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INVESTORS' PERCEPTION TOWARDS DERIVATIVE MARKET IN INDIA

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ABSTRACT

The research was conducted at Davangere city at 60 respondents. The simple random sampling technique was used to collect the data. The chi-square test was used to analyse the data. The chi-square test since both variables and nominal scale relationship was found between percentage of your monthly income available for investment and frequency of investment in derivative market.

Keywords: Davangere, Derivatives and Investors,

Introduction

A derivative is a monetary device which gets its significance from the benefit of underlying, for example, index, interest rates, equity and debentures. Derivative was presented in India in the year 2000 as a trade exchanged money related instrument in the National Stock Exchange and Bombay Stock Exchange.

The principal derivative contract was propelled is Nifty50 index future contract by National Stock Exchange of India. Since, at that point derivative securities are infiltrated the Indian Stock Market and it was risen with financial specialists were utilizing these securities for various purposes, in particular forward, future, choices and swaps.

The financial markets are marked by a way high degree of volatility. Derivative instrument provides risk in the instrument. But, mostly in India the index and equity derivative business is concentrated in the NSE, which accounts for almost 100% of the futures and options.

Review of Literature

Ravichandran.K (2008) examined investor's inclination towards different venture road in capital market with extraordinary reference to subsidiaries. According to his exploration, in the present situation, putting resources into the capital market has turned into a noteworthy test for experts however the more youthful age of speculators will put resources into the capital market and that to predominantly in the subordinate market. Absence of information in the financial specialists towards subordinate market, they attempt to take choice with the assistance of the agents or through companions and put resources into this portion. The scientist reasons that the greater part of the speculators are of age 31-40 and are predominantly of business people and working officials. He says that relatives and companions took after by merchants make most compelling people to drag the financial specialists into the share trading system.

S. Saravana Kumar (2010) investigated the significance to couple of proposals for evacuating obliges in the troublesome factors which influence specifically financial specialists and even the organization. The financial specialists are very happy with value shares in view of numerous reasons, i.e., liquidity, low speculation, capital thankfulness and so forth it is infers that numerous speculators know that in the subordinates the hazard is high, so to diminish the hazard in the market, the financial specialists take after the stop misfortune strategy. The investigation is for the most part that the numerous speculators lean toward money advertise where the content will be held for long haul and generally safe and even it is transferable to others with less time of term. A few financial specialists put resources into subsidiary market where both hazard and return will be high.

Statement of the Problem

The derivative is purely speculative and highly leveraged instrument where, the investors look at the various factors associated with the derivative to settle the contract. Many of the investors seek towards the high liquidity in the stock market. In derivative market it helps investors or participants to manage the risk through the role of the SEBI and its takes up the investor's protection measures. As derivative play a major role in trading in futures and options they have the settlement of the contracts, and size of the contracts.

Significant of the Study

The study is to know the perception towards investment in derivative market. As derivative market has been into market for a long time it has gained a very importance in the economy. Due to high risk and high volatility in the derivative market, most of the investors are unaware of the derivative instruments and products. As in derivative though it is has high risk the investors can gain high return by making proper analysis of the market. This study makes to know the investors awareness about the derivative instruments, products and various aspects associated with derivatives.

Objectives of the Study

1. To understand the investor's awareness towards derivative instruments.
2. To determine the preference of investors towards various considerable factors that motivates to invest in derivatives
3. To analyse the perception of the investors towards derivative market with special reference to the Davangere city.

Scope of the Study

The financial market of India has many investments that investors prefer to invest. Most of the investors seek to reduce the risk and gain high return and vice versa. The significance of the study gives the

investor to analyse the various factors that motivates the investors to invest in the derivative market. As the study is limited to Davangere city only.

Research Methodology

The study was based on primary and secondary data. The primary data was collected from investors in various stock broking in Davangere city. Secondary data was collected from the journals, books, internet and newspapers. The data collected was analysed by using simple statistical tools like chi-square.

