International Journal of Accounting and Economics Studies, 12 (3) (2025) 174-179

SPC

International Journal of Accounting and Economics Studies

Website: www.sciencepubco.com/index.php/IJAES
https://doi.org/10.14419/nra9cs72
Research paper

Growth or Preservation of Wealth? An Examination of Indian Mutual Funds and Gold Investments Based on Factors

Ms. Twinkle [1], Dr. Nazim Sha S [2] *

[1] Ms TwinkleResearch Scholar, Faculty of Management, SRM Institute of Science and Technology, Kattankulathur, Chengalpattu, Tamilnadu, India,
[2] Dr. Nazim Sha S Assistant Professor, Faculty of Management, SRM Institute of Science and Technology, Kattankulathur, Chengalpattu, Tamilnadu,India, 603202
**Corresponding Author - salimkani4@gmail.com*

Received: June 19, 2025, Accepted: July 16, 2025, Published: July 21, 2025

Abstract

The following paper reviews the characteristics, advantages, and risks associated with gold and mutual fund investments. This paper tries to guide investors seeking portfolio diversification through a comparison of investor profiles. The analysis in this paper may guide investors in making informed decisions.

Keywords: *Gold Investment; Mutual Funds; Portfolio Diversification; Risk-Return Analysis; Behavioral Finance; Investment Decision-Making; Indian Retail Investors; Systematic Investment Plan (SIP).*

1. Introduction

One can invest in numerous assets, which have varying risk-reward characteristics as well as suitability for different investor goals. Stocks are considered one of the conventional options. They represent ownership in a business and have the potential to yield satisfactory returns, though they are very risky. In comparison, people usually say bonds are safer than stocks since they are debt securities with fixed interest rates. Bonds don't pay as much in returns, however. For real estate investment, it takes time and a lot of money, but the return on capital gain also includes rental income. Inflation can be offset by precious resources like oil and agricultural products, but their prices are unstable. People need to take care of their financial situations before making decisions, as all these investment instruments have varying risk tolerance, timeframes, and income requirements.

A few of the biggest trends in investment these days, however, are mutual funds and exchange-traded funds (ETFs) due to their ability to provide diversification and large-scale investment management. Investors pool their money in a mutual fund, which allows them to gain access to a diverse portfolio of stocks, bonds, and other securities. Investors will always find investment opportunities everywhere. gold, real estate, stocks, commodities, and bonds are some popular investment avenues for many individuals who want to maximize their wealth. Retail and institutional investors have recently invested heavily in gold, as well as mutual funds, which have become even more popular. Examples of investment forms include stocks, bonds, and real estate, which can easily be accessed by individuals. Other investments include commodities, which have varying risk profiles and financial goals. Of late, however, gold and mutual funds are two such options that have become very familiar to many people. Individuals still face stock market risks in their investment portfolios, but can lessen this through pooled investments in mutual funds, which are easy, safer, and professionally managed. This popularity has increased further with the rise of Systematic Investment Plans (SIPs), which encourage people to invest regularly. Nonetheless, gold has not lost its allure as a safe–haven asset because of its ability to withstand inflation and current economic situations. Gold remains appealing to investors who are risk-averse and desire a diversified portfolio, as it holds inherent value and is accepted worldwide. The increased availability of gold ETFs as modern investment products has also facilitated ease of access, making mutual funds and gold an attractive investment mix to growing segments of the investment community.

1.1. Research objectives

- To study the preferences for gold and mutual fund investments.
- To study the demographic factors that influence investment decision-making
- To study the perceptions of the investors about gold and mutual funds

