

Impact of Celebrity Endorsement on investment Decisions in Mutual fund

Dr. Apurva A. Chauhan ^{a, #} and Ms. Niharika ^a

^{a, #} Assistant Professor

Faculty of Management Studies

Manav Rachna International Institute of Research and Studies

Faridabad-121004, India

^a Assistant Professor

Faculty of Management Studies

Manav Rachna International Institute of Research and Studies

Faridabad-121004, India

ABSTRACT

Celebrities have a profound effect on the lives of the people they are a part of. You don't have to be rich and famous to be an advocate for society; you just have to be the most famous person in your field. Celebrities are used by companies to promote their products, attract customers, and express their views. Prior to SEBI's approval, companies couldn't use celebrities to promote their financial products, but they can now do so for mutual fund investments. When fund houses started using celebrities to attract investors, this circular was the result of this shift in the industry. The goal of the current study is to determine whether or not investing in mutual funds is influenced by celebrity endorsements. There are 280 investors who participated in the study, which is primary. The data was analysed using a variety of statistical techniques, including factor analysis, confirmatory analysis, and mediation analysis. Emotional and rational advertising both influenced attitudes, according to the findings. Influential public figures serve to bridge the gap between rational and emotional appeals to the consumer's emotions.

KEY WORDS: Attitude, Investment decision, Savings, celebrity endorsement, Mediation, bootstrapping

INTRODUCTION:

In 2017, SEBI issued a circular allowing fund houses to use celebrities for endorsing the investment in mutual funds. However, the circular also stated that the fund houses should only use celebrity endorsement at industry level to promote investment in mutual funds and not for promotion of any scheme. And prior approval of SEBI is required for such advertisements including celebrities. The advertisement should show the performance of mutual funds in the form of compound annual growth rate for one year, three years, five years and since inception. The introduction of celebrity endorsement with different media campaign (TV, Digital, Print etc) have positive impact on the overall popularity of mutual fund as the MF industry's Asset under management (AUM) has grown from 17.55 trillion as on March 31, 2017 to 37.57 trillion as on 31 March, 2022 which is more than double in a span of 5 years. Sachin Tendulkar, Anjali Tendulkar, Waseem Amrohi, Palash Dutta, Rohit Hooda, Akshay Kumar etc are few names who have been used by Asset management companies to promote investment in mutual funds. Paisa Bazaar came up with a 20 second video clip featuring Akshay Kumar when they entered into online mutual funds distribution. The advertisement which displays benefits of investing in direct plans had got 1.6 million views on youtube within a few minutes of publication. There were also SMS-es going rounds which claimed "Mutual funds ke liye Paisa Bazaar Sahi hai". In this context, present research has focused on examining whether an investor's decision is converted from saving their money in bank deposits or cash on hand to investing in mutual funds after seeing the advertisement of a celebrity.

It has been found that there are two ways to market a product. First, there is the emotional advertisement, and then there is the rational one. Ads that elicit strong emotional responses from their viewers are known as emotional advertisements. Just facts and figures about the product are presented in rational advertisements. When it comes to making a purchase decision, people who are more analytical and logical are more likely to benefit from emotional advertising, while those who are more caring and compassionate are more likely to benefit from rational advertising. Variables such as exclusivity, pleasure, family, popularity and protection, true to tradition, youth, openness, modesty etc are related to emotional appeal of advertisement. Rational appeals of advertising depicts effectiveness, convenience, sophistication, use of technology, safety and productivity in a product (Albers-Miller & Royne Stafford, 1999).

