

# A STUDY OF INDIVIDUAL INVESTOR'S CHOICES IN TRADITIONAL FINANCIAL INSTRUMENTS IN MUMBAI'S EASTERN SUBURBS

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## ABSTRACT

Investment decisions are deeply influenced by an individual's perception of risk, income level, and financial awareness. Despite the increasing diversification of financial markets, traditional investment instruments such as fixed deposits, life insurance, gold, and provident funds remain dominant choices for Indian investors. This study aims to analyze the preferences of individual investors residing in Mumbai's eastern suburbs and the factors affecting their investment decisions. Using a descriptive research design, data were collected from 100 respondents through structured questionnaires. The findings indicate that safety, guaranteed returns, and tax benefits are the major reasons for preferring traditional investments. While awareness of modern investment options exists, investors remain risk-averse and continue to value capital protection over higher returns. The study emphasizes the importance of financial literacy and suggests that balanced portfolios combining traditional and modern investments could yield optimal results. This paper contributes to understanding investor behavior and provides insights for policymakers and financial advisors to enhance investor participation across various instruments.

Keywords: Investment Behavior, Traditional Instruments, Risk Perception, Financial Literacy

## INTRODUCTION

Investment plays a vital role in financial planning and wealth accumulation. In India, traditional instruments such as fixed deposits, public provident funds, gold, and life insurance policies have long been considered safe investment avenues. These instruments are preferred by individuals who seek stability and assured returns. Despite the emergence of new financial products, investors in Mumbai's eastern suburbs—covering regions like Ghatkopar, Chembur, and Mulund—still show a conservative approach towards investment. The present study explores the reasons for such preferences and identifies the socio-economic factors influencing these decisions.

## STATEMENT OF THE PROBLEM

Although modern financial instruments offer potentially higher returns, many investors continue to rely on traditional options. There exists a gap between awareness and actual adoption of new investment avenues. This study seeks to understand the reasons behind the persistent preference for traditional financial instruments among individual investors in Mumbai's eastern suburbs.

## OBJECTIVES OF THE STUDY

1. To identify the preferred traditional financial instruments among individual investors.
2. To analyse the factors influencing investment decisions in traditional instruments.
3. To assess the level of awareness regarding modern investment alternatives.
4. To study the relationship between demographic factors and investment preferences.
5. To provide suitable suggestions for improving financial literacy and diversification.

## NEED OF THE STUDY

This study is necessary to understand why a significant number of investors still depend on traditional instruments despite financial modernization. Identifying their motivations will help financial institutions, policymakers, and educators design strategies that promote awareness and balanced investment practices.

## BENEFITS OF THE STUDY

1. Helps investors make informed financial decisions.
2. Assists financial planners in understanding investor psychology.
3. Provides insights for policymakers to improve financial inclusion programs.
4. Supports academic research in behavioural finance.

## LIMITATION OF THE STUDY

1. The study is restricted to Mumbai's eastern suburbs.
2. Sample size is limited to 100 respondents.
3. Data collected may contain respondent bias.
4. The focus is confined to traditional financial instruments only.

## HYPOTHESES OF THE STUDY

### Null Hypotheses (H<sub>0</sub>)

H<sub>01</sub>: There is no significant relationship between demographic factors (age, gender, income, education) and the preference for traditional financial instruments.

H<sub>02</sub>: There is no significant difference in the level of awareness of modern investment alternatives among different age or income groups.

H<sub>03</sub>: Safety and security do not significantly influence the decision to invest in traditional instruments.

H<sub>04</sub>: There is no significant impact of financial literacy on diversification of investments.

### Alternative Hypotheses (H<sub>1</sub>)

H<sub>11</sub>: There is a significant relationship between demographic factors and the preference for traditional financial instruments.

H<sub>12</sub>: There is a significant difference in the level of awareness of modern investment alternatives among different age or income groups.

H<sub>13</sub>: Safety and security significantly influence the decision to invest in traditional instruments.

H<sub>14</sub>: Financial literacy significantly impacts the diversification of investments.

## RESEARCH GAP

Previous research has primarily focused on either rural investors or nationwide samples. Very few studies have analysed urban investor behavior within Mumbai's eastern suburbs, where exposure to modern instruments is high, yet preference remains traditional. This study bridges that gap by examining the reasons for this continued reliance on conventional investment options.

