

Project Dissertation

A STUDY OF INVESTOR'S PERCEPTION TOWARDS DERIVATIVES AS AN INVESTMENT AVENUE

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CERTIFICATE FROM THE INSTITUTE

This is to certify that the Project Report titled **The Study Of Investor's Perception Towards Derivative As An Investment Avenue**, is a bonafide work carried out by **Mr Vikas Singla** of MBA 2015-17 and submitted to Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 in partial fulfilment of the requirement for the award of the Degree of Masters of Business Administration.

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I **Vikas Singla**, student of MBA 2015-17 of Delhi School of Management, Delhi Technological University, Bawana Road, Delhi-42 declare that Project Report on **The Study Of Investor's Perception Towards Derivative As An Investment Avenue** submitted in partial fulfilment of Degree of Masters of Business Administration is the original work conducted by me.

The information and data given in the report is authentic to the best of my knowledge.

This Report is not being submitted to any other University for award of any other Degree, Diploma and Fellowship

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EXECUTIVE SUMMARY

The dissertation aims to find an investor's perception to derivatives as an investment strategy. Derivative instruments are financial instruments which are complex than the other financial instruments but have some special properties which lure the investors to invest in them. Derivatives are risk management tool that help in effective management of risk by various stakeholders. Derivatives provide an opportunity to transfer risk, from the one who wish to avoid it; to one, who wish to accept it.

The study is based on the primary data collected through questionnaire from the retail investors. The investors are individuals who have invested in the derivatives market with an aim to reduce risk or to get higher returns. The research aims to identify any relation between the age group and income group of those investors with their behaviour to invest in Derivatives instruments. Also some of the factors, which affect the decision to invest in a particular derivative, were identified and studied.

The result of present study states that investors considers many factors such as guidance from financial advisor and broker hedging fund, risk control, their own knowledge regarding financial product, and high volatility in the stock market etc. while taking decision to invest in derivatives. The conclusion to this study is that there is a significant positive correlation with age of the respondents and a negative correlation with annual incomes of the respondents with respect to decision to invest in derivatives. Also result shows that investors give more preference to some factors such as hedging fund, risk control, their own knowledge regarding financial product, and high volatility in the stock market etc. while taking decision to invest in derivatives.

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1. INTRODUCTION

1.1 Introduction to Derivatives

Derivatives are financial instruments whose value is derived from the value of something else. They generally take the form of contracts under which the parties agree to payments between them based upon the value of an underlying asset or other data at a particular point in time. The main types of derivatives are futures, forwards, options, and swaps.

The main use of derivatives is to reduce risk for one party while offering the potential for a high return (at increased risk) to another. The diverse range of potential underlying assets and payoff alternatives leads to a huge range of derivatives contracts available to be traded in the market. Derivatives can be based on different types of assets such as commodities, equities (stocks), bonds, interest rates, exchange rates, or indexes (such as a stock market index, consumer price index (CPI) — inflation derivatives — or even an index of weather conditions, or other derivatives). Their performance can determine both the amount and the timing of the payoffs.

The term "Derivative" indicates that it has no independent value, i.e. its value is entirely "derived" from the value of the underlying asset. The underlying asset can be securities, commodities, bullion, currency, livestock or anything else. In other words, Derivative means a forward, future, option or any other hybrid contract of pre-determined fixed duration, linked for the purpose of contract fulfilment to the value of a specified real or financial asset or to an index of securities.

With Securities Laws (Second Amendment) Act, 1999, Derivatives has been included in the definition of Securities. The term Derivative has been defined in Securities Contracts (Regulations) Act, as:-

A Derivative includes: -

- a. A security derived from a debt instrument, share, loan, whether secured or unsecured, risk instrument or contract for differences or any other form of security;
- b. A contract which derives its value from the prices, or index of prices, of underlying securities.

1.2 History of derivatives

The Chicago Board of Trade (CBOT), the largest derivative exchange in the world, was established in 1848 where forward contracts on various commodities were standardized around 1865. From then on, futures contracts have remained more or less in the same form, as we know them today. Derivatives have had a long presence in India. The commodity derivative market has been functioning in India since the nineteenth century with organized trading in cotton through the establishment of Cotton Trade Association in 1875. Since then contracts on various other commodities have been introduced as well.

Exchange traded financial derivatives were introduced in India in June 2000 at the two major stock exchanges, NSE and BSE. BSE created history on June 9, 2000 by launching the first Exchange traded Index Derivative Contract i.e. futures on the capital market benchmark index - the BSE Sensex. The inauguration of trading was done by Prof. J.R. Varma, member of SEBI and chairman of the committee responsible for formulation of risk containment measures for the Derivatives market. The first historical trade of 5 contracts of June series was done on June 9, 2000 at 9:55:03 a.m. between M/s Kaji and Maulik Securities Pvt. Ltd. and M/s Emkay Share and Stock Brokers Ltd. at the rate of 4755. There are various contracts currently traded on these exchanges. National Commodity & Derivatives Exchange Limited (NCDEX) started its operations in December 2003, to provide a platform for commodities trading. The derivatives market in India has grown exponentially, especially at NSE. Stock Futures are the most highly traded contracts on NSE accounting for around 55% of the total turnover of derivatives at NSE, as on April 13, 2005.

1.3 Types of Derivatives

- **Over-the-counter (OTC)** derivatives are contracts that are traded (and privately negotiated) directly between two parties, without going through an exchange or other intermediary. Products such as swaps, forward rate agreements, and exotic options are almost always traded in this way. The OTC derivatives market is huge.
- **Exchange-traded derivatives (ETD)** are those derivatives products that are traded via specialized Derivatives exchanges or other exchanges. A derivatives exchange acts as an intermediary to all related transactions, and takes Initial margin from both sides of the trade to act as a guarantee. The world's largest derivatives exchanges (by number of transactions) are the Korea Exchange (which lists KOSPI Index Futures & Options), Eurex (which lists a wide range of European products such as interest rate & index products), and CME Group (made up of the 2007 merger of the Chicago Mercantile Exchange and the Chicago Board of Trade). According to BIS, the combined turnover in the world's derivatives exchanges totaled USD 344 trillion during Q4 2005.

Some types of derivative instruments also may trade on traditional exchanges. For instance, hybrid instruments such as convertible bonds and/or convertible preferred may be listed on stock or bond exchanges. Also, warrants (or "rights") may be listed on equity exchanges. Performance Rights, Cash xPRTs(tm) and various other instruments that essentially consist of a complex set of options bundled into a simple package are routinely listed on equity exchanges. Like other derivatives, these publicly traded derivatives provide investors access to risk/reward and volatility characteristics that, while related to an underlying commodity, nonetheless are distinctive.

1.4 Types of Derivative contracts

1. Forward Contract: A forward contract is an agreement between two parties to buy or sell an asset (which can be of any kind) at a pre-agreed future point in time. Therefore, the trade date and delivery date are separated.

It is used to control and hedge risk, for example currency exposure risk (e.g., forward contracts on USD or EUR) or commodity prices (e.g., forward contracts on oil). One party agrees (obligated) to sell, the other to buy, for a forward price agreed in advance. In a forward transaction, no actual cash changes hands. If the transaction is collateralized, exchange of margin will take place according to a pre-agreed rule or schedule. Otherwise no asset of any kind actually changes hands, until the maturity of the contract. The forward price of such a contract is commonly contrasted with the spot price, which is the price at which the asset changes hands (on the spot date, usually two business days). The difference between the spot and the forward price is the forward premium or forward discount. A standardized forward contract that is traded on an exchange is called a futures contract.