LITERATURE REVIEW:

(Sharma, 2018) investigated the impact of investor-to-investor advertising appeals on Indian investment decisions. 116 people between the ages of 18 and 21 participated in this survey, which was primarily focused on collecting primary data. Students from private universities in the Mathura region were used as a test group. Respondents' attitudes toward advertisements were found to be significantly influenced by their visual appeal. Advertisement gives motivation to investors and encourages decision making. Advertising has been shown to have an impact on mutual fund cash flows (Korkeamäki et al., 2007). Ads and MF's past performance have a significant impact on cash flow, according to the study. An Indian celebrity has such a large following that any activity can be profitably exploited because of their enormous fan base. (Erdogan and colleagues, 2001) Famous people have a significant impact on consumers' purchasing decisions, which is why they are the most popular advertising tool. There is a long history of using well-known and admired individuals to promote products. Advertising a product through the use of celebrity endorsements is a strategy used by marketers to connect the product's value to the celebrity's personal brand. Using content analysis in the Indian mutual fund industry, (Kotler, 2017) analysed various aspects of mutual fund advertisements. The study's goal was to learn more about mutual fund advertisements and investors' comprehension of the information they contain. 84% of mutual fund advertisements contain detailed information about risk-return tradeoff, transaction costs and return on investment as well as information regarding dividends and principal agent relationships, according to this study. Emotional appeal and celebrity endorsement were found to be the most important aspects of advertising and investor perception. Investors' information processing and decision making were examined by (Lee et al., 2013). According to the findings, consumers' perceptions of financial information in ads are improved when financial disclosures are present. By providing disclosures in mutual fund advertising, it suggests that businesses can benefit from consumers' positive perceptions of companies. Consumers' hidden heterogeneity and emotional and rational appeals in advertising copies for sustainable marketing were discovered by (Cheong Kim, 2020). According to the findings of the study, there is a strong correlation between appeal, value, trust, satisfaction, and positive word of mouth. Emotional and rational advertising appeals have also been shown to influence hedonic and utilitarian values positively.

RESEARCH METHODOLOGY:

Objectives:

- To study the impact of **emotional advertisement** on investment decision in mutual funds.
- To study the impact of **rational advertisement** on investment decision in mutual funds.
- To examine whether **celebrity acts as a mediating role** between advertisement and investment decision in mutual funds.

Research design:

The purpose of this study is to examine the influence of celebrity endorsements on mutual fund investment decisions. It is a combination of descriptive and exploratory research in this study's research design. Describes the effect of celebrity endorsements on investment decisions, hence the term "descriptive research." Primarily collected information from consumers of various ages was used to compile the findings for this study. A total of 250 responses were gathered for this study using a random sampling method. Questionnaires have been used to collect the data for analysis. The responses of 30 consumers were gathered for the pilot study. We used data from 280 investors in three stages of factor analysis: exploratory, confirmatory, and mediation. SPSS, CFA, and structural equation modelling were used to conduct the EFA and mediation analyses, respectively.

Hypothesis for testing:

H0a: Emotional advertisement does not impact investment decision in mutual funds.

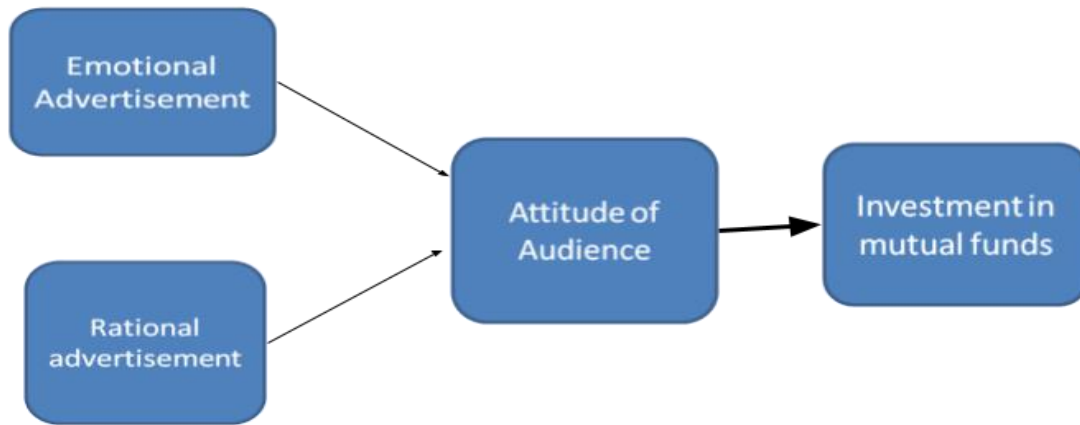
H1a: Emotional advertisement impacts investment decision in mutual funds.