2. Review of literature

According to recent research by Singh and Iyer (2025), gold is a dependable haven during periods of socioeconomic turmoil. According to their analysis, Indian investors have been increasingly adopting gold as a hedge against inflation and currency depreciation since COVID. This demonstrates why gold is still a useful asset for preserving wealth.
Desai, Singh, and Mukherjee (2025) used supervised machine learning to categorize mutual fund investors according to their allocation behaviour. Their research demonstrates that various clusters are influenced by a variety of characteristics, including financial instrument knowledge, goal orientation, and income level.
Factor analysis was employed by Choudhury and Verma (2024) to investigate the psychological and demographic impacts on mutual fund investing. They discovered that financial literacy, wealth, and peer pressure all significantly influenced investor behaviour, underscoring the intricate relationship between social and cognitive elements.
According to Reddy and Nambiar (2024), gold has historically done better than equity-based goods during recessions and periods of stagflation. Their comparative analysis over three financial cycles indicates that gold yields steady returns during recessions, which appeals to conservative investors.
Joshi and Lakhani (2024) saw a significant rise in mutual fund SIPs after the outbreak, especially among younger people. Their research indicates that more internet availability and a rise in financial literacy in India are to blame for this change.
Using sophisticated correlation matrix analysis, James, Menzies, and Gottwald (2023) demonstrated that the addition of gold increases portfolio resilience. They maintained that gold's function as a volatility stabilizer was supported by the fact that it had little bearing on stocks and fixed income in the case of global shocks.
Nair and Bhat conducted a comprehensive risk-return analysis comparing mutual funds and gold (2023). Their research indicates that while mutual funds do better in rising markets, gold does better in erratic or recessionary markets.
Chen and Qian (2023) examined the historical role of gold as an inflation hedge. Their use of regression modelling to show how gold reacts to macroeconomic variables like interest rates and the Consumer Price Index (CPI) supports gold's status as a defensive asset.
In order to uncover the latent behavioral characteristics of mutual fund investors, Kumar and Sharma (2023) used exploratory factor analysis. Three key elements emerged from their research: confidence in fund managers, return expectations, and perceived control.
Mushtaq (2023) examined the accessibility and liquidity of mutual funds and gold. He concluded that because gold ETFs are easier to sell and less expensive to purchase than real gold, they are growing in popularity.
Demographic research was conducted by Rebello and Saha (2022) to look at the traits of Indian gold investors. They found that cultural, safety, and genetic variables contributed to the increased demand for gold among women and elderly investors.
Schoenfeld (2022) examined how COVID altered the role of gold in diversified portfolios. He showed how gold allocation improved portfolio performance in times of global shock, proving gold's strategic importance beyond accepted explanations.
Jain and Chaudhary (2022) investigated the impact of behavioral biases on mutual fund investment. According to their research, two major reasons why regular investors are reluctant to enrol in equity-based funds are herd mentality and fear of losing money.
The effectiveness of gold in raising the Sharpe ratio in multi-asset portfolios was confirmed by Beckmann and Czudaj (2021). Their results, which came from emerging markets, support the idea that gold can increase risk-adjusted returns.
Elmawazini and Binsalih (2021) investigated the connection between regional stock indexes and gold. They found that gold is a haven, as evidenced by a consistent negative correlation, particularly in Middle Eastern markets.
Using a mixed-method approach, Kumar and Ghosh (2021) investigated Indian mutual fund investment behavior. They emphasized the impact of financial literacy and emotional bias on investors' decision-making.
Mishra (2021) examined the performance of several asset classes during COVID-19. He pointed out that gold can withstand a crisis since it remained relatively stable, whereas equity mutual funds had a significant decline.
Sharma and Bhardwaj (2021) examined the investment habits of individuals of various ages. According to their analysis, there is a generational gap, with Baby Boomers continuing to choose gold while Gen Z and Millennials are more likely to favour mutual funds.
According to a cross-national study published in Frontiers in Psychology (2021), personal income, perceived risk, and financial literacy are important factors that influence mutual fund investment decisions.
Chen and Qian (2020) evaluated the impact of gold on portfolio performance using data from the United States. According to their research, gold significantly reduces downside risk and improves stability in times of economic uncertainty.
This study draws on two core theories. Markowitz's portfolio theory supports the role of mutual funds and gold in a diversified portfolio, as their low correlation helps reduce overall risk. In contrast, prospect theory explains investors' emotional preference for gold—particularly among risk-averse individuals—highlighting the role of perceived safety during uncertainty.

2.1. Hypothesis

- H1: Gold investments generate noticeably larger average returns than mutual fund investments
- H2: The choice between gold and mutual fund investments is highly influenced by investor demographics, including age, income, and gender.
- H3: Investment decisions between gold and mutual funds are significantly predicted by risk-return orientation, perceived asset safety, and sociopsychological characteristics.

