



Majority of IFAs feel MF industry future is bright

A majority of Independent Financial Advisors (IFAs) feel that the future of the mutual fund industry is bright post the ban of entry load, reveals a survey of 622 IFAs across Mumbai and Delhi carried out by Cafemutual. When asked about the impact of the ban on entry load on the future of the mutual fund industry, 57% believe that the SEBI ban on entry loads will have a positive (37%) or no (20%) impact on the future of mutual fund industry.

Commenting on this, Prem Khatri, Founder & CEO, [Cafemutual](#) said, “Doomsday prophecies about the imminent demise of the industry were a little overdone. Even though the impact of the ban had been adverse for the earnings of IFAs in the short term, IFAs continue to be optimistic about the future of the industry.”

The survey was carried out by Cafemutual to understand the professionalism and commitment levels of IFAs against the backdrop of the ban on entry loads in mutual funds.

The other significant findings are:

Finding 1. IFAs are willing to try alternate methods of revenue.

The ban has prompted 31% IFAs to try charging fees to their clients. Significantly, 79% of those who tried were successful.

Cafemutual comment – For almost all IFAs, the only revenue they earned was from fund houses in the form of upfront or trail commissions. After the ban, some IFAs seem willing to try alternate methods of revenue, i.e. charging their clients a fee.

Even while conceding that those who tried could be the ones who were most confident, a lot of fear in the minds of IFAs about the unwillingness of investors to pay is unfounded. In fact, 70% of those who did not try to charge their investors said their clients would not pay even when asked

Finding 2. 23% of IFAs said business remains at the same level. Another 6% said business has gone up.

Cafemutual comment – It is a big challenge for most IFAs today to maintain mutual fund business at the pre-ban level.

Finding 3. ULIP sales had gone up due to SEBI ban, felt 63% of the IFAs. Only 15% felt that PMS sales had gone up due to SEBI ban.

Cafemutual comment - This confirms the widely held belief that ULIPs gained because of their ability to make huge payouts to their distributors.

Finding 4. IFAs recognize the need to maintain high degree of professionalism.

When asked, 'what is required to be a successful distributor', the top two responses were:

- Ability to identify client needs and match it with products
- Knowledge about investments and financial planning

Significantly, the eleventh and last response was - Ability to push as many products as possible on clients.

Cafemutual comment – IFAs have displayed high maturity and professionalism. We had deliberately given them a wide range of choices in order to understand their values and approach towards their business. The overwhelming choices exercised by them shows they prefer long term, value-based approach to a short-term profit-maximization approach.

Finding 5. IFAs recognize the need to strengthen relationship with clients but have no clarity about how to do it. Most client interaction is unplanned and not systematic (Over 50% IFAs said we meet the client only when there is a need).

Cafemutual comment – Most IFAs are not able to harness the power of their existing relationships because they are not able to build deeper relationships. Following a systematic approach to relationship involving basics such as following a pre-set schedule for meeting clients on an ongoing basis or updating clients on their investments is not yet a part of their routine. The need for this is even more pressing as they have a large dependence on their existing clients. See Finding 7 below.

Finding 6. Nearly 60% of IFAs get almost all their business from existing clients. Approaching friends and relatives is the second most preferred activity for growing

business. Getting referrals is most preferred activity for growing business.

Cafemutual comment – IFAs need to expand their ‘catchment areas’ and be aggressive marketers. Today, most don’t undertake ANY marketing activity. Very few have their own marketing material, newsletter or website.

Finding 7. No. 1 challenge facing distributors: in order

- Retaining existing client base
- Maintaining income at the pre ban levels
- Expanding business
- Updating knowledge & skills

Cafemutual comment – IFAs recognize that they need to raise their game to face the challenges of competition. They recognize that they need to transform their roles and move up the ‘value chain’ by acquiring knowledge and skills.

About the IFA Survey – Why & How?

The survey was carried out by Cafemutual to understand the professionalism and commitment levels of IFAs against the backdrop of the ban on entry loads in mutual funds. While they are not resourceful as compared to banks and large distributors, IFAs provide depth and reach in distribution of financial products across the country today. Focusing on the retail investor, they represent the ground zero of the Indian retail financial services landscape. Their views and opinions matter because they, the ‘last mile’ in retail financial services can make or break a brand, a product category or even an industry.

No. of IFAs covered in Mumbai & Delhi – 422 & 200.

IFAs were picked up on a random basis from AMFI database.

Closed-end, multiple choice questionnaires were administered on phone.

About Cafemutual

[Cafemutual](#) is an information company with a focus on distributors of financial services. We believe that there is an exciting opportunity in the area of providing information and education & development services to this important link in the chain of financial services.

To begin with, Cafemutual is to launch a website focused on mutual funds. This will be followed by the launch of many online and offline products.

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