H0b: Rational advertisement does not impact investment decision in mutual funds.

H1b: Rational advertisement impacts investment decision in mutual funds.

H1c: Does celebrity act as a mediating variable between advertisement and investment decision in mutual funds.

Model for Testing:



(Figure 1: Model of Mutual fund investment decision for testing; Source (Sharma, 2018))

ANALYSIS:

Study 1: Impact of Emotional and Rational advertisement on attitude of audience and investment in mutual funds.

1.1 Summary of demographic profile of respondents:

68% respondents are male and 32 % are female. 41% respondents belong to the age category of 28-37 and 35% respondents belong to the age category of 38-47. 83% of respondents are married and 18 % are single. 51% of respondents are postgraduates and 42 % are graduates. 31% respondents belong to the income group of 4 lakh to 6 lakh and 28% respondents are earning 6lakh - 8lakh annually. 50 % of respondents are doing private job and 34% are in government job.

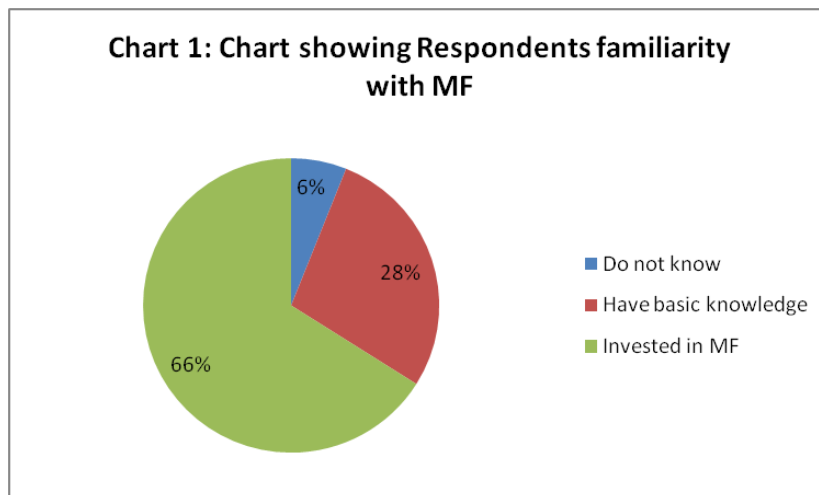
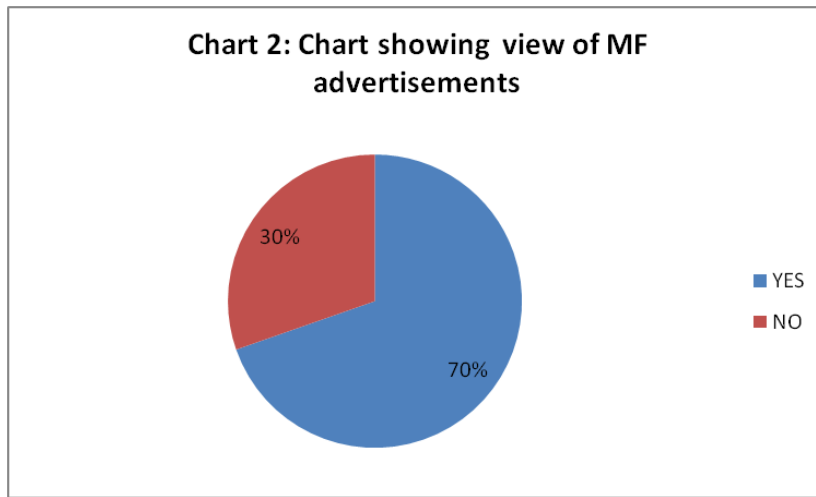


Chart 1 shows how familiar investors are with Mutual funds. It can be seen that 66 % of respondents have invested in MF , 28 % of respondents have basic knowledge about MF and only 6% of respondents don't know about MF.