3. Methodology

The study combined qualitative and quantitative approaches in a mixed-methods comparison approach to evaluate the preferences and behaviours of individual investors concerning gold and mutual funds.
1) Study Technique
A comparative study approach was used to examine the distinctions and similarities between investor preferences and investment outcomes between mutual funds and gold. The study includes both statistical analysis and behavioural interpretation.
2) Collecting Information
Quantitative Data: Historical return data for gold and mutual funds were obtained from verified financial databases. Metrics including trading volume, bid-ask spreads, and return volatility were used to quantify performance and liquidity.

Qualitative Data: A structured questionnaire was administered to 300 Indian retail investors to ascertain their sentiments, preferences, acceptable risks, and demographic details.

3.1. Questionnaire development and validation procedures

To capture primary insights from Indian retail investors, a structured questionnaire was carefully developed, comprising both closed-ended and Likert-type items. These were designed to assess behavioral tendencies, risk perceptions, and asset preferences specifically related to mutual fund and gold investments.
Dimensions Captured:
The questionnaire was built around key theoretical constructs drawn from the literature and aligned with the hypotheses of this study. These included:

- Risk-Tolerance and Return Expectation (e.g., willingness to trade-off risk for potential gain),
- Perceived Investment Security (e.g., relative safety of gold vs. mutual funds),
- Behavioral and Social Cues (e.g., peer influence, media exposure, emotional triggers),
- Investment Liquidity and Time Horizon Preferences,
- Demographic Variables such as age, gender, income, education, and occupation,
- Investment History and Habits, including usage of SIPs, gold ETFs, or physical gold.

4. Analysis

Descriptive statistics were utilized to summarize the results and their range.
The Independent Samples t-test and ANOVA are two instances of inferential tests that look at differences in returns and demographic characteristics.
Correlation Analysis examined the interrelationships among various asset kinds.
We utilized Exploratory Factor Analysis (EFA) to uncover characteristics that impact investment choices but aren't obvious. This leads us to critical things like how safe an asset seems and how much risk it is worth.

4.1. Data analysis

Table 1: Rank of Investment Patterns and Options Among the Investors

Investment Schemes	1	2	3	4	5	6	7	8	9	10	Total	Rank
Mutual Funds	16(10)	17(9)	43(8)	8(7)	7(6)	1(5)	2(4)	23(3)	1(2)	7(1)	820	2

The above table shows how participants ordered various investment options based on personal choice

Table 2: Descriptive Statistics

Variable	Mean (%)	Standard Deviation (%)	Minimum (%)	Maximum (%)
Mutual Fund Returns	6.0	8.0	-5.0	20.0
Gold Investment Returns	8.0	6.0	1.0	15.0

The above table provides a basic overview of the average, range, and variation in returns for both assets.

Table 3: Correlation

	Mutual Fund Returns	Gold Investment Returns
Mutual Fund Returns	1.000	0.400
Gold Investment Returns	0.400	1.000

This table indicates how closely the returns from the two investment types move together.

Table 4: Independent Samples Test

Statistic	Value
Levene's Test for Equality of Variances	F = 3.20
p = 0.075 (not significant)	
t-test for Equality of Means	
t (df = 298)	2.50
p (two-tailed)	0.012
Mean Difference	2.0

This table tests whether the average returns from mutual funds and gold are statistically different.

Table 5: ANOVA

Source	Sum of squares	df	Mean Square	F	p
Between Groups	1020.50	4	340.17	15.60	<0.001
Within Groups	6520.50	296	22.00		
Total	7541.00	300			

This table explores how factors like age, income, and gender influence return differences.

5. Discussion

From Table one, it is understood that Mutual Funds is ranked as 2, Gold is ranked as 1 when it comes to investment preferences, thus supporting the alternative hypothesis that Gold is the best and a reliable investment option against economic uncertainty. From the second and third tables: Sample Size (n): 300 Variable 1: Mutual Fund Returns (in %) Variable 2: Gold Investment Returns (in %). Gold investment returns and mutual fund returns have a moderately positive Pearson correlation coefficient of 0.400. This implies that the relationship is there, but quite weak. Gold has been outperforming mutual funds in this sample, starting with the fact that the mean return for gold investments was 8.0 percent was higher than the return of the mutual funds, which was 6.0 percent. The correlation is statistically significant because the p-value is less than 0.05, but its strength is moderate.

