

PSBs pushing MF products of their own fund houses

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Mumbai, 10 July

Banking customers, especially those of state-owned banks, are most likely to be advised by the sales force to invest in mutual fund (MF) products of the bank-sponsored fund house.

Prime MF Database shows public sector banks such as Canara Bank, Union Bank, State Bank of India (SBI), Bank of Baroda and IDBI Bank (recently classified as a private bank), have garnered 70-100 per cent of their MF distribution income by selling products of their bank-backed fund houses.

MF advisors say the practice may not always be in the best interests of investors. "Customers looking to buy MF products from banks should be cautious. There is a chance of mis-selling, especially if the bank-sponsored fund house has a limited product basket," said Srikanth Matrubhai, CEO of Sri Kavi Wealth.

Among PSU banks, SBI received MF distribution income of ₹487 crore in FY19. Almost 98 per cent of this came from selling products of one or both the fund houses it is associated with. SBI is a sponsor of SBI MF and also one of the sponsors of UTI MF.

However, experts added that given fund houses' wide product basket, a proper risk-profiling is likely to lead the bank's customers to a suitable product that meets their investment needs.

Meanwhile, Canara Bank got almost all of its MF distribution proceeds of ₹47.7 crore by selling Canara Robeco MF's products. Canara Bank — along with global asset manager Robeco — is a co-sponsor of the fund house.

MF advisors said investors with too many schemes of the same fund house could face concentration risk. "New investors may feel comfortable getting an MF product from their bank. However, it is not advisable to keep most of your financial assets — including MF investments — within the same group's financial entities.

Lack of diversification can also impact an investors' returns as funds managed by the same fund house can go through periods of underperformance," said Amol Joshi, founder of Plan Rupee Financial Services.

Other PSBs also followed suit. Union Bank got 98.7 per cent of its total MF distribution income (₹18 crore) by selling Union MF's products.

Bank of Baroda got 86.5 per cent of its total MF distribution income (₹18.3 crore) by selling products of one or both the fund houses it is associated with. Bank of Baroda is the sponsor in Baroda MF and among four PSU sponsors in UTI MF.

For IDBI Bank, 71.1 per cent of its total MF distribution proceeds (₹31.2 crore) came from selling products of IDBI MF.

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State-owned banks received large chunk of distribution income from bank-backed mutual funds

Bank	Sponsored MF	Distribution income (₹ cr)		
		Total	From bank-backed MF	% share in total
Canara Bank	Canara Robeco MF	47.69	47.68	99.98
Union Bank of India	Union MF	18.17	17.94	98.73
State Bank of India	SBI MF, UTI MF	487.58	478.55	98.15
Bank of Baroda	Baroda MF, UTI MF	18.35	15.88	86.54
IDBI Bank	IDBI MF	31.19	22.19	71.14
ICICI Bank	ICICI MF	355.26	232.76	65.52
Axis Bank	Axis MF	555.63	314.14	56.54
HDFC Bank	HDFC MF	496.67	167.84	33.79

Data for FY19 considered

Source: PRIME MF Database