain well-defined policies and pre-defined objectives. **Portfolio Management (PM)** helps the investor in choosing the securities that provide a reasonable return for any given degree of risk. It is the art of choosing an appropriate investment policy with minimum risk and maximum return.

Need for Portfolio Management

Portfolio management provides an ideal investment plan depending on the individual's income, budget, age and ability to take risks. It reduces the risk element and increases the return margin. Portfolio manager is an individual who understands the client's financial needs and suggests a suitable investment plan in line with his income and risk profile i.e., customized investment plan.

Types and Objectives of Portfolio Management

Portfolio Management is of four types and they are: Active portfolio management, Passive portfolio management, Discretionary portfolio management and Non-discretionary portfolio management. The means to effective portfolio management is to be disciplined in investing. The objectives of portfolio management are applicable to all financial portfolios and results in a proper analytical approach towards the growth of the portfolio. The overall risk needs to be maintained at an acceptable level by maintaining a balanced portfolio. Finally, a good portfolio of growth stocks often satisfies all objectives of portfolio management.

The reasons to manage portfolio wisely are: (i) safety of principal, (ii) consistent and regular returns, (iii) capital appreciation, (iv) easy marketability and tradability, (v) liquidity, (vi) diversified portfolio and (vii) positive tax status.

Objectives of the Study

The objectives of the study are to:

- Conduct an in-depth analysis of mutual fund portfolio by studying the types of mutual funds and its overall performance.

- *Understand the basic concept of portfolio management and the importance of mutual funds as an investment option.*
- *Create and review portfolio on a regular basis in consideration with the individual's goals and changing conditions.*
- *Highlight the problems encountered in choosing the right type and scheme of mutual fund and understand the role of portfolio management services.*

Research Methodology

Mutual funds are playing an important role in the development of the financial system. They add value to the investment and contribute significantly in widening and deepening the various segments of the money market. Nowadays, more investors have realized the importance of the power of compounding and its part in wealth accumulation. This study is based on both primary data and secondary data. Personal interviews of 75 men and women investors and portfolio managers were conducted to know about their socioeconomic profile as well as the role of mutual funds in one's portfolio. The secondary data include books, journals, magazines and websites. This is purely a descriptive study with simple models and statistical tools.

Conclusion

The findings reveal that mutual funds play an important role in the portfolio of investors and they have different options to choose from an ocean of schemes. There is a need for mutual funds to promote retail holdings so as to tap retail investors having a long-time horizon. The performance of mutual fund industry is in an uptrend to achieve growth in the future.

In the coming years, the mutual fund industry is sure for a boom which would be influenced by the present conditions and demographic profile of the investors. The industry has a bright future and a number of investors may enter the industry. Hence, the government and market regulators should give importance to this flourishing industry and pave way for its development. It is sure that the mutual fund industry with the assistance of portfolio managers and financial advisors become an integral part of the mechanism of transforming small and retail savings of households into the huge inflow of investment for the economy.

KEYWORDS: *Investment Plan, Portfolio Management, Financial Future, and Discipline*