



International Journal Research Publication Analysis

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A COMPARATIVE STUDY ON INVESTMENT RETURNS IN GOLD, LAND AND MUTUAL FUNDS

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Article Received: 23 July 2025***Corresponding Author: Dr. Shashwat Bajpai****Article Revised: 13 August 2025**

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ABSTRACT

This study explores the comparative returns of three prominent investment options: gold, land, and mutual funds. Each investment type has unique characteristics and potential benefits, making them attractive to different types of investors. Gold has long been considered a safe haven during economic uncertainty, providing stability and acting as a hedge against inflation. Land investments offer potential for significant appreciation over time, driven by factors such as location, development opportunities, and demand dynamics. Meanwhile, mutual funds provide a diversified portfolio managed by professionals, offering exposure to a range of asset classes and risk profiles. By examining historical data, market trends, and economic indicators, this research aims to provide a comprehensive analysis of the performance, risks, and potential returns associated with each investment type. The study evaluates the historical volatility and return rates of these investments over different time periods and economic cycles. Additionally, it considers external factors influencing their performance, such as changes in interest rates, geopolitical events, and technological advancements. The findings of this research are intended to assist investors in making informed decisions based on their financial goals, risk tolerance, and prevailing market conditions. By understanding the strengths and weaknesses of gold, land, and mutual funds, investors can tailor their portfolios to align with their investment strategies and maximize potential returns. Ultimately, this study provides valuable insights into how these asset classes perform in varying economic environments, guiding investors toward optimal asset allocation.

KEYWORDS: Gold, Land, Mutual Funds, Comparative Returns, Economic Indicators, Risk,

Assessment, Potential Returns, Risk Tolerance, Asset Allocation, Volatility, Diversification, Portfolio Management, Inflation Hedge, Economic Cycles,

Objectives of the study

1. To analyze the historical performance of gold, land, and mutual funds.
2. To assess the risks and returns associated with each investment type.
3. To evaluate the economic factors influencing the performance of these investments.
4. To provide insights for investors on making informed investment choices.

Literature Review outcomes

1. Gold

Gold has long been considered a safe-haven asset, especially during times of economic uncertainty. Its value tends to rise during periods of inflation and market volatility. Studies show that gold has a low correlation with other asset classes, making it an effective diversifier in an investment portfolio.

2. Land

Real estate, including land, is a tangible asset that often appreciates over time. The value of land is influenced by factors such as location, development potential, and economic conditions. Historically, land has provided stable returns and acted as a hedge against inflation.

3. Mutual Funds

Mutual funds pool money from multiple investors to invest in a diversified portfolio of stocks, bonds, and other securities. They offer the advantage of professional management and diversification. The performance of mutual funds depends on the underlying assets and the expertise of fund managers.

METHODOLOGY

Data Collection

Data for this study was collected from various sources, including:

1. Historical gold prices from financial databases and commodity markets.
2. Real estate market data, including land prices from property registries and market reports.
3. Mutual fund performance data from financial institutions and investment platforms.

Analytical Framework

- 1. Historical Performance Analysis:** Examining the historical returns of gold, land, and mutual funds over a specified period.
- 2. Risk Assessment:** Analyzing the volatility and risk associated with each investment type.
- 3. Economic Factors:** Assessing the impact of inflation, interest rates, and economic growth on the performance of these investments.

Analysis and Results

Historical Performance Gold

Over the past 10 years (2014–2024), gold prices have exhibited notable volatility, fluctuating between approximately Rs. 25,000 and Rs. 65,000 per 10 grams in the Indian market. Despite these fluctuations, the overall trend has been upward, with an average annual return of around 8% – 10%. Key factors driving these movements include global geopolitical tensions (such as the Russia-Ukraine conflict), rising inflation, and currency depreciation, particularly the weakening of the Indian rupee against the US dollar.

Gold Rate from 2014 to 2024

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 24 kar/10gr. | Rs.28, 006 | Rs.26, 343 | Rs.28, 623 | Rs.29, 667 | Rs.31, 438 | Rs.3 5,220 | Rs.48, 651 | Rs.48, 720 | Rs.5 2,670 | Rs.65, 330 | Rs.71, 510 |

Land

Land prices have steadily appreciated, especially in urban and rapidly developing areas. The long-term returns on land investments have been relatively stable, with occasional spikes due to economic booms or increased demand in specific regions.

Mutual Funds

The performance of mutual funds varies widely depending on the fund type (e.g., equity, debt, balanced) and market conditions. Equity mutual funds have shown higher returns but also higher volatility compared to debt funds.

