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Traditional Assets versus Modern Financial Instruments: A Comparative Study of Investor Preferences towards Gold, Real Estate, Mutual Funds, and Exchange Traded Funds (ETFs) in India

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Abstract:
Investment preferences in India have evolved significantly with the growth of financial markets and digital investment platforms. While traditional investment avenues such as gold and real estate continue to be preferred because of their cultural significance, perceived safety, and long-term value, modern financial instruments like mutual funds and Exchange Traded Funds (ETFs) have gained popularity due to their liquidity, diversification, professional management, and ease of access. This study aims to compare investor preferences towards traditional and modern investment avenues and identify the factors influencing their investment decisions. The research adopts a descriptive research design using both primary and secondary data. Primary data are collected through a structured questionnaire administered to 150 respondents, while secondary data are gathered from journals, reports, and financial publications. Percentage analysis and Chi-square test are used to analyse the collected data. The study is expected to provide insights into the role of demographic factors, risk perception, and financial literacy in shaping investment preferences. The findings will be useful for investors, financial advisors, policymakers, and financial institutions in promoting informed investment decisions and encouraging balanced investment portfolios.

Keywords: Investment Preferences, Traditional Investments, Modern Financial Instruments, Gold, Real Estate, Mutual Funds, Exchange Traded Funds (ETFs)

Introduction:
Investment plays a vital role in achieving financial security and long-term wealth creation. Traditionally, Indian investors have preferred tangible assets such as gold and real estate because they are considered safe, stable, and culturally significant. Gold serves as a hedge against inflation and economic uncertainty, while real estate offers capital appreciation and regular income through rentals.
In recent years, the Indian financial sector has witnessed remarkable growth with the increasing popularity of modern investment instruments such as mutual funds and Exchange Traded Funds (ETFs). These

investment avenues provide benefits including diversification, professional fund management, liquidity, transparency, and relatively lower investment costs. Technological advancements and digital investment platforms have further encouraged retail investors, especially younger generations, to invest in these financial products.

Despite the increasing adoption of modern financial instruments, traditional assets continue to dominate household investment portfolios. Investor preferences are influenced by several factors, including age, income, education, risk tolerance, financial literacy, and investment objectives. Understanding these preferences is essential for developing effective investment strategies and promoting financial inclusion.

This study presents a comparative analysis of investor preferences towards traditional assets and modern financial instruments in India. It examines the factors influencing investment decisions and highlights the changing trends in investment behaviour among Indian investors.

Need for study

The investment landscape in India is changing rapidly due to economic growth, technological advancements, and increased financial awareness. Although modern investment avenues such as mutual funds and ETFs are gaining popularity, a large proportion of investors continue to rely on traditional assets like gold and real estate. Understanding the reasons behind these preferences is important for promoting informed investment decisions and efficient financial planning. This study helps identify the factors influencing investor behaviour, compares the advantages of traditional and modern investments, and provides useful insights for investors, financial advisors, policymakers, and financial institutions to encourage balanced and diversified investment portfolios.

3. Objectives of the Study

- To compare investor preferences between traditional assets (gold and real estate) and modern financial instruments (mutual funds and ETFs).
- To analyse the factors influencing investment decisions among investors.
- To compare the risk, return, liquidity, and accessibility of traditional and modern investment avenues.
- To examine the impact of demographic factors on investment preferences.
- To provide suggestions for improving investor awareness and promoting diversified investment decisions.

Research Methodology

- The study adopts a descriptive research design to analyse investor preferences towards traditional and modern investment avenues. Both primary and secondary data are used for the research. Primary data are collected through a structured questionnaire distributed to individual investors, while secondary data are obtained from research journals, books, reports of the Reserve Bank of India (RBI), Association of Mutual Funds in India (AMFI), Securities and Exchange Board of India (SEBI), and other reliable financial publications.
- The study focuses on individual investors in India. A sample of 150 respondents is selected using a random sampling technique. The collected data are analyzed using percentage analysis and the Chi-square test to identify relationships between demographic variables and investment preferences. Tables and charts are used to present the findings in a clear and systematic manner.

Review of Literature:

Several researchers have examined investor preferences towards different investment avenues. Pundir and Goyal (2021) found that demographic factors, particularly income, significantly influence investment decisions, with higher-income investors preferring gold and real estate. Taurasi (2015) highlighted gold as an effective safe-haven asset during periods of financial uncertainty and market volatility. Mulyadi and Anwar (2012) concluded that gold provides better portfolio diversification and lower risk compared to equities.

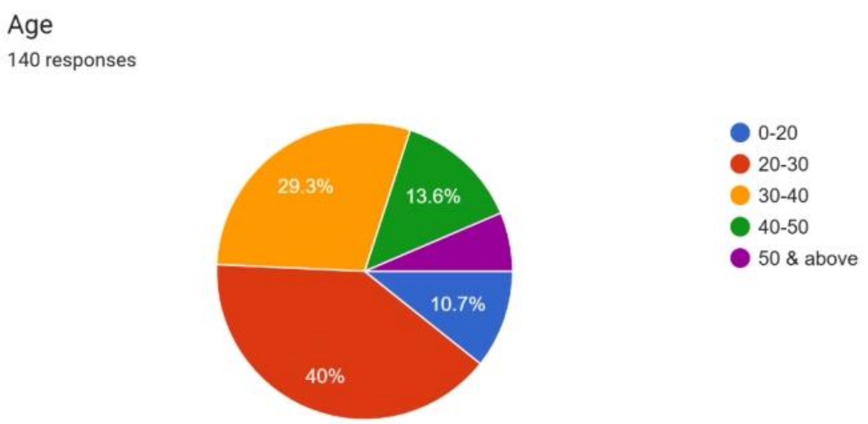
Khan (2018) observed that Indian investors prefer a combination of traditional and modern investment options based on their risk tolerance and expected returns. Preethi (2014) reported that although paper gold and ETFs offer convenience and lower costs, many Indian investors still prefer physical gold due to cultural and emotional factors. Jain (2025) explained that Real Estate Investment Trusts (REITs) have improved accessibility to real estate investments by providing liquidity and diversification.