It can be seen from chart 2 that 70% of respondents have seen the MF advertisement and 30% of respondents have not seen any advertisement of MF.

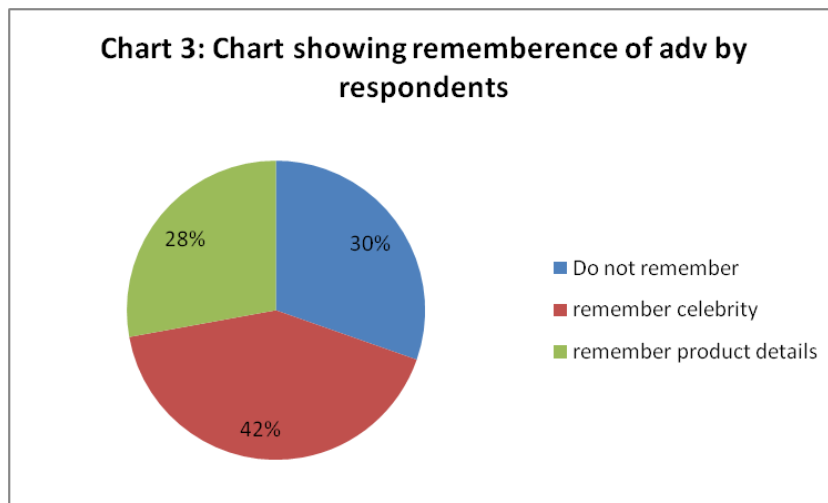


Chart 3 shows that 30% of respondents do not remember the advertisement at all, 42% of respondents remember the celebrity of the advertisement and 28 % of respondents remember the product details shown in the advertisement.

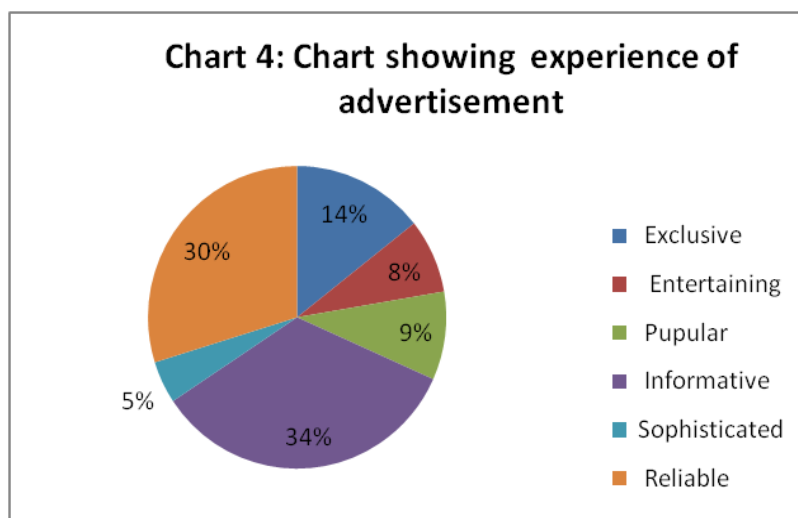


Chart 4 shows the experience of respondents while watching advertisements of MF. 34% of respondents found advertisements very informative, 30% of respondents found them reliable and very few respondents i.e 8% of respondents found it entertaining.

