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Role of Financial Advisors in Guiding Investment Choices Between Ulips and Mutual Funds: Evidence from Southern Rajasthan

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ABSTRACT:
In the evolving Indian financial ecosystem, retail investors often face complexities in selecting appropriate investment instruments, particularly between Unit Linked Insurance Plans (ULIPs) and Mutual Funds. This study examines the role of financial advisors in shaping investor preferences between these two market-linked products, with a specific focus on the semi-urban region of Southern Rajasthan. A descriptive research design was adopted, and data were collected through a structured questionnaire from 200 retail investors, including 97 ULIP holders and 103 Mutual Fund investors who had interacted with financial advisors. The findings show that advisors play a major role in shaping investment choices, with a noticeable tendency to guide investors towards Mutual Funds. Advisors make financial decisions easier to navigate, yet worries remain about partial recommendations and the limited awareness many investors have of product features. The study points to the importance of tighter regulatory oversight, broader financial education, and greater transparency in advisory practices to ensure protection and support well-informed decisions. Statistical analysis showed that advisor influence, clarity, and bias are closely connected. While advisors increase financial understanding, they can also raise doubts about fairness when their guidance seems driven by commissions. Furthermore, Mutual Fund investors noted stronger advisor influence, a clearer grasp of product details, and a higher sense of bias compared with those investing in ULIPs.

Keywords: Financial Advisors, ULIPs, Mutual Funds, Investor Preferences, Semi-Urban Finance, Southern Rajasthan

1.1 INTRODUCTION:

Investment plays a vital role in wealth creation and financial security within India's changing economic landscape. With rising incomes and greater awareness, more people are turning to Unit Linked Insurance Plans (ULIPs) and Mutual Funds.

Although ULIPs and Mutual Funds are both market-linked and aimed at capital appreciation, they differ in structure, flexibility, cost, and overall benefits. For investors in semi-urban parts of Southern Rajasthan, choosing between the two can be challenging and is often shaped by the advice of financial professionals. In recent years, the role of financial advisors has become more prominent as products have grown increasingly complex and regulatory demands more rigorous. Acting as intermediaries, they guide investors towards financial opportunities, offering advice and support throughout the decision-making

process. Their work depends on trust, as they are expected to recommend options that match personal financial objectives. Yet conflicts of interest and unequal access to information can sometimes produce biased guidance. This concern is especially relevant in areas with lower financial literacy, where reliance on personal advice often outweighs the use of digital platforms.

ULIPs are issued by insurance companies and combine life cover with investments in equity or debt funds. They are primarily intended for long-term purposes such as education, retirement, or wealth accumulation, and include a five-year lock-in period along with charges like fund management and mortality fees. Mutual Funds, administered by Asset Management Companies, are focused solely on investment and provide a variety of choices, ranging from low-risk debt funds to high-risk equity funds. They are valued for their liquidity, transparency, and relatively lower costs. Selecting between these products involves weighing factors such as risk, expected returns, taxation, and investment horizon, with many investors turning to advisors for clarification.

Southern Rajasthan reflects a mixed scenario, with cities such as Udaipur experiencing financial development while smaller towns continue to struggle with limited financial inclusion. In these areas, investors often look to local advisors, agents, or banks for support. Advice grounded in trust and cultural understanding tends to carry more weight than independent analysis. At the same time, financial institutions actively market ULIPs and Mutual Funds through a range of channels, which further strengthens the role of advisors in interpreting and explaining these products.

While digital platforms and robo-advisors are expanding, traditional advisors still hold a central role in semi-urban markets. Their influence raises questions about whether guidance genuinely reflects investor needs or is shaped by incentives. Analysing this relationship offers insights into investment behaviour and financial inclusion, while emphasising the importance of transparency, ethical practice, and stronger regulatory frameworks..

