IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On Performance Evaluation Of Selected Equity Midcap Funds In India

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Abstract:

Mutual fund industry is rapidly growing from all ways. Whether it is in terms of investment, number of investors, AUM or any other terms. It is making its way across all the investors' minds. As per the official website of AMFI the average asset under management of mutual fund industry in the July month has marked at 77 lakh crores. Which is almost 6 times in comparison to AUM of July 2015. It has grown 6 folds in just 10 years. This shows their incredible growth in terms of quality as well quantity. Because mutual fund industry provides numerous schemes to investors as per their financial goals and risk appetite. This study mainly focuses on one of the popular investment funds namely mid-cap funds. Investors with higher potential growth and risk capabilities choose mid-cap fund as their go to investment. So, this study has considered 5 popular mid-cap direct growth schemes to analyse their performance of past 5 years using performance metrics like Sharpe ratio, Treynor ratio, Jensen's alpha. The data for analysis purpose is collected from the official website of AMFI and Nifty index. The study concludes that all the funds have outperformed the benchmark fund. Amongst all the fund it can be concluded that Motilal Oswal midcap fund is best to invest to get higher return along with taking a little risk.

Keywords: Mid-cap fund, Performance ratios, Risk-return, Compound Annual Growth Rate (CAGR), Nifty Index

1. Introduction:

Investors have become a common part of individuals financial planning. It gives them future financial security and stability in terms of money. People ignore unnecessary consumptions to save their money and invest it with a hope of getting its value increased over a period of time. Every individual invests their money with different financial goals and different risk capabilities. Amongst all the financial instruments one of the popular financial instrument is mutual funds. Mutual fund is an investment vehicle through which they collect the savings of numerous investors who share common financial goals and invest that pool of money into different financial securities like equity, debt or money market in individual or in combination of these as per requirement of the portfolio. Investors gets units of mutual funds in proportion of the money that they have invested. Whatever the returns, losses or dividends the fund generates it gets divided to unit holders in the proportion of the units held by them. Mutual fund companies do have fund managers and experts who advice and expertly handles the fund and decides where to invest and how much to invest to earn maximum return to the fund. For this mutual fund companies charge some money as fees. In technical terms this charge is known as loads. If the charge is paid at the time of purchase of fund it is entry load and if the charge is paid at the time of withdrawal of fund it is known as exit load.

1.1 Recent Trends in Mutual Funds:

The Indian mutual fund industry has witnessed a great growth from the beginning to till today. The average AUM of the industry reached the millstone of 10 lakh crores for the first time in 2014. From that day to today mutual fund industry has grown many folds and reached at 75.36 lakh crores as on July 2025. Today mutual funds have emerged as one of the popular financial instrument that opted by individuals, retailers and institutional investors to get their goals achieved through mutual funds. The one of the reason behind this growth is digitalization in mutual fund industry. Which mad investors to allow invest using online applications and track and monitor the performance of fund on a tip of their fingers. Another big reason behind growth of mutual fund industry is increasing numbers of SIPs and increasing number of investors from small cities. In coming years, mutual fund industry will become more competitive and will capture greater number of investors through its benefits like liquidity, safety, transparency, diversity, tax benefits and much more.

1.2 Introduction to Midcap Funds:

By market capitalization mutual funds can be divided into 3 types.

1. Large cap funds: First 100 largest companies.
2. Mid-cap funds: 101st to 250th largest companies.
3. Small cap funds: 251st and above ranked companies.

Large cap funds are those in which fund manager invests the money of investors into top 100 companies ranked as per highest market capitalization. While Mid-cap fund invests into 101st to 250th ranked companies as per the market capitalization and Small cap funds invests into 251st and above ranked firms. Our study mainly focuses on mid-cap funds. So let’s understand it briefly.

Mid-cap mutual fund are mutual fund schemes that invest the money into mid-sized companies as per market capitalization. The main benefit of investing in mid-sized company is their growth stage. They have already passed the early stage challenges and are now growing at good pace. Mid-cap funds offer investors a place where they can get a balance between two situations of getting stability of large cap and growth potential of small scale funds. Because mid-cap funds have moderate level of risk and higher potential returns compare to large cap funds.