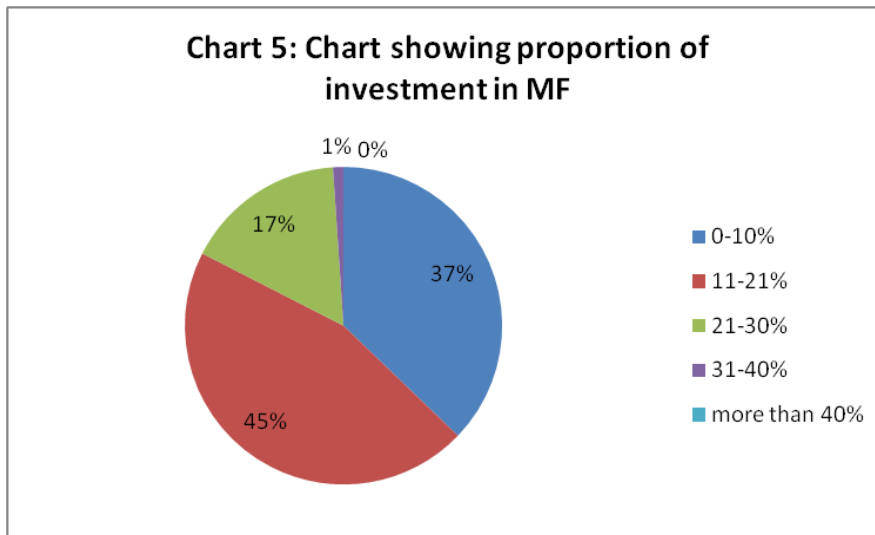


Chart 5 depicts that 45% of respondents invest 11-21% of their income in MF and 37 % of respondents invest 0-10% of their income in MF.

1.2 Cronbach’s alpha of factors : This is the first thing to keep in mind when performing an exploratory factor analysis in SPSS: the data must be categorised. A Cronbach's alpha score of 0.7 is considered acceptable in this step, according to the technical terminology. For data, a score of 0.7 is considered good, and anything higher than 0.7 is considered excellent (Hair et al. 2010). For the three factors under consideration, it is possible to obtain a cronbach's alpha value that is higher than the desired acceptable value (0.856, 0.866, and 0.989). Then we move on to the second step, factor analysis, which is the next step after accepting the data we've gathered.

TABLE 1: Cronbach’s alpha of factors

Construct	Cronbach's Alpha
Emotional Advertisement (EA)	.856
Rational Advertisement (RA)	.866
Attitude (A)	.898

1.3 Exploratory factor analysis: The reliability and factor analysis steps are the second and final steps in the exploratory analysis. SPSS is used to organise a variety of items into a logical grouping under a common nomenclature. The reliability of each of the constructs is examined in greater detail. As for the items in our data set, they were categorised into four categories: emotionally charged advertisements (EAs), rationally charged advertisements (RAs), attitudes (As), and investment decisions (ID). In each construct, the factor loadings are greater than 0.7, which is a good and acceptable result (Hair et al., 2019). According to the table, the factor loadings, mean and standard deviation for each of the items, as well as the eigenvalue, variance explained, and Cronbach's alpha for each of the constructs, are all displayed.

Table 2: Reliability Analysis

Constructs	Items	Factor loadings	Mean	Std. Deviation	Eigen value	Variance explained	Cronbach's Alpha
Emotional Advertisemen t	I expect the products shown in advertisements are different from others in the market.	.737	2.04	0.98	8.350	42.522	.856
	I enjoy seeing advertisements.	.763	3.99	1.04			
	Popular celebrity in the advertisement attracts me more.	.760	3.04	1.05			
	MFs which are shown in advertisements are safer to invest in.	.719	2.05	1.19			
	I invest in MFs after taking recommendations from family/ friends.	.770		1.16			
Rational Advertisemen t	Advertisements are feature specific in nature	.757	3.08	.565	1.242	8.677	.866
	Effectiveness of ads depends on the data shown in it.	.722	3.20	.550			
	It is convenient to make investment decisions based on advertisements.	.740	3.93	.774			
	Advertising is a useful medium for identifying a product.	.768	3.92	.757			
Attitude	My approach towards MF is positive.	.752	4.09	.699	1.668	38.460	.898
	I invest in MF.	.751	2.05	.752			
	I would like to invest in future in MF's.	.782	3.10	.751			