1.2 REVIEW OF LITERATURE

1. **(Akshay *et al.*, 2024)** The study found that there was an absence of market timing abilities in most of the 58 top 5-star rated mutual funds during the COVID-19 period, as indicated by the application of the Treynor–Mazuy (TM) and Henriksson–Merton (HM) market timing models. The research provided insights for investors, enabling them to make more rational investment decisions in mutual funds during abnormal market conditions, and highlighted the need for fund managers to reconsider their portfolio strategies during turbulent market times.
2. **(Akshatha, 2022)** The study found that stock selectivity and market timing coefficients were positive and significant in less than 25% of the sampled Indian equity diversified mutual funds, indicating that only a small fraction of fund managers demonstrated effective skills in these areas. Notably, there were no significantly negative stock selectors identified among the funds analyzed. The research revealed strong evidence of "wrong" or "perverse" market timing among the fund managers, suggesting that they often made poor timing decisions. Additionally, a negative correlation between stock picking and market timing coefficients indicated that fund managers struggled to excel in both capabilities simultaneously.
3. **(Onur Kemal *et al.*, 2022)** The research findings indicate that mutual fund managers exhibit asymmetric abilities in buying and selling stocks, with superior selling skills being a key determinant of overall mutual fund performance. Fund managers who excel in selling are also better at buying stocks, leading to significantly higher aggregate returns, while those who are good buyers do not

necessarily possess strong selling skills, resulting in lower overall returns. The study provides strong evidence that the lack of overall mutual fund performance documented in previous literature is obscured by the distinct buying and selling skills of fund managers. It highlights that good buyers and sellers tend to maintain their performance over time, while poor buyers and sellers do not show persistence in their negative abilities, suggesting that behavioral biases may significantly impact selling decisions.

4. (**Jonathan *et al.*, 2020)** Net alpha, which measures the abnormal return of an extra dollar invested in a mutual fund, is not an appropriate measure of mutual fund manager skill. Instead, the authors propose that value added, defined as the product of gross alpha and the size of the fund, is a more accurate measure of mutual fund manager skill. The authors emphasize that the set of real-time available index funds should be used as the relevant counterfactual for assessing the skill and performance of investment managers, rather than relying on nontradable factors constructed with hindsight, which do not provide a realistic benchmark.
5. (**Li *et al.*, 2017)** The research findings indicate that Chinese mutual fund managers demonstrated significant abilities to time market returns, volatility, and market liquidity from 2001 to 2011. The study reveals that top timers outperform bottom timers by 6–7% annually in out-of-sample tests, highlighting the practical implications of their timing skills. The paper also confirms that the timing measures are robust across various tests, suggesting that these skills can provide economic value to investors. Additionally, the correlations between the three types of timing abilities (return, volatility, and liquidity) are generally positive, indicating that a mutual fund manager proficient in one aspect is likely to excel in the others as well.
6. (**Chunhua & Russ, 2016)** The paper finds that the average U.S. domestic equity mutual fund exhibits significant market timing skills, with an overall abnormal return of about 1.2% per year. This is composed of a positive contribution of 2% per year from cash-flow timing, indicating that some fund managers can effectively forecast changes in economic fundamentals, while discount-rate timing results in a negative contribution of -0.8% per year, reflecting the unpredictability of investor sentiment. The research identifies that funds in the top quintile based on the sum of cash-flow and discount-rate timing components achieve approximately 2.5% total market timing abnormal returns over the following year. This suggests that the methodology used in the paper, which separates cash-flow timing from discount-rate timing, enhances the detection of funds with superior timing abilities, addressing limitations in prior research that failed to find significant timing skills.
7. (**Meifen *et al.*, 2014)** Managers ranked highest on the manipulation-proof performance measure (MPPM) in the current quarter achieve the largest fee-adjusted fund returns in the following quarter, indicating that these managers possess superior stock picking skills. They tend to hold younger, smaller, lower book-to-market, and momentum stocks. Implementing long positions in the stocks added and short positions in the stocks removed by the highest ranked managers can lead to an outperformance of 12 basis points over the lowest ranked managers in the subsequent quarter, although the higher ranked managers' fund returns are insufficient to cover their frequent transactions and higher expenses, resulting in positive alphas.
8. (**Grant *et al.*, 2013)** The research identifies that mutual funds exhibit selectivity in their trades, as evidenced by their tendency to tilt portfolios towards better performing stocks when buying stocks with high sentiment betas before an increase in investor sentiment, and conversely, when selling stocks before a decrease in sentiment. This selectivity is statistically significant and exceeds random

expectations. The study also reveals that fund managers who incorrectly time investor sentiment tend to demonstrate poor stock selection, which contributes to the observed frequency of both good and bad selectivity in their trading behavior, thereby allowing the method developed to effectively distinguish between genuine skill and luck in stock selection.

