



# “A STUDY ON INVESTOR PERCEPTION TOWARD INVESTMENT IN DERIVATIVE MARKET IN BARDOLI REGION”

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## ABSTRACT:

In India, the derivative market phase is incredibly widespread and quite active. Derivative market means that the financial marketplace for financial instruments such as futures contract or options that is based on the values of their underlying assets. In this paper we want to analyze investor's perception towards derivative market. The study is based on primary data. The primary data is collected through structured questionnaire. 100 respondent are taken for this study. Research has used Non-Probability Convenience sampling method by using judgemental sampling which includes one sample t test and cross tabulation have been used for the testing of hypothesis. Findings reveal that this research indicate that the derivative trading is popular among male investors compare to female investors. Majority of the respondent invest in derivative market the purpose of to insure the principal investment and to earn profit by speculation and the purpose for getting maximum return and minimize the risk. It can be concluded that. The statistical analysis has given insight into investor investment preference and perception about the investor for investment in derivative market.

**Keywords:** Derivative Market, Perception, T test, Risk-Return.

## INTRODUCTION:

Over the past decades investing has become difficult as various types of derivative instrument have been created. Particularly in trading system at a specific date on a specific price, one party agrees to sell merchandise and another party agrees to buy goods within the market, use of derivative has been around for a long period. “Derivative is a financial instrument whose value depends on the worth of different, a lot of more basic underlying variables”. A variety of derivative contracts are introduced. like forward contracts, future contracts, options, swaps etc. Derivatives are products, instrument, or securities that are derived from another security, money market index, or another derivative.

In India, April 14, 2022-The report entitled “**Global Derivative Market**” 2022, provides an analysis of market size and growth, market share, and economic impact of the industry. The current derivatives market trends that are expected to influence the future prospects of the industry are analysed within the report. The total volume of trading reached 62.58 billion contracts in 2021, up 33.7% from the previous year. Future trading rose 14.6% to 29.28 billion contracts. Option trading jumped 56.65% to 33.31 billion contracts. The reason of growth of derivatives are price volatility, globalization of the market,

technological development and advances in the financial theories. Within the last 10 years, the equity derivatives daily average turnover increased by 4.2 times from Rs 33,305 crore in 2011 to Rs 1,41,267 crore in 2021. During the same period, the cash market daily average turnover surged by 6.2 times from Rs 11,187 crore in 2011 to Rs 69,644 crores in 2021.

### LITERATURE REVIEW:

**(P.varadharajan & Vikkaraman, 2011)** have conducted research on “Investor’s perception towards investment decision in equity market”. The objective was to identify the pattern through certain key factors those influence the choice making of investors/trades in equities. Questionnaire method is used for primary data collection. The sample size for the study was 50 investors. During this research frequency analysis and ANOVA were used to describe the variables. In research researcher found that taking a decision in this area itself is told to be highly risky.

**(Thamotharan.A & Prabakaran, 2013)** has conducted research on “investor’s perception on derivative market, indications from derivative market in India with special reference to Dharmapuri district”. The objective was the researcher will identify and evaluate the dynamics influencing investor perception towards investment decision on derivative market and to identify investor opinion on derivative market and to check the factor affected of trade in derivative instrument. During this research descriptive research design has been used. And researcher used questionnaire for collecting the primary data from the investor. In research the sample size is 150 by use of chi-square test. The researcher found that the age has significant impact on investment and education qualification has significant impact on tax advantage. It concludes that the investor has enormous scope for current earnings and capital appreciation in incipient market like India. But this can be possible providing the element like trust, guidance and regulations were exist progressively within the derivative market among the brokers and investors. They need to make the best use of the opportunity created by reforms on the problem affecting them. Moreover, they should make an uninterrupted interaction with the prevailing and proposed client to attract more investors towards the derivative market.

**(tripathi, 2014)** has conducted research on “An empirical investigation of investor’s perception towards derivative trading”. The objective was to know investor’s awareness towards derivative product and their perception towards derivative with special regard to options. The study tries to see the preference of investors towards various considerable factors that motivates to take a position in derivatives. Some retail participation was also witnessed despite the actual fact that these securities are considered largely beyond the reach of retail investors. The study has conducted a survey through questionnaire targeting 100 retail investors of Delhi/NCR region to understand the awareness and attractiveness of various derivative securities amongst the retail investors. During this research chi-square test to look at the effect of demographic characteristics on derivative market. During this research researcher found that the education, profession and gender do not affect the derivative investing behavior, however income is found to have a significant effect on derivative investment.

**(prasad, 2016)** has conducted research on “Investor’s perception towards equity derivatives with special reference to Anantpuramu district”. The objective was to analyze investor’s preference of the equity derivatives products and their participation in equity derivatives. Descriptive research design has been used primary data were collected through questionnaire. The sample size is 100 by use of h test for analyzing data. It concludes that the investor’s first preference in derivative product is index options followed by stock futures, stock option and index future.