Overall, the literature indicates that investment preferences are influenced by demographic characteristics, financial literacy, perceived risk, expected returns, and cultural beliefs. However, limited studies provide a comprehensive comparison between traditional assets and modern financial instruments in the Indian context, creating a need for further research.

The data collected will be analyzed using both descriptive and inferential statistical techniques

Data analysis

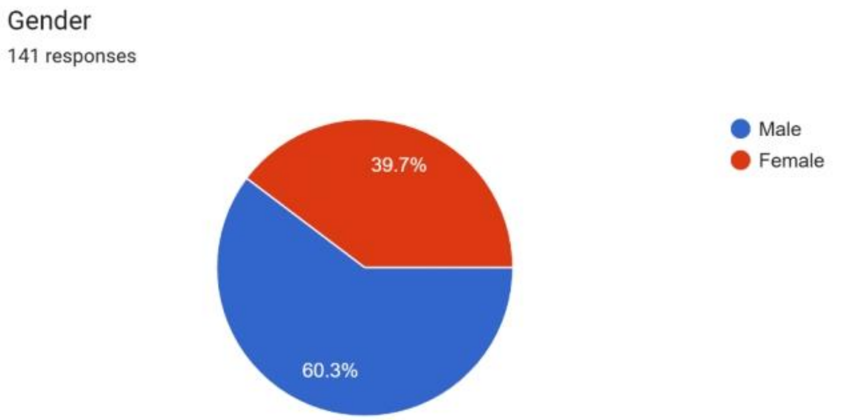
Figure.1



Intrepretation:

The age distribution of the 140 survey respondents reveals a strong concentration in the younger demographic, with 40% falling within the 20–30 age group and 29.3% in the 30–40 bracket. This suggests that nearly 70% of participants are young to mid-career individuals, likely in their prime earning and investment years. The 40–50 age group accounts for 13.6%, indicating moderate representation from more experienced professionals who may have different financial priorities, such as retirement planning or wealth preservation. Meanwhile, the 0–20 age group comprises 10.7% of the sample, likely reflecting students or early earners with limited exposure to financial products. The least represented segment is those aged 50 and above, making up just 6.4%, which may point to lower digital engagement or survey reach among older individuals. Overall, the data suggests a youth-skewed sample, which could influence the interpretation of investment preferences, risk tolerance, and financial behavior captured in the study.

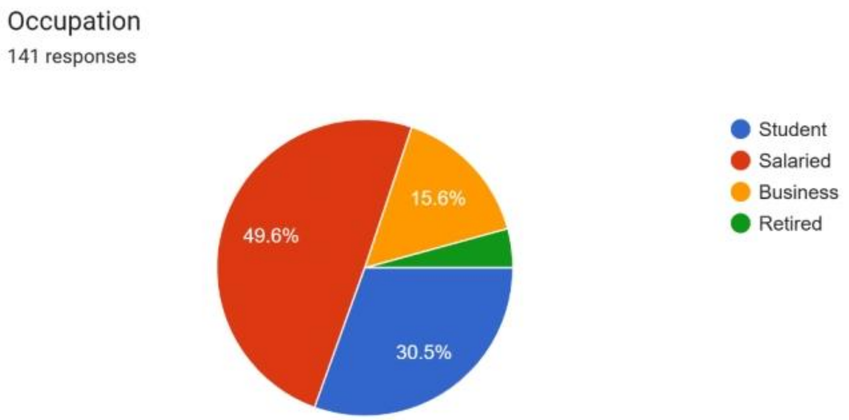
Figure.2



Intrepretation:

The gender breakdown of the 141 respondents shows a male majority at 60.3%, with females making up 39.7%. While both genders are represented, the slight skew toward male participants may influence patterns in financial preferences or risk behavior, depending on the study's focus.

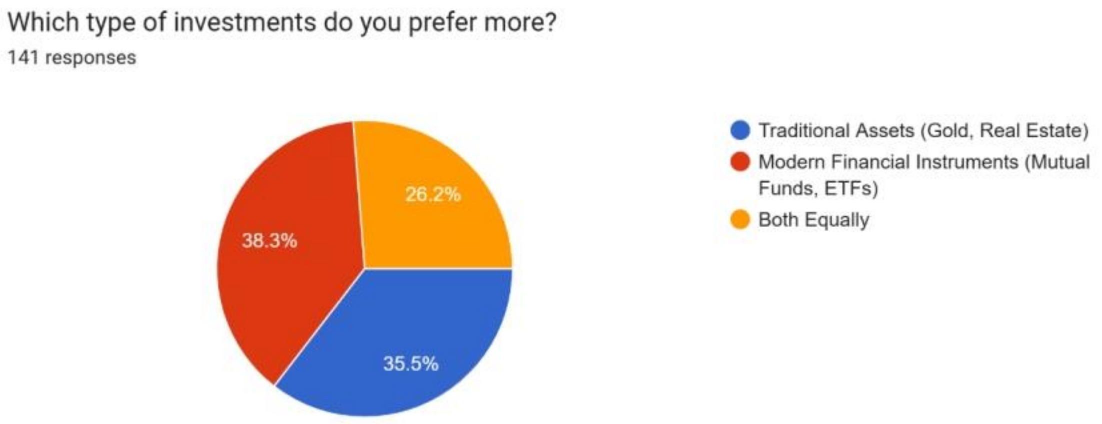
Figure.3



Intrepretation:

The occupation data from 141 respondents shows that salaried individuals form the majority at 49.6%, followed by students at 30.5%. Business professionals make up 15.6%, while retirees represent a very small portion. This suggests the survey primarily reflects the views of working professionals and students—groups likely to be actively engaged in financial planning or early-stage investing. The minimal retired representation may limit insights into post-retirement financial behavior.