2. Futures Contract: A futures contract is a standardized contract, traded on a futures exchange, to buy or sell a certain underlying instrument at a certain date in the future, at a specified price. The future date is called the delivery date or final settlement date. The pre-set price is called the futures price. The price of the underlying asset on the delivery date is called the settlement price. A futures contract gives the holder the obligation to buy or sell, which differs from an options contract, which gives the holder the right, but not the obligation. In other words, the owner of an options contract may exercise the contract, but both parties of a "futures contract" must fulfil the contract on the settlement date. The seller delivers the commodity to the buyer, or, if it is a cash-settled future, then cash is transferred from the futures trader who sustained a loss to the one who made a profit. To exit the commitment prior to the settlement date, the holder of a futures position has to offset their position by either selling a long position or buying back a short position, effectively closing out the futures position and its contract obligations. Futures contracts, or simply futures, are exchange traded derivatives. The exchange's clearinghouse acts as counterparty on all contracts, sets margin requirements, etc. Futures Contract means a legally binding agreement to buy or sell the underlying security on a future date. Future contracts are the organized/standardized contracts in terms of quantity, quality (in case of commodities), delivery time and place for settlement on any date in future.

The contract expires on a pre-specified date which is called the expiry date of the contract. On expiry, futures can be settled by delivery of the underlying asset or cash. Cash settlement enables the settlement of obligations arising out of the future/option contract in cash.

3. Option contract: The right, but not the obligation, to buy (for a call option) or sell (for a put option) a specific amount of a given stock, commodity, currency, index, or debt, at a specified price (the strike price) during a specified period of time. For stock options, the amount is usually 100 shares. Each option contract has a buyer, called the holder, and a seller, known as the writer. If the option contract is exercised, the writer is responsible for fulfilling the terms of the contract by delivering the shares to the appropriate party. In the case of a security that cannot be delivered such as an index, the contract is settled in cash. For the holder, the potential loss is limited to the price paid to acquire the option. When an option is not exercised, it expires. No shares change hands and the money spent to purchase the option is lost. For the buyer, the upside is unlimited. Option contracts, like stocks, are therefore said to have an asymmetrical payoff pattern. For the writer, the potential loss is unlimited unless the contract is covered, meaning that the writer already owns the security underlying the option. Option contracts are most frequently as either leverage or protection. As leverage, options allow the holder to control equity in a limited capacity for a fraction of what the shares would cost. The difference can be invested elsewhere until the option is exercised. As protection, options can guard against price fluctuations in the near term because they provide the right to acquire the underlying stock at a fixed price for a limited time. Risk is limited to the option premium (except when writing options for a security that is not already owned). However, the costs of trading options (including both commissions and the bid/ask spread) is higher on a percentage basis than trading the underlying stock. In addition, options are very complex and require a great deal of observation and maintenance.

4. Warrants & convertible: Warrants & convertible are other important categories of financial derivatives, which are frequently traded in the market. Warrants are just like an option contract where the holder has the right to buy shares of a specified company at a certain price during the given time period. In the other words the holder of a warrant has the right to purchase a specific number of shares at a fixed price in a fixed period from a issuing company. Convertible are hybrid securities which combine the basic attributes of fixed interest and variable return securities. These are mostly convertible bonds, convertible debentures, and convertible preference shares. These are also called equity derivative securities. They can be fully or partially converted in to equity shares of the issuing company at the predetermined specified terms with regards to conversion ratio and conversion price.

5. Swap Contracts: These are agreements between two parties to exchange cash flows in the future under the swap agreement various terms like the dates. When the cash flows are to be paid, the currency in which to be paid & the mode of payment are finalized by the parties. The most popular type of swap contracts is given below:

a) Interest rate swaps contracts: A contract entered into by an issuer or obligor with a swap provider to exchange periodic interest payments. Typically, one party agrees to make payments to the other based upon a fixed rate of interest in exchange for payments based upon a variable rate. Interest rate swap contracts typically are used as hedges against interest rate risk or to provide fixed debt service payments to an issuer or conduit borrower dependent on a specified revenue stream for payment of such debt. For example, an issuer may issue variable rate debt and simultaneously enter into an interest rate swap contract. The swap contract may provide that the issuer will pay to the swap counter-party a fixed rate of interest in exchange for the counter-party making variable payments equal to the amount payable on the variable rate debt.

b) Currency swaps: A currency swaps (or cross currency swap) is a foreign exchange agreement between two parties to exchange a given amount of one currency for another and, after a specified period of time, to give back the original amounts swapped. Currency swaps can be negotiated for a variety of maturities up to 30 years. Unlike a back-to-back loan, a currency swap is not considered to be a loan by United States accounting laws and thus it is not reflected on a company's balance sheet. A swap is considered to be a foreign exchange transaction (short leg) plus an obligation to close the swap (far leg) being a forward contract. Currency swaps are often combined with interest rate swaps. For example, one company would seek to swap a cash flow for their fixed rate debt denominated in US dollars for a floating-rate debt denominated in Euro.

This is especially common in Europe where companies "shop" for the cheapest debt regardless of its denomination and then seek to exchange it for the debt in desired currency.

6. Commodity Derivatives:

Futures contracts in pepper, turmeric, gur(jaggery), Hessian (jute fabric), jute sacking, castor seed, potato, coffee, cotton, and soybean and its derivatives are traded in 18 commodity exchanges located in various parts of the country. Futures trading in other edible oils, oilseeds and oil cakes have been permitted. Trading in futures in the new commodities, especially in edible oils, is expected to commence in the near future. The sugar industry is exploring the merits of trading sugar futures contracts. The policy initiatives and the modernization programme include extensive training, structuring a reliable clearinghouse, establishment of a system of warehouse receipts, and the thrust towards the establishment of a national commodity exchange. The Government of India has constituted a committee to explore and evaluate issues pertinent to the establishment and funding of the proposed national commodity exchange for the nationwide trading of commodity futures contracts, and the other institutions and institutional processes such as warehousing and clearinghouses. With commodity futures, delivery is best affected

using warehouse receipts (which are like dematerialized securities). Warehousing functions have enabled viable exchanges to augment their strengths in contract design and trading. The viability of the national commodity exchange is predicated on the reliability of the warehousing functions. The programme for establishing a system of warehouse receipts is in progress.

1.5 Uses of derivatives:

Derivatives are supposed to provide the following services:

1. One of the most important services provided by the derivatives is to control, avoid, shift and manage efficiently different types of risks through various strategies like hedging, arbitraging, spreading, etc. derivatives assist the holders to shift or modify suitably the risk characteristics of their portfolios. These are specifically useful in highly volatile market conditions like erratic trading, highly flexible interest rates, and volatile exchange rates.
2. Derivatives serve as barometers of the future trends in prices which in the discovery of new prices both on the spot and futures markets. Further they help in disseminating different information regarding the futures markets trading of various commodities and securities to the society which discover or form suitable or correct true equilibrium prices in the markets.
3. As we see that in derivatives trading no immediate full amount of the transaction is required since most of them are based on the margin trading. As a result, large number of traders, speculators arbitrageurs operates in such markets. So, derivatives trading enhance liquidity and reduce transactions costs in the markets for underlying assets.
4. The derivatives assist the investors, traders and managers of large pools of funds to devise such strategies so that they may make proper asset allocation increase their yields and achieve other investment goals.
5. It has been observed from the derivatives trading in the market that in the market that the derivatives have smoothen out price fluctuations, squeeze the price spread, integrate price structure different points of time and remove shortages in the market.

