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## Investors Perception towards Investments in Derivatives

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### Abstract:

The most significant aspect of derivatives is risk Management not about the elimination of risk. For Conducting Ordinary mode of business operations financial derivatives affords a powerful tool for limiting risks to the investors. There Are various derivative instruments like index futures. Stock Futures, index option, stock options, interest rate futures, currency option, currently traded in these exchanges. The Derivative investors ought to perceive the market trend, market Reforms, government policies, market regulations; factors Influencing derivatives investment [Motivating Factors], return, investment opportunities obviously and adequately take prudent Investment decisions.

**Key Words:** Investors Perception, Derivative Instruments, Risk.

## INTRODUCTION

Over the past decades Investing has become complicated as Various types of derivative instruments have been created. Particularly in trading system at a specific date on a specific Price, one party agrees to sell goods and another party Agrees to buy goods in the market, use of derivatives has Been around for a long period. In an organized market Bartering of goods and services was accomplished via Handshake. “Derivative is a financial instrument whose value depends On (or derived from) the value of other, more basic Underlying variables”. Financial derivatives are the Innovative risk management products and financial services. Essentially, it is a future contract which is made between Two parties and its value is derived from the original Financial asset which may be Equity, Bonds or Foreign Exchange etc., depending upon the nature of financial Transactions. A variety of derivative contracts are Introduced. Such as Forward Contracts, Future Contracts, Options, Swaps etc.

### Financial Derivative

## Financial Derivatives

- Futures
- Forward
- Swap
- Options



## Future

Futures are derivative financial contracts that obligate the parties to transact an asset at a predetermined future date and price. The buyer must purchase or the seller must sell the underlying asset at the set price, regardless of the current market price at the expiration date.

## Forward

A forward contract is a customizable derivative contract between two parties to buy or sell an asset at a specified price on a future date. Forward contracts can be tailored to a specific commodity, amount, and delivery date.

## Swap

A swap is a derivative contract through which two parties exchange the cash flows or liabilities from two different financial instruments. Most swaps involve cash flows based on a notional principal amount such as a loan or bond, although the instrument can be almost anything.

### Different Types of Swaps

- Interest Rate Swaps.
- Currency Swaps.
- Commodity Swaps.
- Credit Default Swaps.
- Zero Coupon Swaps.
- Total Return Swaps.
- The Bottom Line.

## Option

Options are financial derivatives that give buyers the right, but not the obligation, to buy or sell an underlying asset at an agreed-upon price and date. Call options and put options form the basis for a wide range of option strategies designed for hedging, income, or speculation.

The two most common types of options are calls and puts:

- 1. Call options.** Calls give the buyer the right, but not the obligation, to buy the underlying asset. ...
- 2. Put options.** Puts give the buyer the right, but not the obligation, to sell the underlying asset at the strike price specified in the contract.

## OBJECTIVES OF THE STUDY

- To study the Socio – Economic profile of the investors in Derivative market in India.
- To study the investors investment preference reasons for The investments in derivative market in India.
- To study the impact of the investors investment decisions On preferences of the derivative market in India.
- To analyze the investors investment decision on Derivative market in India.

## Scope of the Study

- Study was focused only on investor perception toward Derivatives.
- Study comprised different bank employees and brokers in Indore city.

## REVIEW OF LITERATURE

**Gopal Krishna U M** “Investors Perception towards Investment Avenues”. The study explores that the Investors Investment behaviour and risk taking ability on various Investment avenues.

**Gopal Krishna U M** “Perception of Investors Towards risk in various Investment Avenues” The study Concludes the ability of risk behind the particular financial Instruments in capital market.

**Szyszka Adam** ,“Behavioural Anatomy of the Financial Crisis”. The study analyzed psychology of the Investors and how the investor changes the vision of the Financial markets. In his study, investors are not able to Value the utility of the decision alternatives and improper Diversification of funds will takes place.

## CONCLUSION

The study determines that the investors preference reasons In the derivative investment is different in different Investment avenues. The investors preference reason in Derivative investments is depends upon the investment Objective such as Risk, Return, Safety and liquidity of the Investment. Most of the investors enter into the Forward Contract investments is Return, Future Contract investments Is Risk and Safety, Option Contract Investment is Future Needs and Investments in Swaps is Future Needs.

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