

# INVESTORS AWARENESS TOWARDS DERIVATIVE MARKETS

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**Abstract:** Derivatives are money related instruments whose adjustments get from more crude monetary factors, for example, stock value, ware value, list level, loan cost or a swapping scale. Derivatives enable people and organizations to fence dangers. This implies they make it more probable that dangers are borne by those best ready to hold up under them. This makes it feasible for people and organizations to go up against more dangerous ventures - with higher guaranteed returns - and thus make more riches by supporting those dangers that can be supported. This paper explores the attention to financial specialists towards derivatives showcases in NCR regarding some statistic factors. The investigation center around financial specialists' state of mind in their venture hones. We endeavor to distinguish and break down the key factors that block the familiarity with derivatives among speculators. The information were gathered from 100 respondents by means of a poll overview. Chi square examination was utilized to break down the information, and some intriguing discoveries were acquired. This investigation uncovers that the greater part of the respondents know about derivatives.

**Index terms-***Derivatives, futures, forwards, swaps*

## INTRODUCTION

Derivative market securities are those securities whose value is derived from the value of the underlying assets whereas the underlying assets includes stocks, futures, commodity, currency, stocks etc. We can also define derivatives as contract between two parties whose value derived from some underlying assets. There are mainly four types of contract in this market i.e futures, forward, options and swaps. Market is divided into two parts exchange traded and over the counter market. Derivatives can either be traded on exchange and over the counter. over the counter derivative has a larger proportion in the market.

## LITERATURE REVIEW

For the above stated objectives, a detailed review of literature has been done and the information collected and utilized for the research works have been presented below;

1. **M. Sathish, K. J. Naveen and V. Jeevanantham (2011) contemplated** in the alternatives accessible to speculators are unique and the components persuading the financial specialists to contribute are represented by their financial. They contended that as opposed to contributing specifically, the speculators especially, little financial specialists may go for backhanded venture since they may not be in a position to embrace crucial and specialized examination before they choose about their venture choices.
2. **Bose, Suchismita** led explore on "The Indian Derivatives Market Revisited" in the year 2006. They found that Derivatives items give certain essential financial advantages, for example, hazard administration or redistribution of hazard far from chance disinclined speculators towards those all the more eager and ready to hold up under hazard. Subsidiaries additionally help value disclosure, i.e. the way toward deciding the value level for any benefit in light of free market activity.
3. **S. Saravanakumar, S. Gunasekaran and R. Aarthi (2011)** demonstrated the rise in capital showcase enables the financial specialists to collect nice looking return in their speculations, yet informal investor in securities exchange hard to exploit in bullish and bearish economic situations by holding long or short positions. Presently the subsidiary instruments offer them to fence against the unfriendly conditions in the share trading system. They contended that auxiliary market is the most favored than essential market and money showcase is the most favored market than subsidiaries advertise in view of high hazard when subordinates advertise is favored than money showcase for higher return.
4. **Dheeraj Mishra, R Kannan and Sangeeta D Mishra (2006)**, endeavored to discover the spot - future equality relationship if there should be an occurrence of list prospects in the Indian securities exchange. NSE Nifty has been picked as basic resource. It additionally goes for investigating distinctive elements in charge of the infringement of spot-future equality relationship. It was discovered that there exists a hypothetical connection between spot, fates and other important factors as profit yield, development and so forth the paper likewise went for seeing if there exists an arbitrage benefit because of infringement of spot future. It was discovered that arbitrage benefits are higher for far month future contracts than for close month future contracts. Arbitrage benefits are more for underestimated future markets than exaggerated future markets.

## OBJECTIVE OF THE STUDY

- To examine the operations of derivative market.
- To examine the investors awareness towards derivative market with respect to demographic factor.
- To examine the preference of the investors in various derivative products with respect to occupation.
- To suggest or recommend some necessary steps that help in improving of the investors.

## RESEARCH METHODOLOGY

### 1) Research Design

I have taken the descriptive research design which includes naturalistic observation and survey.

### 2) Sampling Technique

Proportionate stratified random sampling techniques with respect to some sector ie agricultural, salaried class, business people , students and other.

### 3) Sample size and Area

The sample size of 100 people is chosen from the NCR.

### 4) Data collection tools

The data were analyzed by means percentage analysis charts, diagrams and various other statistical tools, chi square test and analysis of variance also used.

### 5) Data collection sources

The data is collected from the various sources .

Primary sources: data was collected by using the questionnaire and personal contract approach.

Secondary sources: the data was collected by means of books, journal, websites & magazines.

## DATA ANALYSIS AND INTERPRETATION

### CHI SQUARE

#### GENDER AND ARE YOU TRADING IN DERIVATIVE MARKET?

H0: There is no significant relationship between gender and awareness of derivative market.

H1: There is a significant relationship between gender and awareness of derivative market.