1.4 Confirmatory factor analysis : This is the final stage where the data which is extracted in the exploratory factor analysis process is confirmed using confirmatory factor analysis in amos. Here, the validity of the data is being assessed. There are three types of validity which are to be assessed namely, content validity, convergent validity and discriminant validity. Content validity determines how good your theoretical foundation is (Cresswell (2009), Bollen, 1989)). In order to ensure content validity, we have discussed our work and questionnaire with several academic and industry experts after which the work was continued and data was collected. Factor loadings are to be looked at for examining the Convergent validity. The items have significant loadings. (Table). We also need to look into two additional measures, i.e., Average Variance Extracted (AVE) and Composite Reliability (CR). The criteria for ensuring Convergent Validity are “ $CR > 0.70$, $CR > AVE$ and $AVE > 0.5$ ”. CR Statistics scores > 0.70 are recommended (Carmines & Zeller, 1982) to indicate adequate convergence or internal consistency. Table , depicts that the values of CR and AVE for all the constructs are significant, which confirms the Convergent validity. For, discriminant validity "the values of average variance extracted (AVE), average shared variance (ASV), and maximum shared variance (MSV) of all the three constructs are compared. Since, for all the constructs, the value of AVE is higher than ASV as well as MSV, all constructs have proven to possess discriminant validity (Hair et al., 2019). The measurement model of the study shows valid results for discriminant validity (Table).The results prove that the measurement model like content, convergent and discriminant validity are satisfactory. The results which confirm the model fit of the data are also satisfactory and acceptable (table).

TABLE 3: Results of validity measurement

	CR	AVE	MSV	ASV	EA	RA	A	ID
EA	0.930	0.573	0.530	0.440	0.757			
RA	0.816	0.531	0.486	0.274	0.697	0.729		
A	0.919	0.539	0.530	0.316	0.728	0.515	0.734	
ID	0.907	0.585	0.304	0.176	0.551	0.269	0.389	0.765

TABLE 4: CFA results for model

Model	CFI	RMSEA	TLI	NFI	Df	p value
Model 1	.901	.080	.968	.810	4.954	0.00

Study 2: Celebrity endorsement as mediating variable between emotional, rational advertisement and attitude:

We are primarily interested in determining the role of celebrity endorsement as a mediating variable between emotional, rational advertising and attitude in this section of the study. The first criterion that must be met when conducting a mediation analysis is that there must be a significant impact on attitude from both emotional and rational advertising messages. In the figure and table, the direct and statistically significant effect of emotional and rational advertising on attitude is depicted. Researchers discovered that both constructs had a significant influence on attitude. Following the fulfilment of the criteria for mediation, we proceed to examine the role of celebrity endorsement as a mediating variable in the relationship. Celebrity endorsement is shown to act as a partial mediating variable between emotional, rational advertisement and attitude in the figure and table. This indicates that, in addition to factors such as feelings and emotions, price, and features, celebrity endorsement plays an important role in influencing investment decisions.

