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A Household Investor-Centred Benchmarking across Pertinent Investment Pathways in India

[1]Dr Joseph James V, [2]Dr Baiju JJ
[1]Professor, MSN Institute of Management and Technology, Chavara, Kollam.
(Former Associate Professor and Head, Department of Commerce, Fatima Mata National College, Kollam, Kerala.)
[2]Associate Professor, MSN Institute of Management and Technology, Chavara, Kollam.

***Abstract*—Indian household investments are nowadays increasingly complex with a wider array of investment avenues. These range from traditional options like fixed deposits and gold, the interest of household investors is now greatly extended to modern instruments such as mutual funds, ETFs, equities, and digital assets. The availability of modern investment avenues usually presents complications for the average household investor—often operating with limited and lower levels of funds for investment, financial literacy, risk tolerance and infrastructure for investment practice—in navigating this spectrum of opportunities in a rational manner leading to proper investment management.**

Another major gap in the investment decision-making process is the absence of a systematic benchmarking mechanism that caters specifically to the needs and profiles of household investors. The difficulties are usually with respect to assessment of performance, risk, and suitability. Household investors in India often make decisions based on fragmented advice, cultural biases, or historical trends rather than empirical evidence or comparative evaluation. Decisions based on rational judgements with the support of quantitative and also processed qualitative information are usually found inaccessible to household investors who remain usually naive. Therefore, suggesting a systematic and empirically supported guideline of analysis and evaluation of investment avenues is expected to reduce complexities and impediments of investments.

This research aims to address these gaps by developing a household investor-centred benchmarking framework that evaluates pertinent investment pathways available in the Indian financial ecosystem

***Index Terms*—Household investor, Investment avenues, Benchmarking, Mutual funds, ETFs, Volatility.**

I. INTRODUCTION

In the evolving landscape of personal finance, Indian households are faced with an increasingly complex array of investment choices. From traditional options like fixed deposits and gold, the

interest of household investors is now greatly extended to modern instruments such as mutual funds, ETFs, equities, and digital assets. The easy accessibility through electronic platforms, liquidity, reward-risk viability and feasibility in conformity with the investor perceptions and requirements have placed the modern investment avenues in the minds of small and household investors in a more attractive manner. This enhanced the investors to become more informed on the characteristics of the investment opportunities and to be capable of making strategic investment decisions. However, for the average household investor—often operating with limited and lower levels of funds for investment, financial literacy, risk tolerance and infrastructure for investment practice—navigating this spectrum of opportunities presents considerable challenges and issues regarding proper investment management.

Another major gap in the investment decision-making process is the absence of a systematic benchmarking mechanism that caters specifically to the needs and profiles of household investors. While institutional investors have long relied on structured benchmarks to assess performance, risk, and suitability, household investors in India often make decisions based on fragmented advice, cultural biases, or historical trends rather than empirical evidence or comparative evaluation. Decisions based on rational judgements with the support of quantitative and also processed qualitative information are usually found inaccessible to household investors who remain usually naive. Therefore, suggesting a systematic and empirically supported system of analysis and evaluation of investment avenues is expected to reduce complexities and impediments of investments.

This research aims to address these gaps by developing a household investor-centred benchmarking framework that evaluates pertinent investment pathways available in the Indian financial ecosystem. The study emphasizes practical metrices—such as return on investment, risk-adjusted performance, liquidity, inflation resilience, and tax efficiency—to offer a comprehensive set of tools that align investment choices with the financial goals like time horizons, risk - return profiles and other feasibility choices of Indian household investors.

By adopting a multi-dimensional and investor-centric approach, this research not only seeks to empower individuals with actionable insights but also contributes to the broader discourse on financial inclusion and sustainable wealth creation in India. The findings are expected to aid policymakers, financial advisors, and fintech platforms in crafting solutions that resonate with the realities and aspirations of India's diverse household investor base.

II. REVIEW OF LITERATURE: A BRIEF SUMMARY

The reviewed literature may be summarized as below covering a range of investment avenues in India, analysing investor behaviour, risk-return preferences, performance matrices etc.

