



THE MARKET OF DERIVATIVES: WHERE FINTECH WINS AND TRADERS LOSE

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Abstract : FinTech firms in the securities market have provided enough convenience for almost anyone to open a Demat account and invest or trade in the Stock exchange. The user interface, features and easy access to the capital market have caused a record-breaking number of people to trade and invest. A recent trend is that retail traders are showing more serious interest in the derivatives than the equity or commodity. Derivatives are financial instruments which were created for a simple reason, i.e., to hedge the funds invested in the stock market. The cash segment is the central area of the stock exchange, and it's the one which shows real growth of a firm, industry as well as to some extent of economy. The derivatives market is used by those who mitigate risk by hedging their funds and mostly by those who want to speculate. The derivatives market promises huge gains compared to the amount traded in it, and this has drawn the new entrants more into derivatives than cash equity or commodity segment. With the data available, it can be seen that people are more interested in derivatives any day than in equity, even though it appears to be a zero-sum game. FinTech firms are well aware of this mindset and potential of the market and therefore by providing accessibility and convenience at low charges, they promote this trading and speculative habits even further; as they earn more with high-frequency trading.

Index Terms – Derivatives, FinTech, Options and Futures, Traders, Speculation, Zero-sum game

I. INTRODUCTION

There has been a decent level of participation by retail investors and traders in the securities market since the stock exchange of India got dematerialized after 1995, and trades took place electronically. Since the disruption caused by the newly evolving FinTech firms in the last decade, there has been a significant surge of new entrants into the securities market like never before.

1.1 Fintech in Securities Market

FinTech industry uses the latest available technology to provide financial services both at the back-end and front-end to firms and customers of financial firms. In the last decade, especially in previous 5 years FinTech firms have been providing a high level of convenience, accessibility and an interactive easy- to- use interface on their applications and websites to enter into securities market and invest and as well as trade smoothly without any physical broker or middlemen in person to interfere or deal with. In the financial year 2021-22, a record-breaking 345.8 lakh new Demat accounts were opened with CDSL and NSDL, which is the highest in any fiscal year for India. (SEBI, 2022)

FinTech provides online platforms for investing in stocks and trading in derivatives as well as foreign exchange, and commodities. They also provide leverage over margin to their users, statistical analysis tools, cybersecurity and live streaming of market data. FinTech platforms are designed and operated on emerging technologies. The supporting technologies for the mode of operation of FinTech services are –

Big Data Analytics includes collecting and analyzing information on actions such as purchasing histories, trade records, page visits, etc. Distributed Ledger Technology (DLT) – Unlike traditional databases which were centrally located in a fixed location, DLT is a database existing in several locations to share, validate and replicate data in a synchronized manner across the network.

Cloud computing - This service enables users to store information and access data on different devices through the internet stored in servers.

Machine learning – To provide Robo-advisory services for investing and trading, algorithms are created which adapt and modify themselves to suit the investor or traders' needs and market conditions.

APIs are computing resources and set of protocols that interact with the operating system to provide clients an interactive graphical user interface for convenience.

1.2 What are Derivatives?

A derivative is a kind of instrument which derives its value from an underlying asset, as it comes up from the word 'derive'. Derivatives were made to hedge the funds invested in securities like equity stocks, commodities or currency. Hedging means taking a side in the derivatives market, which is opposite of our real investments with quite a low amount, to compensate through it if the market goes bearish. Derivatives are found in three markets: Equity derivatives, Commodity derivatives and Currency derivatives. The two primary types of derivatives traded in these markets are Futures and Options.

Options are the financial derivative contracts that give the buyer a right but not an obligation to buy or sell an underlying asset at a specific price, referred to as strike price. Options contracts expire, and the premium value paid to buy an option reduces with time. Options writers sell both the Put and Call option. A Put option is bought when expecting a bearish trend and a Call option when a bullish trend is awaited in the market.