Mid-cap fund invests at least 65% of their funds into equity or equity related instruments of mid-sized firms. Investors with investment goals of longer duration and a good risk apatite goes for mid-cap mutual funds. It gives them a very good opportunity to make long term wealth while getting benefited by diversified investments.

2. Review of literature:

(1) Rajesh Trivedi et al. (2017) in their study try to analyse the perception of investors for mutual funds. The study concludes that investors do prefer funds with high liquidity and low risk. Youngsters and elders are unaware with the information about mutual funds.

(2) Raju K. et al. (2018) in their study evaluated the risk return relation of large cap equity mutual funds using performance ratios. The research concludes that almost all the selected funds are correlated except few. It also conveys that return of all the selected funds are in line with benchmark. So, risk of losing money is relatively low in selected funds.

(3) Pandey and Vishwakarma (2020) have examined the preference of young investors and things that they consider as important to make investment decision. The result shows that young generations are preferring mutual funds and equity as their go to investment. They are ready to take risk to get higher returns ignoring time horizon of investment.

(4) Sharma Komal and Joshi Prashant (**2021**) attempted to evaluate the performance of equity, debt and hybrid funds and to compare them with each other to know risk return pattern of each funds. The result of the study indicates that equity funds and hybrid funds are highly volatile in nature than debt funds. It suggests that investors with long term goals and a good risk apatite should select equity or hybrid funds into their portfolios.

(5) Aditi Pandey (2021) compares the returns of equity mutual funds with government benchmark returns to know the performance of the funds. The researcher tells in her research that equity funds whether large cap, mid-cap or small cap have higher risk as well as returns compare to benchmark.

(6) Siddhartha Naga Bouddha and Manjunath K. R. (2024) have analysed the performance of large cap equity growth plans to guide the investors to make informed decision while selecting mutual funds. To analyse the performance, various performance ratios like Sharpe, Treynor and Jensen's alpha is used to indicate risk return relationship. The study concludes that 6 out of 10 selected funds have performed better under selected performance ratios.

(7) Deepak Agrawal and Shweta Vyas (2025) have studied the growth of mutual fund industry over years. The researchers say that mutual fund is an investment who has contributed to the globalization and growth of emerging economy. It also concludes that performance of mutual fund industry depends on the saving habits and investment style of investors. Other than that it also depends on confidence and intelligence of fund manager.

2.1 Statement of problem:

Mutual funds have grabbed the attention of many investors. Many investors with investment knowledge and knowledge of risk return calculations are choosing mutual fund scheme for their financial goal. So, before investing money into any fund individual needs to check their risk return trade off using risk adjusted metrics. Based on the review of literature, we got to know that so many researches has been done to know the perception of investors, growth trends of mutual funds, performance evaluation of funds like equity, debt and hybrid funds and many more. But very few researches are there who mainly focuses on mid-cap funds. So, here we have taken into consideration the mid-cap funds and to analyse their performance using performance ratios and to compare the performance of fund with their benchmark fund. Also to rank the fund as per their performance. So, this will gap this research from other researches.

3. Objectives of the study:

1. To evaluate and analyse the performance of selected equity midcap growth funds using risk adjusted metrics like Sharpe, Treynor and Jensen's alpha.
2. To compare the funds risk return performance with benchmark performance.
3. To rank the best performed fund based on performance metrics.

4. Research methodology:

4.1 Title of the study:

"A study on performance evaluation of selected equity mid-cap funds in India."

4.2 Scope of the study:

This study mainly focuses on the performance analysis of selected mid-cap funds in India for past 5 years. It has covered the performance of selected funds using CAGR (return), Standard Deviation (risk), Beta, Sharpe, Treynor and Jensen's measures. It has also covered the comparison of fund with its benchmark and has given ranks as per their performance. Therefore, this study emphasise on the important ratios who gives insights about risk-return trade off and will be helpful for the investors to know about the performance of the fund and for making informed decision to select fund as per their requirement.