Hypotheses

H₁: There is significant relationship between monthly income and investing in derivatives.

H₂: There is significant relationship between educational qualification and investing in derivatives.

The analysis of data and interpretation is major work in any project work or report writing. Here is the researcher analysed the data based on data collected through the questionnaire.

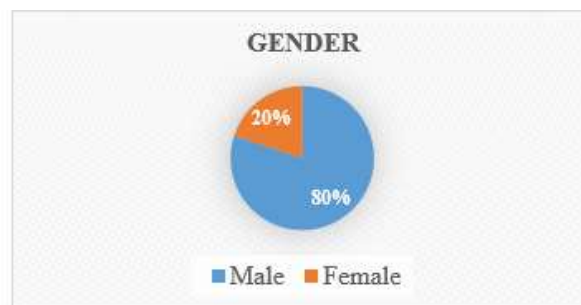
Table No 4.01: Gender

Gender		
Particulars	No of Respondent	Percentage of Respondent
Male	48	80
Female	12	20
Total	60	100

Source: Survey Method

Analysis:

It was found that 80Percentage of Respondents are male and 20% of them are female.



Graph No 4.01: Gender

Source: Survey Method

Implication:

It is depicted that greater part of the respondents belongs to male investor than female investors. It was observed that the male is dominated in the Indian stock market.

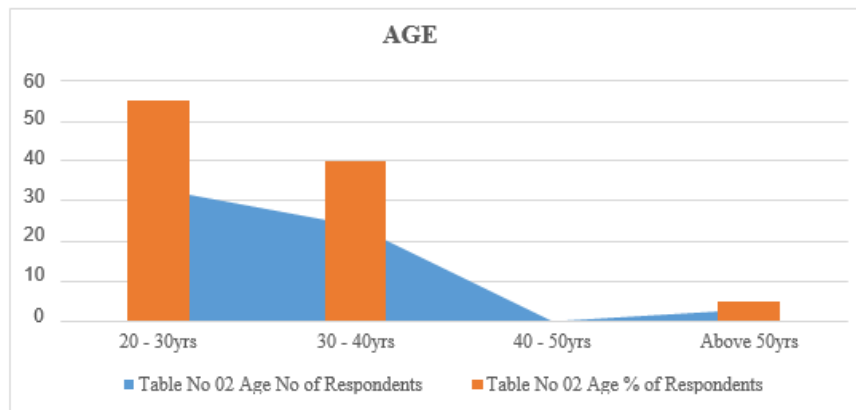
Table No 4.02:

Age		
Particulars	No of Respondents	Percentage of Respondents
20 - 30yrs	33	55
30 - 40yrs	24	40
40 - 50yrs	0	0
Above 50yrs	3	5
Total	60	100

Source: Survey Method

Analysis:

It was found that 55 % of the respondents fall under the age category of 20-30 years, followed by other 40% of the respondents fall under the age category of 30-40 years, other 5 % fall under the age category above 50 years.



Graph No 4.02: Age

Source: Survey Method

Implication:

It is depicted that greater part of the respondents belong to the age gathering of 20-30 years.

Table No 4.03: Educational Qualification

Educational Qualification		
Particulars	No of Respondents	Percentage of Respondents
Up to Secondary	3	5
Degree	9	15
Post Graduate	42	70
Professional	6	10
Total	60	100

Source: Survey Method

Analysis:

It is found that 5% of the respondents have the educational qualification up to secondary, 15 % of the respondents hold the educational qualification of degree, 70 % of the respondents have the educational qualification of post graduate and other 10 % hold the educational qualification of professional.



Graph No 4.03: Educational Qualification

Source: Survey Method

Implication: It is observed that majority of the investors have an educational qualification of Post Graduate.