## REVIEW OF LITERATURE

1. **Renuka Walunj and Rahul Tamhane (2024)**, identified that investment decisions depend on various demographic factors like age, gender, level of income, level of knowledge. Individuals are influenced by friends and relatives while making investment decisions. The females are more conservative and depend on their husband while selecting investment options. Respondents are interested to earn safety and secure investment with steady returns. They are ready to take high risk by investing in stock but ready to diversify their investment.
2. **Athkur Suman (2014)**, found that investors employed more than one strategy, or choose a variety of investment vehicles depending upon their goals. The investors are keen to invest in long term and less risk products, high return and low risk and much interested to get good return on their taken string decisions while investing money. Investors are aware about the factors of their investment plans and they do take advice from different experts, self-analysis by investors themselves.
3. **Jeet Singh (2016)**, concluded that Investors considered tax planning, future need, safety of investment and recurring income while investing their hard money. There is a significant difference between the perception of male and female investors regarding considering future financial security while investing in equity shares.
4. **Mayank Bajpai (2023)**, the study reveals that while experienced investment professionals tend to favor traditional models, there is a growing recognition of the value offered by modern models, particularly among less experienced professionals. The study also highlights a significant association between the level of experience and model preference, with more experienced professionals favouring traditional models. These results have important implications for investment professionals, suggesting that the adoption of modern financial models can lead to improved investment outcomes, particularly when combined with traditional approaches. Future research could explore the long-term performance implications of these models in different economic environments.

## RESEARCH METHODOLOGY

The study follows a descriptive research design to analyze investor preferences. Primary data were collected through structured questionnaires distributed among 100 individual investors from Mumbai's eastern suburbs. Convenience sampling was used. Secondary data were sourced from journals, articles, and reports. The collected data were analyzed using percentage analysis and chi-square tests to determine the relationship between demographic variables and investment preferences.

## DATA ANALYSIS AND INTERPRETATION

- Which of the following traditional financial instruments do you invest in?

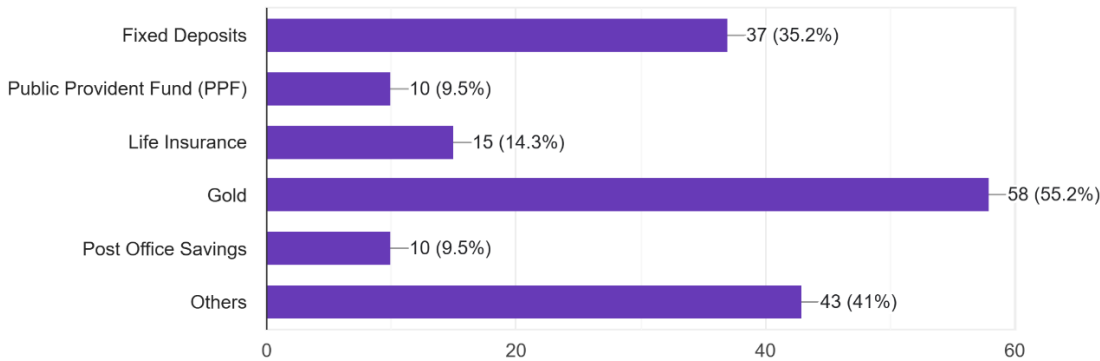


Figure 1. Distribution of respondents based on their investment in traditional financial instruments.

### Interpretation

- Gold is the most preferred traditional investment option, with 58 respondents (55.2%) investing in it. This indicates that investors consider gold a safe and reliable investment.
  - Other investment options are chosen by 43 respondents (41%), showing diversification in traditional investments.
  - Fixed Deposits are preferred by 37 respondents (35.2%), reflecting the popularity of secure bank investments.
  - Life Insurance is selected by 15 respondents (14.3%), while Public Provident Fund (PPF) and Post Office Savings are the least preferred options, each with 10 respondents (9.5%).
- How aware are you of modern investment options like mutual funds, shares, SIPs, or crypto assets?