In Future contracts, there is an obligation to buy or sell the underlying asset at a pre-agreed price unless the holder closes its position before the contract's expiry date. Futures are highly leveraged, which increases their risk factor and works in both ways, like options.

Option derivatives are available for individual stocks and Index of Stock exchanges. The most popular and widely traded Indices in India are Nifty50 and Bank Nifty. Futures are also available for stocks and Indices. In the commodity market, only future derivatives are available. The derivatives market derives its values from the equity market and was made to hedge the funds invested in equity, commodity and currency. However, as per the trend found globally, people are more interested in trading in derivatives than equity, shown here through statistical data analysis in this research paper.

Derivatives are not a positive sum game by any means. In other words, one's loss is another's profit and vice-versa. Traders with no experience or less market research and analysis are likelier to lose their capital in trading to some professional and knowledgeable trader(s).

II. RESEARCH QUESTIONS

- How FinTech firms benefit more in derivatives market than in equity?
- Why do people opt for equity derivative trading than cash equity?
- How can resolving the issues faced by the equity derivative traders cause the next phase of evolution in FinTech?

III. REVIEW OF LITERATURE

There is a plethora of studies in the field since the existence of trading in equity and derivatives took place in India and around the world. Some of the critical studies are reviewed and presented in chronological order.

- The ratio of turnover in equity derivatives to cash segment has increased from 35.7 times in 2019-20 to 41.3 times in 2020-21 (SEBI, 2021). The new entrants, due to the convenience caused by FinTech have brought even a higher difference between the volumes and values of trades between cash equity and equity-based derivatives.
- J.C Cox et al (1979) states that Options of Indices and stock in the derivative market can be used to magnify the wins from a stock's price increase compared to the gain from buying the stock, or can even be used to profit from a fall in the price (i.e., 'short selling'), such as by buying a put option.
- Barber and Odean (2002) analyse that empirical research has consistently shown that higher frequencies of stock trading are associated with worse returns. One study using data on personal investors from the USA in the early 1990s showed that the most frequent traders earned on average, 5% less per year than the average investor, who still turned over a likely excessive 75% of their portfolio annually.
- Brad M. Barber and Terrance Odean (2002) studied 1,607 investors who switched from phone-based to online trading during the 1990s. Those who switched to online trading performed well before going online, beating the market by more than 2% annually. After going online, they trade more actively, speculatively and less profitably than before—lagging the market by more than 3% annually.
- Jens Verner Andersen et al. (2004) explain how electronic trading enhances market participants' ability to observe the trading process information. Quantity and quality of information about different parameters related to the investing securities give confidence to the investor to take big moves, increasing volume and trade in the market.
- Kumar (2009) states that derivatives' main product design feature is multifold amounts to be won in the right trade, similar to gambling. He claims that the propensity to gamble and investment decisions are correlated.
- E. Stewart (2020) exemplifies that High-risk derivatives also have certain design features that are analogous to gambling. Although these products were initially only readily available for sophisticated high-net-worth investors, it has recently been increasingly easy for personal investors to use them via mobile investing apps.
- F. Chague et al (2020) analyses that these derivatives are of high risk and have a non-linear payment structure. As their prices depend upon the underlying assets, their move is stochastic and difficult to predict or forecast. His research suggests that 97% of future traders suffer annual losses in Brazil due to these complexities.
- Paul Langley et al (2020) develops a perspective that FinTech, critically understanding, is a platform political economy marked by three distinctive and related processes: reintermediation, consolidation, and capitalisation. The imagined potential of FinTech has also triggered intensive capitalisation processes, with platforms receiving significant prospective investment by venture capital, private equity funds, banks and Big Tech firms.
- Rooney and Fitzgerald (2020) ascertain that these FinTech apps of investment and trade can even profit from charging zero explicit fees via a financial arrangement called "payment for order flow"; therefore, even encouraging further to trade who were hesitating due to the charges for the orders.
- P.W.S Newall et al (2021) describe that the ability to trade anywhere via mobile likely increases investors' propensity to trade compared to online- or phone-based trading. These mobile investing apps frequently market themselves through elite sport, a marketing strategy first developed by the gambling industry.
- P. Peshev (2021) examines the reason behind traders' losses and concludes that high amounts of leverage is one of the factors to be blamed for the losses experienced by more than 80% of clients trading Derivatives.