6. The derivatives trading encourage the competitive trading in the markets, different risk taking preference of the market operators like speculators, hedgers, traders, arbitrageurs, etc. resulting in increase in trading volume in the country. They also attract young investors, professionals and other experts who will act as catalysts to growth of financial markets.

1.6 Demerits of Derivatives:

1. **Speculative and gambling motives:** One of the most important arguments against the derivatives is that they promote speculative activities in the market. It is witnessed from the financial markets throughout the world that the trading volumes in derivatives have increased in multiples of the value of the underlying assets. As such speculation has become the primary purpose of the birth, existence and growth of derivatives. Sometimes these speculative buying and selling by professionals adversely affect the genuine producers and distributors.
2. **Increase in risk:** The derivatives are supposed to be efficient tool of risk management in the market. In fact this is also one sided argument. It has been observed that the derivatives market-especially OTC markets, as particularly customized, privately managed and negotiated and thus they are highly risky. Empirical studies in this respect have shown that derivatives used by the banks have not resulted in the reduction in risk, and rather these have raised new types of risks.
3. **Instability of financial system:** it is argued that derivatives have increased the risk not only for their users but also for the whole financial system. The fears of micro and macro financial crisis have caused to unchecked growth of derivatives which have turned many market players into big losers. The malpractices, desperate behaviour and fraud by users of derivatives have threatened the stability of the financial markets and the financial system.
4. **Price instability:** Some experts argue in favour of the derivatives that their major contribution is forward contribution is toward price stability and price discovery in the market whereas some others have doubt about this.

Rather they argue that derivatives have caused wild fluctuations in asset prices and moreover they widened the range of such fluctuations in the prices. The derivatives may be helpful in the price stabilization only if there exists a properly organized, competitive and well regulated market. Further the traders behave and function in professional manner and follow standard code of conduct. Unfortunately all these are not so frequently practiced in the market and hence the derivatives sometimes cause to price instability rather than stability.

5. **Displacement effect:** There is another doubt about the growth of the derivatives that they will reduce the volume of the business in the primary or new issue market specifically for new and small corporate units. It is apprehension that most of investors will divert to derivatives markets, raisings fresh capital by such units will be difficult and hence this will create displacement effect in the financial market. However it is not so strong argument because there is no such rigid segmentation of investors and investors behave rationally in market.

1.7 Users of Derivatives:

The participants in the derivatives markets can be classified into three broad categories. These are the arbitrageurs, the speculators and the hedgers.

Arbitrageurs: These are an important category as the principles underlying the valuation of derivatives are based on the assumption that capital markets are efficient and opportunities for arbitrage are inexistent. Arbitrage can be defined as the ability to make a risk-less profit from market anomalies.

Speculators: Speculators are traders who aim to make profits from favourable market movements. In other words speculators are investors that are after capital gains. Traders using derivatives take leveraged positions and hence the market risk of the underlying assets is amplified.

Hedgers: Before discussing how derivatives can be used in mitigating risk, it is essential to understand risk and the implications of hedging. Hedging does not imply avoiding losses but reducing uncertainty i.e. risk. Higher risks could result in higher returns and therefore hedging against risks entails reducing the likelihood of excessive gains as well as excessive losses. For example, the appreciation of the euro against the US\$ during 2003 shaved US\$ 1.25 billion from Volkswagen operating income for that year. Hedging would have reduced this loss but if the euro weakened instead of strengthening, Volkswagen would have forfeited the opportunity to make an exceptional gain. The decision on whether to hedge or not depends primarily on the extent to which a business can pass on adverse market movements to consumers. If one refers to the local market, competition has intensified and it is very difficult for local businesses to pass on adverse movements in say interest rates, exchange rates and commodity prices to consumers. A counter argument to this is that if hedging is not the norm then all market suppliers are in the same position and therefore at the end of the day adverse market fluctuations are borne by consumers. Nonetheless, not all market suppliers are equally sensitive to market fluctuations so such argument may not hold in practice.

1.8 Derivatives Markets:

Derivatives are either traded ‘over-the-counter’ or on specialized exchanges. Over-the-counter (OTC) derivatives are entered into between two parties directly. One party would normally be a bank or an investment bank, while the counterparty is likely to be a corporate or an institutional investor. On the other hand exchange traded derivatives are traded, to a certain extent, similarly to listed equities and bonds. The main difference is that while OTC derivatives are specifically engineered according to the needs of the parties involved, exchange traded derivatives are standardized contracts. Normally, OTC derivatives are offered by banks and each bank will have an agreement which governs the relationship between the bank and counterparty vis-à-vis the derivative contract. This agreement would be based on the International Swaps Dealers Association (ISDA) master agreement but can be slightly modified particularly for exotic contracts.

Needless to say, it is important that financial controllers that are considering the use of OTC derivatives, with the assistance of their company's lawyers, understand the contents of these agreements. Exchange traded derivatives are standardized and the terms and conditions of each contract are set out by the exchange where they are traded. The fact that these are traded on an exchange and due to their standardized nature makes these contracts highly liquid. However, their liquidity declines with the duration of the contract, i.e. generally the longer the duration of the contract, the lower the volume of transactions in that contract. Liquidity also depends on the popularity of the contract in terms of willing buyers and sellers. Standardization helps to keep the transaction costs involved in trading these instruments low. The exchange guarantees that the contract will be honoured and to ensure fulfilment every exchange uses what is termed as a margining system. When a contract is bought or sold, the buyer/seller is bound to make a deposit with the clearing house of the exchange. This deposit would be a percentage of the contracted amount. This deposit is referred to as the initial margin.

Derivative trading in India takes place either on a separate and independent Derivative Exchange or on a separate segment of an existing Stock Exchange. Derivative Exchange/Segment function as a Self-Regulatory Organization (SRO) and SEBI acts as the oversight regulator. The clearing & settlement of all trades on the Derivative Exchange/Segment would have to be through a Clearing Corporation/House, which is independent in governance and membership from the Derivative Exchange/Segment.

1.9 The Regulatory Framework of Derivatives Markets in India

With the amendment in the definition of 'securities' under SC(R)A (to include derivative contracts in the definition of securities), derivatives trading takes place under the provisions of the Securities Contracts (Regulation) Act, 1956 and the Securities and Exchange Board of India Act, 1992. Dr. L.C Gupta Committee constituted by SEBI had laid down the regulatory framework for derivative trading in India.

BSE created history on June 9, 2000 by launching the first Exchange traded Index Derivative Contract i.e. futures on the capital market benchmark index - the BSE Sensex. The inauguration of trading was done by Prof. J.R. Varma, member of SEBI and chairman of the committee responsible for formulation of risk containment measures for the Derivatives market. The first historical trade of 5 contracts of June series was done on June 9, 2000 at 9:55:03 a.m. between M/s Kaji and Maulik Securities Pvt. Ltd. and M/s Emkay Share and Stock Brokers Ltd. at the rate of 4755.

In the sequence of product innovation, the exchange commenced trading in Index Options on Sensex on June 1, 2001. Stock options were introduced on 31 stocks on July 9, 2001 and single stock futures were launched on November 9, 2002. September 13, 2004 marked another milestone in the history of Indian Capital Markets, the day on which the Bombay Stock Exchange launched Weekly Options, a unique product unparalleled in derivatives markets, both domestic and international. BSE permitted trading in weekly contracts in options in the shares of four leading companies namely Reliance, Satyam, State Bank of India, and Tisco in addition to the flagship index-Sensex.