Investment behaviour among Indian households has been a subject of extensive study, with researchers highlighting a strong preference for traditional and low-risk instruments like gold, real estate, and fixed deposits (Basu, 2005; RBI, 2022). This trend reflects a combination of cultural tendencies, low financial literacy, and risk aversion. Recent shifts, however, indicate a gradual

movement toward market-linked avenues such as mutual funds, Systematic Investment Plans (SIPs), and equity trading, driven by increased digital access and financial awareness (SEBI, 2020; AMFI, 2023).

Benchmarking in investment analysis has largely focused on institutional settings, with performance evaluation frameworks rooted in indices like Nifty 50, BSE Sensex, and S&P 500. While tools like the Sharpe ratio, Treynor ratio, and alpha-beta analysis are well-established in academic and professional circles, their application to household-level decision-making remains limited.

1. Traditional vs. Modern Avenues:

Panpaliya et al. (2020) analysed equities, mutual funds, and fixed deposits, identifying safety and predictable returns as major drivers of preference for FDs. The study analysed the growth potential of Bank FDs, Mutual Funds, and Equity (Stock Market) in India. - Despite awareness of various investment options, people in India prefer bank deposits due to their safety and predictable returns. - Investors prioritize safety and high returns, often opting for stable returns over high-risk investments, and may balance risk by investing in secured options like bonds and debentures.

Sakthivelu and Karthikeyan (2023) extended this view by including modern instruments like cryptocurrencies, and identified gold and silver as the most preferred options among investors. The paper examines investors' preferences across various investment avenues in India, including traditional and modern options, based on risk and return. The study examines the investment preferences of investors towards various investment avenues, including traditional options like bank deposits, insurance, and gold, as well as modern options like cryptocurrencies, and uses path regression analysis to determine the relative impact and preference of these investment avenues. The major conclusions elicited are:

- Gold and silver (G&S) is the most preferred and highly impacted investment avenue among investors.
- Bank and post office (B&PO) investments are the second most preferred investment avenue.
- Cryptocurrency (CC) is the third most preferred investment avenue.

Komal Sharma (2023) analyses the performance and risk characteristics of Indian mutual fund schemes across small, mid, and large cap funds. The paper provides a comparative analysis of the performance and risk characteristics of Indian mutual fund schemes across different market capitalization groups, including Small Cap, Mid Cap, and Large Cap funds, using the Systematic Investment Plan (SIP) approach. The Nippon India Small Cap Fund and HDFC Mid-Cap Opportunities Fund have demonstrated consistent and strong performance across different investment periods, with impressive returns. The Nippon India Large Cap Fund has also shown consistent performance, though with lower returns compared to the small-cap and mid-cap funds.

Descriptive Analytics during Disruptive Periods of Investments – A Case Study On Gold & Gold ETFs (2020)

The paper compares the investment analytics and returns between gold and gold ETFs in the Indian market.

The paper examines the reasons for the decrease in investment in gold ETFs compared to physical gold in the Indian market during 2017-18 and creates investment analytics to understand the relationship between gold and gold ETFs. The decrease in investment in gold ETFs compared to physical gold is due to lower intraday returns from gold ETFs. The returns from gold ETFs and physical gold are only equal during bullish market conditions, and the bearish trend in gold ETFs can be hedged by investing in physical gold, but not the other way around. During bearish market conditions, gold ETF providers struggle to market their products, while investors do not have a negative perception of physical gold.

2. Investor Behavior and Preferences:

Verma (2020) emphasized that socio-economic factors influence investment decisions, and highlighted a lack of awareness about goal-based investing. This paper provides a literature review on the investment patterns and decision-making of common people in India, but does not specifically compare the risk and returns across key investment avenues.

The paper aims to study the various factors that affect the investment decisions and patterns of common people in India, as there is a lack of literature on whether people are able to make appropriate investment decisions to achieve their goals and whether their selected investment avenues meet their expectations. The study aimed to identify the factors that influence investment decisions of the common people in India. The study analysed the available literature to gain insights into whether people are able to make appropriate investment decisions and if their chosen investment avenues meet their expectations. The study examined the investment patterns of different socioeconomic classes in India.