- Newall and Cohen (2022) explain how 'gambification' of investing produces new challenges for the regulators to regulate both financial markets and gambling.

IV. NEED OF THE STUDY

- The other side of the FinTech in which it exploits the benefits caused by high frequency trading or day trading i.e., speculation and arbitration in derivatives, has not been brought into the limelight.
- There's been no research covering why derivatives are traded with turnover of several times more than equity in India when they were made mostly for hedging purposes.

V. RESEARCH METHODOLOGY

Secondary sources of data such as reports of SEBI, NSE & BSE as well as research papers from different institutions, authorities, and journals as well as their extracts relevant to the study are analyzed to ascertain the trend and flow of money in the derivative segment of the securities market as well as traders' behavior pattern and conditions. The data collected for the analysis is from 2021 or later, as the FinTech sector is booming from last few years only in India.

VI. FINDINGS AND ANALYSIS

6.1 Analyzing Share of Equity and Derivatives in the Financial Market

India ranks at 10th place in the share of total world equity capital with 1.5 percent share.

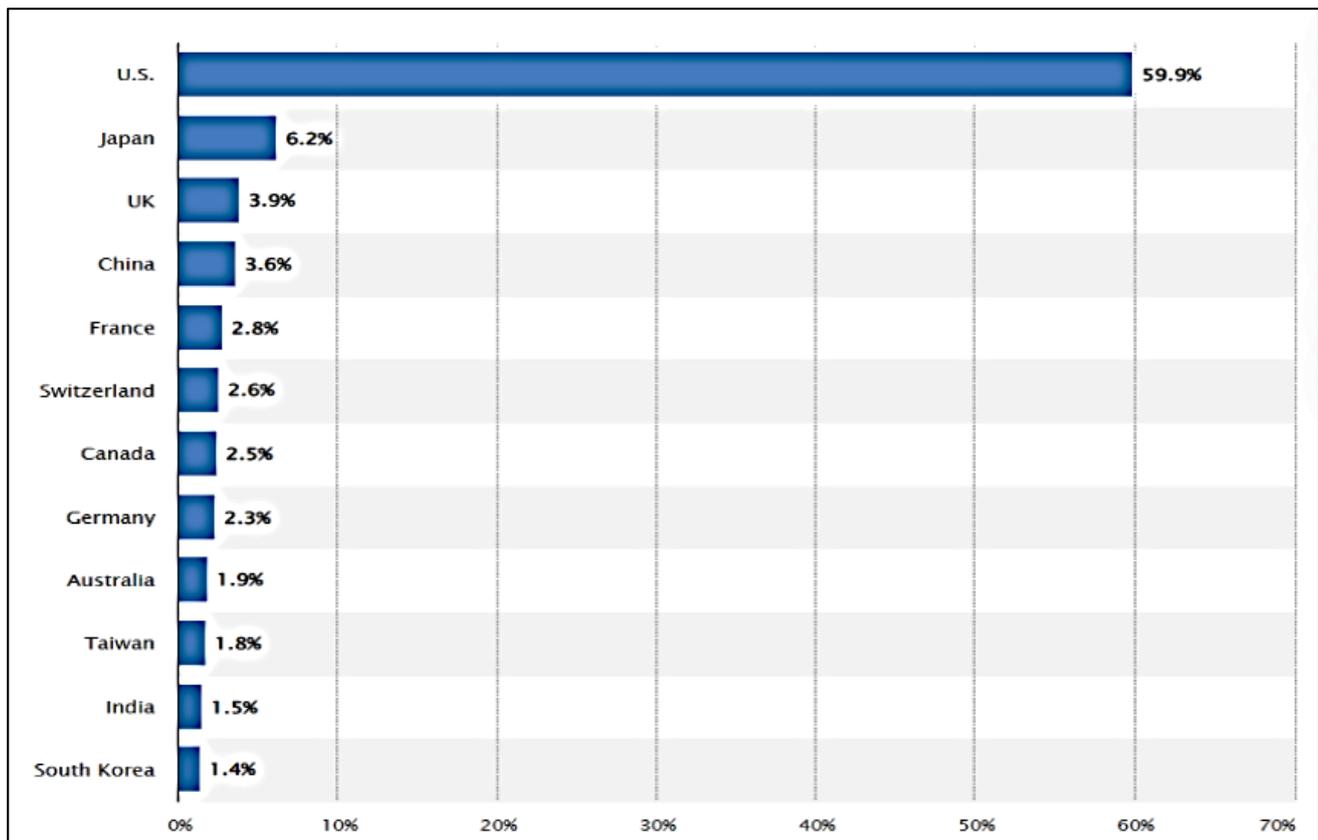
TABLE 6.1- A BRIEF COMPARISON OF TOTAL EQUITY CAPITAL AND PERCENTAGE SHARE IN TOTAL WORLD EQUITY OF INDIA AND USA.

