Chapter 8

Concluding Observations
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It is said that Mutual fund schemes are not bought but have to be sold and it is so as the Mutual fund investments are subject to market risks which need to be explained to the prospective investors first. No Mutual fund scheme provides any guarantee of returns. However, investors have a wide choice of schemes to choose from and can make investment in any Mutual fund scheme as per their risk-appetite. The Mutual fund houses use various advertisement media to inform, persuade and motivate the prospective investors and also appoint the distributors/agents/financial advisors who in turn, contact the investors and motivate them to invest in a particular scheme. This study has focused on the effectiveness of advertisements on investors’ behaviour with special reference to Mutual funds. The study has specifically studied the impact of TV, radio and print advertisements on the investor behaviour.

A questionnaire consisting of 22 questions on investors behaviour and 10 questions each for TV, Radio & Print advertisements was prepared and responses were obtained from 640 investors, who were regularly investing in Mutual fund schemes. After analyzing the responses, the findings of the effectiveness with respect to TV, radio and print media advertisements are as follows:

Effectiveness of TV advertisements

10 questions were put to 640 respondents with respect to the TV advertisements. After analyzing the responses of the respondents regarding Mutual fund advertisements on TV, it is observed that majority of the respondents are neutral towards the attractiveness of the TV advertisements of Mutual fund schemes. The majority of the respondents show neutral feelings towards getting any inspiration to save, after watching such advertisements on TV. With respect to the safety element in such advertisements, maximum respondents display neutral feelings. It is also seen that maximum number of respondents are neutral to the claim of high returns, some Mutual fund schemes mention in their advertisements. Most of the respondents are neutral about recommending others to invest in Mutual fund schemes after watching the TV advertisements. When asked whether they find some Mutual fund scheme advertisements convincing, most of the respondents again displayed neutral feelings. The same feelings were also observed when it was asked whether they feel, TV advertisements
are memorable. However, the majority of the respondents mentioned that emotional touch in these advertisements do attract them. While interacting with the respondents, it was found that majority of the investors of Mutual fund schemes do not want to decide to invest in a particular scheme only on the basis of the TV advertisements. They want to counter check from their own sources regarding the reputation and goodwill of the Mutual fund house and scheme, its management and the past records of their schemes. It was mentioned by few respondents that the Mutual fund houses should not spend so much of money on TV advertisements which is a costly media.

**Effectiveness of radio advertisements**

640 respondents were contacted and their responses collected regarding the impact of radio advertisements of Mutual fund schemes. It is found that the majority of the respondents are neutral towards getting effected by the radio advertisements of Mutual fund schemes. The majority of the respondents show neutral feelings towards getting any inspiration to save after listening to such advertisements on radio. With respect to the safety element in such advertisements, maximum respondents display neutral feelings. The maximum number of respondents are neutral to the claim of high returns some Mutual fund schemes claim in their advertisements. Most of the respondents are neutral about recommending others to invest in Mutual fund schemes after listening to the radio advertisements. When asked whether they find some Mutual fund scheme advertisements convincing, most of the respondents again showed neutral feelings. The majority of the respondents displayed neutral feelings, when asked whether they feel that the radio advertisements are memorable. While interacting with the respondents, it was felt that since radio is an audio media, majority of the investors of Mutual fund schemes do not listen carefully to the information being given. With the small amount of information available in the radio advertisements, most of them do not pay much heed to the advertisements. Most of them want to use other methods of getting detailed information of the Mutual fund schemes including having a personal interaction with a financial advisor. After conducting the survey regarding the impact of radio advertisements it is observed that radio as a mode of advertisements for mutual fund schemes is not an appropriate media.