**(Dr.G.Prabakaran & Thamotharan, 2016)** have conducted research on “Investor’s investment decision on derivative market in India”. The objective was to check the link between dependent variable and independent variable”. The sample size is 402 respondents were chosen from 16 district by use of KMO and bartlett’s test. It found that the aspect of investment decision, it’s suggested that corporate sectors should provide adequate information on derivative product, market condition risk-return and opportunities in derivative investments to the investors for creating right investment decision. It concludes that the authority should help the identify the correct and reliable sources of investment advice to understand authentic information for creating right decision.

(Ajay & Jayshree, 2019) have conducted research on “Investor’s perception towards derivative market with respect to futures & options in Nashik city”. The objective was to study various investment avenue & investors risk preference towards it and to find out preference level of investors on various capital market instruments. Primary data were collected through structured questionnaire. The sample size is 50 respondents. In research convenience and purposive sampling method are used. It found that to manage risks in derivative market, most of the investors use various techniques viz., avoidance, average down, ignore risk, invest with the trend in the market. It concludes that investing in derivative markets is a major challenge even for the professionals. Derivative acts as a major tool for reducing the risk involved in investing in stock markets for getting best result out of it.

(N.Renuka, 2019) has conducted research on “Investor perception toward investment in derivatives”. The objective of research is to study the investors investment preference reasons for the investment in derivative market in India and to analyze the investors investment decision on derivative market in India. Descriptive research design has been used primary data were collected through questionnaire survey from 522 respondent in Hyderabad region. The research design applied for this study in analytical and descriptive in nature. In this research researcher found that the preference reason in the future contract investment in risk and safety. And it’s concluded that the investors preference reason in derivative investment is depend upon in investment objective such as risk, return, safety and liquidity of the investment.

(Mishra & Jain, 2019) Has Conducted Research On “Investor perception towards future derivatives”. The Objective Was to examine the reasons considered the for trading in future derivatives and to identify the problems faced by the investor in future. Descriptive research design has been used primary data were collected through questionnaire. Data has been collected from 175 respondent by use of ANOVA. In this research researcher found that level of education of the investor influence their satisfaction from derivative trading. It concludes that respondent perceived that market risk and credit risk are the two major risks observed in capital market as it tends to fluctuate due to change in internal and external factor.

(John, 2020) has conducted research on “Investor perception toward derivative market with special reference to Pathanamathitta district.” The objective was to evaluate the risk factor associated with derivative market instrument and to examine the problem faced by investors of derivative market. In research questionnaire survey was applied in this study to collect primary data from the consumer. The study was conducted among 100 respondents in pathanamthitta district. The analysis of the data was conducted using the statistical tools which includes percentage analysis, weighted average method and chi square test. In research researcher found that the investor expects that the most risk factor involved in the derivative market is margin pressure and the most important problem of derivative market is that the returns are not assure which feels the investors insecure. It concludes that the study shows that an average Indian investor has fair level of understanding of derivatives market and its concept. As derivative market offers more return, with maximum profits & minimum loss.

## OBJECTIVES:

- To analyze investor’s perception towards derivative market.
- To find out association between years of invest in derivative trading with educational qualification.
- To find out association between percentage of total amount in your investment portfolio invest in derivative product with years of experience have in stock market.
- To find out association between average return on investment in derivative products with years of invest in derivative trading.

## STATEMENT PROBLEM:

Derivative are new segment of secondary market operation in India: Investor need to understand trade process and to make profit in derivative market. Behaviour of investors tends to moves from savings to investment. because of liberalized regulation within the capital market. Investor aren’t as much of knowledge about the derivative market. On the other hand, return is always associated with risk. While investing a lot of questions may come front of like, why do you invest? How frequently invest? How many years of experience? And so on, hence the prime most importance is financial literacy. Based on the above issues, the following questions are investigated:

1. To find out association between percentage of total amount in your investment portfolio invest in derivative product with years of experience have in stock market.
2. To find out association between average return on investment in derivative products with years of invest in derivative trading.
3. To find out association between years of invest in derivative trading with educational qualification.

### DATA COLLECTION METHOD:

The study is based on primary data. The primary data is collected through structured questionnaire. Total 100 respondents from Bardoli were selected by using Non-Probability Convenience sampling method by using judgemental sampling which include one sample t test and cross tabulation have been used for the testing of hypothesis.

### DATA ANALYSIS AND INTERPRETATION:

**Table 1 How many years of experience do you have in stock market? \* Occupation Crosstabulation**

Count		Occupation					Total
		Business	Employee	Other	Professional	Student	
How many years of experience do you have in stock market?	10 to 15 years	3	4	0	9	4	20
	15 years and above	1	2	0	6	0	9
	5 to 10 years	9	7	1	4	10	31
	5 years and below	1	9	2	3	25	40
Total		14	22	3	22	39	100

### Interpretation:

From the above study I can interpret that the proportion of the occupation in students are highest and the lowest proportion of occupation in others, same in the highest proportion of experience in stock market in 5 years and below and the lowest proportion of experience in stock market in 15 years and above.