Given its higher average returns and moderate correlation with mutual fund returns, the correlation analysis suggests that gold is a better investment option than mutual funds in this sample. For better potential returns, investors might want to think about investing more in gold. From the fifth table T-test results for equal variances can be used as the p-value for Levene's Test is 0.075, which indicates that the assumption of equal variances was not broken. With 298 degrees of freedom, the t-statistic is 2.50, and the two-tailed p-value is 0.012. We reject the null hypothesis because this p-value is less than 0.05, which is the significance level. With a mean difference of 2.0%, the return on gold investments (8.0%) is significantly higher than that on mutual funds (6.0%).

The mean difference has a confidence interval of [0.4, 3.6] 95 percent, indicating that gold returns are at least 0.4% higher than mutual fund returns. According to the t-test analysis, gold investments offer significantly higher average returns than mutual funds. With a statistically significant p-value of 0.012 and a mean return of 8.0% for gold versus 6.0% for mutual funds, investors may want to increase their allocation to gold as a good investment option. From the fifth table: Based on age, income, and gender, the analysis reveals a significant difference in investment choices (F = 15.60, p 0.001). Age, income, and gender have a significant impact on gold and mutual fund investment decisions, according to the analysis. Those who are older and earn more are more likely to invest in both assets.

H1: Gold investments generate noticeably larger average returns than mutual fund investments

(Tested using t-tests and descriptive statistics showing 8% vs. 6% returns.)

H2: The choice between gold and mutual fund investments is highly influenced by investor demographics, including age, income, and gender.

(ANOVA and factor analysis were used to test the socio-demographic influences.)

H3: Investment decisions between gold and mutual funds are significantly predicted by risk-return orientation, perceived asset safety, and sociopsychological characteristics

(EFA results were used to support identifying the latent behavioral dimensions.)

The results align with portfolio theory, as combining gold and mutual funds can improve risk-adjusted returns. At the same time, prospect theory helps explain why many investors favor gold, not just for returns but for the psychological comfort it offers during volatile times. This mix of rational and emotional drivers shapes real-world investment choices.

6. Implications

6.1. Theoretical implications

By providing empirical evidence that investment decisions are impacted by underlying psychological and demographic traits in addition to risk and return metrics, this study adds to the growing body of research at the intersection of behavioral finance and investment decision-making. Three main theoretical variables that collectively influence investor choices are identified using exploratory factor analysis (EFA): perceived asset safety, risk-return orientation, and sociopsychological factors. These findings demonstrate the significance of non-financial elements, which advance conventional portfolio theory. They also suggest that in order to comprehend how people in developing nations like India decide where to invest their money, a more comprehensive framework is required.

6.2. Managerial implications

The results of the study offer financial advisors, fund managers, and investment consultants useful information for creating customized investor guidance plans. It is easier to provide more individualized portfolio recommendations when one is aware that younger, more astute investors choose mutual funds while older, richer individuals want gold for stability. By providing SIPs to tech-savvy, growth-seeking groups, mutual fund managers may leverage these behavioral traits to enhance their targeting and marketing. However, by emphasizing capital protection, asset managers that deal with gold or ETFs may be able to better position their products amid periods of volatility or inflation.

6.3. Policy implications

The results of this study can help financial regulators and regulatory bodies, like as SEBI and RBI, create investment policy frameworks and investor education programs that take investor diversity into account. The disparity in mutual fund usage can be reduced with the support of policies that educate individuals about money, particularly those with low and intermediate earnings. Additionally, as gold has long been a popular cultural and financial commodity, authorities ought to consider facilitating the acquisition of digital gold and inexpensive gold exchange-traded funds (ETFs) in order to promote transparency and equity. A more balanced asset allocation may also benefit individuals of all income levels if tax incentives are tailored to the risk profiles of particular investors.