	USA	India
Share in World Equity Capital (2021-22)	59.9%	1.5%
Total equity capital (till Dec 2021)	53,366,436.4 (USD million)	3,360,469.4(USD million)

SOURCE – CEICDATA.COM

USA has approximately 40 times more capital share in the world equity market than India and ranks 1st with almost 60% share of it. It also has almost 15.9 times more equity capital than India's total equity market capitalization in its stock market. Keeping these statistical figures in mind, one may expect that the USA will have more volume in the derivatives market than India as they have more equity to hedge. Surprisingly, in derivative markets, India ranks in first place in total volume. National Stock Exchange (on which more than 90% of the total trades of India take place) has emerged as the world's largest derivative exchange in 2021 by the number of contracts traded for the third time. (Sengupta, 2022)

FIG. 6.1 SHARE OF TOP 10 COUNTRIES IN TOTAL WORLD EQUITY MARKET VALUE



SOURCE – STATISTA 2022

Comparing the number of contracts traded in NSE with USA's largest derivative exchange i.e., CME Group (a group of different financial derivatives exchanges in USA), NSE has 3.57 times a greater number of contracts than CME group of USA, which is a staggering difference. This seriously brings out a point that in India, the derivatives market is being used for much more than just hedging.

TABLE 6.2- A BRIEF COMPARISON OF RANK AND THE VOLUME IN DERIVATIVES MARKET OF INDIA AND USA

	NSE (India)	CME (USA)
Rank (as per derivative volume traded in FY 2021-22)	1 st	4 th
Volume (millions)	17255.33	4820.59

SOURCE – STATISTA 2022

As per the annual reports of SEBI, the ratio of turnover in equity derivatives to that in cash segment has increased from 35.7 times in 2019-20 to 41.3 times in 2020-21 (SEBI, 2021). By comparing the number of trades in the equity segment and the number of contracts in equity derivatives as well as their volume, it is evident that people are more dealing in derivatives like stock Options and Futures as well as index Options and Futures as well as other derivatives. Below is the data of F. Y 2021-22 showing the turnover and volume comparison in equity and derivatives.

Table 6.3- A CHART SHOWING THE BIG DIFFERENCE IN THE VALUES OF TRADES AND VOLUME OF EQUITY DERIVATIVES & EQUITY SEGMENT FROM APRIL 2021 TO MARCH 2022.