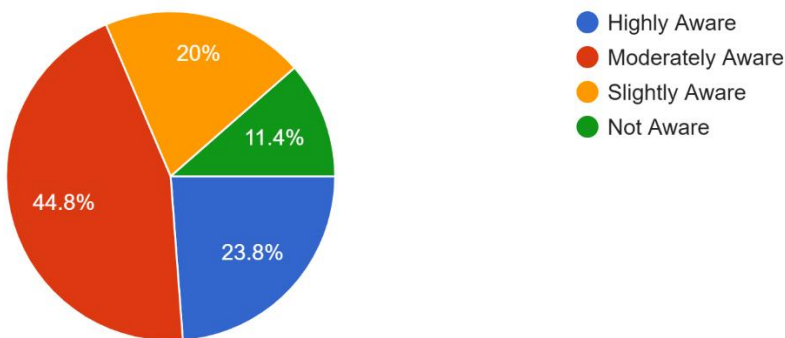


Figure 2. Feedback on modern investment options.

### Interpretation

- The data shows that 44.8% of respondents are moderately aware of modern investment options, which represents the largest group. 23.8% of respondents are highly aware, indicating a good level of knowledge among a section of investors. 20% are slightly aware, while 11.4% are not aware of these investment options.
- Rate the importance of the following factors while investing in traditional instruments (1 = Least Important, 5 = Most Important):

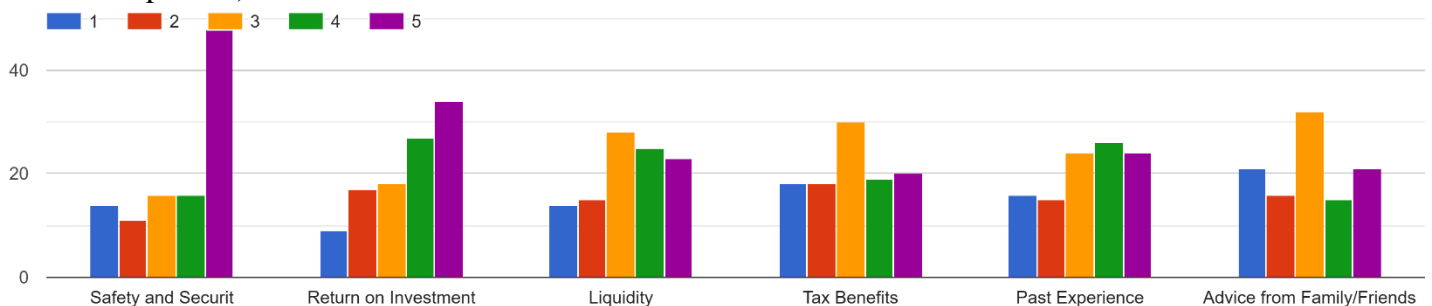


Figure 3. Feedback on factors while investing in traditional instruments

### Interpretation

- The results show that Safety and Security is the most important factor for investors, with many respondents giving it the highest rating. Return on Investment is also highly important.
  - Liquidity, Tax Benefits, and Past Experience are moderately important, while Advice from Family and Friends also influences some investment decisions.
- Rate the effectiveness of the following measures in improving financial literacy in your area. (1 = Not Effective, 5 = Highly Effective)

