

## MARKETING OF MF PRODUCTS THROUGH BANKS AN EMPIRICAL STUDY

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### Abstract

With the arrival of e-marketing and online sale and purchase of financial products on Internet, the Mutual Fund Agents and Non Banking Finance companies (NBFCs) are no longer the only distribution channels available today for Mutual Fund products. Thus, present day banks have become far more diversified than ever before. Their entry into Insurance and Mutual Fund business has fulfilled the long felt need of bank customers.

**Keywords:** Mutual Fund, Banks, Marketing .....etc.,

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**Introduction:**

The financial services environment has been undergoing major changes and the financial services companies have been searching for efficient distribution systems due to growing competitive pressures. These have led to price competition, emphasis on cost reduction, product differentiation and search for new distribution channels to reach customers. Not surprisingly, distribution has become a critical element in marketing strategy for selling financial products and has become a major source of competitive advantage.

The reforms in financial Sector and revolutionary developments in information technology has opened new opportunities for retail Banks in India and they ventured into several new areas like Merchant Banking, Lease and Term finance, Capital/ Equity Market related activities, Banc assurance, Hire-Purchase, Real Estate finance and Mutual Funds etc.

With the arrival of e-marketing and online sale and purchase of financial products on Internet, the Mutual Fund Agents and Non Banking Finance companies (NBFCs) are no longer the only distribution channels available today for Mutual Fund products. Thus, present day banks have become far more diversified than ever before. Their entry into Insurance and Mutual Fund business has fulfilled the long felt need of bank customers.

**Literature Review:**

**Black et al. (2006)** examined Customer's choice of financial services distribution channels. They showed that customer confidence, lifestyle factors, motivations and emotional responses influence the customer's choice, while product, channel and organizational factors such as image and reputation are also significant.

**Morrison and Roberts (2007)** highlighted the significance of product channel interactions and the need to consider the degree of congruence between a product and a channel when evaluating the factors influencing the decision to adopt or use a channel for a purchase.

Lee and Marlowe (2007) tried to provide a better understanding of how consumers choose their financial institution. Although consumer's decision-making criteria may vary dependent on their experiences, socio-economic and demographic characteristics. They found that the most important criterion that consumers use in selecting a financial institution is convenience in terms of location of office and/or other convenience features. Retail fees are the second most frequently reported decision-making criterion, followed by the range of services offered and the existing personal relationships.

### Objectives of the Study:

The Present study "Marketing of Mutual Fund Products through Banks" intends to be carried out the following objectives. They are

- a) To know the advantages due to Marketing of Mutual fund products through Banks.
- b) To identify the Investors' willingness to buy and sell Mutual fund products through retail banks.

### Methodology:

A survey through a questionnaire was conducted and the sample consisted of both male and female customers of over 18 years old, who are holding savings bank accounts with retail Banks in private, foreign and Public Sector Banks in India. Convenient Sampling was used for the survey. The questionnaire was administered to 50 customers in and around Srivaikundam Taluk of Tamilnadu. The survey was done in the month of June 2011.

### Limitation of the Study:

- (a) The Research was conducted only in Srivaikundam & surrounding suburbs. A more diverse sample across different states might show a difference in customers' attitude to distribution channels.

(b) Another limitation is the sampling technique. Convenience sampling was used in this study whereas the probability sampling is expected to give better results.

### **Advantages Due Marketing of Mutual Fund Products Through Banks:**

The following are the advantages to Banks, Mutual Fund companies and customers due to marketing and sale of mutual fund products through retail banks:

#### **(A) Benefits of Mutual Funds business to Banks:**

- a. Use of existing infrastructure.
- b. Proximity to customers & large database.
- c. Additional channel for generation of fee based revenue. As the profits are declining in the traditional banking, banks need additional non-interest income for their survival.
- d. Optimizing manpower utilization.
- e. Strengthening customer relationship.

#### **(B) Benefits to Mutual Fund Companies:**

- a. Ready-made distribution network – More than 70,000 bank branches.
- b. Access through a vast customer base, whole financial profile is known – 35 crores (0.35 billion) retail banking customers.
- c. Economy in distribution cost.
- d. Banks an effective medium to improve insurance penetration in the country.

#### **(C) Benefits to the Customers:**

- a. High skilled and trained executives to bring them the benefits of investments.
- b. Integrated financial services under one roof.

- c. Banks can meet important set of consumer needs.

