# The Curious Case of Fewer Financial Advisers and What to Do About It

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Published 25 Mar 2024

Good financial advice seems to be hard to get. Turns out, it's tougher to get hold of a financial adviser in the first place.

Amid the widening gulf between the numbers of investment advisers and those entering the markets or ploughing their money into mutual fund schemes, others are stepping into the role of providing financial literacy.

Latest data available with the Financial Planning Standards Board shows 2,731 investment advisers registered with the Securities and Exchange Board of India for over 85 million investors on the National Stock Exchange. That's roughly equivalent to one SEBI-registered adviser for every 31,000 investors.

As a result, investors tend to seek advice from mutual fund distributors, which can pose conflict of interest. Vishal Dhawan, a certified investment adviser at Plan Ahead Wealth Advisors, cited three major reasons—or headwinds—for the same.

“In a role where you're purely giving advice, there is a steep net worth requirement, which we think isn't required because you're never touching the funds of an investor that gets invested directly into a financial instrument,” Dhawan told NDTV Profit.

“The second is the re-certification examination that needs to be taken every three years,” he said. “And this exam doesn't have a high pass rate.”

And thirdly, an individual needs to be a two-year post-graduate holder in specific areas for a minimum period of two years, which has its limitations, as there are several aspirants holding quality one-year degrees.

“Clients aren't as willing to pay fees upfront,” she said. “Somehow, the investment psychology has been that it's okay to give commissions that are hidden in the NAV (net asset value) of mutual funds.”

Shah flagged lack of financial literacy and stringent compliance processes set by SEBI as other major issues. “Another is about compliance, there are lots of processes set by SEBI that an adviser needs to follow,” Shah said.

However, she said processes by SEBI have been made “clearer” by the regulators, helping the community.

**No Fiduciary Responsibility**

Advisers said mutual fund distributors don't have a fiduciary responsibility like a financial adviser.

“A mutual fund distributor isn't providing a service which is ‘conflict-free’, which an investment adviser does,” Shah said. “And that is why it is very important to segregate the two, as the two are different business models.”
Even the market regulator has set regulations for investment advisers, who can only earn through advisory and not through portfolio management services.

Ratnashree Karra, another investment adviser, concurred. She said mutual fund distributors and financial planners have different roles. “When you talk about penetration in markets, you do need mutual fund distributors. But when you are looking at behavioural change, I think a lot of that happens through a financial adviser.”

“Hence, it is never investment advisers versus mutual fund distributors,” Karra said.