

A STUDY ON THE IMPACT OF MUTUAL FUND ADVERTISEMENTS ON INVESTORS IN INDIA

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ABSTRACT

The study attempts to understand the impact of the mutual fund's advertisement appeals on purchase decisions of customers. The study compares the effect of two types of appeals, i.e. emotional and rational advertisement appeals on the consumer attitude and product purchase decision. The present study is experimental in nature. The sample selected for the survey consists of 116 respondents belonging to the age group of the 18-21yrs. The data had been collected from undergraduate and graduate students studying in different University's. The questionnaire was distributed to the respondents which consist of 20 statements on a -five-point Likert scale, which judge the advertisement influence on the respondents. The study reveals that advertisement appeal, i.e. (emotional and rational) has a significant effect on the mindset of the respondents. The rational advertisement creates a feeling of fear and insecurity whereas the positive emotional advertisement gives them motivation and encouragement.

Key words: Mutual Fund, Advertisement, Investors, Emotional Appeal, Rational Appeal

INTRODUCTION

An advertisement and promotional activities are the ways by which the companies introduce them, position them, catch the attention, retain the customers, and strive to become unique among the various brands available in the market. It plays an important role in the company's success and growth. The financial industry also uses various promotion tools such as displays, discounts, attractive offers, celebrity endorsement, etc., for their excellence in integrated marketing communication strategy. The information that is shown to the customers consists of product knowledge, features, content, price, uses, quality, etc. This helps the customers to decide whether this product will match their requirements or not and further influencing their buying behaviour as well. For effective advertisement, special attention is required in the form of its content, features, product information, usage of a product, ethical aspect of advertisement and other parameters. Advertising is a way resulting in the increase of profitability of a company. The information provided by advertisement increase the sales volume and also informs the audience about the price hike which is beneficial for the company both ways. But at the same time, it is costly too; therefore, the company needs to balance between cost and benefits. With the passage of time, the competition is heated up in the advertisement sector.

In March 2017, the Association of Mutual Funds in India (AMFI) led an ad campaign that sought to demystify mutual funds, helping the industry grow significantly over the last one year. At the recently concluded annual AMFI Summit,

A Balasubramanian, Chairman, AMFI, noted that the Mutual Funds Sahi Hai campaign led to 50 lakh new people investing in mutual funds over just 12 months. That's why the TVCs for this campaign are set in everyday situations - a local train, at a parlour - and inform users that one does not have to be rich to invest in mutual funds, even Rs 500 per month will do. Mirum India built the mutualfundssahihai.com website that became a resource on all things mutual funds.

REVIEW OF LITERATURE

Mortimer (2008), stated that advertisement generally adopts the appeal which is also known as message strategy. Advertising appeal affects the consumer's attitudes and being a reason behind the consumer purchase motives (**Berkman and Gilson, 1987**). **Constantinos et al. (2016)**, found that advertisement appeal and richness in the message result in the high engagement independent of the source and content categories. **Marlino et al. (1990)**, found that the relationship between the judgment about message and need for cognition moderated by the advertisement appeal and product evaluations and message judgments mediated by the product attributes **Zanon and Teichmann (2016)**, found that advertisement effectiveness is related to the 'message appeals, sources and social norms'. The purchase intention depends upon the promotional message which is sent by an expert which expresses a rational appeal. **Goodwin and Etgar (1980)**, found that 'message appeal, amount of information provided, and type of products' should be promoted independently of each other. **Kotler and Keller (2008)**, found that message appeal includes the rational or emotional appeal that believable part of the advertisement. **Wu and Wang (2011)**, found that Rational appeal has better brand attitude as compared to the emotional appeal. **Park and Lee (2009)**, discussed the importance of message source credibility and the message appeal in order to formulate the effective message strategy. Emotional appeal is an integrative concept inclusive of entertainment, as it encompasses a wide range of emotions including fun. 'Emotional advertising has been shown to affect customers' reactions to advertisements (**Edell and Burke, 1987**), to enhance their attention (**Olney et al., 1991**) and to affect brand attitudes (Aaker et al., 1986)'. However, emotional appeals affect the emotional reactions and thus affecting the consumers' attitudes (**Holbrook and Batra, 1987**).

Mattila (1999) found that advertisements with high emotional appeals have more liking, positive attitude toward the brand, service expectations and future purchase intentions. Whereas, **Lee and Hong (2016)** found that emotional appeal does not generate the positive attitude toward the understanding expression. **Pelsmacker and Geuens (1997)**, found that emotional advertisement has increased over the time because advertisers use a refined 'emotional or image-oriented' strategy. Rational appeals focus on the thinking process of the consumer which accesses the need of the products, functionality of the product (**Leonidou & Leonidou, 2009**), reasons about brand attributes, benefits of the product (Kotler and Armstrong, 1994), etc. Some researchers such as **Holbrook (1978)**, **Aaker and Norris (1982)**, **Stafford and Day (1995)** supported the fact that rational appeals are more effective as compared to emotional appeals. **Golden and Johnson (1983)** found that rational ads providing more information are liked and directly affecting the purchase intention of the respondents.

OBJECTIVES

1. To assess the comprehensive comparison among the rational appeals and emotional appeals in case of mutual funds as financial products for convincing and effective advertising companion.
2. To find the association of the effect of the advertisement appeals on attitude and finally on purchase intention of investors while confronted to emotional and rational appeals in mutual funds advertisements.