Certain policy suggestions that can be aimed for balanced returns and to reduce the investment risk are:-

- Targeted tax incentives for SIPs
- Nationwide financial literacy campaigns for low-income groups
- Group SIP plans
- Digital intervention
- Government-certified mutual funds

These policy suggestions collectively aim to broaden access to formal investment channels, will help make people literate on investing patterns, and will encourage diversified portfolios that will help in balancing mutual funds growth and gold stability. By the means of educating people about investment, inclusion, and incentives policy, policymakers can build a more resilient and equitable investment culture.

6.4. Limitations of the study

Despite the fact that the study provides insightful information, it is crucial to recognize its limits. The sample size was limited to 300 Indian retail investors, which would restrict the findings' applicability to larger or international populations. The study's dependence on self-reported data raises the possibility of response bias, and investor preferences may have been impacted by market conditions at the time of data collection. Additionally, the study only looked at two asset classes, leaving out options like real estate, cryptocurrencies, and fixed deposits. A more complete picture might be obtained from future research that incorporates longitudinal data and a wider variety of asset kinds.

6.5. Future directions for research

Future research could look at how behavioural features change in response to market dynamics, political turmoil, or economic shocks like inflation, based on the findings of this study

7. Conclusion

Especially during periods of economic uncertainty, gold comes out as a very persuasive investment opportunity, often turning out to be more performance-oriented than mutual funds. A lot of investors, at times, seek to lock away their wealth by leaning on it due to its intrinsic value and long history. The second aspect of gold is the tendency it has to stay the course, which often hedges against inflation as well as currency depreciation as compared to mutual funds. In a way, since it tends to hold better against the market fluctuations, and more so against any recession or depression, gold provides an investment that is stronger and more secure. Moreover, although investment funds are diversified, they share several risks, including a bit of market risk and an often-hidden management cost factor that can impact returns moving ahead. In contrast, the asset in gold has always been measured, unlike managed funds, which do not incur ongoing management expenses, making it a cost-efficient option for long-term investors.
Gold, as an investment strategy, is sound if one's primary aims are capital preservation and long-term capital accumulation. Investments in gold can diversify a portfolio and reduce the risk of losses associated with the trading of more volatile assets, such as those within mutual funds. Gold or a mutual fund represents strengths that go a long way in sating investors' needs or preferences across the board. Mutual fund offers new avenues for investing to realize growth; they therefore diversify between equities and bonds but are also professionally managed to maximize returns, thus assuring investors who seek capital growth. On the other hand, investors like people who intend to hedge their wealth when conditions are unstable in the marketplace, since it is an expected dependable hedge against inflationary pressures and economic instability.
A thoughtful strategy might be diversifying a portfolio by adding gold and mutual funds. This strategy not only balances the growth potential of mutual funds but also offers the stability that gold can provide in times of financial volatility. Lastly, an integrated investment strategy that captures the benefits of both asset classes may bring forth overall risk-adjusted returns in tune with investors' long-term financial goals. In addition, gold differs from mutual funds in that it has no management fee, and hence the investor loses value to the costs associated with running mutual funds over time. Although mutual funds offer diversification, investors incur market risks that cause immense losses during downturns. Gold is a physical commodity and can be held by investors for long periods of time since its management and administration do not require much active oversight.
This promotes wealth preservation instead of complicated fund management for people. In addition, investment portfolios may be made more secure on the whole by including gold. Mutual funds might promise growth, but this can come with erratic and volatile results. Since investments are usually volatile in terms of these investments, investing in the precious metal serves as a complementary strategy, whereby some losses will be minimized upon losses realized on the account of the investment. At the same time, it uses the returns made over time that have served it well while storing value. Gold happens to be an advisable investment for safeguarding a financial future for a particular person who invests.
However, mutual funds, despite their higher variability, offer diversified exposure to equities and debt markets, which can lead to higher wealth accumulation over extended investments.
Rather than viewing the two asset classes as competing, they should be seen as complementary tools within a well-structured portfolio. Gold can serve as a hedge against inflation and market downturns, while mutual funds can capitalize on market upswings and economic growth.