**Effectiveness of Print advertisements**

A questionnaire containing 10 questions were put to 640 respondents with respect to print advertisements and the responses obtained. After analyzing the responses of the respondents
regarding Mutual fund advertisements in print media, it is observed that majority of the respondents are neutral towards the attractiveness of the print advertisements of Mutual fund schemes. The majority of the respondents show neutral feelings towards getting any inspiration to save after watching such advertisements in newspapers, magazines etc. With respect to the safety element in such advertisements, maximum respondents display neutral feelings. It is also seen that maximum number of respondents are neutral to the claim of high returns some Mutual fund schemes mention in their advertisements. Most of the respondents are neutral about recommending others to invest in Mutual fund schemes after watching the print advertisements. When asked whether they find some Mutual fund scheme advertisements convincing, most of the respondents again showed neutral feelings. The neutral feelings were also observed when it was asked whether they feel print advertisements are memorable. However, the majority of the respondents mentioned that emotional touch in these advertisements do attract them. While interacting with the respondents, it was found that majority of the investors of Mutual fund schemes do not want to decide to invest in a particular scheme only on the basis of the print advertisements. It was observed that although print advertisements of the Mutual fund schemes gave better details and information about the schemes but the standard warning was cautioning most of the investors to seek more details about the Mutual fund and the relevant scheme, from other sources. Some of the fund managers who were also contacted with respect to this study were also of the opinion that the agents and the financial advisors are more useful in marketing the Mutual fund schemes. It was also noticed that many investors found print advertisements quite attractive. However, overall, the respondents showed neutral feelings towards the impact of print advertisements of Mutual fund schemes. The Mutual fund industry today in India is highly competitive and most of the Mutual funds allocate certain budgets annually for advertising through various media.

The chapter first includes the introduction to the topic of the study. In this chapter the basics of concepts of advertising including its history, need, process and benefits to advertisers and consumers have been discussed. The unique features of advertising and objectives also form part of this chapter. A table illustrates advantages and disadvantages of various advertising media. Advertising effectiveness and its measurement also find a place. The chapter has included details of capital market, financial instruments. The concept of mutual fund, its growth and current developments in India have been discussed. The investors behaviour and the investors investment process also form part of the chapter. The various kinds of
investment options like shares, bonds, bank deposits, mutual funds also are discussed in this chapter.

In chapter second, the literature on the subject has been reviewed. While going through the literature it was observed that mutual funds which advertise do not show superior performance. However, advertised funds are attracting more money. It was also found that effective advertising strategies are of growing importance in the mutual fund industry due to keen competition and changes in the market structure. The literature review also showed that relatively few mutual funds included information such as loads, expenses ratio in their advertisements and rarely the advertisements discussed risk. One author found that mutual funds advertisements are not providing the information necessary for optimal investment decisions and is thus not serving the investors. The literature review also concluded that advertising along with the past performance significantly affect cash flows for Mutual Funds. Fund families spending more on advertising receive higher asset flows. One author has concluded that flows are higher in months with more advertising spend even for non-advertised funds. The flows dampen for poorly performing funds and vice versa. The small investors tend to be the ones, most attracted by the increased advertising and publicity.

The chapter three has discussed the research methodology duly used for the study. It includes the objectives of the study. The objectives of this research is to study, understand and analyse the impact of advertising on the investor's behaviour to evaluate the factors affecting the investors behavior on investment, study the advertisements aspects of mutual fund advertisements and analyse the investors behaviour in response to advertisements. The research is exploratory and conclusive in nature. It is exploratory because various factors and parameters influencing investor's buying behavior towards Mutual funds have been explored, using interview method. The research design is also conclusive as the effect of advertisements on the investor's buying behavior towards Mutual funds has been checked. Under conclusive research design, it was a descriptive study because it described the buying behavior of investors towards Mutual funds in the presence of advertisements through various media. For the purpose of statistical analysis of effectiveness of advertisement on investor's buying behavior related to Mutual funds, primary data was collected using a self-made questionnaire. The questionnaire had four parts – A, B, C and D. The questionnaire was distributed to a sample of 640 respondents who had invested in Mutual funds. The period of collection was from 1st April 2009 to 31st December 2010. The target population included all the investors who have invested in Mutual funds in India. The sampling frame consisted of investors of Mutual funds in NCR region. The individual investor who invested in Mutual funds was asked to fill the self
made questionnaire. The sample size used is 640 investors who invested in various schemes of Mutual funds in India. The judgment sampling technique (non probability sampling technique) was used to collect the required data. The chapter also mentions four hypotheses which were tested.

The Chapter four discusses the concept, structure, features, growth and phases of mutual fund industry in India. The benefits of investing in mutual funds have been detailed in this chapter. It also includes the types of mutual fund schemes and the concept of NAV, used for the performance, measurement and evaluations. This chapter also includes the history of mutual funds in India and also the structure and regulations of mutual funds, specified by SEBI. One table shows the AAUMs of mutual funds in the five year period from 2008-13 and the second table shows the category wise AUMs of mutual fund during the five year period from 2008-13. The role of SEBI, is also explained alongwith its regulations including the advertisement code for the working of mutual funds in India.