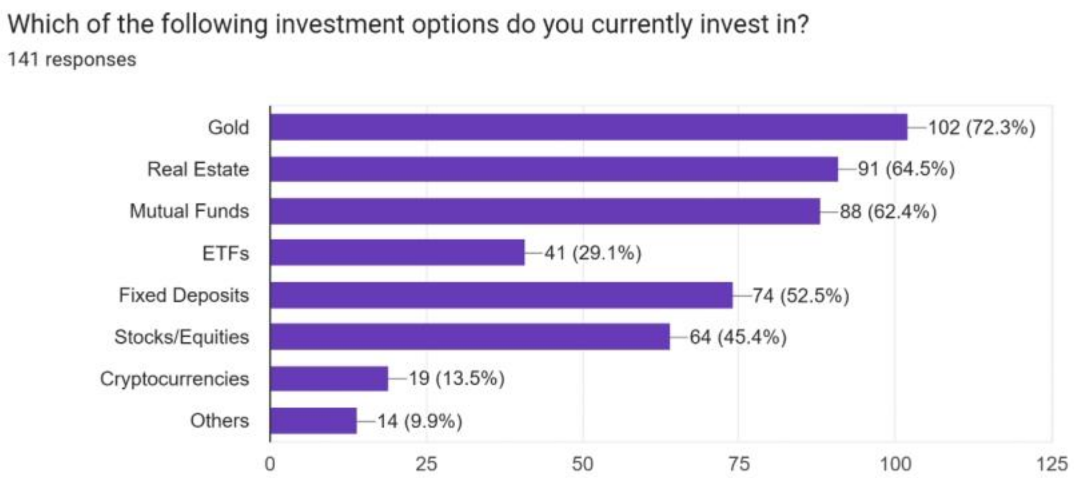
Figure.4



Intrepretation:

Among the 141 respondents, investment preferences are fairly balanced but lean slightly toward modern financial instruments like mutual funds and ETFs, preferred by 38.3%. Traditional assets such as gold and real estate follow closely at 35.5%, while 26.2% favor both equally. This suggests a growing interest in contemporary investment options, though traditional choices still hold strong appeal. The notable share preferring both indicates a diversified mindset among investors.

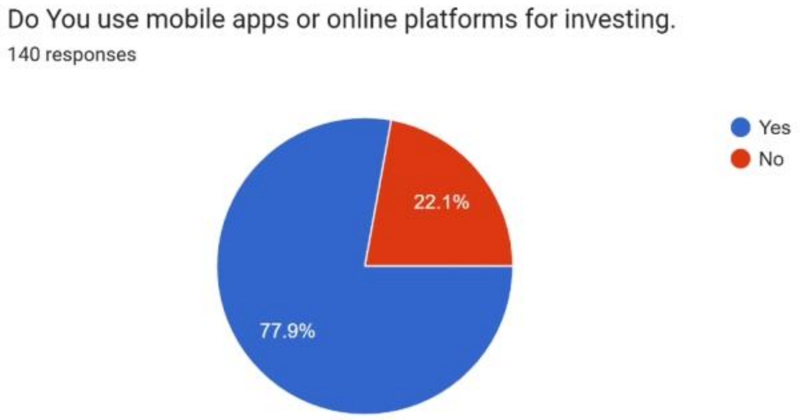
Figure.5



Intrepretation:

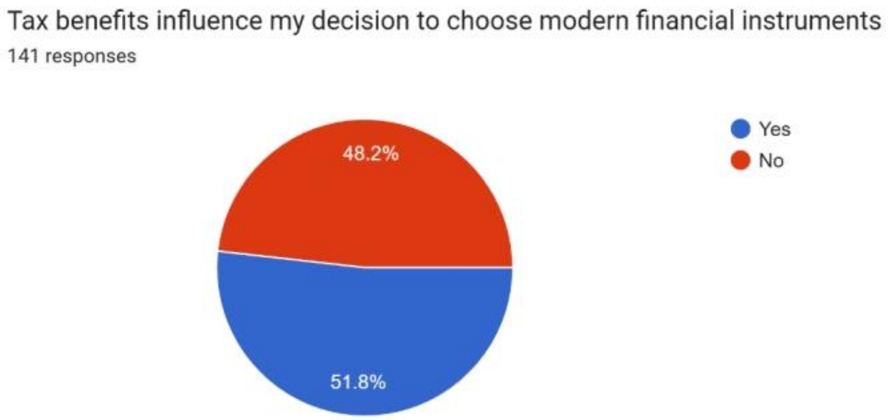
Out of 114 respondents, the most commonly held investments are gold (72.3%), real estate (65%), and mutual funds (62%), indicating a strong preference for tangible assets and mainstream financial instruments. Fixed deposits (52.5%) and stock equities (45.4%) also show substantial participation. ETFs are less popular at 29.1%, while cryptocurrencies (13.5%) and other options (9.9%) remain niche. Overall, the data reflects a conservative investment approach with growing interest in diversified financial products.

Figure.6



Intrepretation:
Out of 140 respondents, a significant majority—77.9%—reported using mobile apps or online platforms for investing, while only 22.1% do not. This indicates widespread adoption of digital tools, reflecting a tech-savvy investor base and a shift toward convenience, accessibility, and real-time portfolio management.

