

A Comparative Analysis of Investment in Gold and Mutual Funds: Risk, Return, and Diversification Perspectives

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INTRODUCTION

In today's era investment in mutual funds are popularised among people and gold is traditional form of investment. This paper is to find out how individuals are doing their investment in traditional and in modern way by following investment in gold and mutual funds only. Both investment have their distinctive characteristics, advantages and disadvantages. The present paper is A Comparative Analysis of Investment in Gold and Mutual Funds: Risk, Return and Diversification Perspectives.

This research paper conducts a comprehensive comparative analysis of investment in gold and mutual funds, two widely adopted investment avenues with distinct characteristics. In this paper introduction about mutual funds and investment in Gold is discussed. The study aims to provide investors, financial analysts, and policymakers with insights into the risk-return profiles and diversification benefits associated with these asset classes. By evaluating historical performance, volatility, and correlation, the research seeks to guide investors in making informed decisions based on risk, return and diversification perspectives.

From the available sources of different studies, it is also evident that the overall and main criterion of the investors regarding their investments is Return. When investors is assured about return on their investment then only they prefer to invest their money. On the basis of Safety, Bank & LIC are the most preferred avenues of investment as it provides maximum safety of amount to the investors. Investment in real estate and in mutual funds gives highest returns. But the problem with Real estate is that it requires huge amount for investment. Compare to invest in real estate it is easy to invest in mutual funds you can invest

small amount in this and it gives handsome return on that. Similarly, on the basis of Tax Planning, Post Office Schemes & Mutual Funds are the most preferred avenues of investment. In India open end and close end funds are called Mutual Funds. All Mutual Funds are managed by Asset Management Companies (AMC). Mutual funds are managed by investment companies and there are number of analyst who analysing the product and give their review and according to that common man can invest in mutual funds.

Therefore, the preference is given to investment in Mutual Funds amidst availability of other traditional investment avenues in the market.

By conducting a comparative analysis of investment in gold and mutual funds, this research aims to provide a nuanced understanding of the risk-return trade-offs and diversification benefits associated with each asset class. The findings can guide investors in optimizing their portfolios based on their financial objectives, risk tolerance, and market conditions.

OBJECTIVES OF THE STUDY

A Comparative Analysis of Investment in Gold and Mutual Funds: Risk, Return, and Diversification Perspectives

1. The main objective of the study is to find how individuals are influenced to do investment in Gold and Mutual Funds.
2. To compare investment in Gold and Mutual Funds in terms of risk.
3. To compare investment in Gold and Mutual Funds in terms of Return.
4. To compare investment in Gold and Mutual Funds in terms of Diversification Perspectives.

REVIEW OF LITERATURE

(2017) T.Radhakrishnan,& Dr.Krishnan Namboothriⁱ

Objectives of the study was to analyse factors influencing the choice of investment between mutual fund and gold in selected respondents in Eranakulum District. Researcher suggested that due to lack of awareness about mutual funds investors restrict their choice to traditional options like gold and fixed deposits. So awareness relating to mutual fund must be increased. Advertising campaigns must be conducted in rural areas to increase awareness among rural investors. Mutual funds are good source of returns for majority of households and it is particularly useful for the people who are at the age of retirement. However, average investors are still restricting their choices to conventional options like gold and fixed deposits when the market is flooded with countless investment opportunities, with mutual funds. This is because of lack of information about how mutual funds work, which makes many investors hesitant towards mutual fund investments. Complete information about Mutual funds should be provided by the organization to common people. Mutual Fund industry should target people from rural and urban areas and professional women's for investment.

