

Why less is more in driving funds take-up in India

IDFC Asset Management is taking a more engaging, infotainment-led approach to spreading the word about mutual funds and their role for investors. Vishal Kapoor believes this might finally deepen penetration across the country.

Analysing recent data from the Association of Mutual Funds in India (AMFI) would suggest the country had nothing to worry about when it comes to the engagement of these products in portfolios.

For example, mutual fund AUM more than doubled, from the equivalent of

not represent the full picture. Mutual fund penetration in India is, in fact, still low despite the variety of products on the market.

Indeed, SEBI has begun to suggest the need to rationalise the number of funds in certain categories.

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USD93.9 billion in March 2012 to USD196.8 billion four years later. And the total AUM of the mutual funds industry has risen five-fold in the last 10 years – hitting USD285.2 billion as of January 2017. But these numbers may

And according to Vishal Kapoor, chief executive officer of IDFC Asset Management, this kind of focus makes sense. “[As an industry], we still aren’t doing a good enough job in terms of penetrating the market.”



VISHAL KAPOOR
IDFC Asset Management

Net-net, he says, looking at the absolute numbers versus the size of the opportunity, fund houses are still just scratching the surface. “Some of this also has

to do with transactional ease as well as the KYC requirements. Simplified KYC can add significantly to attracting new mutual funds customers.”

This suggests, therefore, that investors prefer to allocate the majority of their investment dollars to other products.

“So the question for us is: if we indeed believe we offer a better solution, how can we communicate this with savers more simply and clearly?” asks Kapoor. “To me, that’s really an opportunity, and one of the areas we are focusing on.”

PULLING TOGETHER

While IDFC Asset Management is among the top 10 fund houses in India in terms of size of assets, with an AUM in the last quarter of around INR62,000 crores (just under USD10 billion), Kapoor feels more can and should be done to expand the industry’s reach.

A collective effort among market players should be on the cards, as the most sustainable way forward.

“I think there’s a lot more energy and resources required to expand the market,” adds Kapoor. “Yet, this can’t just be at an industry-wide level via AMFI; individual firms also have a responsibility to play a role for the greater good of all players.”

He is well-placed to judge both perspectives, given that until mid-2016 he had run Standard Chartered Bank’s Wealth Management division in India.

“Every time we do an investor awareness programme, it is an opportunity to get a [mutual fund] ‘convert’ interested in the whole industry, not just in an IDFC mutual fund,” explains Kapoor.

How IDFC Asset management is driving new communication channels

One Idiot – the movie

The story of Bugs uncle, an affable neighborhood uncle who, by the looks of it lives frugally and does nothing in life. The teenagers and others in his community are in for a surprise and they realize that they can learn a lot from Bugs uncle who they thought was a loser.

Bachat Nivesh Badhat

An entertaining film that helps viewers understand the benefits of saving and investing in mutual funds.

Money Wisdom

A series of videos created by IDFC Mutual Fund with best-selling author of the book “The Art Of Thinking Clearly” Rolf Dobelli, explaining human behavioral biases which influence investment decisions.

Dil Ke Ameer

A digital experience that personalises people’s dreams and makes a compelling case for investing money for things that are close to their heart.

Save your Tax

Interactive storytelling coupled with a reminder service for investors to make tax-saving investments on time, plus a customised mailing tool for advisers to send a branded reminder to clients to save tax.

SIP Pen

A pen that also demonstrates the power of compounding.

Game Changers

A creative way to demystify funds so the concepts and ideas are easier to understand as part of the overall investment journey.

LEADING WITH INFOTAINMENT

At the same time, he needs to also be focused on building his new firm’s product range. Within the last nine months, for example, it has introduced two ETFs, launched a balanced fund in late 2016 – and in the middle of demonetisation – and, in February 2017, started a credit opportunities fund, an asset class the company was not represented in.

More fundamentally in trying to address the crux of the opportunity, however, IDFC Asset Management is asking its distributors to educate end-clients with the help of movies, board games and

other campaigns that are slightly off-the-beaten track (see box). “Innovative and simple communication that gets to the end-customer through a distributor is an important focus for us,” urges Kapoor.

This can be especially effective in smaller cities, where individuals lack access. “A platform (www.oneidiot.in) has been created to help trainers impart financial literacy to individuals who need help,” he says. “The trainers have ready access to our videos, presentations and notes. They can also submit invoices of programmes conducted to simplify administration.” ■