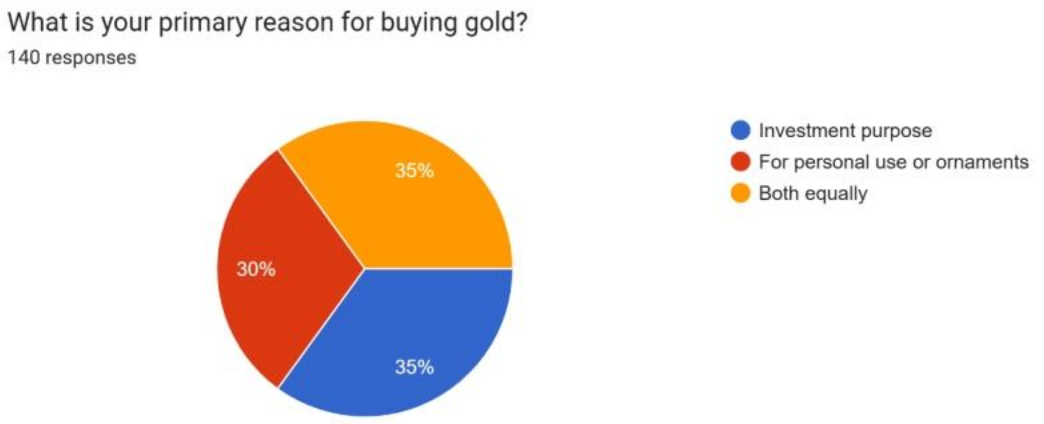
Figure.7



Intrepretation:
Out of 141 respondents, 51.8% agree that tax benefits influence their decision to choose modern financial instruments, while 48.2% do not. This near-even split suggests that while tax incentives are a motivating

factor for many investors, a substantial portion prioritize other considerations such as returns, risk, or liquidity when selecting financial products.

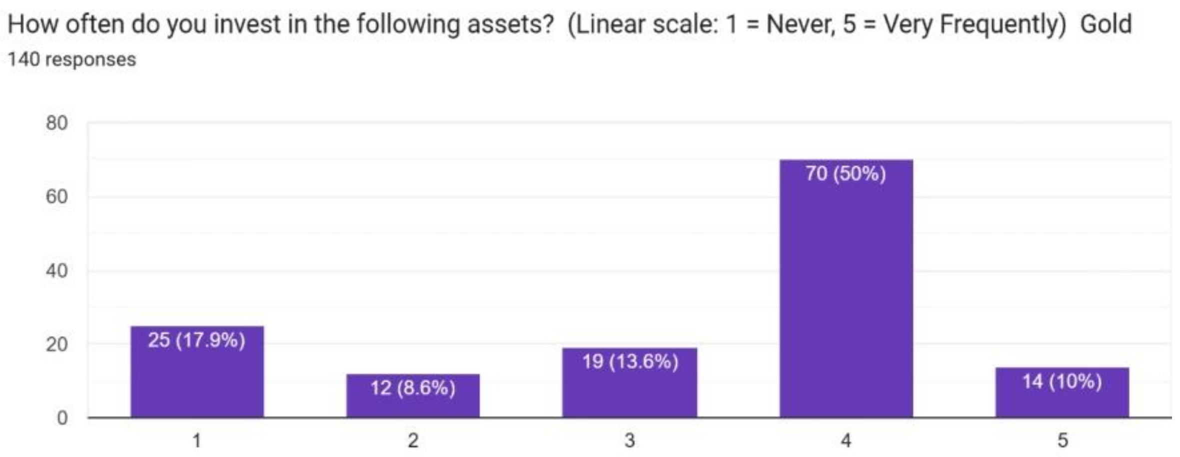
Figure.8



Intrepretation:

Among the 140 respondents, 35% buy gold primarily for investment, while another 35% do so for both investment and personal use equally. The remaining 30% purchase gold mainly for personal use or ornaments. This balanced distribution highlights gold's dual appeal—as a financial asset and a cultural or aesthetic commodity—making it a versatile choice across different buyer motivations.

Figure.9



Intrepretation:

Based on 140 responses, half of the participants (50%) indicated they invest in gold quite frequently (rating 4 on a scale of 1 to 5), while 10% invest very frequently (rating 5). Meanwhile, 17.9% never invest in

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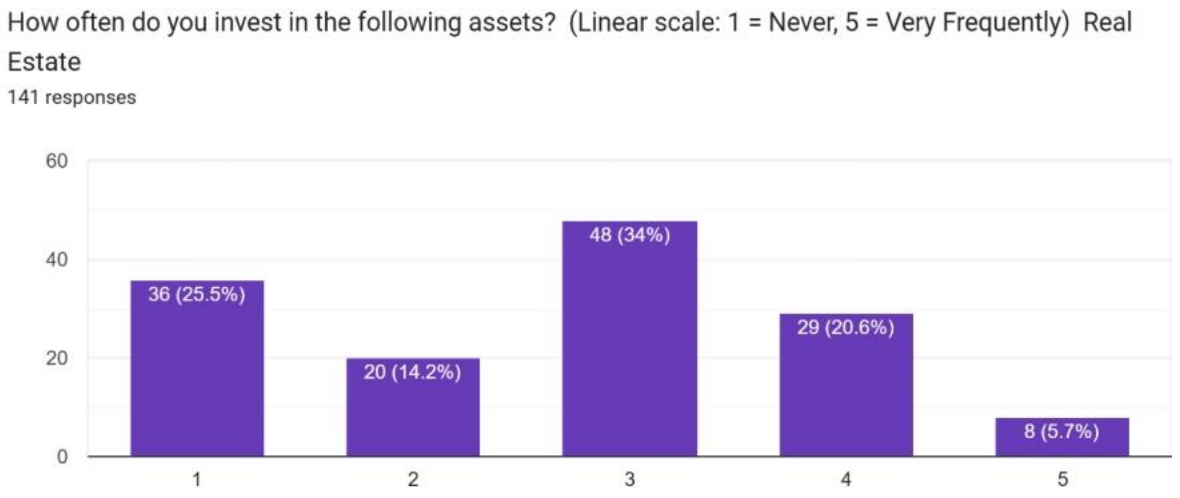
gold, and smaller portions fall in the occasional or moderate categories. This suggests that gold remains a popular investment choice among respondents, with a strong leaning toward regular engagement.