1.2.1 RESEARCH GAP

On the basis of thorough analysis of reviews collected and presented above, the following gaps have been identified:

1. Limited Regional Studies on Advisor Influence in Semi-Urban Areas: Most existing literature on financial advisory practices is concentrated in urban metros or national-level studies. There is a noticeable gap in empirical research that specifically focuses on the role of financial advisors in semi-urban and developing regions like Southern Rajasthan, where financial awareness and investor behaviour may be distinctly different.
2. Insufficient Comparative Insight on Advisory Bias Towards ULIPs or Mutual Funds: While several studies examine investor preferences or the performance of ULIPs and Mutual Funds independently, very few explore how financial advisors influence the comparative selection between these two products. There is a need to understand whether advisors objectively present both options or exhibit a bias influenced by commissions or institutional pressure.
3. Lack of Behavioural Understanding of Investors' Trust in Advisors: Existing studies often assume that investors base decisions on product features or market information. However, the behavioural dimension of trust, dependency, and advisor client relationships especially in smaller towns remains underexplored. There is a gap in understanding how much investor preference is shaped by personal trust in financial advisors, rather than factual understanding of the investment products.

1.3 RESEARCH METHODOLOGY

Research Objective

The following were the research objectives

1. To study the relationship between advisor influence, clarity of information, and investor perception of bias.
2. To identify whether greater reliance on advisors leads to improved clarity or greater perception of bias among retail investors in semi-urban Rajasthan.
3. To provide suggestions for improving advisory practices, enhancing transparency, and strengthening investor education.

Research Design: The study employs a descriptive and analytical research design, adopting a quantitative approach to evaluate investor opinions and the perceived role of financial advisors in shaping investment decisions. This approach is well suited to exploring both the preferences of investors and the reasons behind those choices in relation to advisor influence.

Study Area: The study is geographically confined to Southern Rajasthan, including cities and towns such as Udaipur, Banswara, Chittorgarh, Dungarpur, and Rajsamand. This region was chosen due to its blend of growing financial awareness and continued reliance on personal advisory networks.

Population and Sample: The target population includes retail investors who have invested in or considered investing in either ULIPs or Mutual Funds and have interacted with a financial advisor before making investment decisions.

Sampling Technique: A purposive sampling technique was used to identify relevant respondents who have exposure to both ULIPs and Mutual Funds or have made a comparative choice, also who have received advice from a financial advisor.

Sample Size: The study aimed for a sample size of 200 respondents, ensuring diversity across age, occupation, and income groups.

Data Collection Method: The study can be identified predominantly a Primary one, which was collected through a structured questionnaire designed with a 5-point Likert scale to measure investor perceptions, advisor influence, product understanding, and satisfaction levels. Secondary Data was used to collet reviews and deepen understanding on the topic.

1.4 LIKERT STATEMENT

For the purpose of statistical workings, a set of 14 Likert statements was crafted and presented to respondents on a five-point Likert set ranging between strongly disagree to strongly agree.

1.4.1 Likert statement for Advisor Influence on Product Choice

1. I rely heavily on my financial advisor's recommendations before choosing an investment product.
2. I would have made the same investment decision even without a financial advisor.
3. My advisor influenced me to choose a ULIP instead of a Mutual Fund.
4. I feel confident in my financial decisions when they are made with the help of an advisor.
5. My investment decisions are based more on advertisements than on advisor suggestions.
6. I switched my investment choice after consulting a financial advisor.
7. I was influenced more by peer advice than by professional financial advice.