4.3 Period of the study:

The data is collected for the period of 5 years starting from 1st August, 2020 to 31st July 2025. Daily data for fund and benchmark has taken into consideration for research study purpose.

4.4 Data collection method:

The data has been collected through secondary source. The data for selected mid-cap mutual fund scheme is collected from the AMFI website and benchmark returns are collected from the Nifty 150's official website.

4.5 Variables of the study:

The independent variables of the study are annualized return, standard deviation, beta and market returns. While dependent variables are Sharpe measure, Treynor measure and Jensen's measure. While other variables like market conditions and fund characteristics are external variables who affects the performance of mutual funds.

4.6 Type of research design:

Descriptive research design is used for this research.

4.7 Population of the study:

Every mid-cap fund whose benchmark is Nifty midcap150 is population of the study.

4.8 Sample size:

From the population 5 popular mid-cap funds has been randomly selected for the study. These are:

1. Motilal Oswal midcap fund
2. Kotak midcap fund
3. ICICI Prudential midcap fund
4. HDFC midcap fund
5. Aditya Birla Sun Life midcap fund

4.9 Sample profile of the study:

Table Showing Fund and Scheme Name, Benchmark and AUM of The Fund

Fund House	Scheme name	Benchmark index	AUM (In Crores)
Motilal Oswal Midcap Fund	Direct Growth Scheme	Nifty Midcap 150	33,608.53
Kotak Midcap Fund	Direct Growth Scheme	Nifty Midcap 150	57,375.2
ICICI Prudential Midcap Fund	Direct Growth Scheme	Nifty Midcap 150	6,654.40
HDFC Midcap Fund	Direct Growth Scheme	Nifty Midcap 150	83,847.39
Aditya Birla Sun Life Midcap Fund	Direct Growth Scheme	Nifty Midcap 150	6105.89

4.10 Data analysis tools:

For measuring the performance of mutual fund various analytical and statistical tools has been used. Which are;

1. **Annualised Return:**
   It is an average rate of return that a fund has earned considering the fluctuation or volatility over a period of time. It compounds the annual return that is why it gives accurate result for mutual funds' performance over a period of time. Below mentioned equation has been used in Ms. Excel to calculate the return.

   Daily return = (Second day NAV- First day NAV)/First day NAV

   Annualized return = ((Last day daily return/First day daily return) ^ (1/5)) -1

2. **Standard Deviation:**
   Standard deviation is a statistical tool which is very important measure for mutual funds. It measures the volatility or fluctuation of returns of mutual funds. It shows that how deviate the returns are from the mean returns. Higher standard deviation shows higher volatility and higher risk and vice versa.

3. **Beta:**
   It shows the volatility or sensitivity of mutual funds in comparison with benchmark funds. Which means if the market goes up or down the fund will also follow the same movement as the market.
   Beta = 1 Fund has similar volatility like market
   Beta > 1 Fund has higher volatility then market
   Beta < 1 fund has less volatility then market

4. **Sharpe Ratio:**
   The Sharpe ratio indicates the risk adjusted performance of an investment which shows the excess return from the risk free return. It makes investors understand how well the fund has performed in comparison of risk that they have taken.

   Sharpe ratio = (Rp - Rf)/SD

5. **Treynor Ratio:**
   It is known as reward to volatility ratio. Which measures the excess return for each unit of systematic risk taken by fund. This ratio considers beta as their risk factor.

   Treynor ratio = (Rp - Rf)/Beta

6. **Jensen's Alpha:**
   This ratio indicates the excess return the fund has gained over the expected return of benchmark. Which is calculated by using capital asset pricing model. Positive results indicate that fund has outperformed the benchmark.

