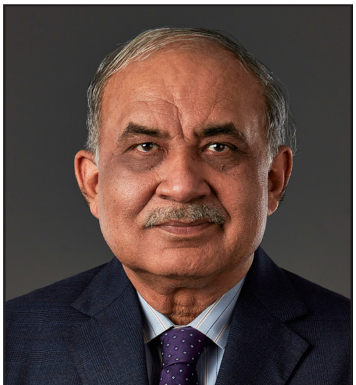
# Has Mutual Fund advertising gone overboard?



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India's iconic cricketer Sachin Tendulkar addresses the concerns of first-time investors in mutual funds. The recent high voltage "Mutual Funds Sahi Hai" category campaign is one of the pertinent images that come to mind when you think of mutual fund advertising in recent times!

India has over 1,300 mutual funds (MF) schemes (including fund of funds) managed by 44 asset management companies (AMCs). The recall of individual MF scheme names needs to come up to the desired mark, though. Around 25 of them have completed 25 years – some of them have yet to have a brand recall reminiscent of Unit Trust of India's US-64 in the good old days.

Open-ended funds (OEFs) account for a vast majority of assets under management and they are the ones that need to have top-of-mind recall among investors. Yet a cursory glance at the leading papers over the last quarter indicates that advertisements released by OEFs were few & far between.

During the pandemic period, lakhs of new investors started investing in mutual funds as well as IPOs and other financial instruments. And asset management companies/ mutual funds went all out to woo investors with focused digital campaign ads that appealed to such investors at different levels – mind, body and soul!

**Conducive environment**

According to the National Financial Literacy and Inclusion Survey ("NCFE-FLIS") 2019, only 27% of the Indian population is financially literate indicating a huge gap and potential for the financial services industry. Higher mobile penetration, improved connectivity and faster and cheaper data speed, supported by Aadhaar and bank account penetration has led India to shift from being a cash-dominated economy to a digital one. Technology is expected to play an important role by progressively reducing the cost of reaching out to smaller markets. India has seen a tremendous rise in fintech adoption in the past few years and has the highest fintech adoption rate globally of 87% which is significantly higher than the global average rate of 64% (Source: InvestIndia).

Among many initiatives by the government, the Unified Payments Interface ("UPI") is playing a pivotal role in financial inclusion. It provides a single-click digital interface across all systems for smartphones linked to bank accounts and facilitates easy transactions using a simple authentication method. The volume of digital transactions has also seen a surge in the past few years, driven by increased adoption of UPI.

The rural economy accounts for almost half of India's GDP and has performed much better than urban India in the aftermath of Covid-19.

India's slowing economy took a toll on much-needed savings too, with the savings rate touching a 15-year low, and household savings also falling. While household savings in physical assets declined to 58% in fiscal 2020 from 67% in fiscal 2012, financial savings grew to 41% in Fiscal 2020 from 31% in Fiscal 2012.

The share of mutual funds in overall household savings has risen steadily since Fiscal 2013 and stood at 2.7% in Fiscal 2019. However, the share declined in Fiscal 2020. With the financial sector being particularly sensitive to improved economic conditions, and given the expected changes in saving patterns, CRISIL expects an increase in the share of financial assets – direct and through mutual funds and insurance – in total financial savings.

The macroeconomic environment was ideal for mutual funds to aggressively woo Indians.

**Advertising blitz**

**Mutual Fund advertising is believed to have topped the Rs. 400 crore mark even during the pandemic fiscals and is now poised to cross the Rs. 700 crore mark. Much of this is expected to be utilized for investor education advertisements and programs.**

Apex body AMFI set the ball rolling by spending anything between Rs. 150-175 crore on changing perceptions of mutual funds and making them appear 'cool'! It is believed to have spent Rs. 40 crore on Mutual Funds Sahi Hai campaign in the pre-pandemic days (2017). Prior to this, ads were mere templates and people just remembered the long disclaimers, which referred to risk! There was a section of people who believed that mutual funds were more risky as compared to fixed deposits or even IPOs. AMFI's Sahi Hai campaign changed it all. AMFI unleashed its 'Rishtey Nibhaana Sahi Hai' campaign for the festive season 2021 and even called for a pitch for Rs. 400 crore ad spend late last year.