The chapter five talks about the investor’s investment pattern. Every investor has to appraise his risk-appetite, understand his financial goals and make investments. It is also important to analyse the risk-return trade off and then make investment decision. The investors, at large, in the mutual fund industry make investments in the various schemes of mutual funds, in view of their risk-appetite and their investment goals. Since the risk diversification is one of the unique features of mutual fund investments, the investment pattern of the investors is guided by the scheme objectives and one’s financial goals. The responses of the respondents regarding the most preferred saving instrument, prime objective for making investment, risk-appetite have been analysed. Some other responses for understanding the term “Conditions Apply”, choice of type of mutual funds, preference for investing during a particular period, tracking the performance of the scheme have also been analysed in this chapter.

In chapter six, the relations between the financial instruments and advertisements have been discussed, including the effect and role of advertisements of mutual fund schemes on the investors. The financial planning, role and functions of stock exchanges also find a place in this chapter. The advertising aspects of mutual funds in India and SEBI regulations including its advertisement code for mutual funds advertising in India has been discussed. The four hypotheses made for the study have been tested and the analysis mentioned in this chapter. The responses obtained for the study based on the questionnaire, pertaining to attractiveness of advertisements, inspiration from advertisements, feeling of safety element in advertisements, recommending advertisements to others, convincing power of
advertisements, memory retention of advertisements for TV, radio and print have been analysed in this chapter.

The Securities and Exchange Board of India (SEBI), as the regulator of Indian capital market had come out with its first mutual fund regulations in 1993 which were revised and enlarged subsequently in 1996. As per SEBI regulations the Mutual funds must adhere to the specific rules regarding the sale, distribution and advertising of mutual funds. The advertisements and the sales literature must be carefully worded and explained. With a view to ensure that an asset management company may not, in promoting its schemes, use untrue and misleading information or withhold important facts from investors, SEBI has prescribed an advertisement code.

There were four hypotheses formed. H0: There is no significant effect of advertisements (Visual, audio, print) on investor’s buying decision in mutual funds. H1: There is no difference in advertisement effect related to investors buying decision between visual media and audio media. H2: There is no difference in advertisement effect related to investors buying decision between visual media and print media. H3: There is no difference in advertisement effect related to investors buying decision between audio media and print media. The results show that there is no significant effect of advertisements (Visual, audio, print) on investors buying decision with special reference to mutual funds. The investors of mutual funds use various other ways for gathering information and finally make decision than merely concentrating on advertisements. There is significant difference in advertisement effect related to investors buying decision between visual and audio media. There is no significant difference in advertisement effect related to investors buying decision between visual and print media. There is significant difference in advertisement effect related to investors buying decision between audio and print media.

The chapter six also discusses the effect of visual, audio and print media on the investor’s behavior. Various questions were asked to the respondents and analysis has been made in this section. The analysis with regard to TV advertisements has shown that the attitude of the respondents towards the attractiveness of Mutual Fund advertisements on TV is neutral. Only 38% of respondents get attracted towards the emotional touch being shown in TV advertisements. 42% are neutral towards any inspiration from TV advertisements for Mutual fund schemes to save. 46% are neutral towards looking at the angle of safety of investments while looking at a Mutual Fund scheme being advertised on TV. 43% of the respondents are neutral towards claim of high returns being depicted in the TV advertisements. 44% are neutral to any inspiration from watching Mutual Fund
scheme advertisements on TV. 45% are neutral towards recommending advertised Mutual fund schemes on TV to others. 48% show neutral response towards getting convinced with TV advertisements of Mutual fund schemes. 43% show neutral response towards anything memorable, in the MF schemes being advertised on TV.

The responses for radio advertisements have revealed that 52% of respondents are neutral towards the depiction of emotional touch in MF schemes advertised on radio. 51% have neutral feelings towards getting inspired from the radio advertisements. 54% of the respondents are neutral to high returns being claimed by Mutual Fund schemes, advertised on radio. 53% are neutral towards getting inspired by listening to the Mutual Fund scheme advertisements. 50% respondents are neutral about any misguidance by the radio advertisements on Mutual Funds. 50% are neutral towards recommending radio advertised schemes to others. 54% show neutral response towards anything memorable in the MF scheme being advertised on radio.