   Jensen's alpha = Rp – (Rf + Beta * (Rm - Rf))

4.11 Data analysis software: Ms. excel

5. Data analysis and interpretation:

TABLE 5.1 Table showing annual returns of the fund

Fund Name	Annualized Return
Motilal Oswal Midcap Fund	36.40%
Kotak Midcap Fund	30.82%
ICICI Prudential Midcap Fund	29.50%
HDFC Midcap Fund	32.27%
Aditya Birla Midcap Fund	27.51%

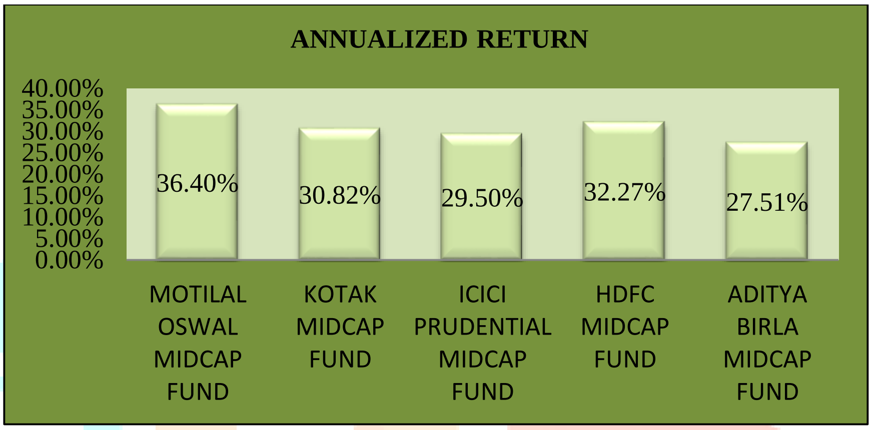

Chart 5.1 Chart showing Annualized Return

Analysis and Interpretation:

The above chart and table shows the annualized return (CAGR) of the 5 selected funds. Motilal Oswal mid-cap fund has 36.40% return over a 5 years of period which is highest out of selected funds. After that HDFC mid-cap funds has second highest return of 32.27%. While Aditya Birla mid-cap has gained lowest return compare to other funds.

Table 5.2 Table showing Standard Deviation of the fund

Fund Name	Standard Deviation
Motilal Oswal Midcap Fund	0.1663
Kotak Midcap Fund	0.1515
ICICI Prudential Midcap Fund	0.1670
HDFC Midcap Fund	0.1577
Aditya Birla Midcap Fund	0.1571

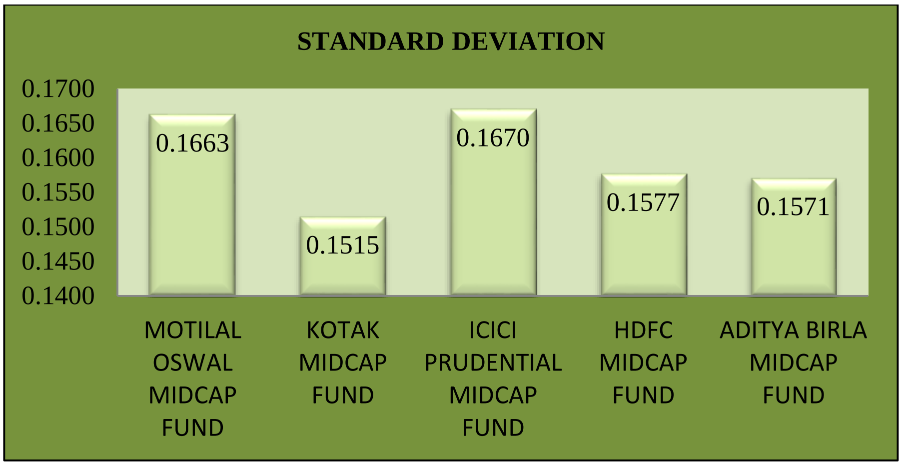

Chart 5.2 Chart showing Standard Deviation of the fund

Analysis and Interpretation:

Standard deviation shows the volatility of returns. From the above chart it can be seen that ICICI Prudential mid-cap fund have highest volatility compare to other funds. Following them Motilal Oswal mid-cap fund has volatility of 0.1663. While Kotak funds have lowest volatility in terms of return. Which indicates that their returns are around average return.