Month	Equity market segment		Equity based Derivatives		Ratio	
	No. of Trades (lakh)	Turnover (₹ cr.)	No. of contracts	Turnover (₹ cr.)	Trades to Contracts	Turnover to Turnover
Mar-22	4718	1384861	2318409446	200543307.6	1: 4.9	1: 144
Feb-22	4463	1168843	2207704842	200177266.5	1: 4.9	1: 171
Jan-22	4904	1283551	1963097862	179740762	1: 4.0	1:140
Dec-21	4496	1232735	1973765499	173720402.9	1: 4.3	1: 140
Nov-21	4576	1339630	1582972236	146246689.8	1: 3.4	1: 1
Oct-21	5281	1627217	1475724329	140391408.5	1: 2.7	1: 86
Sep-21	4654	1439017	1584593003	144074913.4	1: 3.4	1:100
Aug-21	4440	1321391	1393076162	120534947.85	1: 3.1	1:91
Jul-21	4589	1315716	1223196957	113123232.52	1: 2.6	1:85

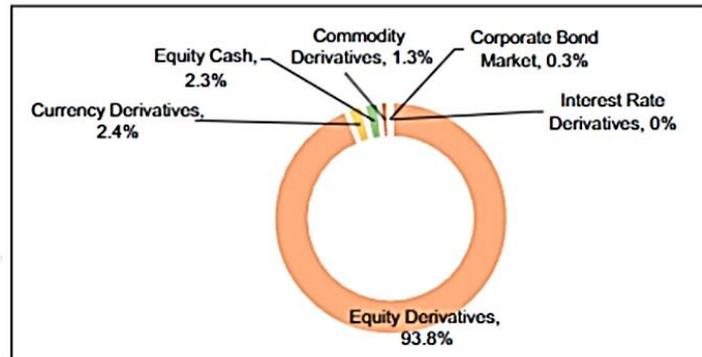
Jun-21	5073	1554694	1045881875	101391908.69	1: 2.0	1:65
May-21	4666	1567915	930994428	86652831.6	1: 1.9	1: 55
Apr-21	3850	1330687	960724182	88635463.2	1: 2.4	1: 66

SOURCE – WWW1.NSEINDIA.COM

The data above firstly shows the increasing trend of trading in derivatives. In February 2022, for every ₹1/- in equity, there was ₹171/- in derivatives being traded! This astonishing difference between volume and value of trades in equity and derivatives clearly shows that people are more interested in short-term and risky but huge gains rather than long-term gains from investment.

In 2021, equity derivatives segment in India had the highest market share of 93.8 per cent in the gross or notional turnover across the segments. The second highest turnover was recorded in the currency derivatives segment with a total share of 2.4 per cent, followed by equity cash with 2.3 per cent. Commodity derivatives are found with a share of 1.3 per cent only.

FIG. 6.2 – SHARE(PERCENT) IN TRADED VALUE IN THE SECONDARY MARKET DURING 2020-21



SOURCE – SEBI.GOV.IN

6.2 Why Equity-based Derivatives are so Popular and Excessively Traded?

It's all about returns. The derivative market promises to deliver gains like no other investment product available in the financial markets. Putting your money on the right bet of the right Option or Future of a stock, or an Index can give gains much more than the amount put at risk, even within a few market hours. The premium value of Call (bullish side) and Put (bearish side) of Options have been seen increasing manifold during market hours even when the Index value moves by just 1%. The chances of losing money by taking a position (long or short) in a derivative contract is limited to 100% of the premium. However, there's no upper limit to the gains through it, especially when the market makes a trending move in one direction. The gains can be many times the value of the premium of the call and put options. In Futures, too, the traders make good returns because of the leverage provided by the brokers, which is 4 or 5 times the margin money. Options can be used to magnify the wins from a rise in the price of stocks compared to the gain from buying the stock itself or can be used to even profit from a fall in the price through short selling or selling Call options (Cox, Ross, & Rubinstein, 1979).