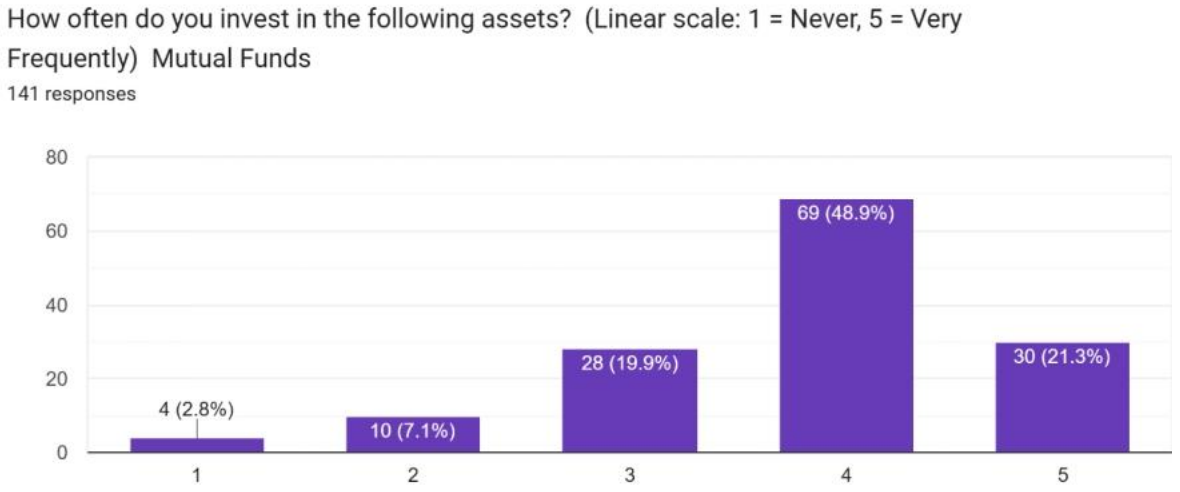
Figure.10



Intrepretation:

Based on 141 responses, real estate investment shows moderate engagement. While 25.5% never invest in it, the largest group—34%—rated their frequency at 3 on a scale of 1 to 5, indicating occasional involvement. Only 5.7% invest very frequently, suggesting that real estate, though valued, may be limited by factors like capital requirements or liquidity concerns.

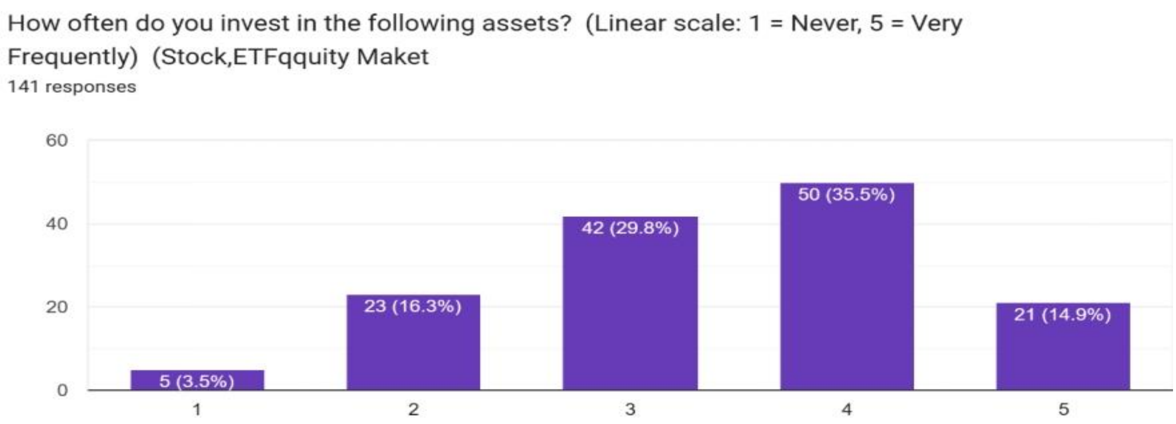
Figure.11



Intrepretation:

Among the 141 respondents, mutual funds show strong engagement, with 48.9% investing frequently and 21.3% very frequently. Only 2.8% never invest in them, and the remaining responses fall in the occasional or moderate range. This indicates that mutual funds are a widely adopted investment option, likely due to their accessibility, diversification benefits, and alignment with modern financial habits.

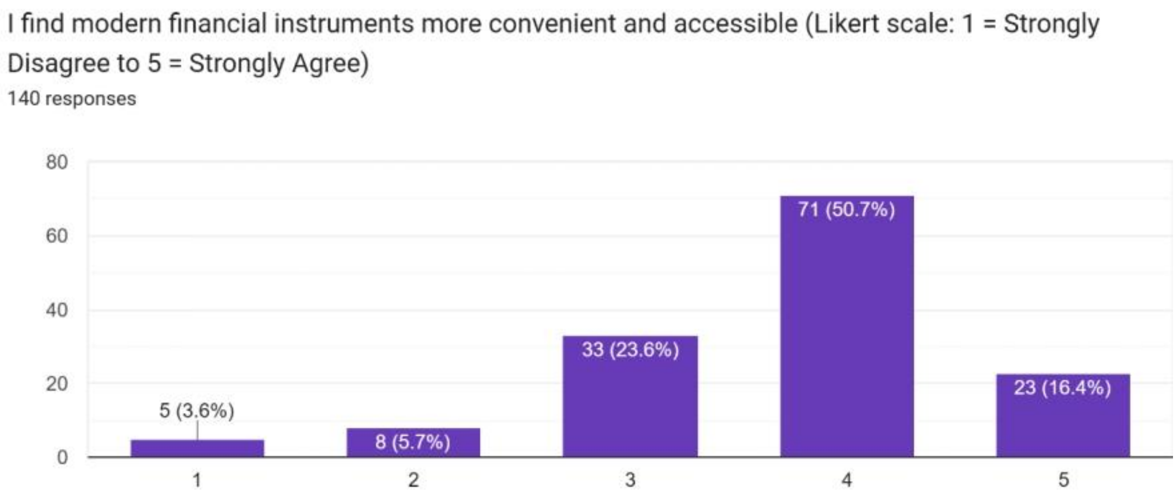
Figure.12



Intrepretation:

Among the 141 respondents, investment in stocks, ETFs, and the equity market shows moderate to high engagement. About 35.5% invest frequently and 14.9% very frequently, while 29.8% invest occasionally. Only a small portion—3.5%—never invest in these assets. This suggests a healthy interest in market-linked instruments, with many participants actively involved or open to equity-based investments.

