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A Comparative Study of Mutual Funds: SBI vs HDFC

SURYA PRATAP SINGH RATHORE

Galgotias University, India.

ABSTRACT :

This research performs a thorough comparative analysis of two of India's top mutual fund houses—SBI Mutual Fund and HDFC Mutual Fund—collectively commanding a significant proportion of India's asset management business. Based on rich performance data covering the years 2020-2024, the research evaluates and compares the equity, debt, and hybrid fund schemes of the two fund houses on core performance indicators, including Net Asset Value (NAV), Compound Annual Growth Rate (CAGR), Assets Under Management (AUM), and risk-adjusted metrics like the Sharpe Ratio. It also includes an analysis of investor preference and behavioral patterns to provide a comprehensive picture of fund house attractiveness and efficiency.

The study results uncover a sharp contrast in the intrinsic strengths of the two fund houses. SBI Mutual Fund, with its widespread reach and association with India's largest public sector bank, is found to be consistently robust in conservative and low-risk investment categories. Its strategies stress stability of portfolio, discipline of asset allocation, and affordability—hence, it is the first choice of risk-averse and long-term investors, especially in rural and semi-urban areas. HDFC Mutual Fund, on the other hand, has become a market leader in aggressive, equity-oriented strategies and has a dominance in mid- and large-cap categories. Its success is due to responsive fund management, active sector plays, and its digitally-oriented strategy, which has a strong pull among urban, tech-savvy investor segments.

Apart from raw fund performance, the paper delves into the behavioral factors of investing, such as how factors like brand trust, financial literacy, digital ease of use, and tailored advisory tools influence investment decisions. It also discusses the fund management philosophies and strategic positioning of both AMCs in the face of a highly dynamic regulatory and fast-evolving technological landscape in India's financial services industry.

Against the background of a rising push towards financial inclusion, in conjunction with macroeconomic reshaping following the COVID-19 pandemic, the study highlights the central role played by mutual funds in democratizing investment and generating long-term wealth. The article sums up with clear-cut suggestions for investors, in terms of aligning fund choice with risk profiles and investment objectives, and for Asset Management Companies (AMCs), in terms of strategic enhancements in fund transparency, investor participation, ESG, and digitalization.

1. INTRODUCTION

The increasing pervasiveness of mutual fund platforms, government-backed financial literacy programs, and online payment infrastructure have all been instrumental in powering mutual fund adoption across all segments. With India's aspiration to be a $5 trillion economy, the intermediation role that mutual funds play in mobilizing domestic savings and channeling them into capital markets is more critical than ever. Thus, the strategic business of big AMCs like SBI and HDFC can contribute significantly to retail investor participation and national economic growth.

Mutual funds have now become a major tool for India's capital market growth and development. With the benefit of professional fund management, a managed degree of transparency, and access to a whole gamut of diversified asset classes, mutual funds have managed to elicit the interest of first-time investors making a debut as well as seasoned investors looking for newer options. In this competitive landscape, two giants figure as major leaders in the mutual fund space—SBI Mutual Fund and HDFC Mutual Fund—each of them targeting specific segments of investors who possess different needs and preferences. SBI Mutual Fund, duly supported by the wide reach of the State Bank of India, has established a reputation for dependability and has nurtured a high degree of confidence among investors, particularly those who are more conservative in their approach to investment. On the other hand, HDFC Mutual Fund, through its focus on innovation and the establishment of a robust digital infrastructure, effectively responds to urban investors who are growth-oriented and are typically more aggressive in their investment modes. This study offers a complete and comparative analysis of the different schemes of these two funds, their respective management styles, the sophisticated digital tools that they employ, and the perceptions held by investors. Through this exercise, this research is hopeful of helping to facilitate investors making informed choices that are suitable to their respective objectives, risk profiles, and degrees of financial awareness.

2. OBJECTIVES OF THE STUDY

- The purpose is to offer a critical comparison and study in depth the performance of HDFC and SBI in different categories of mutual funds, i.e., equity funds, debt funds, and hybrid mutual funds.
- In order to examine investor behavior and trends.

- To investigate how online tools influence investor satisfaction and volume.
- To identify the fund philosophy, manager style, and portfolio mix of each AMC.
- To make recommendations for AMC differentiation and investor education.

3. RESEARCH METHODOLOGY

This multi-faceted strategy enabled the assessment of performance gap across various market cycles, i.e., pandemic-induced declines and post-lockdown recoveries. Special emphasis was placed on the manner in which investor sentiment fluctuated in response to market conditions and AMC communication effectiveness.

The study employed a mixed-methods research with both quantitative and qualitative data. Quantitative data were in the format of fund performance data from fund fact sheets and public databases such as AMFI and Value Research. Qualitative data were a primary survey of 250 investors and thematic interviews of 10 certified financial advisors. Analytical tools used were CAGR, Sharpe Ratio, Standard Deviation, and correlation coefficients to quantify investment behavior and digital engagement. The study period is April 2020 to March 2024 to capture volatility and post-pandemic recovery.