SEBI has also framed suggestive bye-law for Derivative Exchanges/Segments and their Clearing Corporation/House which lays down the provisions for trading and settlement of derivative contracts. The Rules, Bye-laws & Regulations of the Derivative Segment of the Exchanges and their Clearing Corporation/House have to be framed in line with the suggestive Bye-laws.

SEBI has also laid the eligibility conditions for Derivative Exchange/Segment and its Clearing Corporation/House. The eligibility conditions have been framed to ensure that Derivative Exchange/Segment & Clearing Corporation/House provide a transparent trading environment, safety & integrity and provide facilities for redressal of investor grievances. Some of the important eligibility conditions are-

- Derivative trading to take place through an on-line screen based Trading System.
- The Derivatives Exchange/Segment shall have on-line surveillance capability to monitor positions, prices, and volumes on a real time basis so as to deter market manipulation.
- The Derivatives Exchange/ Segment should have arrangements for dissemination of information about trades, quantities and quotes on a real time basis through at least two information vending networks, which are easily accessible to investors across the country.
- The Derivatives Exchange/Segment should have arbitration and investor grievances redressal mechanism operative from all the four areas / regions of the country.
- The Derivatives Exchange/Segment should have satisfactory system of monitoring investor complaints and preventing irregularities in trading.
- The Derivative Segment of the Exchange would have a separate Investor Protection Fund.
- The Clearing Corporation/House shall perform full novation, i.e., the Clearing Corporation/House shall interpose itself between both legs of every trade, becoming the legal counterparty to both or alternatively should provide an unconditional guarantee for settlement of all trades.
- The Clearing Corporation/House shall have the capacity to monitor the overall position of Members across both derivatives market and the underlying securities market for those Members who are participating in both.
- The level of initial margin on Index Futures Contracts shall be related to the risk of loss on the position. The concept of value-at-risk shall be used in calculating required level of initial margins. The initial margins should be large enough to cover the one-day loss that can be encountered on the position on 99% of the days.

- The Clearing Corporation/House shall establish facilities for electronic funds transfer (EFT) for swift movement of margin payments.
- In the event of a Member defaulting in meeting its liabilities, the Clearing Corporation/House shall transfer client positions and assets to another solvent Member or close-out all open positions.
- The Clearing Corporation/House should have capabilities to segregate initial margins deposited by Clearing Members for trades on their own account and on account of his client. The Clearing Corporation/House shall hold the clients' margin money in trust for the client purposes only and should not allow its diversion for any other purpose.
- The Clearing Corporation/House shall have a separate Trade Guarantee Fund for the trades executed on Derivative Exchange / Segment.

Presently, SEBI has permitted Derivative Trading on the Derivative Segment of BSE and the F&O Segment of NSE.

1.10 Eligibility criteria for stocks on which derivatives trading is permitted:

A stock on which stock option and single stock future contracts are proposed to be introduced is required to fulfill the following broad eligibility criteria:-

- The stock shall be chosen from amongst the top 500 stock in terms of average daily market capitalization and average daily traded value in the previous six month on a rolling basis.
- The stock's median quarter-sigma order size over the last six months shall be not less than Rs.1 Lakh. A stock's quarter-sigma order size is the mean order size (in value terms) required to cause a change in the stock price equal to one-quarter of a standard deviation.
- The market wide position limit in the stock shall not be less than Rs.50 crores.

A stock can be included for derivatives trading as soon as it becomes eligible. However, if the stock does not fulfill the eligibility criteria for 3 consecutive months after being admitted to derivatives trading, then derivative contracts on such a stock would be discontinued.

Minimum contract size:

The Standing Committee on Finance, a Parliamentary Committee, at the time of recommending amendment to Securities Contract (Regulation) Act, 1956 had recommended that the minimum contract size of derivative contracts traded in the Indian Markets should be pegged not below Rs. 2 Lakhs. Based on this recommendation SEBI has specified that the value of a derivative contract should not be less than Rs. 2 Lakh at the time of introducing the contract in the market. In February 2004, the Exchanges were advised to re-align the contracts sizes of existing derivative contracts to Rs. 2 Lakhs. Subsequently, the Exchanges were authorized to align the contracts sizes as and when required in line with the methodology prescribed by SEBI.

Lot size of a contract:

Lot size refers to number of underlying securities in one contract. The lot size is determined keeping in mind the minimum contract size requirement at the time of introduction of derivative contracts on a particular underlying.

For example, if shares of XYZ Ltd are quoted at Rs.1000 each and the minimum contract size is Rs.2 lacs, then the lot size for that particular scrips stands to be $200000/1000 = 200$ shares i.e. one contract in XYZ Ltd. covers 200 shares.

1.11 Derivatives and Risk:

Derivatives help to manage risk in new ways--an important economic function. Yet the risks involved in derivatives activities are neither new nor unique. They are the same kinds of risks found in traditional financial products: market, credit, legal, and operational risks.

Because over-the-counter derivatives are customized transactions, they often assemble risks in complex ways. This can make the measurement and control of these risks more difficult and create the possibility of unexpected loss. Banking supervisors have conducted several studies into the implications of derivatives for the financial system. None of these studies concluded that derivatives significantly increase systemic risk, but neither did they find cause for complacency.

For derivatives activity to grow and prosper, those who take part in it--whether as dealers, end-users, or both--should continue laying a strong foundation of good management practice. These steps are both appropriate and sufficient to address the systemic and other concerns about derivatives activity. Separate regulation of global derivatives would be at cross-purposes with the existing framework of supervision, with its focus on the common risks contained in derivatives and traditional instruments. There is also a danger in imposing regulatory formulas that inhibit new product innovation or discourage firms from developing the individualized, robust risk management systems on which they should rely. The Various types of risks in derivatives are given below:

Credit Risk: It is also called default risk. The risk that a counter party will default on its obligations is called credit risk. Most of the derivatives transactions are executed through over the counter and recognized exchanges. An exchange traded futures contracts is likely to have significantly less counter party risk in comparison to OTC driver contracts. The major factors influencing the credit risk are such as rating system, scope for credit enhancements, sophistication of users, measurement approach, need for diversified client bases, product characteristics, valuation data, barriers to entry, etc.

The credit analysis includes the techniques which are used to measure the on-going credit risk that the firm is bearing. The major technique include: using risk adjusted return calculations applying options theory to credit default analysis; using efficient portfolio and aggregating risks into a single measurement by the statistical correlation between individual credit risks. After analysing the credit risk of counter party next step is to control credit risk. Various methods have been suggested like collateral agreements, netting agreements, credit guarantees, credit triggers, mutual termination options, etc.

Market Risk: This risk relates to adverse changes in the market price of a derivative. In other words, market risk exposes a firm to uncertainty due to changes in various market factors like foreign exchange rates, commodity prices, equity prices, volatility related to options positions, market interest rates etc. in fact market risk arises due to market factors, which is beyond the control of counter party. Such risk is to be estimated and then steps are taken to manage the same. There are three important aspects relating to market risk: ‘tools’ necessary to carry out timely and accurate measurement, technique of risk analysis and monitoring and strong and effective lines of communication to senior management. In order to develop a sound market risk approach, an organization and culture, executives skill, theoretical underpinnings, systems architecture, procedure and control, portfolio characteristics, management information etc.