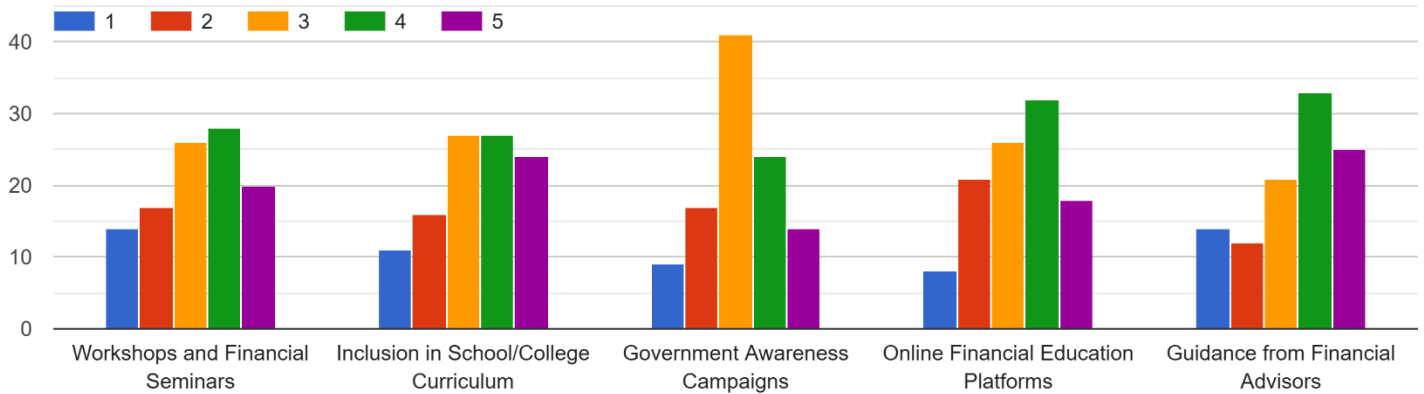


Figure 4. Feedback on improving financial literacy

### Interpretation

- The results show that online financial education platforms and guidance from financial advisors are considered the most effective in improving financial literacy.
- Workshops, seminars, and inclusion in school or college curriculum are also viewed as effective, while government awareness campaigns received moderate ratings.

## TESTING OF HYPOTHESIS

### 1. Which of the following traditional financial instruments do you invest in?

Particulars	Value
Calculated p-value	0.8295
Level of Significance ( $\alpha$ )	0.05
Decision Rule	If $p < 0.05 \rightarrow$ Reject $H_0$
Decision	$p > 0.05 \rightarrow$ Fail to Reject $H_0$

Table 1: summary of chi-square test result

Conclusion:

Since the p-value (0.8295) is greater than the significance level (0.05), the null hypothesis is accepted. Therefore, there is no significant relationship between demographic factors and the preference for traditional financial instruments among the respondents.

### 2. How aware are you of modern investment options like mutual funds, shares, SIPs, or crypto assets?

Particulars	Value
Chi-Square ( $\chi^2$ ) Calculated	8.74
Degrees of Freedom	12
p-value	0.4184
Level of Significance ( $\alpha$ )	0.05
Decision	$p > 0.05 \rightarrow$ Fail to Reject $H_0$

Table 2: summary of chi-square test result

Conclusion:

Since the p-value (0.4184) is greater than the significance level (0.05), the null hypothesis is accepted. Therefore, there is no significant difference in the level of awareness of modern investment alternatives among different age groups.

**3. Rate the importance of the following factors while investing in traditional instruments (1 = Least Important, 5 = Most Important): [Safety and Security]**

Particulars	Value
Chi-Square ( $\chi^2$ ) Calculated	9.62
Degrees of Freedom	16
p-value	0.885
Level of Significance ( $\alpha$ )	0.05
Decision	$p > 0.05 \rightarrow$ Fail to Reject $H_0$

Table 3: summary of chi-square test result

**Conclusion:**

Since the p-value (0.885) is greater than the significance level (0.05), the null hypothesis is accepted. Therefore, safety and security do not significantly influence the decision to invest in traditional financial instruments among the respondents.

**4. Rate the effectiveness of the following measures in improving financial literacy in your area. (1 = Not Effective, 5 = Highly Effective)**

Particulars	Value
Chi-Square ( $\chi^2$ ) Calculated	21.84
Degrees of Freedom	8
p-value	0.0053
Level of Significance ( $\alpha$ )	0.05
Decision	$p < 0.05 \rightarrow$ Reject $H_0$

Table 4: summary of chi-square test result

**Conclusion:**

Since the p-value (0.0053) is less than the significance level (0.05), the null hypothesis is rejected and the alternative hypothesis is accepted. Therefore, financial literacy has a significant impact on the diversification of investments.

## SUGGESTIONS

1. Conduct financial literacy programs to improve awareness of modern investment options.
2. Encourage investors to maintain diversified portfolios balancing risk and return.
3. Financial institutions should promote transparency and trust in new instruments.
4. Introduce simplified online investment tools for easy access and participation.

## CONCLUSION

The study concludes that individual investors in Mumbai's eastern suburbs show a strong inclination towards traditional financial instruments due to safety, assured returns, and low perceived risk. While there is awareness about modern investment options, risk aversion and lack of confidence act as barriers. Continuous financial education, transparent policies, and diversified offerings can encourage investors to adopt balanced investment strategies, contributing to long-term financial growth and inclusion.

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