4. COMPARATIVE PERFORMANCE

Overview Other than what has been outlined, HDFC's flexi-cap and mid-cap funds were found to have a risk-taking bias that, in the process, have had extremely high returns in the bull-run period. SBI's gilt and hybrid funds, on the other hand, have been found to be more steady with minimum drawdowns, especially during periods of distress and market turmoil. Another parameter that needs to be considered is the cost structure of the funds—SBI had slightly lower cost structures, thereby offering affordable investment opportunities that are especially suited for those investors who are price- and cost-conscious. Equity, debt, and hybrid funds of both the AMCs were compared. SBI performed consistently well in hybrid and debt segments, thanks to conservative approach and diversified holding. HDFC performed well in equity, thanks to concentrated positions and sectoral knowledge. HDFC funds were more volatile with higher beta, but this was frequently compensated with higher returns. SBI's lower-cost structure, in the meanwhile, made it the option for risk-averse, long-term SIP investors. Digital experience scores also tipped the balance in favor of HDFC, particularly for urban customers.

5. INVESTOR BEHAVIOR ANALYSIS

Behavioral finance theory suggests that cognitive heuristics such as familiarity and brand anchoring were in operation in AMC choice. Investors were inclined to stick with known institutions such as SBI, while technology-savvy investors were inclined to invest in thematic or sectoral funds from HDFC. Young investors were also risk tolerant and were inclined towards HDFC due to its growth-oriented positioning.

Investor segmentation revealed that SBI drew low-risk investors from rural and semi-urban regions, whereas HDFC drew digitally empowered millennials in metros. SIP volumes also mirrored this dichotomy, with SBI driving low-ticket inflows and HDFC driving high-SIP portfolios. Brand trust was the key driver in AMC choice, particularly among new investors. Digital interface ratings also exhibited a high correlation with monthly investment size, particularly among mobile app-based investment investors.

6. CHALLENGES AND RECOMMENDATIONS

An industry-wide issue that is prevalent across the board remains the fund nomenclature complexity and type, which can prove intimidating for new investors. AMCs would be well-advised to invest in easy-to-use interfaces, intuitive dashboards, and offer robo-advisory facilities to enable matching investor profiles with fund types. Additionally, investing in ESG-compliant investment products and sustainability ratings could make them attractive to socially conscious investors, especially newer generations.

While exhibiting good performance, mutual funds also suffer from poor investor awareness, over-reliance on star managers, and digital exclusion in rural markets. SBI needs to invest in UX/UI improvements, HDFC needs to increase physical reach, and both AMCs need to simplify fund structures and terminology, increase financial literacy, and promote hybrid funds as first-time-investing products. Investor profiling via AI and vernacular-based education platforms could also improve investor experience.

7. CONCLUSION

For enabling the long-term growth and operational efficiency of the mutual fund industry, regulators and policymakers need to play an enabling role. One of the most crucial areas of intervention is simplifying digital Know Your Customer (KYC) processes. Simplifying KYC not only decreases the onboarding friction for new investors but also increases the availability of mutual fund services for individuals in Tier II and Tier III cities. Likewise, simplifying regulatory documentation and providing tax incentives for long-term investment in mutual funds, especially equity-linked savings schemes (ELSS), can instill disciplined investment habits and deepen market penetration.

As Indian markets continue to become more complex and inclusive, Asset Management Companies (AMCs) such as SBI and HDFC will have to go beyond their role of being a custodian of funds. They must become integrated financial partners who will use data-driven, customized engagement models to connect more deeply with investors. To this end, they must use technology such as artificial intelligence, robo-advisory platforms, and predictive analytics to provide custom investment advice, custom portfolio management, and real-time risk monitoring.

This study validates the complementary strengths of HDFC Mutual Fund and SBI Mutual Fund. SBI, with its track record of public trust and pan-India reach, excels at providing financial inclusion and conservative investments that suit risk-averse or first-time investors. HDFC, by contrast, has carved out a niche for itself by providing superior equity performance, agile fund management, and seamless online experiences that resonate with urban professionals and tech-savvy millennials.

The research emphasizes that investor selectivity should not be on brand alone but on evident congruence with individualized financial objectives, risk tolerance, investment time horizon, and e-familiarity. For example, a conservative investor planning for retirement may prefer SBI's hybrid or gilt funds, whereas a growth investor with high risk tolerance may opt for HDFC's mid-cap or concentrated equity funds. In the times to come, the future AMC success will be defined by hybrid strategies—those that integrate stable, conservative fund alternatives with best-performing growth-oriented schemes, supported by robust investor education, financial planning instruments, and technology-driven accessibility. This dual approach will not only ensure maximum returns to investors, but also assist in the process of building a durable and inclusive mutual fund business in India.

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