Liquidity Risk: Liquidity risk refers to the fluctuation of derivative instruments prices for not quickly sold or purchased in the market. Sometimes due to various factors, a particular derivative may not be easily sold at a fair price. It is observed that usually liquidity risk is higher at OTC market in of a comparison to exchange traded derivatives. Two elements of liquidity risk arise due to relative ability of an organization to transfer its assets into, and second the mismatch between the bank’s cash inflows and outflows arising out of derivative activity. The transfer ability of a derivative to be converted in to cash at fair value depends largely on the existence of the secondary market. This depends upon three factors:

- a) Transaction costs incurred on liquidation determined largely by bid ask spread.
- b) Cost of exposure of the position maintained and
- c) The cost of hedging the exposure, where possible.

Trade-off between the three components would determine the rate of liquidation. Sometimes, large derivatives portfolios can be subject to sudden cash demands and thus creating mismatch between a banks cash inflows and outflows. This position may make liquidity management for off balance sheets products crucial. Sudden liquidity changes can arise out cash flow risk, which the bank should monitor considering the potential price and volatility changes in derivative instrument.

Legal Risk: Legal risk is the likelihood that the counterparty is not legally bound to fulfil his obligations under the derivative contract or that the derivative contract does not cover certain situations. This situation is similar to that where a person takes insurance cover and later on he finds out that certain risks are not covered or that the insurance contract is null and void.

Operational risk: This risk relates to that errors or frauds which may occur in carrying out operations, placing orders, making payments, taking derivatives, accounting for derivatives transactions. The main reason for this is that operational risk is everywhere within an organization. Since derivative transaction decisions are taken by senior management in the organization and implemented by the executory functionaries through business line technologies; various sophisticated instruments are used for placing the orders and then for cleaning them. Thus potential exposures commonly associated with operations are diverse. These may relate to technology choices: batch vs. real time processing, intraday settlement exposure, cross border payment issue, reliance or manual controls, multilateral vs. bilateral payment systems, timing of payment and delivery. Many of these issues even go beyond the organization level. Operational risk is relevant to the entire value chain of an organization technology and people. Operational risk can be mitigated internally through proper controls and procedures and a detailed understanding of all stages of the operational process.

The other types of risks linked to derivative products are:

Leverage: When an investor trades derivative products it must provide a deposit and/or exchange (pay or receive) a premium. The amount provided as the deposit or exchanged as a premium represents only a fraction of the derivative product's value. Transactions in derivative products involve significant leverage as a relatively small fluctuation in the price of the underlying instrument can have a proportionately greater impact on the cash or on the value of any other guarantee deposited by the investor. This can work for and against the client. If the market moves in an unfavourable direction, the investor may not only lose more than the full amount of the initial margin deposit, but also pay an additional margin and meet margin calls. To maintain the investor's position, new margin payments can be requested on very short notice, occasionally during a market session. If the investor does not meet margin calls within the required time limit, its position may be liquidated and the investor will be liable for any debit balance on its account. Losses may therefore be far greater than the margin initially deposited with the clearing house or than the premium exchanged.

Liquidity and price fluctuations: Derivatives markets can be illiquid. If the market is not sufficiently liquid, the investor may be unable to liquidate or even partially close out a futures position at the desired time. In addition, the difference between the bid price and the offer price of a given contract may be significant. Prices on derivatives markets can fluctuate considerably, depending on a number of factors that are difficult to forecast. The price and liquidity of any investment depends upon the availability and value of the underlying asset, which can be affected by a number of extrinsic factors including, but not limited to, political, environmental and technical. Such factors can also affect the ability to settle or perform on time or at all. The impact of these events on the liquidity and prices increases as the maturity date is near.

Orders aimed at limiting a loss (stop-limit, stop-loss): Trading conditions on futures markets allow investors to place orders with a stop-limit price and orders with a trigger threshold, which are also referred to as “stop orders”. These orders were designed to limit losses that could occur as a result of market fluctuations. The use of such orders does not provide a guarantee that losses will be limited to the intended amounts. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit its losses to the intended amounts, since market conditions on the exchange where the order is placed may make it difficult or impossible to execute such orders.

Commission, fees and taxes: All charges relating to a futures transaction reduce the investor's profit or increase its loss. Commission, agreed upon between the broker and investor, is paid in addition to the fees due to the markets and clearing houses. Before concluding a transaction, investors must be informed of all fees and costs to be paid. Any payments made or received in relation to any investment may be subject to tax and the Client should seek professional advice in this respect.

Seller and buyer obligations: Transactions in derivative products involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash, in accordance with the applicable market conditions.

(a) Obligation to deliver: Unless it is able to offset its position before the delivery date and thereby free itself from its obligation, the seller of a futures contract or a call option may be required to deliver a predetermined quantity of the underlying instrument, in accordance with the relevant market and clearing house rules. The terms and conditions of trading require the seller to deliver the underlying asset in accordance with the characteristics of the contract. If the seller does not comply with this obligation, it may risk incurring additional costs and penalties.

(b) Obligation to take delivery: Unless it is able to offset its position before the delivery date and thereby free itself from its obligation, the buyer of a futures contract or the seller of put option must accept delivery of and pay for the underlying instrument, in accordance with the relevant market and clearing house rules. It may have to pay an amount higher than the margin deposited with the clearing house. For commodities, it may be required to agree to the necessary storage, to organize transport and to take responsibility for any subsequent related costs. If the buyer is not the end buyer of the commodity or a trader in commodities of this type, it may encounter difficulties relating to storage or sales, due to the fact that it cannot use the commodity in question. Furthermore, there is a risk of loss if it decides to sell the commodity on the spot market. The margin deposited by the buyer of a futures contract serves solely as a guarantee and is not valid for the partial execution of its obligations.

Foreign markets and emerging markets: Foreign markets will involve different risks and in some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates. Such transactions may also be affected by exchange controls that could prevent or delay performance

Risk of default or insolvency: Insolvency or default, or that of any other brokers involved with the Client's transaction, may lead to positions being liquidated or closed out without the Client's consent. In certain circumstances, the Client may not get back the actual assets which it lodged as collateral and the Client may have to accept any available payments in cash.

2. LITERATURE REVIEW

RAVICHANDRAN (2008) studied Investors Preferences towards various investment avenues in Capital Market with special reference to Derivatives. The study shows that in the current scenario, investing in stock markets is a major challenge ever for professionals. Derivatives acts as a major tool for reducing the risk involved in investing in the stock markets for getting the best results out of it. The study also focuses that investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk. Awareness regarding various uses of derivatives can help investors to reduce risk and increase profits.

Sandeep Srivastava, Surendra S Yadav, P K Jain September (2008) conducted a survey of brokers in the recently introduced derivatives markets in India to examine the brokers' assessment of market activity and their perception of the benefits and costs of derivative trading.

Kukreja, G. (2012) measured the investors' perception towards Indian capital market with reference to National Capital Region (NCR) investors of India. 120 samples are selected for this study. Major findings of this study included, age has significant impact on investment, and educational qualification has significant impact on tax advantages. 119 functional variables were used in this study to measure investors' perception.

Pasha (2013) studied retail investors' perception on financial derivatives in India. It was found that 55 percent of the small investors (respondents) were of the opinion that derivatives are new, complex, and high-tech products. 38 percent of the respondents, who were familiar with derivatives, said derivatives are not new, complex, and high – tech products. And the remaining 7 percent of the investors could not answer the question. This showed that a large number of investors were not familiar with derivatives. The study also found that 62 percent of the small investors were of the opinion that derivatives are purely speculative and highly leveraged instruments.