### Analysis & Interpretation:

The Study relating to the demographics of the respondents were included. Specifically, gender, age, education and income were later on divided according to their current use of Mutual Fund Products: light (up to two products), medium (three to five products) and heavy users (six and above). Participants were asked to state their usage of Mutual Fund products, awareness about banks selling Mutual Fund products, Customer's willingness to buy certain Mutual Fund products from their banks was explored.

### Profile of the Respondents:

**Table 1**  
**Profile of the Respondents**

GENDER	NO OF INVESTORS
Male	36
Female	14
Total	50
AGE	
18-30	4
31-40	10
41-50	16
51-60	12
Above 60	8
Total	50
EDUCATION	
Graduates	12
Post Graduates	15
Doctorate	16
Others	7
Total	50
ANNUAL INCOME	
Below 1,00,000	3
1,00,001 -2.00.000	7
2,00,001 - 4,00,000	13
Above 4,00,000	27
Total	50

Source: Primary Data

The above table presents the profile of the customers who have already bought Mutual Fund products through their Banks. It has been observed that every respondent has bought at least one Mutual Fund product.

**Table 2**

**Profile of Investors who have already Used their bank to buy their MF Products:**

Age(Years)	18-40	40-50	Above 50	Total
No of Investors	14	16	20	50
Annual Income (RS Lakhs)	1-2 Lakhs	2-4 Lakhs	Above 4 Lakhs	
No of Investors	10	13	27	50
Education	Graduate	PG	others	
No of Investors	12	15	23	50
No of MF Bought	up to 2	5	Above 5	
No of Investors	24	18	8	50

Source: Primary Data

The table 2 identifies that the profile of investors who have already used their bank to buy mutual fund products. Among 50 investors, 24 investors already bought 2 mutual fund products, followed by 18 investors already bought 5 mutual fund products and finally 8 investors already bought above 5 mutual fund products.

**Preference of MF Products:**

**Table 3**

Preference of Mutual Fund Products	No of Investors	Percentage
Preference of Growth Fund	22	44
Preference of Income Fund	17	34
Preference of Balanced Fund	5	10
Preference of Tax Savings Fund	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the table, it can be observed that 44 percentage of the investors have preferred Growth Fund, followed by 34 percentage of the investors have preferred Income Fund. 6 investors out of 50, 12 percentages of the investors have preferred Tax Savings Fund and 10 percentages of the investors have preferred Balanced Fund.

### Reasons for buying MF Products through Banks:

The investor emphasized on personal relationship, trust and convenience as the main reasons for buying Mutual Fund products from banks instead of Mutual Fund Agents. The reasons are presented in the table given below:

Table 4

#### Reasons for buying MF Products through Banks

Reasons	No of Investors	%
Existing Relationship Trust	18	36
Convenience in terms of location	6	12
communication	2	4
Good Financial Terms	4	8
Expertise	6	12
Related Financial Services	14	28
Total	50	100

Source: Primary Data

From the table, it is interpreted that 36 percent of the investors emphasized on Existing Personal trust is the main reasons for buying MF Products from banks.

**Sources of Information:**

**Table 5**  
**Sources of Information**

Sources of Information	No of Investors	%
Awareness of selling MF	17	34
Advertisement	21	42
Bank Employees	5	10
Direct Mail	3	6
Published Material (In Branch)	8	16
Total	50	100

Source: Primary Data

It has been observed that 34 percent of the investors were aware of the fact that their bank sells Mutual Fund Products. It was reported that the Advertisement (42%), Published Material (16%), Bank Employees (10%) are the three main information sources for these investors.

**Summary of Findings:**

- 72% of the Mutual Fund investors are male, already used their banks as Mutual Fund Providers.
- 40% of the Mutual Fund investors are in the Age Group above 50.
- The Majority of the investors (54%) belongs to higher annual income that is above four Lakhs.
- The study brings out that the “Customer Relationship Management” should be the focus area for the Mutual Fund companies since as high as 90% of the customers said that they would prefer to buy Mutual Fund Products from banks due to existing personal relationship with banks. The customer relationship management will in turn help in



building “Trust” which has got highest priority from the customers.

- 44 percent of the investors have bought growth funds through banks.
- The Mutual Fund Companies should think of new media channels to reach the customers. Table 5 shows that advertisements are one of the main sources of information for customers.
- Better trained bank employees as well as the informative marketing material can give boost to business

### **Conclusion:**

The main objective of this study was to find out the response of customers towards provision of Mutual Fund products by Banks. This will help in devising further strategies in India to cross sell Mutual Fund products through the branch network of banks. In addition, there was an effort to investigate the areas of Mutual Fund products portfolio which would have better sales potential to and also to identify the profile of potential customers.

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