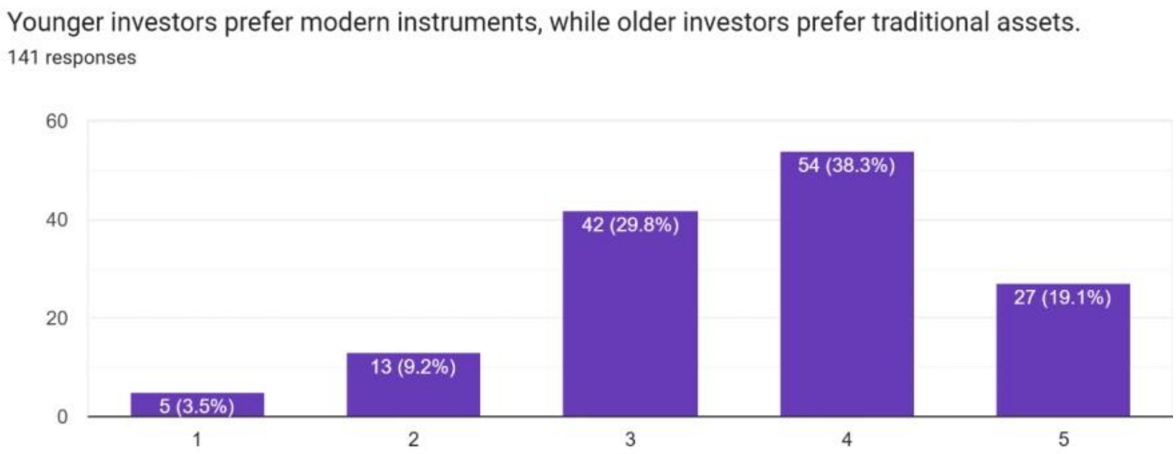
Figure.13



Intrepretation:

Out of 140 respondents, a majority—50.7%—agree that modern financial instruments are convenient and accessible, with another 16.4% strongly agreeing. Only 9.3% express disagreement, while 23.6% remain neutral. This indicates a generally positive perception of modern investment platforms, reinforcing their appeal for ease of use and accessibility.

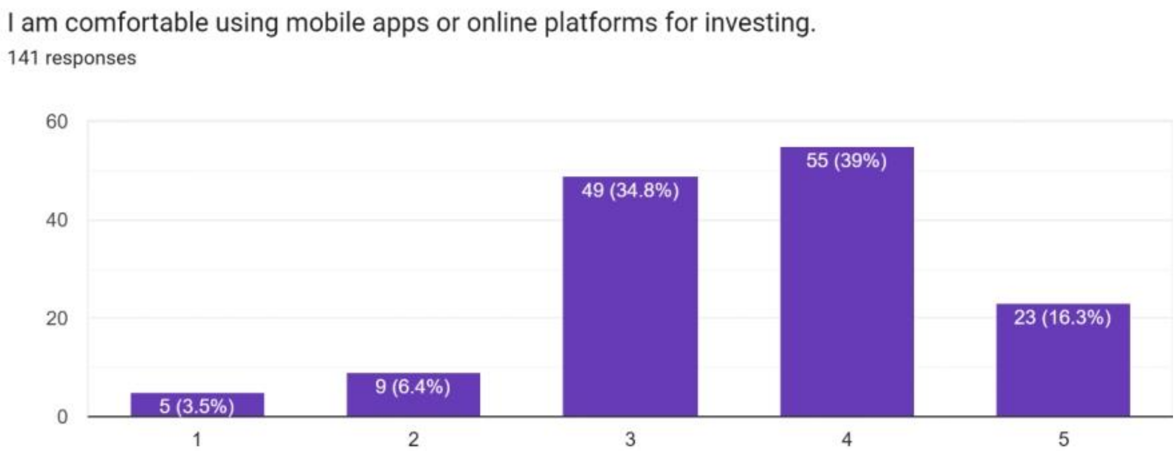
Figure.14



Intrepretation:

Among the 141 respondents, 38.3% agree and 19.1% strongly agree that younger investors prefer modern instruments while older investors lean toward traditional assets. Another 29.8% remain neutral, while only 12.7% disagree to any extent. This suggests a general consensus supporting the age-based investment preference trend, though a notable portion remains undecided or skeptical.