Table 5.3 Table showing Beta of the fund

Fund Name	Beta
Motilal Oswal Midcap Fund	0.5467
Kotak Midcap Fund	0.5708
ICICI Prudential Midcap Fund	0.6424
HDFC Midcap Fund	0.6165
Aditya Birla Midcap Fund	0.6217

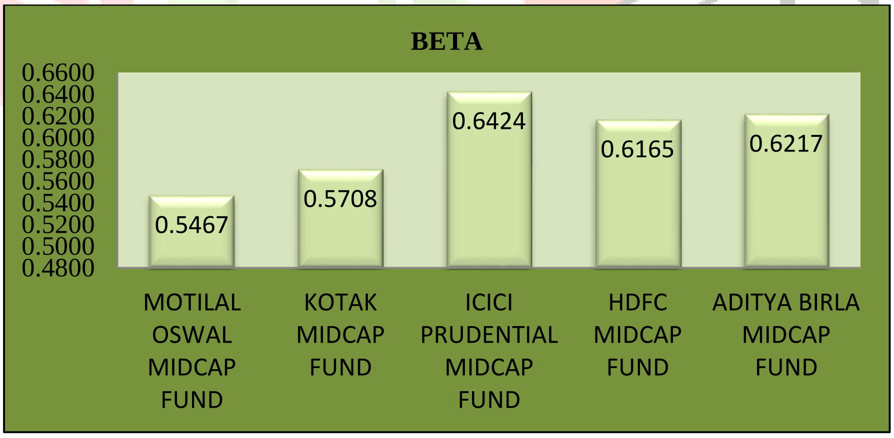

Chart 5.3 Chart showing Beta of the fund

Analysis and Interpretation:

From the above chart it can be concluded that all the funds have beta less than 1. Which shows that all the funds are less volatile than market. It means the systematic risk in these funds are stable and consistent over 5 years of period. Amongst this fund Motilal Oswal mid-cap fund has lowest beta means stable risk compare to others. While ICICI funds have highest systematic risk compare to other funds.

Table 5.4 Table showing Sharpe ratio

Fund Name	Sharpe Ratio
Motilal Oswal Midcap Fund	1.8012
Kotak Midcap Fund	1.6083
ICICI Prudential Midcap Fund	1.3800
HDFC Midcap Fund	1.6378
Aditya Birla Midcap Fund	1.3407

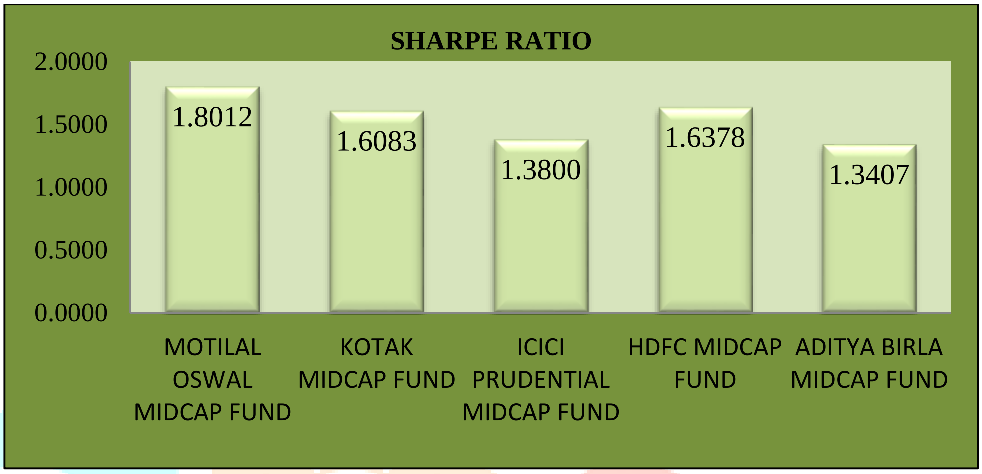

Chart 5.4 Chart showing Sharpe ratio

Analysis and Interpretation:

The above table and chart indicates the performance of Sharpe ratio. Motilal Oswal has highest Sharpe ratio which indicates that it gives highest risk adjusted return compare to other funds. While Aditya Birla mid-cap fund has Sharpe ratio 1.3407. That is very low compare to other funds.