**Gender: \* Are you aware of all the derivative products offered by the derivative market?**

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.183 <sup>a</sup>	1	.669		
Continuity Correction <sup>b</sup>	.046	1	.831		
Likelihood Ratio	.184	1	.668		

Fisher's Exact Test				.831	.417
Linear-by-Linear Association	.181	1	.670		
N of Valid Cases	100				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.00.

b. Computed only for a 2x2 table

### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	-.043	.669
Cramer's V	.043	.669
Contingency Coefficient	.043	.669
N of Valid Cases	100	

### INTERPRETATION

Null hypothesis is accepted in this case . So there is no significant relationship between gender and trading in derivative market. Hence, gender is insignificant factor in trading in derivative market.

### Educational Qualification: \* Are you aware of all the derivative products offered by the derivative market?

H0: There is no significant relationship between education qualification and awareness of derivative market.

H1: There is a significant relationship between education qualification and awareness of derivative market.

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.429 <sup>a</sup>	3	.038
Likelihood Ratio	8.244	3	.041
Linear-by-Linear Association	1.582	1	.208
N of Valid Cases	100		

a. 2 cells (25.0%) have expected count less than 5. The minimum expected count is 1.75.

**Symmetric Measures**

		Value	Approx. Sig.
Nominal by Nominal	Phi	.290	.038
	Cramer's V	.290	.038
	Contingency Coefficient	.279	.038
	N of Valid Cases	100	

**INTERPRETATION**

Null hypothesis (H0) is rejected in this case. So there is significant relationship between educational qualification and awareness of derivative market. Hence, educational qualification is significant factor in awareness of derivative market.

**Occupation: \* Are you aware of all the derivative products offered by the derivative market?**

H0: There is no significant relationship between occupation and awareness of derivative market.

H1: There is a significant relationship between occupation and awareness of derivative market.

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.459 <sup>a</sup>	3	.091
Likelihood Ratio	6.394	3	.094
Linear-by-Linear Association	.006	1	.937
N of Valid Cases	99		

a. 1 cells (12.5%) have expected count less than 5. The minimum expected count is 3.89.

**Symmetric Measures**

		Value	Approx. Sig.
Nominal by Nominal	Phi	.255	.091
	Cramer's V	.255	.091

Contingency Coefficient	.247	.091
N of Valid Cases	99	

### INTERPRETATION

Null hypothesis (H<sub>0</sub>) is rejected in this case . So there is significant relationship between occupation and awareness of derivative market. Hence, occupation is significant factor in awareness of derivative market.

### Monthly Income of Family \* Are you aware of all the derivative products offered by the derivative market?

H<sub>0</sub>: There is no significant relationship between monthly income and awareness of derivative market.

H<sub>1</sub>: There is a significant relationship between monthly income and awareness of derivative market.

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.698 <sup>a</sup>	2	.157
Likelihood Ratio	3.818	2	.148
Linear-by-Linear Association	.255	1	.614
N of Valid Cases	100		

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.85.

### Symmetric Measures

	Value	Approx. Sig.
Nominal by Nominal Phi	.192	.157
Cramer's V	.192	.157
Contingency Coefficient	.189	.157
N of Valid Cases	100	

**INTERPRETATION**

Null hypothesis (H0) is rejected in this case . So there is significant relationship between monthly income and awareness of derivative market. Hence, monthly income is insignificant factor in awareness of derivative market.

**Marital Status: \* Are you aware of all the derivative products offered by the derivative market?**

H0: There is no significant relationship between marital status and awareness of derivative market.

H1: There is a significant relationship between marital status and awareness of derivative market.

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.143 <sup>a</sup>	1	.285		
Continuity Correction <sup>b</sup>	.732	1	.392		
Likelihood Ratio	1.138	1	.286		
Fisher's Exact Test				.296	.196
Linear-by-Linear Association	1.132	1	.287		
N of Valid Cases	99				

a. 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.49.

b. Computed only for a 2x2 table

**Symmetric Measures**

	Value	Approx. Sig.
Nominal by Nominal Phi	-.107	.285
Cramer's V	.107	.285
Contingency Coefficient	.107	.285
N of Valid Cases	99	

**INTERPRETATION**

Null hypothesis (H0) is accepted in this case . So there is no significant relationship between marital status and awareness of derivative market. Hence, marital status is insignificant factor in awareness of derivative market.

## CONCLUSION

Investments are important for the wellbeing of individuals as well as for country's economic development. As the investments in capital market are subject to high risk, the investors have to be familiarized with the various alternative investments available in the capital market and the risks associated with them. The derivatives advertise has seen the most astounding development among all monetary market sections lately. The investigation uncovers that the vast majority of the general population know about the subsidiary market in NCR and different subordinate item offered by this market. From chi square test I come to find that sexual orientation is inconsequential factor in exchanging subsidiary market. There is a critical connection between the occupation and attention to subsidiary market.

## Recommendation and suggestion

The study is limited to Ghaziabad district with a sample size of 100 respondents only. It has conducted only among NCR people. Future research need to explore and analyze the other variables that can influence investor's decision, so as to gain better insight and also concentrate on higher income group like college faculties, gazetted officers so all. Only few people are investing in Derivatives market as shown above. So the stock marketers have to add much more efforts to attract and convince its customer to invest in Derivative Market.

## References

### Weblinks

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