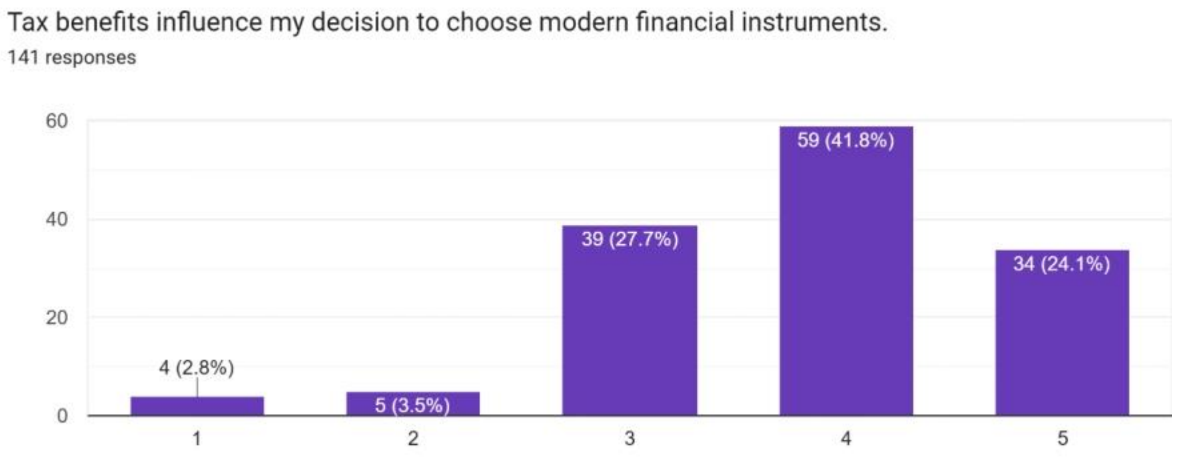
Figure.15



Intrepretation:

Out of 141 respondents, 55.3% expressed comfort using mobile apps or online platforms for investing, with 39% agreeing and 16.3% strongly agreeing. Another 34.8% were neutral, while only 9.9% showed discomfort. This indicates a generally positive attitude toward digital investment tools, reinforcing their role in modern financial behavior.

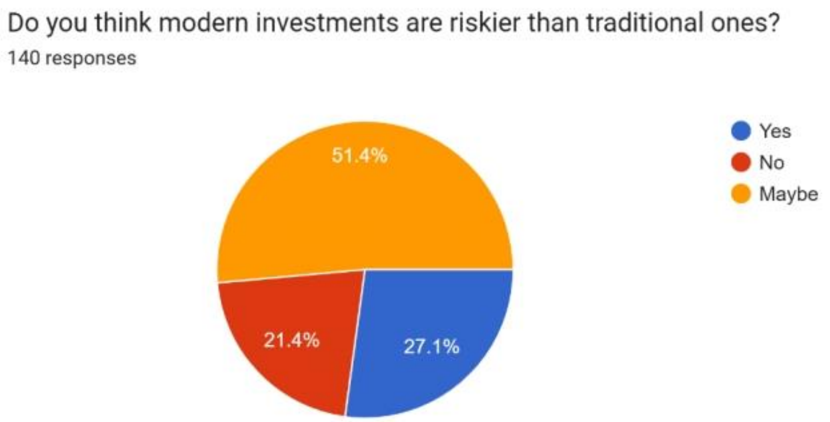
Figure.16



Intrepretation:

Out of 141 respondents, 65.9% indicated that tax benefits influence their decision to choose modern financial instruments, with 41.8% agreeing and 24.1% strongly agreeing. Meanwhile, 27.7% were neutral, and only 6.3% expressed disagreement. This suggests that tax incentives play a significant role in shaping investment choices for most participants.

Figure.17



Intrepretation:

Out of 140 respondents, 51.4% are uncertain whether modern investments are riskier than traditional ones, indicating a lack of clear consensus or understanding. Meanwhile, 27.1% believe modern investments are

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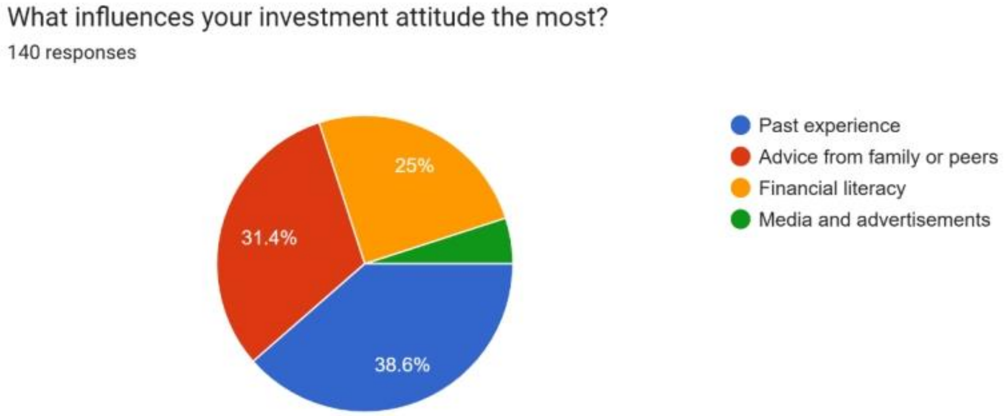
riskier, and 21.4% do not. This split suggests that perceptions of risk in modern financial instruments vary widely, possibly influenced by individual experience, awareness, or exposure to market volatility.

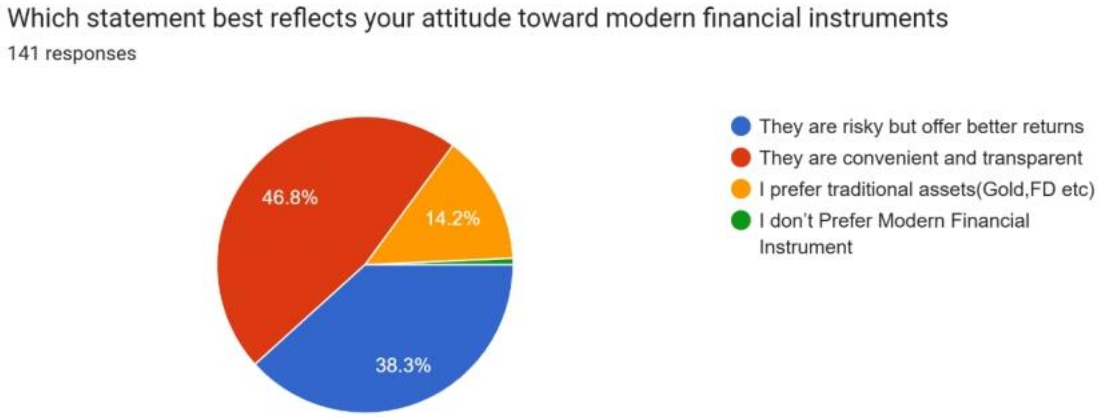
Figure.18



Intrepretation:

Out of 140 respondents, 38.6% say their investment attitude is most influenced by past experience, followed by 31.4% who rely on advice from family or peers. Financial literacy shapes the views of 25%, while only 5% are primarily influenced by media and advertisements. This suggests that personal and social factors play a dominant role in shaping investment behavior, with external messaging having minimal impact.