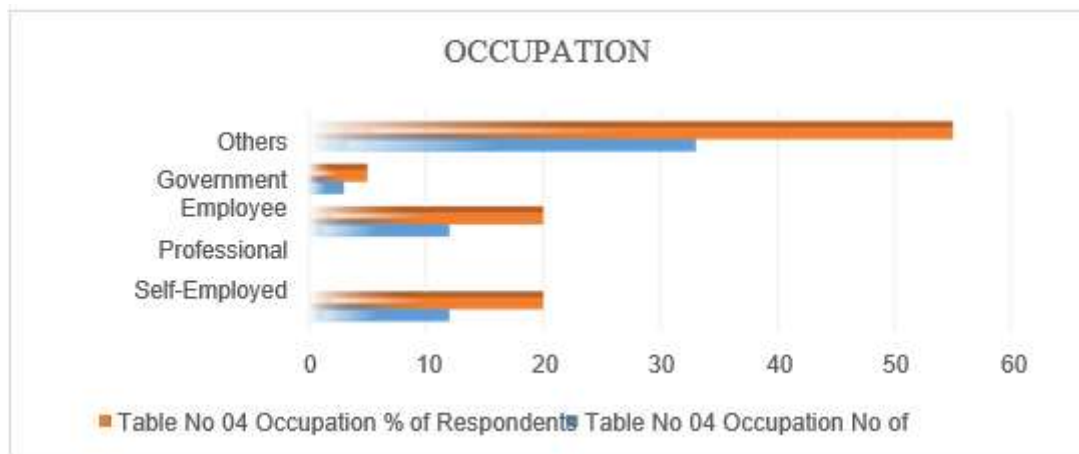
Table No 4.04: Occupation

Occupation		
Particulars	No of Respondents	Percentage of Respondents
Service	12	20
Self-Employed	0	0
Professional	12	20
Government Employee	3	5
Others	33	55
Total	60	100

Source: Survey Method

Analysis:

It is found that 20 % of the respondents fall under the class of service sector, followed by 20 Percentage of Respondents are under professional, 5 % of the respondents are under the category of government employee and other 55 % of the respondents are under others type of occupation.



Graph No 4.04: Occupation

Source: Survey Method

Implication:

It is seen that greater part of the investors are not from service sector, self-employed, government employees or professionals. They are in to other occupation

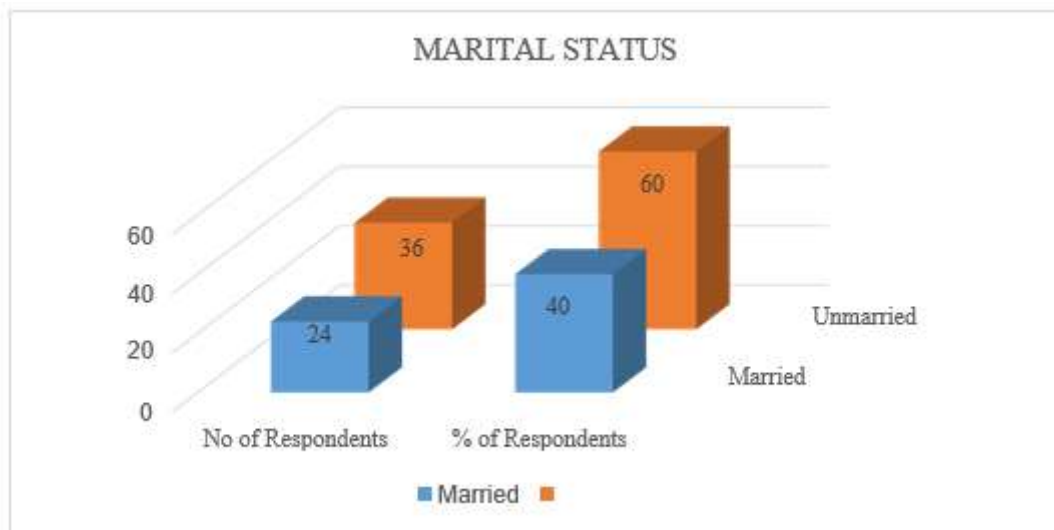
Table No 4.05: Marital Status

Marital status		
Particulars	No of Respondents	Percentage of Respondents
Married	24	40
Unmarried	36	60
Total	60	100

Source: Survey Method

Analysis:

It is found that 40 % of the respondents are married and 60 % of the respondents are unmarried.