1.4.2 Likert statement for Clarity & Awareness Improvement

1. My financial advisor clearly explained the differences between ULIPs and Mutual Funds.
2. I understand the cost structure (charges/fees) of the product I invested in.
3. I was not aware of Mutual Funds before speaking to my financial advisor.
4. I believe that financial advisors help simplify complex financial products for investors like me.

1.4.3 Likert statement for Bias in Recommendations

1. Financial advisors often recommend products that are best for their own commission earnings.
2. My advisor provided unbiased information about both ULIPs and Mutual Funds.
3. Financial advisors in my area provide customized investment guidance.

1.5 HYPOTHESES TESTING

For the purpose of achieving the above-mentioned research objectives, a total of six hypotheses has been framed

H_{01}: There is no significant relationship between Advisor Influence on Product Choice and Bias in Recommendations and Clarity & Awareness

For the purpose of testing the hypothesis mentioned above, the primary data collected with the help of a Likert statement was averaged for each respondent, and the Mean Score for the three variables was ascertained, which were labelled as Advisor Influence on Product Choice, Bias in Recommendations and Clarity & Awareness.

Table 0.1: Correlation among Advisor Influence, Bias, and Clarity

		Advisor Influence	Bias	Clarity
Advisor Influence	Pearson Correlation	1	.144*	.201**
	Sig. (2-tailed)		.042	.004
	N	200	200	200
*. Correlation is significant at the 0.05 level (2-tailed).				
**. Correlation is significant at the 0.01 level (2-tailed).				

As depicted in the above table, the following result was revealed

Advisor Influence is positively related to Bias ($r = .144$, $p < 0.05$), indicating that as investors' dependence on advisors increases, their perception of bias also grows.

Advisor Influence is positively related to Clarity ($r = .201$, $p < 0.01$), indicating that when reliance on advisors increases, investors also experience better clarity and awareness.

Bias is positively related to Clarity ($r = .235$, $p < 0.01$), indicating that as advisors explain more clearly, investors also become more conscious of bias, perhaps because transparency reveals hidden costs or commission-driven motives.

The correlation results confirm that advisor influence, clarity, and bias are interconnected. Advisors are essential in shaping financial understanding, yet their role carries a dual effect, improving awareness but also raising questions of fairness

H_{02}: There is no significant difference between ULIP and Mutual Fund investors in their perception of Advisor Influence on Product Choice and Bias in Recommendations and Clarity & Awareness.

For the purpose of testing the hypothesis mentioned above, the primary data collected with the help of a Likert statement was averaged for each respondent, and the Mean Score for the three variables was ascertained, which were labelled as Advisor Influence on Product Choice, Bias in Recommendations and Clarity & Awareness.

Table 0.2: Group Statistics

	Group	N	Mean	Std. Deviation	Std. Error Mean
Advisor Influence	ULIP	97	3.8229	1.26006	.12794
	MF	103	4.1674	1.18157	.11642
Bias	ULIP	97	3.8801	1.19116	.12094
	MF	103	4.2996	1.11656	.11002
Clarity	ULIP	97	3.6874	1.22095	.12397
	MF	103	4.3107	1.13603	.11194

Table 0.3: Independent Samples Test among ULIP and Mutual fund investors

		Advisor Influence		Bias		Clarity	
		Equal variances assumed	Equal variances not assumed	Equal variances assumed	Equal variances not assumed	Equal variances assumed	Equal variances not assumed

Levene's Test for Equality of Variances	F	.688		1.617		2.476	
	Sig.	.408		.205		.117	
t-test for Equality of Means	t	-1.996	-1.992	-2.571	-2.566	-3.740	-3.732
	df	198	194.982	198	194.966	198	194.603
	Sig. (2-tailed)	.047	.048	.011	.011	.000	.000
	Mean Difference	-.34453	-.34453	-.41951	-.41951	-.62339	-.62339

As depicted in the above table, the following result was revealed
Advisor Influence differs between the two groups. Mutual Fund investors (M = 4.16) reported higher advisor influence than ULIP investors (M = 3.82), and this difference is significant ($p < 0.05$).
Bias also shows a difference. Mutual Fund investors (M = 4.29) perceived more bias compared to ULIP investors (M = 3.88), which is statistically significant ($p < 0.05$).
Clarity presents the strongest difference. Mutual Fund investors (M = 4.31) experienced greater clarity than ULIP investors (M = 3.68), and this difference is highly significant ($p < 0.001$).
The independent t-test results show that the type of investment product influences how advisors are perceived. Mutual Fund investors feel stronger advisor influence, better clarity, and higher bias compared to ULIP investors. This underlines the need to ensure that advisors act transparently and balance clarity with fairness in their recommendations.