The responses regarding print advertisements show that the positive attitude of the respondents towards print media Mutual Fund advertisements being attractive is 51%. 45% respondents are neutral towards the emotional touch being shown in print advertisements. 42% respondents are neutral towards getting inspired to invest in MF schemes advertised in print media. 46% are neutral towards getting any element of safety by looking at the printed advertisements. 44% respondents are neutral towards the claim of high returns being depicted in Mutual Fund schemes advertisements in print media. 46% are neutral towards getting inspired with the print media advertisements. 42% respondents are neutral towards any misguidance by the print media advertisements. 41% are neutral towards recommending Mutual Fund schemes to others which they themselves read in the print media. 44% are neutral towards getting convinced with the print media advertisements and 39% are neutral towards the Mutual Fund schemes advertisements in print media, to be memorable.

The chapter seven includes the behavioural analysis of investors, including the profile of a rational investor. The categories of various investors are also analysed here. In Chapter seven are also discussed the responses of the respondents regarding mutual fund schemes advertisements, whether they carefully see the mutual fund scheme advertisements, prime objective of making savings and investments, tracking the performance of mutual fund schemes. The Mutual fund houses use various advertisement media to inform, persuade and motivate the prospective investors and also appoint the distributors/agents/financial advisors who in turn, contact the investors and motivate them to invest in a particular scheme. This study has focused on the effectiveness of advertisements on investors' behaviour with special reference to Mutual funds. The responses show that 68% respondents consult their financial advisors and get
influenced by their advice to invest. 81% respondents watch advertisements but they are not taking investment decisions merely by seeing the advertisement and the newspaper advertisements attract the investors the most i.e. (55%). 43% of the respondents prefer reading/watching financial saving instruments advertisements in the morning breakfast time. 79% respondents do understand the term "conditions apply" that appear in the advertisement of Mutual Fund schemes. 81% of the respondents, after looking/reading the financial instruments advertisements, are interested to know more about the instruments. 56% do not read the advertisements word by word. The study also reveals that Mutual Funds have attracted 28% of the respondents as compared to 22% in Post Office schemes and 24% in bank deposits.

The majority of the investors want to earn higher returns which is possible only in MF schemes as compared to other saving instruments like bank deposits, bonds & post office saving schemes. Safety of the capital is the prime objective of 31% of the respondents. 43% respondents expect moderate returns from their investments. 53% respondents want to invest in public sector MFs, with the perception of having more trust and safety. 52% do not invest repeatedly in the same MF scheme. 56% of the respondents invest their savings in MF schemes during January-March quarter to avail the tax benefits. 55% of the respondents do track the performance of MF schemes in which they invest.

This study has shown that the investors show neutral feelings towards the Mutual fund schemes advertisements through TV, radio and print. This means that the investors do not want to take their investment decision to invest in a Mutual fund schemes, on seeing/listening to the Mutual fund scheme advertisements alone. They like to collect more information by visiting a Mutual fund office and discussing with the officers, talk to a financial advisor, discuss with friends, study the past records and at times attend a seminar.

Based on this study it can be concluded that advertisements of Mutual fund schemes and spending large amounts of money on TV, radio and print advertisements has no influence on the investors, as the investors are not taking their investment decisions on this basis. In view of the availability of a very large number of schemes and investments being made in capital market instruments, it is suggested that Mutual fund houses should strengthen their distribution network, regularly train and educate the financial advisors. They can also educate the investors by conducting workshops, seminars and special educational campaigns.

There is no denying the fact that advertisements do play a very crucial role in the marketing and promotion of Mutual fund schemes as is true with any other product. The Mutual fund houses in India are advertising various schemes, as per a very stringent advertisement code,
prescribed by SEBI. Due to the statutory requirements, it can be said that the Mutual fund schemes might not be able to communicate effectively to the investors and make a proper marketing pitch. It is suggested that the SEBI may consider relaxing some of these requirements and allow mutual fund schemes to carry their message to their prospective investors in a manner which does not hurt or endanger the decision making process.