NSE has a 94.8% share in the equity derivatives segment, and the rest is of BSE. Over the years, Index based Options have been found as the most traded derivatives in the category of equity-based derivatives at NSE, according to the Annual report 2020-21 of SEBI. Their percentage share has increased from 90.2 to 91.7 from the previous year. (SEBI, 2021)

TABLE 6. 4- PRODUCT WISE MARKET SHARE IN EQUITY DERIVATIVES SEGMENT OF NSE

Category/Year	2019-20	2020-21
Index Futures	1.9 %	1.4 %
Index Options	90.2 %	91.7 %
Single Stock Futures	4.3 %	2.8 %
Single Stock Options	3.6 %	4.1 %
Total	100.0	100.0

SOURCE: SEBI.GOV.IN

Among the Index options of NSE, the two most highly traded are NIFTY50 and BANKNIFTY.

TABLE 6.5 – INDEX- WISE MARKET SHARE IN OPTIONS DERIVATIVES SEGMENT OF NSE

Index	Options	
	2019-20	2020-21
BANKNIFTY	61.4	55.1
NIFTY	38.6	44.8
NIFTYIT	0.0	0.0
FINNIFTY	0.0	0.1

SOURCE: SEBI.GOV.IN

The Index of Bank-Nifty, the most highly traded instrument in comparison to any segment is the Index of the 12 highest capitalized and most liquid stocks of banking sector. The second most traded instrument, Nifty is the Index made by the weighted average capital of 50 largest national companies listed on NSE. Many traders have been trying to make a living through the earnings on trading Options of these indices. Trading here is an attractive script for speculators who are looking to make quick profits. The derivatives market is hardly comprised of hedgers but more by the speculators. No industry, sector or business legally can multiply the invested money two times or more in a day so frequently. In derivatives, one can easily see the values of options premium of Call and Put to be going crazy high levels many a time, depending upon the movement in value of the underlying asset, i.e., the Index itself. Therefore, it attracts people more than the equity or commodity market to take some position based on their analysis and enter this segment of high risk and high reward in the securities market.

Equity segment appears to be a source of passive income through capital gains and dividends, which also takes longer time. However, the derivative segment appears to be a source of active income and that too in high ratio when compared to the amount invested within a short time. This is another reason why people prefer to enter in derivatives, even when it comes with a high risk of losing capital.

6.3 Derivatives - A market based on the zero-sum game

A zero-sum is a situation in the game theory concept in which one person's gain is equivalent to another's loss, which means the net change in wealth or benefit is zero. A similar situation is found in the derivatives market, as derivatives are bilateral contracts. For every person who gains on this contract based on the behavior of the underlying Index or stock, there is always a counterpart who lost an equivalent amount.

For e.g. Let us assume there are only two participants in the derivatives market. A Call writer in Index Options of Bank Nifty sells one lot of a Call of ₹100/- at any strike price. A trader buys that one lot of call Option of ₹100/- means both have put ₹100/- at risk with the opposite perspective. (Generally, the Option seller has to submit an additional amount of margin money to the broker over the premium value because the seller has unlimited risk with limited profit, here capped at ₹100, but the buyer has limited risk of ₹100 and unlimited possibilities to gain). Now, if the Bank Nifty Index goes bullish for a while, then the Call options will have a proportional rise in price. Let us assume the price rose to ₹105/-, and the buyer of Call options wants to sell it and close the contract at this price. The seller of an Option puts himself under an obligation to buy back and sells the right to the buyer to close the contract anytime. Therefore, this contract will be closed at ₹105, and the buyer gets his profit due to selling at a higher price and the seller faces the loss of the same amount as he has to buy back at that higher price.

Therefore, in the derivatives market, there is no actual overall gain except for the brokers and exchanges who receive their charges for every trade, whether profitable or not, and the government levy taxes under the Income from Business and Profession on the total turnover based on profit. In the above example, both the traders will pay brokerage commission, SEBI charges and other miscellaneous expenses irrespective of profit or loss.