HYPOTHESIS

- H01: Rational advertisement appeal does not have any effect on the attitude in case of mutual funds.
- H1a: A rational advertisement appeal does not have any positive effect on the attitude as compared to the emotional appeals in case of mutual funds.
- H02: Emotional advertisement appeal does not have any effect on the attitude in case of mutual funds.
- H2a: Emotional advertisement appeal does not have a positive effect on the attitude as compared to the rational advertisement in case of mutual funds.
- H03: Advertising attitude has no significant effect on purchase intention.

RESEARCH METHODOLOGY

The study is primary in nature. Therefore, in order to collect the data advertisements are shown to the youth population followed by a structured questionnaire on five-point Likert scale. This method will provide a broader description and confirmation of the results as collected by the primary questionnaire method. The experiment explored the effects rational and emotional mutual fund advertisement appeals.

SAMPLE SIZE: The research sample deals with the collection of the data with the help of the structured questions on a Likert scale (5 to 1). The respondent chosen in the study consists of the respondents who belong to the age group of the 18-21 yrs. The data had been collected from the different university's situated in Bangalore Region. The 116 young students studying in the graduate program subject participated in the study. The males present in the population were 74% whereas females were 26%. The total population was divided into four groups based on their educational background which consist of arts, management, science and commerce having 29 students each. The reason for the selection of such age group is to find out the impact of advertisement on the mindset of respondents in the early age. The respondents were shown the advertisement having messages regarding the motivation, encouragement, fear, and insecurity. Then they were given a questionnaire comprising of the questions related to their attitude towards the advertisement shown and the afterward purchase behaviour, whether there is any influence of advertisement on their investment pattern.

DATA ANALYSIS:

The respondents were shown to four different types of mutual fund advertisements. Advertisement 1 and advertisement 2 consist of the message which consists of motivation and encouragement whereas advertisement 3 and

advertisement 4 consist of the message which contains fear and insecurity regarding the investment effect in the mutual funds. After showing the advertisement they were asked whether they will invest in mutual funds. If yes which factor, they pay more attention the rational or the emotional aspect of the advertisement. The future decision of the respondents regarding the mutual fund purchase and investment decisions. After completion of the survey, gratitude was expressed to the respondent for their participation in the survey.

ANALYSIS

A t-test was conducted in order to determine the effect of the emotional and rational advertisement on the attitude towards the advertisement. The Table 1 shows the results of the one sample t-test in case of both the advertisements $P = 0.00 < .05$ which mean statistically significant.

Table 1: One-Sample Test

<i>Test Value = 1.5</i>					
	<i>Mean</i>	<i>Standard Deviation</i>	<i>T</i>	<i>Df</i>	<i>Sig. (2- tailed)</i>
Emotional adv appeal	3.5 316	1.3 136 1	6.6 17	113	.00 0
Rational adv appeal	2.3 391	1.3 768 1	16. 313	113	.00 0

Therefore, we can say that advertisement based on emotional and rational advertisement appeals have a positive effect on the attitude towards advertisement. Therefore, H01 and H02 hypothesis is accepted.

For checking the H2a, T-test was conducted to compare the result of emotional appeals with rational appeals on advertising attitude. As shown in Table 2, Levene's test for equality of variances is significant with the $F = 11.89$ and $p = 0.569$, which means that there are no significant differences between rational and emotional appeals on advertising attitude. The results are shown in the table 1, the value of the emotional appeal (3.5316) is greater than rational appeal (2.3391). Therefore, it clearly shows that emotional appeals have more significant effect as compared to rational appeals. As a result, H01a is accepted. This directly proves that H0a is rejected. Hence, the emotional appeals were found more affecting the respondents as compared to rational appeals.

Table 2: Rational and Emotional Appeals on Advertising Attitude: T-test for Equality of Means

<i>Levene's test For Equality of Variances</i>					
	<i>F</i>	<i>Sig.</i>	<i>t</i>	<i>Df</i>	<i>Sig.</i>
Advertising attitude	11.89	0.569	4.509	66.406	0.6789

Further, regression has been applied to know the significant effect on the mutual fund advertisement on purchase intention of the respondents. Results listed in the Table 3 yields that $F = 2.36$, $\text{sig} = .127$ with $\text{Beta} = 0.142$ with attitude towards advertisement ($\text{Beta} = .142$, $t = 1.5$, $\text{sig} = .127$). The results show that attitude towards advertising has significant positive effect on purchase intention. Therefore, the null hypothesis $H03$ is rejected and alternate hypothesis is accepted.

Table 3: Analysis Regression Model Summary

<i>Coefficients^a</i>					
	<i>Unstandar-dized Coefficients</i>		<i>Standar-dized Coefficients</i>		
	<i>F</i>	<i>Sig.</i>	<i>Beta</i>		
Purchase Intention	2.362	.127	.142	1.537	.127

CONCLUSION

The present research intends to contribute to the literature for the consumer buying behaviour and advertisement effects, particularly in the financial service sector. The different types of advertisement are shown by the different companies. Some of the advertisement gives the positive message regarding the investment in the mutual funds by explaining the tax benefits, high-income return, performance for the last years, etc. Whereas as per the government pressure and necessary norms as set by the ASCI, the companies have given some warning or safety measures regarding the safety of their investment which will give a rational impact. These necessary precautions give unwanted tension and create insecurity in the mindset of the investors. In our experimental research, with regard to effects of the mutual fund advertisement on the customer perception, the results showed that both types of advertisement positive and rational have a significant impact on the investors. The significant value of t-test signifies that the impact of the advertisement on the respondents. Further, it had also been seen that these types of effects had a positive effect on the psychology of the respondents towards the intention to buy the mutual funds.

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