Graph No 4.05: Marital Status

Source: Survey Method

Implication:

It is depicted that majority of the respondents are unmarried.

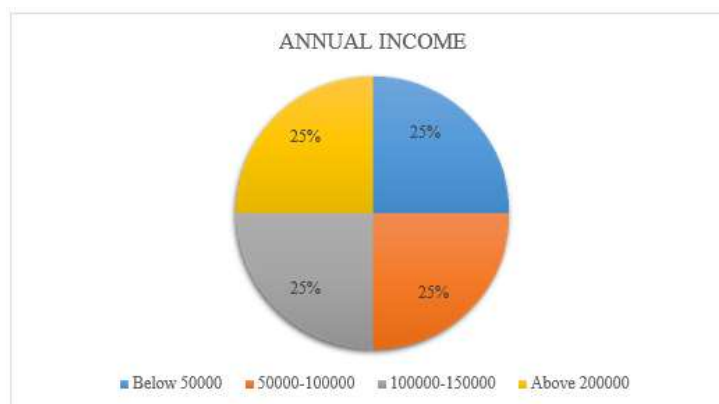
Table No 4.06: Annual Income

Annual Income		
Particulars	No of Respondents	Percentage of Respondents
Below 50000	15	25
50000-100000	15	25
100000-150000	15	25
Above 200000	15	25
Total	60	100

Source: Survey Method

Analysis:

It is found that 25 % of the respondents fall under the annual income category below 50000, followed by 25 % of the respondents are into the category between 50000 to 100000 of annual income, 25% of the respondents are under the category from 100000 to 150000 of annual income and the other 25 % of the respondents are fall under the income category of above 200000.



Graph No 4.06: Annual Income

Source: Survey Method

Implication:

It is observed that the respondents belong to all the income groups equally. Hypotheses:

Percentage of monthly income and investing in derivative cross tabulation

Chi-Square Test			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	22.333 ^a	6	.001
Likelihood Ratio	24.576	6	.000
Linear-by-Linear Association	2.184	1	.139
N of Valid Cases	60		
a. 8 cells (66.7%) have expected count less than 5. The minimum expected count is .60			

The above hypothesis tested by using chi-square test since both variables and nominal scale relationship was found between percentage of your monthly income available for investment and frequency of investment in derivative market. Value of P is found that $P=.001$ which is less than significance level 0.05. So the null hypothesis is rejected and alternative is accepted.

Chi-Square Test

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	41.333 ^a	12	.000
Likelihood Ratio	41.145	12	.000
Linear-by-Linear Association	.319	1	.572
N of Valid Cases	60		
a. 17 cells (85.0%) have expected count less than 5. The minimum expected count is .15.			

The above hypothesis tested by using chi-square test since both variable and nominal scale relationship was found between Educational Qualification and frequency of investing in derivative instruments. Value of P is found that $P=0.000$ which is less than the significant level 0.05. So the null hypothesis is rejected and alternative hypothesis is accepted.

Limitations of the study

- The perception of the investors investing in the market keeps changing as market is dynamic
- The study was restricted to only Davangere city.
- The sample size is 60 respondents.

Conclusion:

The Indian derivative market is growing rapidly by having a continuous performance and it is encouraging the investors to trade more often in derivatives to drive towards the economy. In the study it is found that the derivative products are highly speculative and leveraged tool, which helps the investors to give more return with hedging the risk. The investors are not having too much knowledge about the derivative instruments, they are trading through the broker's advice. This study gives the investors to create the awareness about the derivative instruments and SEBI has to provide necessary measures to investor about the instruments that many of the investors are not highly aware about the derivative products.

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