Prajapati et al. (2022) studied behavioural aspects, showing that risk and return perceptions differ significantly across demographic groups. This paper examines factors influencing investor behaviour towards various investment avenues, but does not provide a comparative analysis of risk and returns across key investment options in India.

The paper examines the factors that influence individual investment behaviour and decision-making across different investment avenues. The major findings of the study are:

- Risk factor has a significant impact on investment decisions across different age groups.
- Liquidity of an investment avenue does not significantly affect investment decisions across different education levels.
- Return on investment makes a significant difference in investment decisions across different occupations.

- Kannadas (2021) found that income and market experience are stronger influences than age or gender in determining short- and long-term investment behaviour. This paper analyses factors influencing investment decisions of short-term versus long-term individual investors in India, but does not provide a comparative analysis of risk and returns across key investment avenues. The summary of the paper by Kannadas S. (2021) is that it analyses the investment behaviour and decision-making factors of short-term versus long-term individual investors in India, finding that

income level, market participation experience, and risk-return proportions are more influential than age, gender, risk-taking ability, and investment priority. The results may be summarised as below:

- The majority of older investors do not use financial advisors, as they believe in their own investment knowledge.
- Investors' primary motivations for investing are wealth creation, meeting future financial needs, and earning returns, and they do not frequently monitor their investment performance.
- Investors prefer investments with higher returns, even if they involve greater risk, over unfamiliar investments with unpredictable challenges.

3. Risk and Return Analysis: Subramanyam and Kalyan (2020) analysed mutual funds, finding that diversification strategies help balance risk and return. The paper provides a general overview of risk and return analysis of mutual funds in India, but does not specifically compare across key investment avenues as requested in the query.

The study aims to provide guidance to investors on mutual fund investing to maximize returns, by understanding how companies diversify their investments to balance returns and risks, with specific recommendations on infrastructure sector stocks. The study concluded with the recommendations that among the MFs studied:

- Reliance infrastructure had a high return of 255.19% in February 2017, making it a favorable investment for that time period.
- Reliance and Unity infrastructure had high coefficients of variation (COV), suggesting they are suitable for long-term investment and use in the operating cycle to generate results.
- RAMKY infrastructure had negative returns in February 2017, and therefore is not recommended for investment.

Sharma and Mehta (2023) evaluated mutual funds across small, mid, and large cap categories and found that small and mid-cap funds outperformed large caps in most periods. The paper analyses the performance and risk characteristics of Indian mutual fund schemes across small, mid, and large cap funds.

The paper provides a comparative analysis of the performance and risk characteristics of Indian mutual fund schemes across different market capitalization groups, including Small Cap, Mid Cap, and Large Cap funds, using the Systematic Investment Plan (SIP) approach. The Nippon India Small Cap Fund and HDFC Mid-Cap Opportunities Fund have demonstrated consistent and strong performance across different investment periods, with impressive returns. The Nippon India Large Cap Fund has also shown consistent performance, though with lower returns compared to the small-cap and mid-cap funds.

Studies by Lusardi and Mitchell (2011) emphasize that retail investors require simplified, relevant, and goal-based benchmarking systems to evaluate investment performance effectively. Further, Indian household finance studies Annamalai & Hariharan (2020) underscore the need for investor-centric tools that consider liquidity preferences, tax efficiency, and inflation-adjusted returns.

4. Gold and Related Investments:

Juwita et al. (2022) compared gold, mutual funds, and government bonds, finding government bonds to be the most stable and profitable. The paper compares the returns, risks, and coefficient of variation across gold, money market mutual funds, and government bonds in India. This study compares the return, risk, and coefficient of variation of gold, money market mutual funds, and government bonds from 2016-2021, and finds that government bonds are the best and most profitable investment instrument compared to the other two. The results are summarized as:

- There is no significant difference in returns between gold and money market mutual funds, but returns on government bonds are significantly different from both gold and money market mutual funds.
- There are significant differences in risk between gold, money market mutual funds, and government bonds.
- Government bonds have the lowest coefficient of variation, making them the best and most profitable investment instrument compared to money market mutual funds and gold.