Ultimately, the derivatives market is a negative sum-game in reality. One still has to pay the charges and commission even after entering and exiting at the same values. Although the equity cash market can be called a design based on a positive sum game; as in the long run, all investors earn with the company's growth and increase in productivity and sales. However, people overlook it due to what derivatives have to offer.

6.4 The Status of Traders – Profit or Losses?

Research worldwide shows that most retail traders generally are in losses in this high-risk, high-reward trading segment. High-frequency trading is found to be a losing strategy for most of traders, as derivatives are complex instrument and come with risk of losing money rapidly.

The broker Zerodha with the highest number of Demat accounts in India, claims that 80% of all open buy positions in Index based derivative Options end up in losses till the closing time of the market. (Livemint, 2021)

Another broker in India, Angel One, claims that 95% of day traders in India stop day trading by the third year due to losses. (One, 2022) A study in the USA using personal investors' data showed that most frequent traders earned on average 5% less per year than the average investors. The latter still got near to 75% of their portfolio annually. (Barber & Odean, Boys will be Boys: Gender, Overconfidence, and Common Stock Investment, 2001)

A study done in the Netherlands on options traders stated that most individuals incur losses, with an average monthly return of -1.81%. (Bauer, Cosemans, & Eichholtz, 2009)

Disclosures from the European Union's financial regulator's report suggested that between 74% to 89% of traders lose money annually in trading derivatives named Contract for Differences (CFD). (ESMA, 2019)

Another research on the data of the Taiwan stock exchange was done in 2017 over 15 years data to know the profitability of individual traders. It was realized that the aggregate performance of day traders was negative, and vast majority of traders were unprofitable for several years, but many persisted despite experiencing substantial losses. (Odean, Barber, Lee, & Liu, 2010)

A study done in Brazil over all of the day traders between the period of 2013 to 2015 in the Brazilian equity futures market. It was found that 97% of all individuals who stayed for more than 300 days lost their capital. Only 1.1% earned above the Brazilian minimum wage. (Chague, De-Losso, & Giovannetti, 2020)

It's evident that day traders or scalp traders are not making a regular income from trading derivatives. Nevertheless, the alluring market won't let them take halt from coming back to trade the next day. Loss-making traders continue trading to recoup their previous losses, making bigger losses later.

6.5 Benefits of FinTech industry

"Once in the dear dead days beyond recall, an out-of-town visitor was being shown the wonders of the New York financial district. When the party arrived at the Battery, one of his guides indicated some handsome ships riding at anchor. He said, 'Look, those are the bankers' and brokers' yachts.' 'Where are the customers' yachts?' asked the naive visitor."—Fred Schwed Jr. (Schwed, 1960)

The FinTech industry in the securities market seems to pursue its goals and vision successfully. By providing transparent access to liquidity and developing intelligent, interactive and highly efficient platforms for trading, they have brought a record-breaking number of new entrants to the stock market in the last few years and encouraged them to participate with big volume and frequency regularly actively. FinTech as an industry is indeed running, giving high returns to their venture capitalist and equity holders, but that comes by monetizing through the high-frequency loss-making day traders not just in India but throughout the world.

There is no surprise that broking and leverage-providing FinTech-based firms want more people to trade in derivatives than cash equity. It is the derivative market where people show addictive behaviors and may choose to continue trading even with negative results. Studies have been conducted to find behavioral similarities in derivative traders with those involved in gambling. Studies conducted in Canada in 2021 point toward similarities among the people engaging in high-risk derivatives and those in gambling. (Williams, et al., 2021)

