



A STUDY ON INDIAN DERIVATIVES MARKET WITH REFERENCE TO INVESTORS ATTITUDE IN VIRAR CITY OF MUMBAI

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Abstract: This paper scrutinizes the attitude of investors in derivative market in Virar City. This study emphasize investor's attitude in their investment practices. Here the Researcher attempt to identify and analyse the key factors responsible for capturing attention of Investor's in derivatives markets. The data were collected via a questionnaire survey from 150 respondents. The analysis of data was done through Chi square test and some interesting findings were obtained. This study reveals that the respondents were aware of derivatives.

Keywords: *Derivatives, Investors Attitude, Investors Perception, Finance.*

Introduction:

A derivative is a financial tool which derives its importance from the value of underlying entities such as an asset, equities, debt, currencies, index, or interest rate. The underlying assets could be equities (shares), currencies, debt (bonds, and notes) and even indices of these different assets, such as the Nifty Index. Derivatives, as exchange traded financial instruments were introduced in India in June 2000. The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) are the largest exchanges in India in derivatives trading.

The first derivative contract in India was launched on NSE was the Nifty 50 index futures contract. The equity derivatives segment in India is called the Futures & Options Segment or F&O Segment. A series of modifications in the financial markets paved way for the improvement of exchange-traded equity derivatives markets in India. A report on exchange traded derivatives, by the L.C. Gupta Committee, set up by the Securities and Exchange Board of India, recommended a phased introduction of derivatives tools with bi-level instruction (i.e., self-regulation by exchanges, with SEBI providing the overall regulatory and supervisory role). And additional report, by the J.R. Varma Committee in 1998 worked out the different operational details such as margining and risk management methods for these apparatuses.

In 1999, the Securities Contracts (Regulation) Act of 1956 or SC(R) A was altered so that derivatives could be declared as "securities". This permitted the regulatory outline for trading securities to be lengthy to derivatives. The Act studies derivatives on equities to be legal and valid, but only if they are transacted on exchanges. At present, the equity derivatives market is the greatest active derivatives market in India.

Literature Review:

Bhatt, Dr. Babaraju conducted study on "Perception of Investors towards Derivatives as an Investment Avenue" in the year 2014. The Derivatives are risk management tool that support in effective management of risk by various stakeholders. Derivatives provide an chance to transfer risk, from the one who wish to avoid it; to one who wish to agree it. India's experience with the introduction of equity derivatives market has been really encouraging and successful. The derivatives turnover on the NSE has surpassed the equity market turnover. This study main objective is identify the factors which affect the investment decision in derivatives.

Dr. Kamlesh Gakhar; Ms. Meetu conducted research on Derivatives Market in India: Evolution, Trading in the year 2013. The Indian derivative market has become multi-trillion dollar markets over the years. Marked with the ability to partially and fully transfer the risk by securing in assets prices, derivatives are gaining popularity among the investors. Since the economic reforms of 1991, maximum efforts have been made to encourage the investors' confidence by making the trading process more users' friendly. Still, there are specific issues in this market. So, the present paper is an attempt to study the evolution of Indian derivative market, trading instrument in its various products and the future prospects of the Indian Derivative market.

Dr. Rishi Manrai research on Investor Behavior towards Derivative Markets in Indian Context. The concept of behavioral finance is growing in the capital market, there is hardly any place where its concepts aren't being applied. There is a need to grab more consideration of the investor's towards derivative market and draw inferences from investor's behavior so that the derivative market can benefit and understand investor's preference better and unravel the factors that influence the risk forbearance level of the investors. So the crux of the study will give the researcher a quantitative model reflecting the factors affecting the investor behavior in derivative market with load factors. Through this study the researchers would like to study the different factors responsible for the investment behavior in derivative market.

Objectives:

- To study the investor's attitude towards derivatives market.
- To study the awareness about derivative market in Virar City.
- To bring out the investment activities of investors towards in derivative markets.

Research Methodology:

This study research is based on primary data and secondary data. This primary data are gathered from investors in stock market. Secondary data are collected from journals, articles and websites. This primary data are arrange for questionnaire method the subject of the study.