(2015) Sukhdev Singh and Shubhkamna Rathoreⁱⁱ
To analyse investors attitude towards mutual funds was the primary objective of the study. Researcher analyse the impact of various demographic factors on investors attitude towards mutual fund and the satisfaction level of customers towards mutual fund. Findings of these study states that Tricity investors where influenced to invest in Mutual Funds because of tax benefits, returns, liquidity and transparency. It is very important for mutual fund industry to make the existing investor satisfied so as to attract new and retain existing in future. There is enough potential in Indian financial market but still mutual fund industry is not able to penetrate and target the investors. It is revealed from the study that service class and professionals would targeted. Mutual funds needs to target peoples from rural area and female segment.

(2013) Pritam P. Kothari I & Shivganga C. Mindargiⁱⁱⁱ
This paper provides future of Mutual Funds industry information as well as awareness level amongst people about it. This is informative paper describing

importance and explore new option for investment. Findings of the study states that the people today are ready to take risk and bear volatility of changing mutual fund market scenario. According to research middle income group people are ready to bear risk. It is observed that more businessmen were inclined towards investing in current account. Women's were interested to invest money in Gold and jewelleryes. Service class people and retired class people prefer more saving and fixed deposits is preferred by high income group people. The mutual fund industry is growing at a tremendous pace. A large number of plans have come up from different financial resources. With the stock markets oaring the investors are attracted towards these schemes. Only a small segment of the investors still in Mutual Funds and the main source sources of information still are the financial advisors followed by advertisements in different media. The Indian investors generally invest over period of 2-3 years. Also there is a tendency to invest in fixed deposits due to the security attached to it. In order to excel and make mutual funds a success, companies still need to create awareness and understand the psyche of the Indian customer.

Gaurav Agrawal & Dr. Mini Jain^{iv}

Research paper on Investor's Preference Towards Mutual Fund In Comparison To Other Investment Avenues. Objectives of the study were to find out the most preferred Investment Avenue of the investors of Mathura, to analyze the investor's preference towards investment in mutual funds when other investment avenues are also available in the market, to find the reasons for investment in different investment avenues. After analyzing & interpreting the data, it was concluded that maximum investors are aware about Banks & LIC investment avenues only.

Looking from different perspective, it is also evident that the main criterion of the investors regarding their investments is Return. On the basis of Safety, Bank & LIC are the most preferred avenues of investment. Whereas investment in Real Estate and Mutual Funds is preferred on the basis of return. Whereas on the basis of Tax Planning, Post Office Schemes & Mutual Funds are the most preferred avenues of investment. Investors having more funds, then they would like to invest in Real Estate because of its rapid growth. An investor tries to balance these benefits and shortcomings of different investment modes before

investing in them. Among various investment modes, Mutual Fund is the most suitable investment mode for the common man, as it offers an opportunity to invest in a diversified and professionally managed portfolio at a relatively low cost.

Varun Sagar Singal¹ and Dr. Rishi Manrai^v

The study integrates constructs from the factors affecting investment in mutual funds into an insightful investment model for adoption. The results indicate that the fundamental factors and investor perception play a very vital role in the investment decision making process. Both exploratory as well as descriptive research designs were used in the study. Literature review, interview and focus group discussion methods are used to generate and purify the pool of adoption items. A self-administered structured questionnaire is used as survey instrument for primary data collection from the respondents.

RESEARCH METHODOLOGY

By adopting convenience sampling, 150 respondents were selected from Akola region for this study. The essential data were collected with the help of questionnaire. In order to achieve the objective of research well-structured questionnaire was designed and circulated amongst the respondents. To reduce the complexity of data responses questionnaires were

distributed among those investors only who had prior experience of mutual fund and gold investment. For this purpose random sampling was ignored and selective systematic sampling was taken for consideration. Which included selective investors who were assumed to be having complete knowledge of financial environment, and further they were existing investors of mutual funds. Age constraint considered in this questionnaire was minimum 18 years. Main focus of questionnaire was to obtain responses of individual investors regarding how they evaluate mutual funds and gold services in terms of return risk and diversification on their investment.

The information was gathered from the Primary and Secondary sources. Primary data consists of questionnaire and secondary data consists of information sourced through various websites, research articles, books and journals, market trends, news paper T.V. news from business channels.