Figure.19



Out of 141 respondents, 46.8% believe modern financial instruments are convenient and transparent, while 38.3% acknowledge they are risky but offer better returns. Only 14.2% prefer traditional assets, and a mere 0.7% explicitly reject modern instruments. This indicates a strong overall acceptance of modern financial tools, with most investors valuing their usability and potential despite perceived risks.

Hypothesis testing

Null Hypothesis (H_0):

There is no significant association between age group and investment preference.

Alternative (H_1):

There is a significant association between age group and investment preference.

Table.1

Chi-square test

Observed Frequency				
Age Group	**Both**	**Modem**	**Traditional**	**Row Total**
0–30	21	33	17	71
30 & above	16	21	33	70
Column Total	**37**	**54**	**50**	**141**

Expected Frequency			
Age Group	**Both**	**Modern**	**Traditional**
0–30	18.63121	27.19149	25.1773
30 & above	18.36879	26.80851	24.8227

	(O-E)^2/E		
Age Group	**Both**	**Modem**	**Traditional**
0–30	0.301171	1.240785	2.655897
30 & above	0.305474	1.258511	2.693838

x^2	8.455675
df	2
P-value	0.014584

Intrepretation: Since the p-value (0.0146) < 0.05, we reject the null hypothesis and conclude that there is a significant relationship between age group and type of investment preference.This means that investment preferences depend on age group rather than being evenly distributed across all ages.Specifically:Respondents aged 0–30 years showed a higher preference for modern investments (like mutual funds and ETFs) and a lower preference for traditional assets (gold, real estate) than expected.Respondents aged 30 years and above displayed the opposite pattern, favoring traditional investments more and modern options less than expected.

Hypothesis 2

Null Hypothesis (H_0):

There is **no association** between the use of mobile apps and investment preference.
(Use of mobile apps is independent of investment preference.)

Alternative Hypothesis (H_1):

There **is an association** between the use of mobile apps and investment preference.
(Use of mobile apps is related to investment preference.)

Table 2

Observed Frequency				
Use Apps	**Both**	**Modern**	**Traditional**	**Row total**
Yes	28	47	34	**109**
No	9	6	16	**31**
Col total	**37**	**53**	**50**	**140**
Expected Frequency				
Use Apps	**Both (E)**	**Modern (E)**	**Traditional (E)**	
Yes	28.807143	41.264286	38.928571	
No	8.1928571	11.735714	11.071429	
Use Apps	**Both**	**Modern**	**Traditional**	
Yes	0.022615	0.797261	0.623984	
No	0.079518	2.803274	2.194009	
	x^2	6.520661		
	df	2		
	p	0.0383757		

Intrepretation

There is a statistically significant relationship between use of mobile apps and investment preference.This means the choice of investment type (modern, traditional, or both) is influenced by whether or not individuals use mobile or online platforms for investing.Investors who use mobile apps are more likely to prefer modern investment options (e.g., mutual funds, online trading).Those who do not use apps tend to prefer traditional options (e.g., fixed deposits, gold, etc.).

Hypothesis 3

Null Hypothesis (H_0):
There is **no association** between the influence of tax benefits and investment preference.
(Investment preference is independent of whether tax benefits influence the investor.)

Alternative Hypothesis (H_1):
There **is an association** between the influence of tax benefits and investment preference.
(Investment preference depends on whether tax benefits influence the investor.)

Table 3

Tax benifit and investment preference				
Observed Frequency				
Tax benefit influences?	**Both**	**Modern**	**Traditional**	**Row total**
Yes	20	25	28	73
No	17	29	22	68
Col total	**37**	**54**	**50**	**141**
Expected Frequency				
Response	**Both (E)**	**Modern (E)**	**Traditional (E)**	
Yes	19.156028	27.95745	25.886525	
No	17.843972	26.04255	24.113475	
Tax Benefit Influence	**Both**	**Modern**	**Traditional**	
Yes	0.0371	0.3129	0.1725	
No	0.0399	0.3367	0.1846	
Statistic	**Value**			
Chi-square (χ^2)	1.0837			
Degrees of freedom (df)	2			
p-value	0.58167116			

Interpretation There is no statistically significant relationship between the influence of tax benefits and the type of investment preference.This means that whether or not an investor is motivated by tax benefits does not significantly affect whether they prefer modern, traditional, or both types of investments. Tax advantages don’t play a decisive role in determining an investor’s preferred investment type.

Limitations of the Study

The study is limited by its small sample size, convenience sampling method, and restricted geographical coverage, which may affect the generalizability of the findings. It also focuses only on gold, real estate, mutual funds, and ETFs, while investor preferences may change over time due to evolving market conditions and economic factors.

Findings of the Study

The study found that traditional assets such as gold and real estate remain the preferred investment choices due to their perceived safety and cultural significance. However, younger and financially aware investors are increasingly adopting mutual funds and ETFs because of their liquidity, diversification, and higher return potential.

Conclusion

The study concludes that Indian investors are gradually shifting from traditional assets to modern financial instruments while still maintaining a strong preference for gold and real estate. Factors such as financial literacy, age, risk perception, and technology significantly influence investment decisions, highlighting the need for greater investor awareness and balanced portfolio diversification.

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