In the second half of FY21 as IPOs started attracting record-breaking subscription responses, asset management companies got into the groove and upped their spending. The ad budgets during the global pandemic years are indicative of the aggression of MFs. Nippon India AMC spent Rs. 26 crore on marketing, advertising and publicity in FY22; and Rs. 24 crore in FY21 as per its Annual Report. Aditya Birla Sun Life AMC spent Rs. 21 crore in FY22 and Rs. 28 crore in FY21 (Source: Annual Report). UTI Mutual Fund spent Rs. 18 crore in FY22 and Rs. 8 crore in FY21 (Source: Annual Report). Market leader SBI MF was more conservative but its spend are expected to be in the same range. Significant players such as HDFC MF, Kotak Mahindra MF and ICICI Prudential have aligned to the spends by the players in the top quadrant.

Offshoots also became very significant – a case in example ELSSHai Na campaign of Axis Mutual Fund and the 'Self-Belief is the Greatest Investment' by TATA Mutual Fund. While Kotak Mahindra MF urged investors to Go Automatic; Edelweiss MF hailed the mother's role as an advisor, and L&T Mutual Fund unveiled the Late Lateef campaign to target those who were delaying their decision. While some extolled women to take charge of their financials, others wooed millennials during tax payment times; and yet others asked investors 'SIP Kiya Kya'? Aditya Birla Sun Life AMC launched Pro Portfolio --- an investor education campaign with the tagline --- Mutual Fund Sahi Hai, Par Ek Kaafi Nahin Hai. It encouraged investors to opt for a portfolio with a combination of funds.

Incidentally, mutual funds are allowed to devote about 2 basis points of their corpus to investor education and awareness programs through multiple media platforms. Interestingly, one saw interesting campaigns such as Sam ki Samasya by IDFC Mutual. Most players combine their corporate brand and product advertisements with investor awareness spends to get more bang for the buck!

**Did the mega spends up MF investments?**

Aggregate industry AUM (based on MAAUM) grew 35% YoY to Rs. 37.4 trillion as of September 2021 from Rs. 27.74 trillion as of September 2020, driven by recovery post the Covid-19 pandemic, increased B30 penetration and rising popularity of systematic investment plans ("SIPs") as an investment vehicle.

Retail mutual funds category posted the highest CAGR (22% over March 2016 to March 2021) among other retail financial products category and touched ~ Rs. 17 trillion as of March 2021. CRISIL Research estimates, the share of distributors in Life and retail health insurance is in the range of 90-93% and ~83% in retail mutual funds category as of March 2021.

In the case of mutual funds, the expense ratio for retail investors is in the range of 1.5-2.0% per annum and the commission paid to the distributors is ~0.5-1.0% per annum. Since the commission is paid on a trail basis (except in the case of SIPs where the upfront commission of up to 1% is allowed), distributors continue to get a commission as long as the investor continues to remain invested in the fund.

Share of mutual funds in savings did increase post demonetisation 2017-2019 but at Rs. 444 billion or Rs. 44,400 crore(1.9% share in FY20), they still remained half that of savings in shares and debentures and much much less compared to Deposits (Rs. 8697 bn) and Insurance Funds Rs. 3178 bn)

**Scrutiny**

In the beginning of the year 2022, Piyush Goyal, Union Minister for Industry, Commerce & Consumer Affairs, let the cat among the pigeons by pointing out that the disclaimers in MF ads were being read very, very fast which no one can even understand. This statement again put the spotlight on aggressive marketing ways adopted by MFs in their ads. The Indian Mutual Fund industry has been under scrutiny due to certain MFs claiming to beat inflation; or overstating growth performance; giving poor visibility to disclaimers --- often flouting guidelines.

Guidelines were also flouted by digital distributors when they used celebrity actors for a campaign on mutual funds. AMFI had then directed all the diverse stakeholders to take SEBI approvals before using celeb.

Meanwhile, cricketing celebs Sachin Tendulkar and Mahendra Singh Dhoni continue to promote the Gen-Next of AMFI's #MutualFundsSahiHai campaign. Some TV viewers did not take too kindly to cricketers advising them on mutual funds.

Mutual fund advertising has been criticized even by some insiders who feel that some ad campaigns are over the top. The introspection is good as better sense prevails. Some players like DSP Mutual Fund have sworn to break the existing patterns and deploy a massive share for digital spends, including a majority focus on content.

**Conclusion**

Three decades since the entry of private sector mutual Fund in India but a truly differentiated and memorable campaign for a mutual fund scheme is yet to be created. There are thousands of open-ended MF schemes but they are just not advertising effectively enough! Mutual fund advertising has definitely not gone overboard but a lot more needs to be done. Post-pandemic presents a good opportunity for MFs to re-work different elements of their marketing mix and deliver an effective campaign that will achieve business goals and make a mark.