Anchalia (2020) and other studies on ETFs showed that gold ETFs outperformed benchmarks like the Nifty 50 during certain periods but also had tracking inefficiencies.

Anchalia (2020) evaluates the performance of select gold ETFs in India compared to the Nifty 50 benchmark. The paper evaluates the performance of four gold ETFs in India compared to the Nifty 50 benchmark over a 5-year period from 2015 to 2020. The four ETFs examined (Aditya Birla Sun Life Gold ETF, Axis Gold ETF, HDFC Gold Exchange Traded Fund and SBI-ETF Gold) had higher returns than the Nifty 50 benchmark. The four ETFs had a defensive relationship with the market.

The paper “Descriptive Analytics during Disruptive Periods of Investments – A Case Study On Gold & Gold ETFs” (2020) compares the investment analytics and returns between gold and gold ETFs in the Indian market.

The paper examines the reasons for the decrease in investment in gold ETFs compared to physical gold in the Indian market during 2017-18 and creates investment analytics to understand the relationship between gold and gold ETFs.

- The decrease in investment in gold ETFs compared to physical gold is due to lower intraday returns from gold ETFs.
- The returns from gold ETFs and physical gold are only equal during bullish market conditions, and the bearish trend in gold ETFs can be hedged by investing in physical gold, but not the other way around.
- During bearish market conditions, gold ETF providers struggle to market their products, while investors do not have a negative perception of physical gold.

5. Awareness and Demographics:

Sunkara and Sreenivasulu (2022) found a significant relationship between awareness of gold investment products and demographics like education and income. The paper examines the

association between investor awareness and demographic factors towards gold ETFs, gold bonds, and gold deposits in India.

The paper examines the association between investor awareness of gold ETFs, gold bonds, and gold deposits and various demographic factors, finding that awareness is significantly related to place of residence, age, education, employment category, and monthly income, but not gender. There is a significant association between investors' awareness of gold ETFs, gold bonds, and gold deposits and their demographic factors, including place of residence, age, education, employment category, and monthly income. Gender is not significantly associated with investors' awareness of these gold investment products. Postgraduates and those with higher monthly incomes tend to be more aware of gold ETFs, gold bonds, and gold deposits.

While the literature is rich in individual analyses of investment avenues, key research gaps cited at the end of the introductory part are evident notwithstanding the other aspects like influence of demographic factors, investor education, perception and sentiment which are not covered in the present study.

III. THE RESEARCH PROBLEM

Despite the growing range of investment options and the increasing digital accessibility of financial markets in India, household investors continue to face significant challenges in making informed and strategic investment decisions. These challenges stem primarily from limited financial literacy, low risk tolerance, and a lack of structured support systems tailored to their specific profiles and needs. Unlike institutional investors who utilize systematic benchmarking tools to assess investment performance and suitability, household investors often rely on fragmented advice, cultural norms, and outdated trends, leading to suboptimal financial outcomes. The absence of a dedicated benchmarking framework that aligns investment opportunities with the financial goals, risk-return preferences, tax considerations and other practical constraints of household investors exacerbates this issue. Therefore, there is a daring desire to develop a comprehensive, empirically supported, and investor-centric benchmarking system that evaluates the diverse investment avenues in the Indian financial landscape. This research harnesses easily accessible assets/investment platforms such as Fixed deposits (FDs), Gold, Exchange Traded funds (ETFs) and Mutual Funds for the purpose of eliciting a benchmarking system through a comparative evaluation of these assets in a risk-return context. The study also makes use of the market index to represent the market to understand about the effectiveness of tracking and comparison of performance towards the market as a whole. Thus, the present research seeks to fill this gap by creating a framework that empowers household investors with relevant, practical, and actionable insights for effective investment decision-making, thereby promoting financial inclusion and long-term wealth creation.