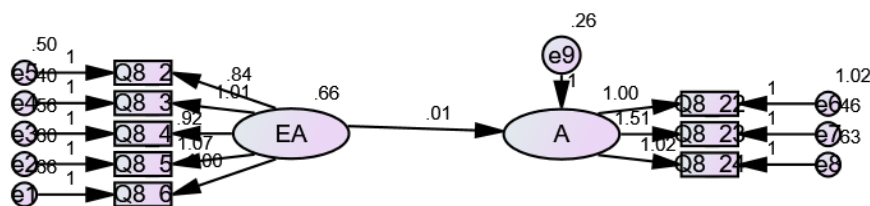


Figure 2: Impact of emotional advertisement on attitude

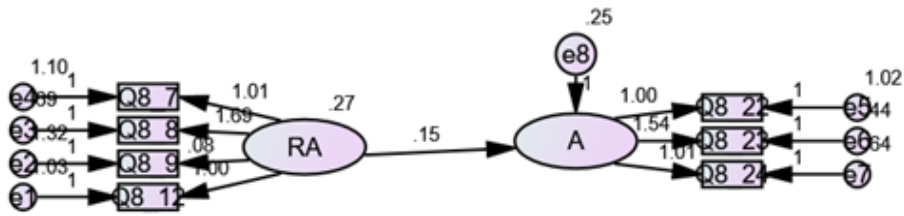


Figure 3: Impact of rational advertisement on attitude

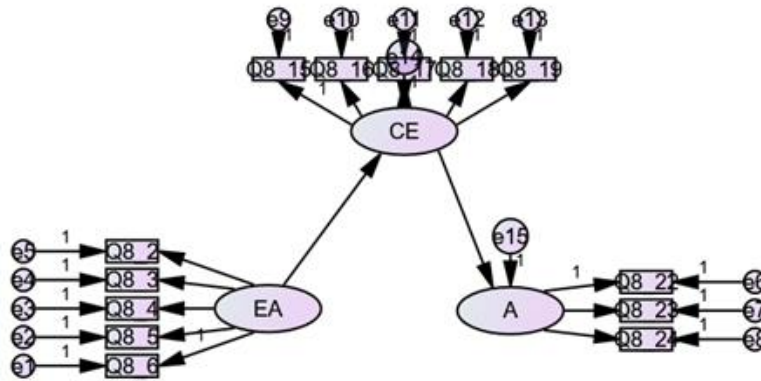


Figure 4: Celebrity endorsement as mediating variable

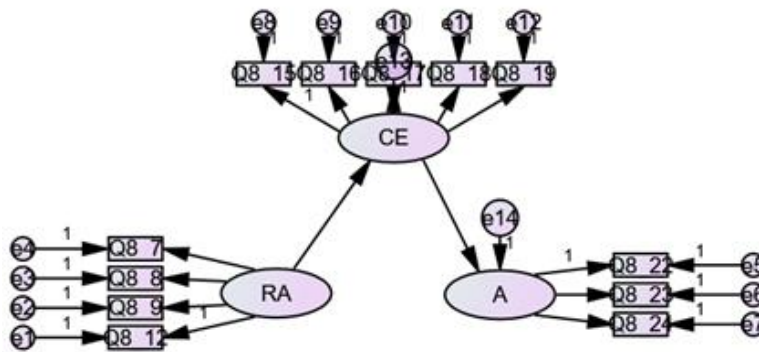


Figure 5: Celebrity endorsement as mediating variable

Table 5: Mediation result summary

Structural Relationship	Direct without mediation	Direct with mediation	Std. Indirect Sig. (Bootstrap)	Decision
EA→CE→A	.460 (***)	.348(***)	.005	partial mediation
RA→CE→A	.632 (***)	.361(***)	.005	partial mediation

CONCLUSION AND DISCUSSION:

Many factors influence investment decisions, including the demographic profile of investors, economic indicators of the country, various analytical tools, expert opinions, family/friends' recommendations, and so on, among other things. Additionally, the current study seeks to investigate celebrity as one of the factors influencing investment decisions. Since celebrities play a dominant role in the lives of their audiences, they have the ability to influence them in a variety of ways. According to the researchers, they want to know whether celebrity endorsements have an impact on investment decisions in mutual funds or not. According to the findings of the study, both emotional and rational advertising have a significant impact on attitudes, which in turn have an impact on investment decisions. Second, our research discovered that there is a partial mediation of celebrity endorsement between emotional, rational advertising, and attitude, which is supported by previous research. According to the findings of the study, celebrities are simply carrying out their obligations to raise awareness about the industry and its products. When making investment decisions, investors should always take into account a variety of analytical techniques, such as technical analysis and fundamental analysis of financial instruments. Furthermore, celebrities are not only associated with branded products and services; they also play an important role in increasing the value of a company. Investors are enticed to purchase the stock on the basis of the presumed trustworthiness of the endorsers without first conducting due diligence. Brand and advertising decisions can be based on this phenomenon, and the return on investment of marketing operations can be increased for their companies as a result of this phenomenon.

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