1.1 Analysis & Interpretation of Data

From the data collected through questionnaire various tables have been prepared. For that data has been coded and decoded to simplify the information. And to make analysis easy from that the responses have been grouped. From the received responses following tables have been prepared:

Table No. 1-Demographic Profile

	No. of respondents	Percentage	Gender	No. of respondents	Percentage
Under 30	25	16.67	Male	85	56.67
30-40	60	40.00	Female	65	43.33
40-50	40	26.67	Other	Nil	Nil
50-60	15	10.00	Total	150	100
above 60	10	6.67			
Total	150	100.00			

Table no. 1 shows that 40 % of respondents are from the category of age group 30-40, 26.67 % from the age group of 40-50. This indicates that near about 60 % of samples are from the group of 30-50.

Out of total respondents 56.67 % respondents are from male category.43.33 % from Female category. This indicates that the market for investment is to target women investors to do investments.

Table No. 2-Occupation-wise distribution of respondents

Occupation	No. of respondents	Percentage
Employed	90	60
Self employed	48	32
Retired	12	8
Total	150	100

60% respondents are employed in government and non-government sector. 32% of respondents are self-employed from the total samples of the study.

Table No. 3-Annual Income

Annual Income	No. of respondents	Percentage
Below 5 lacs	17	11.33
5 to15 lacs	27	18.00
16 to 20 lacs	53	35.33
21 to 30 lacs	39	26.00
above 30 lacs	14	9.33
Total	150	100.00

Maximum respondents are having income from range of 16 to 20 lacs followed by 26% responses having annual income of 21 to 30 lacs.

Minimum responses are recorded for income above 30 lacs. More than 50% respondents have annual income of 16 to 30 lacs. So that they have ample amount to do their investments.

Table No. 4-Knowledge about Investment in Gold and Mutual Funds

Particulars	No. of respondents	Percentage
Novice	39	26.00
Intermediate	64	42.67
Advanced	47	31.33
Total	150	100.00

The question about how would you rate your knowledge of investment options, including gold and mutual funds?

Knowledge about Investment in gold and mutual funds 43 percentage responses are recorded for intermediate, 31.33 respondents have advanced knowledge about investment in gold and mutual funds.

Table No. 5-Investment in Gold & Mutual Funds

	Investment in Gold		Investment in Mutual Funds	
	No. of respondents	Percentage	No. of respondents	Percentage
Yes	99	66	81	54
No	51	34	69	46
Total	150	100	150	100

The above given table shows the investment of the respondents in Gold and Mutual Funds. 66% respondents invested in gold 54 % respondents

invested their money in mutual funds. .Have you invested in mutual funds

Risk Tolerance and Investment Goals:

Table No. 6 Risk Tolerance capacity

Particulars	No. of respondents	Percentage
Low risk tolerance	99	66
High risk tolerance	51	34
Total	150	100

On a scale of 1 to 10, where 1 is low risk tolerance and 10 is high risk tolerance, how would you rate your risk tolerance?

66% respondents have low risk tolerance whereas 34% respondents have high risk tolerance capacity.

Table No. 7 What are your primary investment goals

Particulars	No. of respondents	Percentage
Capital preservation	20	13.33
Income generation	58	38.67
Capital appreciation	36	24.00
Diversification	25	16.67
Speculative gains	11	7.33
Total	150	100.00

Income generation is primary goal of investment of maximum investors as per the observation from the above given responses of the respondents.

Then capital appreciation is the investment goal. Diversification, capital preservation and speculative gain have given preferences between 16 to 7%

Attitudes Towards Gold and Mutual Funds: -

Table No. 8-What factors influence your decision to invest in gold? (Select all that apply)

Particulars	No. of respondents	Percentage
Hedge against inflation	13	8.67
Safe haven during economic uncertainty	73	48.67
Portfolio diversification	19	12.67
Long-term store of value	35	23.33
Short-term speculative gains	10	6.67
Total	150	100.00

Safe haven during economic uncertainty is influencing factor to invest in gold by maximum respondents as it reveals from the responses given by the respondents.