A survey of Dutch retail investors showed that investors in the securities market display symptoms of compulsive gambling or an addiction to day trading based on a standard diagnostic checklist from the American Psychiatric Association. (Cox, Kamolsareeratana, & Kouwenberg, 2020) Another study conducted on 795 US participants in 2021 reported that behavioral addiction to gambling-like activities is associated with frequent stock market trading. Therefore, the new tech-based products offering more convenience to trade can be detrimental to investors. (Mosenhauer, Newall, & Walasek, 2021)

Recent research in Australia in 2021 state that the convenience of trading anywhere via mobile increases investors propensity to trade, and mobile investing apps market themselves through elite sports, similar to the gambling industry's strategy. (Newall & Xiao, 2021)

The derivative market appears to be a market of inelastic demand where the broker can charge higher brokerage with other additional charges but people may still prefer to trade frequently as the demand of a product which has addictive attributes in it, is less likely to lose consumers even with a higher price. The FinTech industry appears to democratize investing and trading, which from a social perspective appears to be beneficial for the people as of now a greater number of people can invest and trade. In reality, the FinTech industry promotes high-frequency trading through promotional offers, discounts and other schemes but not sensible investing. Some investment platforms are even providing zero-commission trades in Futures and Options, which may encourage novice traders and millennials to unnecessarily buy and sell in financial markets. However, even with zero brokerage and explicit fees, the investment applications can earn through a financial arrangement called 'payment for order flow'. (Rooney & Fitzgerald, 2020)

In short, traders have a high probability of losing but a low probability of leaving the market and due to this, the FinTech industry is assured of their earnings for a long time.

6.6 How FinTech-based Platforms Can Gain More Advantages Through it?

Equity-based derivative market dominates the total share of frequency and volume of trade. Being a zero-sum game and having an inflow of tech-savvy but novice traders with financial literacy below optimum, most of them are on the losing side. This allows FinTech to introduce its next phase of evolution:

- Strategy forming assistance
- Algo-trading
- Robo-advisory through Artificial Intelligence
- Trading educational platforms

Strategic assistance and Algo-trading are already being implemented in the equity segment for over a decade but now is offered to retail traders through FinTech platforms at a reasonable cost in India. Robo-advisory has been used in developed countries for portfolio management and investment based on the goals of investors, where algorithms rebalance the investment ratio for better outcomes and a reduction in overall taxation. Educational platforms for trading have also been available for a while, but their reach was to limited audience before the disruption of FinTech in the financial market.

Strategy forming assistance is all about planning the entry and exit in a trade based on some statistical analysis. In contrast, the investing and trading apps provide readymade strategies for some explicit fees to the traders. Algo-trading is algorithm-based trading that tries to reduce human error and unnecessary interference in the trade by working with specified parameters and instructions programmed in it. This also appears to be a profit-making system for the traders, like strategy-forming assistance. Implementing Robo-advisory based on artificial intelligence is yet to be tested in the derivatives market as Algo trading appears to be a better alternative in day trading. Creating new educational platforms for increasing financial literacy and improvement in statistical analysis by the FinTech for their clients is a service to be a big hit for the FinTech industry.

All these points discussed above can be the subsequent phases of evolution for FinTech industry in the equity-based derivatives market to capitalize and generate more revenue due to the habits of excessive trading among day traders of India and worldwide.

VII. CONCLUSION

Equity-based derivatives segment of the financial market in India is where the highest volume and frequency of trading occurs. The FinTech industry has been booming, bringing more people to this segment. This segment does not create any additional wealth or benefit but transfers from one group of people to another among the traders. The ones who earn through this market are the trading platforms and the Government. Most retail traders lose their capital due to the high-risk nature of the market and may even leave this segment. The FinTech industry is therefore seeing a new opportunity in this issue. It has started providing its clients with additional support through Algo-trading, strategic assistance and educational platforms to give them an edge in the market over other day traders. In other words, just a different pattern of distribution of gains may take place. Overall, the benefit of the traders' community will still be nothing due to the zero-sum game design of the market, but surely of the FinTech industry.

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