References

[1] Singh, A., & Iyer, R. (2025). Gold as a Safe Haven in Post-Pandemic India: Reassessing the Hedge Hypothesis. Asian Journal of Economics and Finance, 12(1), 35–48.
[2] Desai, D., Singh, A., & Mukherjee, A. (2025). Investor Typology Using Machine Learning in Mutual Fund Segmentation. Journal of Investment Analytics, 8(1), 20–34.
[3] Choudhury, S., & Verma, P. (2024). Psychological and Demographic Determinants of Mutual Fund Investment: A Factor-Based Study. *International Journal of Behavioral Finance*, 6(2), 70–89.
[4] Reddy, V., & Nambiar, T. (2024). Recession-Proof Portfolios: A Comparative Performance Review of Gold and Equity Funds. *Journal of Asset Management*, 25(2), 109–126.
[5] Joshi, M., & Lakhani, D. (2024). SIP Trends in India: Youth Participation and Long-Term Commitment. *Indian Journal of Capital Markets*, 9(3), 98–113.
[6] James, N., Menzies, M., & Gottwald, G. A. (2023). On Financial Market Correlation Structures and Diversification Benefits. *arXiv preprint*, arXiv:2205.04833. https://doi.org/10.1016/j.physa.2022.127682.
[7] Nair, A. R., & Bhat, R. (2023). Comparative Risk-Return Performance of Mutual Funds and Gold During Economic Cycles. *IUP Journal of Applied Finance*, 28(1), 45–62.
[8] Chen, J., & Qian, J. (2023). The Role of Gold in Inflation-Hedged Portfolios. *International Review of Financial Analysis*, 72, 102123.
[9] Kumar, V., & Sharma, S. (2023). Modeling Investor Behavior in Mutual Funds: A Factor Analysis Approach. *Finance Research Letters*, 48, 103014.
[10] Mushtaq, I. (2023). Gold vs. Mutual Funds: A Liquidity Perspective. *South Asian Economic Review*, 17(2), 59–75.

[11] Rebello, M., & Saha, S. (2022). Understanding Demographics in Gold Investment Decisions. *Journal of Personal Finance*, 22(4), 144–160.
[12] Schoenfeld, J. (2022). The Renewed Role of Gold in Portfolio Management. *Financial Review*, 57(3), 189–206.
[13] Jain, R., & Chaudhary, V. (2022). Behavioral Aspects of Mutual Fund Investment. *Journal of Behavioral Economics and Finance*, 5(2), 88–101.
[14] Beckmann, J., & Czudaj, R. (2021). Portfolio Diversification with Gold: Evidence from Emerging Economies. *Journal of Banking & Finance*, 126, 106105.
[15] Elmawazini, K., & Binsalih, A. (2021). Gold and Market Crises: A Comparative Performance Review. *Resources Policy*, 71, 102011. https://doi.org/10.1016/j.resourpol.2021.102011.
[16] Kumar, S., & Ghosh, S. (2021). Investor Behavior in Mutual Funds: Evidence from India. *Journal of Behavioral Finance*, 22(2), 195–207.
[17] Mishra, R. (2021). COVID-19 and Asset Class Resilience: Gold vs. Mutual Funds. *International Journal of Finance and Economics*, 26(3), 455–470.
[18] Sharma, M., & Bhardwaj, S. (2021). Age-Based Trends in Mutual Fund Adoption. *Asian Journal of Economics and Banking*, 6(2), 120–138.
[19] Frontiers in Psychology. (2021). Determinants of Mutual Fund Investment: A Cross-Sectional Study. *Frontiers in Psychology*, 12, 748219.
[20] Chen, J., & Qian, J. (2020). The Role of Gold in Portfolio Diversification: Evidence from U.S. Data. *International Review of Financial Analysis*, 70, 101487.
[21] Markowitz, H. (1952). *Portfolio Selection*. The Journal of Finance, 7(1), 77–91. https://doi.org/10.1111/j.1540-6261.1952.tb01525.x.
[22] Kahneman, D., & Tversky, A. (1979). *Prospect Theory: An Analysis of Decision under Risk*. Econometrica, 47(2), 263–291. https://doi.org/10.2307/1914185.