Long term store value, portfolio diversification, hedge against inflation and short term speculative gains this is the preferences given by the investors, to the factors influencing decision to invest in gold.

Table No. 9-What factors influence your decision to invest in mutual funds? (Select all that apply)

Particulars	No. of respondents	Percentage
Professional management	42	28.00
Diversification across assets	19	12.67
Liquidity	23	15.33
Convenience	28	18.67
Potential for higher returns	38	25.33
Total	150	100.00

Maximum responses are recorded for professional management is the factors influencing decision to invest in mutual funds .

25.33% responses are recorded for potential higher returns.

Behavioral Finance and Decision-making:

Table No. 10-How often do you review your investment portfolio

Particulars	No. of respondents	Percentage
Monthly	5	3.33
Quarterly	35	23.33
Annually	68	45.33
Rarely	42	28.00
Total	150	100.00

45% of respondents review annually their investment portfolio.
28% respondents rarely review their portfolio

Only 3 % of the respondents review monthly their portfolio.

Table No. 11-Change in investment strategy based on market condition and economic outlook

Particulars	No. of respondents	Percentage
Yes	69	46
No	81	54
Total	150	100

46% respondents have noted yes that they are changed their investment strategy based on market conditions or economic outlook.
54% respondents give No for the changed in investment strategy based on market conditions or economic outlook.

14. To what extent do external factors (e.g., economic news, market sentiment) influence your investment decisions?
This question has been asked to know how the economic news, and market sentiments influence investment decisions of the respondents

Table No.12 Influence of economic news and market sentiments

Particulars	Economic news	%	Market sentiment	%
Very influential	40	26.67	60	40.00
Somewhat influential	27	18.00	40	26.67
Neutral	57	38.00	35	23.33
Somewhat uninfluential	26	17.33	15	10.00
Total	150	100.00	150	100.00

Maximum 38% responses has been recorded for neutral influence of economic news in investment in gold and mutual funds.
Responses in the range of 26% to 17% is recorded against very influential and some what influential and some what uninfluential of economic news on the decision about investments.

40% respondents are recorded very influential for market sentiments which affect on investment decision of the respondents.
Responses in the range of 23 to 27% has been recorded for somewhat influential and neutral.
13. Do you believe that adding gold to a portfolio can enhance diversification? -

Table No. 13-Diversification of portfolio on the basis of investment in Gold

Particulars	No. of respondents	Percentage
Strongly agree	40	26.67
Agree	19	12.67
Neutral	36	24.00
Disagree	31	20.67
Strongly disagree	24	16.00
	150	100.00

To know how gold to portfolio can enhance diversification whether respondents are agree, strongly agree, neutral, disagree and strongly disagree has been asked to the respondents.
26.67 % respondents age strongly agree that gold to a portfolio can enhance diversification

Minimum 12.67 % respondents are agree that gold to a portfolio can enhance diversification.
14. How familiar are you with the concept of portfolio diversification using mutual funds?

Table No. 14-Portfolio diversification using mutual funds

Particulars	No. of respondents	Percentage
Very familiar	50	33.33
Somewhat familiar	24	16.00
Not very familiar	30	20.00
Not familiar at all	46	30.67
	150	100.00

33.33% respondents are very familiar about the concept of portfolio diversification using mutual funds.

16 to 20% responses are recorded for somewhat familiar and not very familiar about the concept of portfolio diversification using mutual fund in their portfolio.