Tripathi (2014) studied Investors Perception towards Derivative Trading. The study showed Indian investors mainly invest their money in real estates and insurance as they are the options offering great returns with minimum risk associated with it. It was found that more than 75 percent of investors were aware about derivatives, out of which 74 percent had invested in derivatives. Most of the users often invest 10 percent – 20 percent of their total investment in derivatives followed by users who invest 20 percent – 35 percent of their total investment in derivatives. Out of derivative users 76 percent investors had invested in options which offered benefits like risk diversification and promised their investors great profits with minimum investment. The study concluded that derivative market is dominated by male investor with 72 percent whereas female investors are only 28 percent.

DR. Y. NAGARAJU (2014) studied investors' perception towards derivative instruments and markets. The study showed that even though most people look at derivatives with fear, they should understand the fact that derivatives help in shifting the risk to the other party. There are many myths that surround derivative market. All these can be done away with proper system in place. Today institutional investors do most of the derivative transactions. It is very important that even individual investors participates in the derivative market actively and reap the benefits from it. After this study it is clear that derivative instruments and derivative markets are not so popular among individual investors. Only educated investors with the help of friends and brokers are investing in this market. The reasons for not investing in this market are lack of knowledge and very complex nature of instruments. Some people have a wrong perception about derivatives. The study suggests that measures should be taken to make sure that the investors get a right picture of the instruments and their risk factors.

RAKESH, H.M. (2015) intended to find preference level of investors on various Capital Market instruments, to find out the type of risk which are considered by the investors, to find out the ways through which the investors on various minimizes their risk and lastly to find out the preferences of Investors in derivatives market.

Sarathkumar, K. & Dhandhayuthapani, S. P. (2016) studied that the attitude of investors is changing towards derivative market in India for the last couple of years and with the introduction of behavioural finance, the researcher would like to capture that. The concept of behavioural finance is growing in the capital market; there is hardly any place where its concepts aren't being applied.

The research work already done in this field is very distinguished with what is done in this study. This study identifies any correlation between age and income group of respondents with the decision to invest in derivatives instrument. Also various factors were identified and ranked according to their importance in decision making process. The conclusions are further stated in the report along with the analysis.

3. RESEARCH METHODOLOGY

3.1 NEED FOR STUDY:

While derivatives can be used to help manage risks involved in investments, they also have risks of their own. Various risks such as market risk, liquidity risk, credit risk, hedging risk etc. are associated with derivatives and have been already discussed in this study. In the present current scenario when derivatives are playing an important role and also due to the risk associated with derivatives, it is essential to study and analyse the perception of investors who actually deals in them and also what they feels about these innovative financial instruments.

3.2 OBJECTIVE OF STUDY:

- To study the features of derivative products and risks associated with them.
- To study the investor's perception towards derivatives.
- To identify the factors which affect the investment decision in derivatives.

3.3 Research design:

Descriptive research design is used in the present study. Descriptive study is a fact-finding investigation with adequate interpretation. It is the simplest type of research and is more specific. Mainly designed to gather descriptive information and provides information for formulating more sophisticated studies. The study is based on primary and secondary data. The primary data is collected through structured Questionnaire. Secondary data was gathered from books, journals and websites etc., for review of literature.

Sampling method: Convenience method of sampling is used to collect the data from the respondents.

Sample unit: Retail investors' from the database of SMP Securities Ltd. (Stock brokering firm in Rohini) who invest in stock markets.

Sample size: 79

Data collection method: Data is collected through questionnaire.

Tools for Analysis: Charts, Pearson correlation test, Friedman rank test are used for analysing the data.

3.4 Limitations of the study:

Only 100 investors were considered for this study out of which 79 responded by filling the questionnaire floated. Hence, it cannot be generalized for the entire active market participants in the derivatives domain.

3.5 Hypotheses of the Study:

In line with the objectives of the study, the following hypotheses have been framed and tested.

1. H0: There is no significant correlation between ages of the respondents with their decision to invest in derivatives.
2. H0: There is no significant correlation between incomes of the respondents with their decision to invest in derivatives.
3. H0: There is no statistically significant preference for various factors such as hedging fund, risk control, cash generation etc. while selecting investment in Derivative.

4. DATA ANALYSIS AND INTERPRETATION:

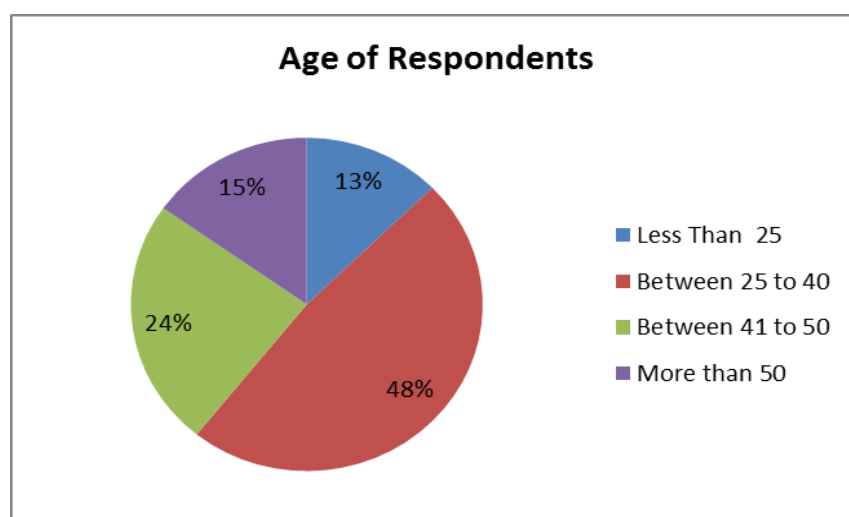
4.1 DESCRIPTIVE STATISTICS

1. Gender

Male	64
Female	15

2. Age

Less Than 25	10
Between 25 to 40	38
Between 41 to 50	19
More than 50	12



3. Qualification

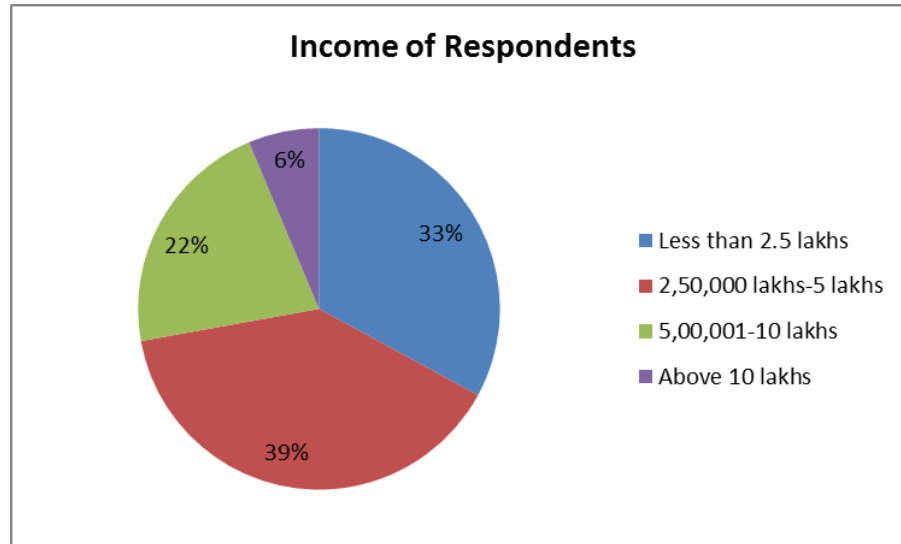
Below Graduation	23
Graduation and Above	56