Mutual Fund Screening and Analysis

| S. No | Scheme Name | Category Name | Crisil Rank | AuM (Cr) | 1 W | 1 M | 3 M | 6 M | YT D | 1Y | 2Y | 3Y | 5Y | 10 Y |
|-------|--------------------------------------|----------------------------|-------------|---------------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1 | SBI Contra | Contra Fund | 5 | 34,36 6.43 | - 1 % | 1 % | 13 % | 17 % | 23 % | 44 % | 36 % | 30 % | 33 % | 19 % |
| 2 | Kotak India EQ Contra | Contra Fund | 4 | 3,760 .40 | - 2 % | - 1 % | 14 % | 18 % | 25 % | 50 % | 35 % | 25 % | 26 % | 19 % |
| 3 | Motilal Oswal ELSS Tax Saver | ELSS | 5 | 3,835 .43 | 0 % | 1 % | 16 % | 26 % | 33 % | 60 % | 40 % | 26 % | 26 % | - |
| 4 | HDFC ELSS Tax saver | ELSS | 4 | 16,14 5.24 | - 1 % | 0 % | 13 % | 18 % | 22 % | 43 % | 32 % | 26 % | 23 % | 15 % |
| 5 | Motilal Oswal Flexi Cap Fund | Flexi Cap Fund | 4 | 11,12 6.36 | 0 % | 0 % | 16 % | 26 % | 30 % | 54 % | 33 % | 19 % | 19 % | 18 % |
| 6 | HDFC Flexi Cap | Flexi Cap Fund | 4 | 61,57 1.57 | - 1 % | - 1 % | 13 % | 18 % | 22 % | 40 % | 32 % | 27 % | 24 % | 17 % |
| 7 | HDFC Focused 30 | Focused Fund | 5 | 13,79 4.80 | - 1 % | - 1 % | 12 % | 19 % | 22 % | 40 % | 32 % | 29 % | 25 % | 16 % |
| 8 | Mahindra Manulife | Focused Fund | 4 | 1,690 .84 | - 1% | 0 % | 13 % | 18 % | 28 % | 50 % | 35 % | 26 % | - | - |
| 9 | Motilal Oswal | Large & Mid Cap Fund | 4 | 5,335 .94 | 0 % | 1 % | 17 % | 24 % | 29 % | 55 % | 40 % | 26 % | - | - |
| 10 | ICICI Prudential | Large & Mid Cap Fund | 4 | 14,48 5.78 | - 1 % | 1 % | 13 % | 18 % | 25 % | 43 % | 32 % | 27 % | 26 % | 17 % |
| 11 | Bank of India Bluechip | Large Cap Fund | 5 | 187.9 2 | - 1 % | - 2 % | 10 % | 13 % | 19 % | 42 % | 26 % | 18 % | - | - |
| 12 | ICICI Prudential Bluechip | Large Cap Fund | 4 | 59,36 4.40 | - 1 % | 0 % | 12 % | 15 % | 20 % | 37 % | 27 % | 21 % | 22 % | 16 % |
| 14 | ICICI Prudential Multicap | Multi Cap Fund | 4 | 13,02 5.40 | - 1 % | 2 % | 15 % | 18 % | 24 % | 45 % | 33 % | 24 % | 24 % | 18 % |
| 15 | ITI Multi Cap | Multi Cap Fund | 5 | 1,364 .42 | - 2 % | - 2 % | 15 % | 17 % | 24 % | 49 % | 36 % | 21 % | 21 % | - |
| 16 | Aditya Birla Sun Life India | Sectoral/ The matic | 4 | 5,786 .16 | 0 % | 2 % | 15 % | 21 % | 21 % | 35 % | 25 % | 21 % | 23 % | 20 % |
| 17 | LIC MF Infrastructure | Sectoral/The matic | 4 | 430.2 1 | - 2 % | - 3 % | 26 % | 36 % | 48 % | 81 % | 50 % | 38 % | 31 % | 18 % |
| 18 | Axis Small Cap | Small Cap Fund | 2 | 22,26 2.42 | - 2 % | - 1 % | 15 % | 15 % | 19 % | 37 % | 30 % | 24 % | 31 % | 23 % |
| 19 | HSBC Small Cap | Small Cap Fund | 4 | 16,90 5.18 | - 2 % | - 3 % | 15 % | 17 % | 22 % | 46 % | 38 % | 29 % | 33 % | 23 % |
| 20 | Axis Value | Value Fund | - | 619.8 7 | - 1 % | 1 % | 18 % | 21 % | 26 % | 49 % | 36 % | - | - | - |
| 21 | HSBC Value | Value Fund | 4 | 13,81 9.92 | - 2 % | - 2 % | 14 % | 17 % | 25 % | 51 % | 38 % | 26 % | 27 % | 20 % |

Risk Assessment

Gold

Gold is considered a low-risk investment, particularly during economic downturns. However, it does not generate income and relies on capital appreciation.

Land

Land investment carries risks related to market liquidity, legal issues, and economic cycles. It is less liquid compared to gold and mutual funds.

Mutual Funds

The risk associated with mutual funds depends on the underlying assets. Equity funds are generally riskier than debt funds. However, mutual funds offer diversification, which can mitigate some risks.

Economic Factors

Inflation

Gold and land often serve as hedges against inflation. Mutual funds' performance can vary; equity funds may outperform in inflationary periods, while debt funds might underperform.

Interest Rates

Rising interest rates can negatively impact mutual funds, particularly debt funds. Gold may become less attractive as an investment during high-interest-rate periods, while land prices may also be affected by changes in borrowing costs.

Discussion

Comparative Returns

1. **Gold:** Provides a safe-haven investment with moderate returns, especially in times of economic uncertainty.
2. **Land:** Offers stable, long-term appreciation, particularly in high-demand areas, but carries higher risks related to liquidity and legal issues.
3. **Mutual Funds:** Can offer high returns, particularly equity funds, but come with higher risk and depend heavily on market conditions and fund management.

Risk-Return Tradeoff

Investors need to balance their risk tolerance with their return expectations. Gold offers

stability, land provides long-term growth, and mutual funds offer potential for higher returns through diversification.

Investment Strategy

A diversified investment strategy incorporating gold, land, and mutual funds can help mitigate risks and optimize returns. Allocation should be based on individual financial goals, risk appetite, and market conditions.

CONCLUSION

This study highlights the distinct characteristics, risks, and returns of gold, land, and mutual funds. Over the past decade, gold has delivered average annual returns of 8–10%, land investments have yielded 10–15% depending on location and development, while mutual funds, particularly equity-oriented schemes, have offered returns ranging from 12–15% annually. While no single asset class consistently outperforms across all market conditions, a diversified portfolio combining these assets can enhance stability and long-term growth. Future research could delve deeper into how macroeconomic variables- such as GDP growth, interest rates, and inflation- affect these investments, and examine the growing influence of emerging markets on their performance.

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