Table 5.5 Table showing Treynor ratio

Fund Name	Treynor Ratio
Motilal Oswal Midcap Fund	0.5478
Kotak Midcap Fund	0.4269
ICICI Prudential Midcap Fund	0.3588
HDFC Midcap Fund	0.4189
Aditya Birla Midcap Fund	0.3387

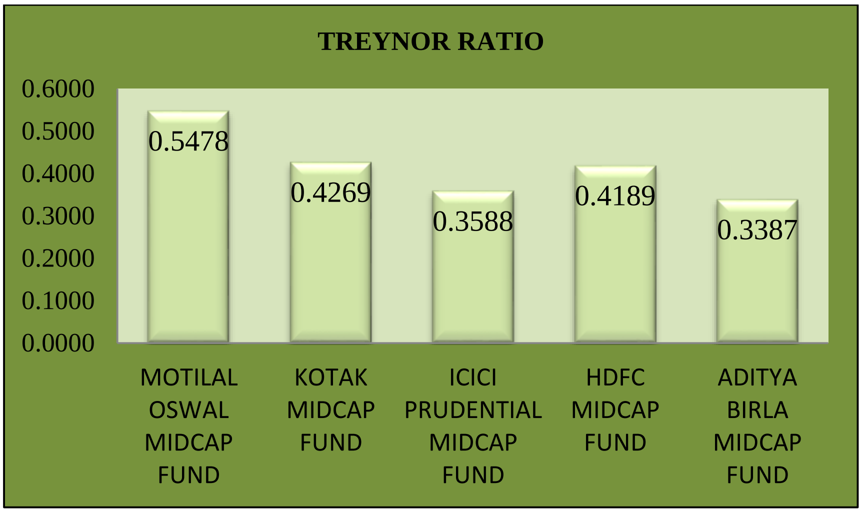

Chart 5.5 Chart showing Treynor ratio

Analysis and Interpretation:

The above table and chart shows the Treynor ratio. Which also shows a risk adjusted return but it considers systematic risk over total risk. Here, Motilal Oswal has 0.5478 ratio which is highest in comparison to other. After that Kotak mid-cap fund and HDFC fund have good risk adjusted return. Aditya Birla has lowest risk adjusted return which says that this fund has highest systematic risk than other funds.

Table 5.6 Table showing Jensen ratio

Fund Name	Jensen's Alpha
Motilal Oswal Midcap Fund	0.1736
Kotak Midcap Fund	0.1122
ICICI Prudential Midcap Fund	0.0826
HDFC Midcap Fund	0.1163
Aditya Birla Midcap Fund	0.0674

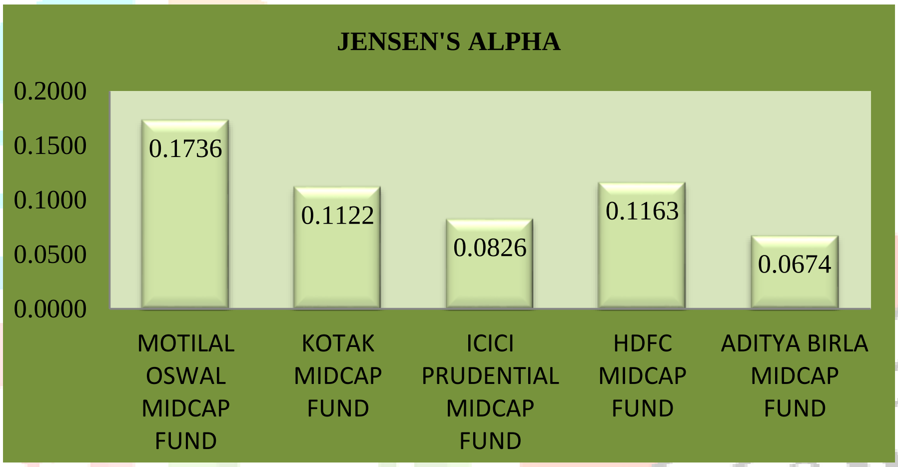

Chart 5.6 Chart showing Jensen ratio

Analysis and Interpretation:

The table and chart shows that all the funds have positive alpha. Which states that all the funds have outperformed the benchmark returns. With 0.1736 alpha, Motilal Oswal funds have performed greater than others. While Aditya Birla has low performance considering others. But it also has outperformed the benchmark which says that it also gives good returns but not in comparison to others.

