



Cafemutual IFA Survey 2 – Key findings

Life post entry load ban

1. *We want regulation, say 95% of IFAs*

An overwhelming majority (95%) was in favour of being regulated. 61% felt this will help raise the standards of financial advisory business. The body/agency of choice for IFAs was AMFI (38%) followed by SEBI (27%) and a self-regulatory body of distributors (21%).
Cafemutual comment: A regulatory body for distributors will strengthen this vital link in the business by setting up clear rules and regulations.

2. *Mutual fund industry not supportive enough*

70% of the IFAs feel that the stance of the mutual fund industry on entry load ban has not been supportive of the IFAs.

Cafemutual comment: The industry players need to articulate their commitment to the concerns of the IFAs more clearly.

3. *Shifting to fee based model*

42% of the IFAs say they have started charging their client fees. 12% said they had stopped selling mutual funds altogether. 36% said they had made no change in their approach.

Cafemutual comment: The transition to a fee-based model is picking up momentum. In an earlier Cafemutual survey carried out in July, 24% of IFAs had said that they were able to charge a fee

4. *Low expectation of a reversal*

Only 26% of IFAs said that the new SEBI Chairman would reverse the decision. (Media reports about the selection of Mr. U.K. Sinha as the next SEBI Chairman had started appearing mid-way through the survey and may have influenced the final results marginally)

Cafemutual comment: Most IFAs are reconciled to the ban on entry loads.

5. *Media coverage is unfair, say most IFAs*

69% of IFAs feel that media coverage of IFAs has been unfair. However, only 30% felt it has a negative impact on their business.



Fund selection

1. Scheme push influenced by commission structure

57% of IFAs said that the commission structure was very influential in pushing products. The balance 43% said it did influence distributor push.

Cafemutual comment: This confirms the widespread belief that commission structure has a major influence on which products to push for many distributors.

2. No place for debt funds

Well performing equity funds were seen as having highest acceptance among clients, say 65% of IFAs. Only 4% of IFAs feel debt funds (NFO or existing) have the highest acceptance among their clients.

Cafemutual comment: Fund houses need to do more to ensure that debt funds get their rightful share in the clients' portfolio at the retail level.

3. Portfolio quality is criteria no. 1 in recommending schemes

For 36% of IFAs, portfolio quality is most important while reputation of fund house/manager was important to 24% and absolute returns to 24%. Rankings/ratings were important to 15%.

4. Scheme selection done by us, say IFAs.

85% of the IFAs said that only in 0-30% cases was the scheme selection done by clients. Cafemutual comment: IFAs maintain they have a significant influence over scheme selection.

Competition

1. Banks seen as competition no. 1

IFAs see banks as the biggest competition (44%) followed by online transaction platforms (39%) and stock exchange platforms (17%).

IFAs on their career and development

1. 47% of IFAs think that the career of IFA is rewarding and satisfying. 16% think it is a hopeless career.

Cafemutual comment: Clearly, many IFAs lack pride in the work that they do.



2. *Most IFAs say they draw up financial plans*

When asked what they do for their clients, 71% of the IFAs say that they draw up plans based on client needs and execute them.

Cafemutual comment: This clearly indicates that IFAs recognize that they need to be seen as advisors focused on client needs.

3. *IFAs willing to invest in education and training.*

29% of IFAs plan to enrol in a financial planning or wealth management course. In reply to another question related to their willingness to pay for training, 42% expressed their willingness to pay Rs. 5000 or more for training.

Cafemutual comment: This presents AMCs a huge opportunity to partner the IFAs. In addition to basic product knowledge, training related to business development and practice management needs to be offered to IFAs.

Research Methodology

No. of IFAs covered across the country – 373

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

Closed-end, multiple choice questionnaires were administered through email.