- Sampling method:** Convenience techniques of sampling is used to gather the data from the Respondents.
- Sample unit:** Retail investors' from Virar city who invest in stock market
- Sample size:** 150

A. Demographic Variables

Gender

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|--------|-----------|---------|---------------|--------------------|
| Valid | Male | 114 | 76.0 | 76.0 | 76.0 |
| | Female | 36 | 24.0 | 24.0 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Age

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------|-----------|---------|---------------|--------------------|
| Valid | Up to 30 | 49 | 32.7 | 32.7 | 32.7 |
| | 31 to 40 | 66 | 44.0 | 44.0 | 76.7 |
| | 41 & Above | 35 | 23.3 | 23.3 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Education Qualification

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------------|-----------|---------|---------------|--------------------|
| Valid | Up to Secondary | 9 | 6.0 | 6.0 | 6.0 |
| | Under Graduate | 32 | 21.3 | 21.3 | 27.3 |
| | Post Graduate | 99 | 66.0 | 66.0 | 93.3 |
| | Professional | 10 | 6.7 | 6.7 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Occupation

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|------------------|-----------|---------|---------------|--------------------|
| Valid | Self-Employee | 24 | 16.0 | 16.0 | 16.0 |
| | Govt. Employee | 47 | 31.3 | 31.3 | 47.3 |
| | Private Employee | 63 | 42.0 | 42.0 | 89.3 |
| | Others | 16 | 10.7 | 10.7 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Marital status

| | | Frequency | Percent | Valid Percent | Cumulative Percent |
|-------|-----------|-----------|---------|---------------|--------------------|
| Valid | Unmarried | 33 | 22.0 | 22.0 | 22.0 |
| | Married | 117 | 78.0 | 78.0 | 100.0 |
| | Total | 150 | 100.0 | 100.0 | |

Monthly Income

| | Frequency | Percent | Valid Percent | Cumulative Percent |
|-----------------------|-----------|---------|---------------|--------------------|
| Valid Up to Rs.30000 | 87 | 58.0 | 58.0 | 58.0 |
| Rs.30000 to Rs. 50000 | 39 | 26.0 | 26.0 | 84.0 |
| Rs. 50000 & Above | 24 | 16.0 | 16.0 | 100.0 |
| Total | 150 | 100.0 | 100.0 | |

B. Hypothesis:

H₀: There is no significant difference between Gender and Awareness about derivatives

H₁: There is a significant difference between Gender and Awareness about derivatives

Gender * Level of Awareness Cross tabulation

| | | | Level of Awareness | | | Total |
|--------|--------|----------------|--------------------|----------|------|-------|
| | | | Low | Moderate | High | |
| Gender | Male | Count | 9 | 81 | 24 | 114 |
| | | Expected Count | 16.0 | 69.9 | 28.1 | 114.0 |
| | Female | Count | 12 | 11 | 13 | 36 |
| | | Expected Count | 5.0 | 22.1 | 8.9 | 36.0 |
| Total | | Count | 21 | 92 | 37 | 150 |
| | | Expected Count | 21.0 | 92.0 | 37.0 | 150.0 |

Chi-Square Tests

| | Value | df | Asymp. Sig. (2-sided) |
|------------------------------|---------------------|----|-----------------------|
| Pearson Chi-Square | 22.478 ^a | 2 | .000 |
| Likelihood Ratio | 21.315 | 2 | .000 |
| Linear-by-Linear Association | .780 | 1 | .377 |
| N of Valid Cases | 150 | | |

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.04.

Interpretation:

From the top row of the output table we observe the Pearson Chi Squared statistic, $\chi^2 = 22.478$, degrees of freedom 2, corresponding to $p < 0.5$. Therefore we **reject the null hypothesis**.

Results and Discussion:

- Majority of the respondents (76%) are Male because they are ready to take risks in their investment but Female avoid to take risk.
- Most of the respondents (44.0%) are age group of the 31-40.
- Most of the respondents (66.0%) are graduates followed by Post graduates because they are aware of the derivatives concepts.
- Most of the respondents (42.0%) are Private Employee.
- Most of the respondents (28.50%) are preference to derivative market.
- Most of the respondents (58.0%) are having an Income level upto Rs.30000.
- Most of the respondents (37.5%) are influenced by friends & relations followed by share brokers.
- Most of the respondents (28.30%) said that News Papers help them to decrease their risk.
- Most of the respondents (33.60%) invest in stock market followed by stock market choice.

Conclusion:

The attitude of investor's is changing towards derivative market in India for the last some years and with the introduction of behavioral finance the researcher would like to capture that. The concept of behavioral finance is growing in the capital market, there is hardly any place where its concepts aren't being applied. Risk averse investors always tries to safe by investing in fixed deposit, mutual funds, government bonds, insurance, and securities. Then other risk takers want to earn more returns of that they prefer to invest in derivative market. Now a day the investors know about the derivative market so they are aware. As derivative market offers more return, with the hedging of interest rate risk and exchange rate risk with maximum profits and minimum loss. It has been noticed that there has been awareness about derivatives trading amongst the investors in India since last few years.

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