IV. OBJECTIVES

The following are the objectives framed on the basis of the research questions elicited from the research problem under consideration:

1. To identify and analyse the major challenges faced by household investors in India in the context of investment decision-making.
2. To evaluate the structure of interest rates and inflation in India that influences household investment practices.
3. To evaluate each investment avenue under consideration in a risk - return tangle.
4. To make a comprehensive evaluation of the investment avenues in a portfolio context.
5. To develop a comprehensive, empirically grounded benchmarking framework tailored to the unique needs and constraints of Indian household investors.
6. To explore existing benchmarking practices used by institutional investors and assess their applicability to household investors.
7. To incorporate practical parameters—such as financial goals, risk-return expectations, and tax planning—into the benchmarking model.
8. To evaluate the potential of the proposed benchmarking system to enhance financial inclusion and promote sustainable wealth creation for households.

V. RESULTS AND DISCUSSIONS

Challenges of household investors in India

One of the objectives of the present study was to identify and analyse the major challenges faced by household investors in India in the context of investment decision-making. A descriptive evaluation on the above indicated that household investors encounter multiple and interrelated difficulties that significantly influence their investment behaviour and choices.

One of the key challenges identified is the lack of adequate financial literacy and awareness about various investment avenues. Many household investors have limited understanding of financial products, risk–return trade-offs, and market dynamics, which often leads to conservative investment choices or over-reliance on traditional and low-risk instruments. In addition, complexity of financial products and insufficient access to reliable information further restrict informed decision-making.

The study also reveals that risk perception and fear of loss play a crucial role in shaping investment decisions. Market volatility, uncertainty, and past negative experiences tend to discourage investors from participating in capital market–linked instruments. Behavioural factors such as hesitation, herd behaviour, and emotional biases were found to further complicate rational investment planning.

Income level, inflationary pressures, and lack of professional guidance were also observed as significant constraints. For many household investors, limited disposable income and rising cost

of living reduce the ability to diversify investments. Moreover, trust issues with financial institutions and intermediaries act as a barrier to exploring newer investment options.

Overall, the study concludes that investment decision-making among household investors in India is influenced not only by economic factors but also by behavioural, informational, and structural challenges. Addressing these issues through enhanced financial education, transparent communication, investor-friendly policies, and effective advisory support can significantly improve the quality of household investment decisions and contribute to greater financial inclusion and long-term economic stability.

Structure of Interest rates and Inflation

Table 1 Descriptive Statistics on Interest rates and Inflation

	Call & Notice	Term Deposits 1-3 Years	Term Deposits 3-5Yrs	Term Deposits 5+years	CPI Rural	Inflation Rural	CPI Urban	Inflation Urban	CPI Combined	Inflation Combined
N	19	19	19	19	13	12	13	12	13	12
Mean	6.23	6.95	7.04	6.98	138	6.16	139	6.37	138	6.23
Median	6.27	6.75	6.50	7.00	137	5.26	133	5.50	135	4.84
Standard deviation	1.57	1.37	1.29	1.26	28.5	2.78	31.2	2.61	29.5	2.74
Minimum	3.26	4.90	5.05	5.05	92.8	2.99	93.8	3.60	93.3	3.41
Maximum	8.28	9.00	9.00	8.50	190	10.7	196	11.4	192	11.5

Source: Prepared by the researcher based on the secondary data collected.

Table 1 shows the descriptive analysis on interest rates and inflation statistics computed based on data collected for a period from 2011-12 to 2024-25. The rates of inflation are computed based on Consumer Price Indices. The following are the important inferences elicited from the results.

Interest rates

- Term deposits generally offer higher average returns compared to call deposits, as expected.
- The lowest volatility (standard deviation) is found in long-term deposits (5+ years), suggesting more stable returns.

- The maximum return across term categories reached 9%, showing the potential upper bound during the observed period.
- The spread (difference between minimum and maximum) suggests significant variation in interest rates, likely due to monetary policy shifts

Inflation

- Average inflation over the period ranges between 6.16% and 6.37%, relatively close to average term deposit returns. This suggests real returns (returns adjusted for inflation) may be marginal or even negative in some years.
- Urban inflation is slightly higher on average and more volatile than rural inflation.
- CPI values show that prices have increased substantially over the period, consistent with inflation trends.
- The wide standard deviation in both CPI and inflation confirms significant year-to-year variation.