4. Occupation

Agriculture	2
Private Sector Service	39
Public Sector (Government Services)	11
Business	21
Others (Professional, Retired, Housewives, Students, Etc.)	6

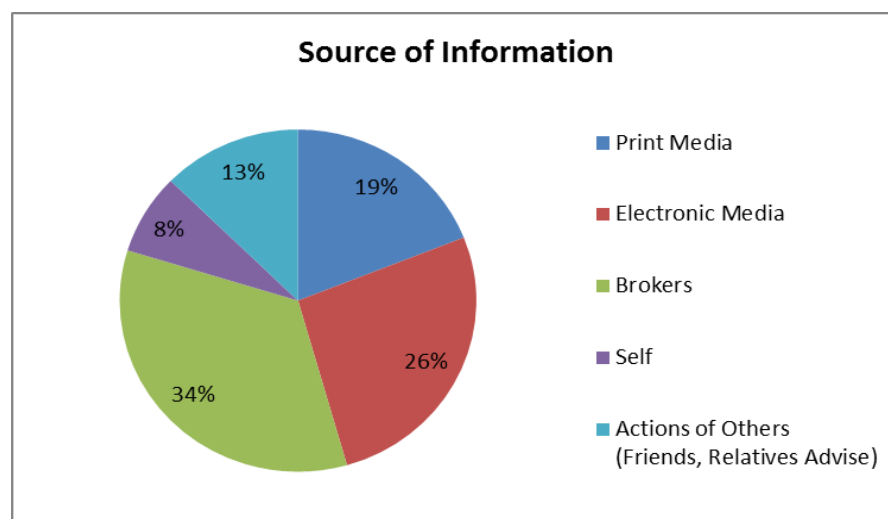
5. Average income per annum

Less than 2.5 lakhs	26
2,50,000 lakhs-5 lakhs	31
5,00,001-10 lakhs	17
Above 10 lakhs	5



6. Source of information for decision making.

Print Media	15
Electronic Media	21
Brokers	27
Self	6
Actions of Others (Friends, Relatives Advise)	10

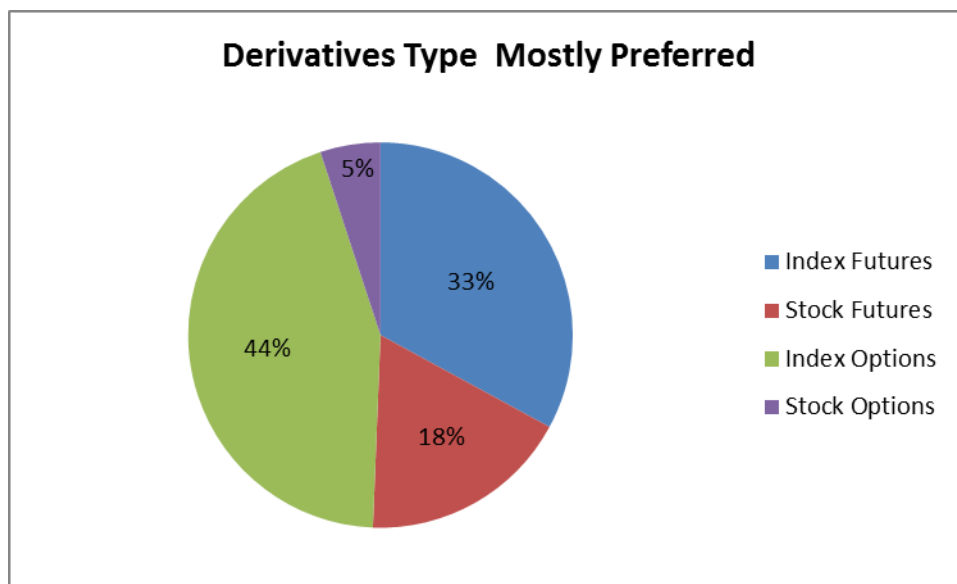


It can be seen from the above chart that 34 percent investors invest in derivative as they take information by the help of brokers and listen to the broker's advice. 8% invest in derivative as they are aware about the derivatives. 26 percent investors invest in derivatives on the basis of information they get by the electronic media and other similar formats. 19% rely on the information in print media and 13 percent respondents' decision is affected by friends and relatives advice and expert advice.

7. Type of Derivative most preferred by the respondent.

Index Futures	26
Stock Futures	14
Index Options	35
Stock Options	4

It can be seen from the chart below that 44 percent of the respondents preferred to invest in index option, 33 percent respondents invested in index future, 18 percent of the respondents invested in future on individual stock and 5 percent of the respondents invested in option on individual stock.



TYPE OF DERIVATIVES MOSTLY PREFERRED BY THE RESPONDENTS

8. Investors perception towards derivatives as an instrument appropriate only for institutional investors.

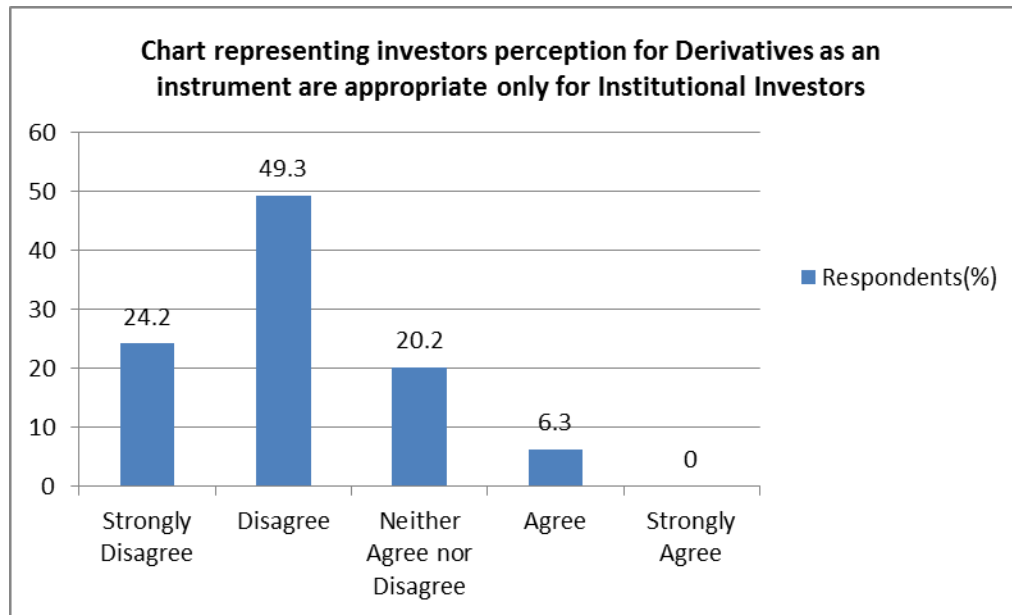


CHART SHOWING INVESTORS PERCEPTION TOWARDS DERIVATIVES AS AN INSTRUMENT APPROPRIATE ONLY FOR INSTITUTIONAL INVESTORS

	Responses	Respondents (%)
Strongly Disagree	19	24.2
Disagree	39	49.3
Neither Agree nor Disagree	16	20.2
Agree	5	6.3
Strongly Agree	0	0

It can be seen from the above chart that 49 percent of the investors disagree that derivatives is appropriate only for institutional investors. 6 percent investors agree that derivatives are suitable for only corporate investors.