1.6 FINDINGS:

On the basis of work done above, following findings have been extracted:

1. Financial advisors play a significant role in shaping investment decisions: A majority of investors reported relying on their financial advisor's guidance when choosing between ULIPs and Mutual Funds, indicating a strong dependence on personal advisory over independent decision-making.
2. Advisor influence often leads to a preference for Mutual Funds over ULIPs: Several respondents acknowledged that advisors influenced them toward mutual funds, suggesting that commission structures or institutional bias may impact product recommendations.
3. Investors lack full clarity regarding product features and charges: While many felt confident after receiving advice, responses show that understanding of cost structures and unbiased product comparisons remains limited, with a neutral stance on whether information was clearly communicated.
4. There is moderate trust in advisors, but concerns about biased recommendations exist: Though investors view advisors as helpful in simplifying complex financial concepts, a significant number believe that product recommendations are often driven by the advisor's own earnings rather than investor benefit.
5. Peer influence and advertisements play a minimal role in investment decisions: Most respondents strongly disagreed with relying on peer or promotional advice, indicating that professional advisors remain the primary and most trusted source of investment guidance in the region.

6. The correlation results revealed that advisor influence, clarity, and bias are interconnected. Advisors are essential in shaping financial understanding, yet their role carries a dual effect, improving awareness but also raising questions of fairness.
7. The independent t-test results show that the type of investment product influences how advisors are perceived. Mutual Fund investors feel stronger advisor influence, better clarity, and higher bias compared to ULIP investors. This underlines the need to ensure that advisors act transparently and balance clarity with fairness in their recommendations.

1.7 CONCLUSION:

The research highlights that financial advisors play a central role in guiding investment choices between ULIPs and Mutual Funds in Southern Rajasthan. A large proportion of investors depend heavily on their advisors' judgement, with Mutual Funds most often put forward as the preferred option. This support helps simplify difficult financial decisions and provides reassurance, but it also brings issues of transparency to light. Many investors still lack clarity about product charges and sense a degree of bias in the advice they receive. Advisors therefore occupy a dual position: they raise financial awareness while at the same time creating doubts about fairness when their guidance appears to be shaped by commissions. Peer influence and advertising were found to have little effect, underscoring the strong influence advisors hold in directing investment behaviour in the region. The study concludes that financial advisors are indispensable in the decision-making process, but their real value depends on delivering clarity alongside ethical responsibility to ensure investor interests are protected.

1.8 SUGGESTIONS

Based on the above findings, the following suggestions have been incorporated that aim at improving the context:

1. Strengthen Regulatory Oversight on Advisor Conduct: Introduce stricter guidelines and transparent disclosure norms to ensure that financial advisors recommend products based on investor needs rather than commission incentives.
2. Promote Investor Awareness Through Localised Financial Literacy Campaigns: Organising focused financial education initiatives in local languages across Southern Rajasthan to enable investors to evaluate the advantages and disadvantages of ULIPs and Mutual Funds on their own.
3. Mandate Comparative Product Disclosure Formats: Requiring financial advisors to present standardised comparisons of investment options, including risk, cost, lock-in period, and returns, so investors can make better-informed choices.
4. Accredit and Train Financial Advisors Regularly: Introducing mandatory training, certification, and regular evaluations to ensure advisors stay informed, act without bias, and keep their recommendations centred on the interests of investors.
5. Encourage Digital Advisory Support with Human Oversight: Creating hybrid advisory systems that blend personalised human guidance with automated, data-based comparisons to minimise bias and enhance transparency in product selection.

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