Based on the above inferences the following comprehensive and collective conclusion may be reached: -

Interest rates on deposits generally track inflation, but not consistently exceed it, which is crucial for evaluating real income from savings. The spread in inflation values (2.99% to 11.5%) indicates the importance of time-specific analysis when evaluating investment performance. Deposit instruments may preserve nominal capital, but their ability to generate real returns is questionable, especially during high-inflation periods.

Relation between Inflation and Interest rates

Conceptually, the inflation and interest rate be positively correlated. Here the researcher empirically verified this principle considering a period of 19 years ranging from 2006-07 to 2024-25. A correlation analysis is performed among the variables which represent both inflation and interest rate and the results are depicted in Table 2.

Table 2 Correlation Matrix of Returns.

		Call & Notice	Term Deposits 1-3 Years	Term Deposits 3-5Yrs	Term Deposits 5+years	Inflation Rural	Inflation Urban	Inflation Combined
Call & Notice	Pearson's r	—						
	df	—						
	p-value	—						
Term Deposits	Pearson's r	0.813	—					
	df	17	—					

Table 2 Correlation Matrix of Returns.

		Call & Notice	Term Deposits 1-3 Years	Term Deposits 3-5Yrs	Term Deposits 5+years	Inflation Rural	Inflation Urban	Inflation Combined
1-3 Years	p-value	<.001	—					
Term Deposits 3-5Yrs	Pearson's r	0.796	0.972	—				
	df	17	17	—				
	p-value	<.001	<.001	—				
Term Deposits 5+years	Pearson's r	0.683	0.934	0.975	—			
	df	17	17	17	—			
	p-value	0.001	<.001	<.001	—			
Inflation Rural	Pearson's r	0.277	0.476	0.484	0.443	—		
	df	10	10	10	10	—		
	p-value	0.383	0.118	0.111	0.150	—		
Inflation Urban	Pearson's r	-0.164	0.087	0.135	0.092	0.834	—	
	df	10	10	10	10	10	—	
	p-value	0.610	0.789	0.676	0.776	<.001	—	
Inflation Combined	Pearson's r	0.094	0.312	0.332	0.290	0.976	0.920	—
	df	10	10	10	10	10	10	—
	p-value	0.72	0.324	0.292	0.361	<.001	<.001	—

The correlation analysis reveals a strong and statistically significant relationship among interest rate variables, particularly between the Call & Notice money rate and term deposit rates across all maturities. The high degree of inter-correlation among term deposit rates indicates that banks follow a consistent and integrated interest rate structure, where changes in short-term money market rates are effectively transmitted to medium- and long-term deposit rates. This reflects the efficiency of interest rate transmission mechanisms within the banking system.

In contrast, inflation indicators—rural, urban, and combined—do not exhibit a statistically significant correlation with Call & Notice or term deposit rates during the study period. This suggests that deposit rates are not immediately responsive to contemporaneous inflation movements and are likely influenced more by monetary policy actions, regulatory considerations, and market liquidity conditions rather than short-term inflationary pressures.

However, the inflation measures themselves are highly and positively correlated, indicating uniform inflation trends across regions and validating the reliability of the combined inflation index as a comprehensive measure of price movements.

Overall, the findings imply that while interest rates in the banking sector move cohesively and respond strongly to money market conditions, the linkage between inflation and deposit rates appears weak in the short run. This highlights the possibility of lagged effects of inflation on interest rates and underscores the dominant role of policy-driven factors in shaping deposit rate behaviour during the period under study.

VI. RISK – RETURN PROFILE OF INVESTMENT AVENUES

A representative comparison of major investment avenues in India using the latest available long-term historical data (primarily 5–10 years up to 2025–26) is given in the table below. Since some instruments such as PPF, real estate, and government bonds do not have directly comparable market-based volatility or beta, some risk measures are not applicable.