4.2 VALIDATING HYPOTHESIS

1. **H0:** There is no significant correlation between ages of the respondents with their decision to invest in derivatives.

H1: There is a significant correlation between ages of the respondents with their decision to invest in derivatives.

Correlations

		Age	Invest in derivatives
Age	Pearson Correlation	1	.282
	Sig. (2-tailed)	.	.006
	N	100	100
Invest in derivatives	Pearson Correlation	.282	1
	Sig. (2-tailed)	.006	.
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

It can be seen in the above table that the correlation is 0.282. This means there is a significant correlation between age of the respondents and their decision to invest in derivatives. But the degree of correlation is less than 0.5. This shows that the association between these two variables is not that strong. It means that, at times these two variables i.e., age and investment in derivatives may not move in the same direction.

2. **H0**: There is no significant correlation between incomes of the respondents with their decision to invest in derivatives.

H1: There is a significant correlation between incomes of the respondents with their decision to invest in derivatives.

Correlations

		Annual Income	Have u invested in Derivatives
Annual Income	Pearson Correlation	1	-.337 **
	Sig. (2-tailed)	.	.001
	N	100	100
Have u invested in Derivatives	Pearson Correlation	-.337 **	1
	Sig. (2-tailed)	.001	.
	N	100	100

** . Correlation is significant at the 0.01 level (2-tailed).

It can be seen from the above table that correlation is -0.337. It means there is a negative correlation between annual incomes of the respondents with their decision to invest in derivatives. An increase in the annual income leads to decrease in the frequency of investors to invest in the derivatives.

3. **H0:** There is no statistically significant preference for various factors such as hedging fund, risk control, cash generation etc. while selecting investment in Derivative.

H1: There statistically significant preference for various factors such as hedging fund, risk control, cash generation etc. affecting Derivative while selecting investment in Derivative.

Ranks

Factors	Mean Rank	Factors	Mean Rank
Hedging fund	5.84	Cash generation	8.03
Risk control	5.86	Potential for capital gain	7.99
Easy in transaction	9.54	Liquidity risk	9.73
Less costly	9.21	Safety	10.1
Margin in money	7.5	Knowledge	6.86
High volatile	7.16	Tax benefits	7.7

N	79
Chi-Square	234.021
df	12
Asymp. Sig.	.000

Friedman Test

It can be seen in the above table that hedging fund is the prime reason behind investing in Derivative having highest mean rank of 5.84 after that investor also considers risk control, knowledge and High volatility while investing in derivative having mean of 5.86, 6.86 & 7.16 respectively.

It can be seen in the above table that value of significance is 0.000. it means there is a statistically significant preference for various factors such as hedging fund, risk control, High volatility etc. affecting Derivative while selecting investment in Derivative.

5. CONCLUSION

It can be concluded from the study that:

- Most of the respondents of the study are people working in private sector firms and business class people who invest in the derivatives with respect to future and options.
- Out of the investors most of the respondents are male. It shows that male invest more in the derivatives rather than the females.
- Most of the people who fall in the age group of 25 to 40 invest in the derivatives.
- The people who fall in the income level of Rs. 2 lacs to 5 lacs invest their money in the derivatives contracts.
- Most of the investors invest in derivative market on the basis of advice of their brokers and also the electronic media plays an important role in information gathering for investing in derivatives market.
- The investment decision of the investor is being influenced by the broker as compared to the other persons.
- Most of the respondents of sample deal with the both futures and options contracts. And if we see preference from futures and options then the preference is for the options contracts.
- Most of the investors preferred to invest in stock index fund rather than individual stock.
- Retail investors also considers investing in derivative segment as more than 49 percent of the investors are disagreeing that derivatives is appropriate only for institutional investors.

- There is a significant positive correlation between age of the respondents and their decision to invest in derivatives.
- There is a negative correlation between annual incomes of the respondents with their decision to invest in derivatives.
- Friedman test result shows that investors give more preference to some factors such as hedging fund, risk control, their own knowledge regarding financial product, and high volatility in the stock market etc. while taking decision to invest in derivatives.

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APPENDICES

Questionnaire for Primary Data Collection-

Perception of Investors for Derivatives as an Investment Strategy.

This questionnaire is being distributed to investigate the perceptions and intentions of investors towards Derivative Instruments as an investment strategy. The data provided by you will be kept in strict confidence.

Your cooperation is highly appreciated.

1. Gender

- Male
- Female

2. Age

- Less Than 25
- Between 25 to 40
- Between 41 to 50
- More than 50

3. Qualification

- Below Graduation
- Graduation and Above

4. Occupation

- Agriculture
- Private Sector Service
- Public Sector (Government Services)
- Business
- Others (Professional, Retired, Housewives, Students, Etc.)

5. Average income per annum

- Less than 2.5 lakhs
- 2.5 lakhs -5 lakhs
- 5,00,001-10 lakhs
- Above 10 lakhs

6. Do you trade in stock markets?

- Yes
- No

7. How frequently do you trade?

- NA
- Daily
- Weekly
- Monthly
- Occasionally

8. Who are the Source of information/ Influencers that affect the Investment decision making?

- Print Media
- Electronic Media
- Brokers
- Self
- Actions of Others (Friends, Relatives Advise, Financial advisors)

9. What according to you is your Risk appetite/profile while trading in financial market?

- Low risk
- Medium risk
- High Risk

10. Are you aware of the concept of derivatives and its different investment instruments?

- Yes
- No

11. Do you trade/invest in derivatives market? * (Whether you have ever invested in derivatives market or are interested to trade in derivatives in near future.)

- Yes
- No

12. Choose the highly preferred of the derivatives product traded by you.

- Index Futures
- Stock Futures
- Index Options
- Stock Options

Given below are some statements which are related with trading in derivatives market. Rate these on a scale of (1-5) where (1 - Strongly Disagree and 5 - Strongly Agree) according to degree of agreement with the following statements.
(1- Strongly Disagree, 2- Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree)

- **Derivatives as an instrument are appropriate only for Institutional Investors.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Hedging of funds is a major concern while selecting investment in Derivatives.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Risk control is a significant factor considered when investing in Derivatives.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Derivatives transactions are easier in trading compared with other stock market transactions.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Derivatives tend to be less costly for counterparty.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Derivatives are leveraged instruments and thus only margin money is to be paid, hence this helps in increased investments in derivatives market.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **High Volatility in the derivatives market is the significant factor considered before trade.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Trading in Derivatives market leads to huge cash generation/returns.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Trading in Derivatives market is done because of potentially higher returns.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Liquidity Risk is highly significant in derivatives market trading.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **It is considered safer to trade in derivatives market.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Knowledge of derivatives is necessary to efficiently trade in derivatives market.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

- **Tax benefits are incurred while investing in derivatives.**

	1	2	3	4	5	
Strongly Disagree	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Strongly Agree

Project Check Vikas

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DELHI SCHOOL OF MANAGEMENT

MBA Batch 2015-17

Adherence Sheet

S. No	Date	Things to be completed	Mentor's Signature	Scholar's Signature
1	7/2/2017	Title Finalization		
2	1/3/2017	Literature Review & Questionnaire finalization		
3	26/3/2017	Data Collection		
4	13/4/2017	Data Analysis and first draft		
5	24/4/2017	Draft		
6	2/5/2017	Final Report		