REGULATORY AWARENESS

15. Are you aware of any regulations or policies that may impact your investments in Gold and Mutual Funds.

Table No. 15-Awareness of regulations or policies that may impact your investments in Gold and Mutual Funds

Type of investment	Gold		Mutual Funds	
Particulars	No. of responses	%	No. of responses	%
Yes	86	57.33	93	62
No	64	42.67	57	38
	150	100.00	150	100

57 % and 62% respondents of having gold and Mutual Fund investment have aware about regulations that impact on their investment in Gold and Mutual Funds.

that 66% respondents are having low risk tolerance capacity.

7. Table no. 7 shows primary investment goals of the respondents which is income generation followed by capital appreciation from the investments.
8. Attitudes towards Gold & Mutual Funds- What factors influence decision of respondents to invest in Gold from the table no. 8 it is concluded that safe heaven during economic uncertainty, is the influencing factor to invest in Gold.
9. It is observed from the table no. 9 that professional management is the most influential factor for investment in Mutual Funds followed by potential for high returns.
10. It is observe from the table no.10 that 45% respondents review their portfolio annually 28% respondents given responses for rarely review their portfolio.
11. It is concluded from the table no.11 that 54 % respondents recorded number for change in investment strategy based on market condition & economic outlook.
12. It is observe from table no.12 that respondents has been recorded for influence of economic news & maximum 40% responses have been recorded for

CONCLUSION

1. From the tableno.1 it reveals that maximum respondents are in the age group of 30 to 40. And out of that 50% respondents are male & 40% are female.
2. From the table no. 2 it is concluded that 60% of respondents are employed
3. It is concluded from table no. 3 that 35% respondents are having annual income of 16 to 20 lacs & 26% are having 21 to 30 lacs.
4. From the table no.4 it is concluded that respondents have intermediate knowledge about investment in Gold and Mutual Funds.
5. Table No.5 reveals that 66% respondents invest in Gold and 54% respondents are invest in Mutual Funds.
6. Question about risk tolerance capacity of the respondents is asked it revels from the table no. 6

very influential for investment decision for investment decision for investment in Gold & Mutual Funds.

13. It is concluded from table no. 13 that maximum 26.675 respondents recorded responses for strongly agree for diversification of portfolio on the basis of investment in Gold.
14. It reveals from table no. 14 that 33.335 respondents are very familiar about portfolio diversification using Mutual Funds.
15. Table no 15 shows that 57.33% respondents have been recorded for awareness of regulations or policies that may impact on investment in Gold & it also reveals from the same table that 62% of respondents say yes for awareness about regulations or policies that impact on investment in Gold and Mutual Funds.

RECOMMENDATIONS AND SUGGESTION

Following recommendation and suggestions are given on the basis of the above study:

- 1) Female group of investors should be targeted to do investments. As number of working women's are increasing, income of them is also increasing so that they should be targeted.
- 2) Knowledge about investment in different form of Gold and in mutual funds should be given to general public. So that they can plan accordingly.
- 3) Other than buying physical gold other options are also available in the market.
- 4) Peoples are asked to review their portfolio after certain period of time. Which will minimize risk and give highest returns in future.
- 5) Awareness about rules and regulations or policies that impact on investment in Gold is to be improved.
- 6) Awareness about rules and regulations or policies that impact on investment in Mutual Funds is to be upgraded.

SUGGESTION

- 1) Special Seminar and informative programmes should be organize to aware women's about importance of investment, types of investment.

- 2) Leaflets, brochures showing information about types of investment and its importance according to need of the investors.
- 3) Short reels on social media about different types of investment showing characteristics and importance of it in different situation is to be posted and make it viral.
- 4) Awareness, knowledge about Gold Bonds issued by RBI, ETF Certificate is also to be increase by taking various advertisement, short reels and programmes.
- 5) It is also suggested that awareness on how investment in Mutual Funds is safe secure and giving highest return is to be given in rural and urban areas.
- 6) Programmes about portfolio management, portfolio revision and how to review and change according to market situation information about this is to be given to investors.

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^v Factors Affecting Investment in Mutual Funds