Table 3 Representative Comparison of Historical Return and Risk Characteristics of Major Investment Avenues in India

Investment Avenue	Representative Index / Instrument	Historical Annual Return (CAGR %)	Annual Volatility (%)	Sharpe Ratio*	Beta (vs Nifty 50)	Risk Level	Primary Source
Large-cap Stocks	Nifty 50 TRI	13–14%	16–18%	0.60–0.75	1.00	High	NSE
Mid-cap Stocks	Nifty Midcap 150 TRI	17–19%	22–26%	0.65–0.80	1.20–1.30	Very High	NSE
Government Bonds	Nifty Composite Debt Index / G-Sec	7–8%	3–5%	0.70–0.90	≈0	Low	RBI, NSE

Corporate Bonds	AAA Corporate Bond Index	7.5–8.5%	4–6%	0.70–0.90	≈0.05	Low	RBI
Equity Mutual Funds (Large Cap)	AMFI Large Cap Category	12–15%	15–18%	0.60–0.80	0.90–1.00	High	AMFI
Hybrid Mutual Funds	Aggressive Hybrid Category	10–12%	10–13%	0.80–1.00	0.60–0.75	Moderate	AMFI
Public Provident Fund (PPF)	Government Small Savings Scheme	7.1% (administered rate)	Negligible	Not Applicable	0	Very Low	RBI / Govt. of India
Gold	Domestic Gold Price (INR)	11–13%	15–18%	0.45–0.65	0.05–0.20	Moderate	RBI, MCX
Residential Real Estate	NHB RESIDEX / Housing Price Index	8–10%	8–12%	0.50–0.70	Low correlation	Moderate	RBI / NHB
Bank Fixed Deposits	Scheduled Commercial Banks	6.5–7.5%	Nil	Not Applicable	0	Very Low	RBI

Table 4 Comparative Summary of Risk-Return Characteristics

Investment Avenue	Return Rank	Risk Rank	Liquidity	Inflation Protection
Mid-cap Stocks	Very High	Very High	Excellent	Excellent
Large-cap Stocks	High	High	Excellent	Excellent
Equity Mutual Funds	High	High	Excellent	Very Good
Gold	Moderate–High	Moderate	Excellent	Excellent
Hybrid Mutual Funds	Moderate	Moderate	Excellent	Good
Real Estate	Moderate	Moderate	Poor	Good
Government Bonds	Moderate	Low	Good	Moderate
PPF	Moderate	Very Low	Very Low (15-year lock-in)	Moderate
Bank FD	Low	Very Low	High	Low

Sources: NSE, AMFI, Economic Times and RBI

Based on table 2 and 3 above, the following summarized inferences may be drawn: -

- Equities (stocks and equity mutual funds) have generated the highest long-term returns (12–19%), but also exhibit the greatest volatility.
- Mid-cap stocks have historically outperformed large-cap stocks but at substantially higher risk.
- Government bonds and PPF provide stable returns with minimal risk, making them suitable for conservative investors.
- Gold has offered attractive long-term returns while acting as an effective hedge against inflation and market uncertainty.
- Residential real estate has delivered moderate returns, but liquidity constraints and high transaction costs reduce its attractiveness compared with financial assets.
- Hybrid mutual funds strike a balance between return and risk by combining equity and debt investments.

VII. SUGGESTIONS AND RECOMMENDATIONS

The backdrop is expected to enable the investors to develop a comprehensive, empirically grounded benchmarking framework tailored to the unique needs and constraints of Indian household investors. The investors can categorise themselves based on the key parameters like risk profile, financial goals, liquidity needs, tax preferences and the like. They can create suitable portfolios vis-a vis the type of the investor concerned. It is also possible for them to perform portfolio optimization using mean-variance analysis and establishing efficient frontiers. Asset allocation simulations under different risk tolerance levels is possible for the selection of the optimal portfolio. It is suggested that the investors can also explore existing benchmarking practices used by institutional investors and assess their applicability to household investors. The investors can make use of different programmes and soft wares like R, Python, Jamovi or Excel solver.

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