Table 5.7 Table Showing Return, SD, Beta and Performance of Fund and Benchmark

Particular	Motilal Oswal	Kotak	ICICI Prudential	HDFC	Aditya Birla Sun Life	Nifty Midcap 150
Annualised Return	36.40%	30.82%	29.50%	32.27%	**27.51%**	29.48%
Standard Deviation	0.1663	0.1515	0.1670	0.1577	0.1571	0.1719
Beta	0.5467	0.5708	0.6424	0.6165	0.6217	1
Performance	Outperformed	Outperformed	Outperformed	Outperformed	Outperformed	-

Analysis and Interpretation:

The table shows the risk, return and performance of mutual funds and benchmark as well. The benchmark Nifty midcap 150 index has earned a return of 29.48% over a period of 5 years and the volatility of return is 0.1719. In comparison to benchmark all the funds except Aditya Birla Sun Life has earned more return than benchmark. Talking about the volatility of the fund all the fund has low volatility in contrary to benchmark. Similarly, all the funds have lower systematic risk compare to benchmark. So, overall all the funds have outperformed the benchmark except Aditya Birla Sun Life in terms of return but all type of risks are less compared to benchmark.

Table 5.8 Table showing Ranking of the Funds based on Performance ratios

Fund Name	Sharpe	Rank	Treynor	Rank	Jensen	Rank
Motilal Oswal Midcap Fund	1.8012	1	0.5478	1	0.1736	1
Kotak Midcap Fund	1.6083	3	0.4269	2	0.1122	3
ICICI Prudential Midcap Fund	1.3800	4	0.3588	4	0.0826	4
HDFC Midcap Fund	1.6378	2	0.4189	3	0.1163	2
Aditya Birla Midcap Fund	1.3407	5	0.3387	5	0.0674	5

Analysis and Interpretation:

The ranking of the fund shows that Motilal Oswal mid-cap fund has highest rank in all three ratios. Which shows that this fund has good risk return balance with moderately volatile returns and with overall less risk. Kotak and HDFC mid-cap funds have interchangeable ranks. As per Sharpe and Jensen ratio HDFC is number 2 while it has more systematic risk (Beta) than Kotak mid-cap funds. Aditya Birla is ranked last in all the ratios which indicates its poor performance in comparison to other funds.

6. Limitation of the study:

1. The study is limited to the selected mid-cap schemes of mutual fund.
2. The study has taken into consideration only 5 years of period.

7. Findings:

1. From the study it is found that Motilal Oswal mid-cap fund has highest annualised return of 36.40%. The standard deviation of the fund is 0.1663 and beta is 0.5467. It has ranked 1st in all selected performance ratios.
2. Kotak and HDFC mid-cap funds have return of 30.82% and 32.27% respectively. By comparing these both funds it can be said that standard deviation and beta of Kotak funds are less than HDFC funds. So, it interprets that despite of having high return HDFC mid-cap fund has higher volatility than Kotak mid-cap funds.
3. ICICI prudential mid-cap fund has ranked 4th amongst the selected funds with return of 29.50% and SD and beta of 0.1670 and 0.6424 respectively.
4. Amongst all the selected funds Aditya Birla Sun Life Mid-cap fund has performed poorly with gaining 5th rank in all the performed ratios.

8. Conclusion:

The study has mainly taken into consideration the 5 mid-cap equity direct growth plans of mutual funds. Mid-cap mutual funds have higher growth potential in comparison to large cap and small cap funds. These research will help the investors who want to invest their money for longer duration of 5 to 7 years and want to grow financially over a year by taking a little more risk than small cap funds and a more growth possibilities than large cap funds. This will help them to choose their fund as per their risk apatite along with considering important financial measures. The present market condition says that people are more inclined towards mutual fund investments. So, this research will help them to get educated of performance evaluation of funds before investing in any funds.

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