Result show that years of experience in stock market in 10 to 15 years 9 investor with the occupation in professional, 5 years and below 25 investors with the occupation in student, 5 to 10 years 9 investor with the occupation in business, 15 years and above 6 investors with occupation in professional.

Occupation in employee with the experience in stock market in 5 years and below the proportion of investor is 9, occupation in business with the experience in stock market in 5 to 10 years the proportion is 9, occupation in professional with the experience in stock market in 10 to 15 years the proportion is 9, occupation student in with the experience in stock market in 5 years and below the proportion is 25, occupation in other with the experience in stock market 5 years and below the proportion is 2.

**Table 2 From how many years you invest in derivative trading? \* Educational qualification Crosstabulation**

Count		Educational qualification					Total	
		Graduate	HSC	Other	Post graduate	SSC		Under graduate
From how many years you invest in derivative trading?	1 to 2 years	12	3	1	6	4	3	29
	3 to 4 years	5	4	0	8	0	4	21
	5 year and above	4	1	2	7	0	0	14
	less than 1 year	17	8	1	5	1	4	36
Total		38	16	4	26	5	11	100

From the above study I can interpret that the proportion of educational qualification in graduate are highest and the lowest proportion of educational qualification in other, same in the highest proportion of years of invest in derivative trading in less than 1 year and the lowest proportion of years of experience in 15 years and above.

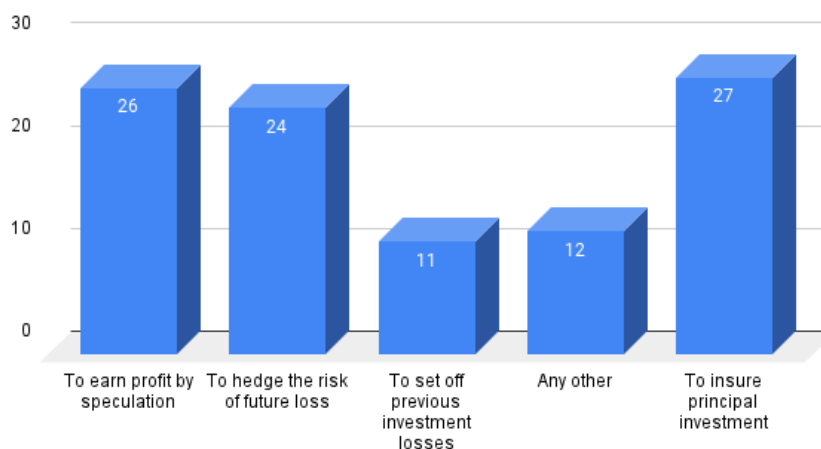
Result show that years of invest in derivative trading in 1 to 2 year 12 investors with the educational qualification in graduate, 5 years and below 7 investors with the educational qualification in post graduate, 3 to 4 years 8 investor with the educational qualification in post graduate, less than 1 year 17 investors with educational qualification in graduate.

Educational qualification in graduate with the years of invest in derivative trading in less than 1 year the proportion of investor is 17, Educational qualification in post graduate with the years of invest in derivative trading in 3 to 4 year the proportion of investor is 8, Educational qualification in SSC with the years of invest in derivative trading in 1 to 2 year the proportion of investor is 4, Educational qualification in HSC with the years of invest in derivative trading in less than 1 year the proportion of investor is 8, Educational qualification in under graduate with the years of invest in derivative trading in less than 1 year and 3 to 4 year the proportion of investor is 4, Educational qualification in other with the years of invest in derivative trading in 5 year and above the proportion of investor is 2.

**Table 3 Why do you trade/invest in derivatives?**

	Frequency	Percent	Cumulative Percent
Valid Any other	12	12.0	12.0
To earn profit by speculation	26	26.0	38.0
To hedge the risk of future loss	24	24.0	62.0
To insure principal investment	27	27.0	89.0
To set off previous investment losses	11	11.0	100.0
Total	100	100.0	

Why do you trade/invest in derivatives?



**Interpretation:**

From the above study I can interpret that 26% respondents are invest in derivative market because to earn profit by speculation, 24% respondents are to hedge the risk of future loss, 11% respondents are to set off previous investment losses, 27% respondents are to insure principal investment 12% respondent are invested for other purpose.

**Table 4 As a percentage of the total amount in your investment portfolio, how much do you invest in derivative product. \* How many years of experience do you have in stock market? Crosstabulation**

Count		How many years of experience do you have in stock market?				Total
		10 to 15 years	15 years and above	5 to 10 years	5 years and below	
As a percentage of the total amount in your investment portfolio, how much do you invest in derivative product.	10% to 30%	8	1	15	12	36
	30% to 50%	10	2	10	6	28
	50% to 100%	1	5	1	0	7
	less than 10%	1	1	5	22	29
Total		20	9	31	40	100

From the above study I can interpret that the proportion of the percentage of the amount in investment portfolio, invest in derivative product in 10% to 30% are highest and the lowest proportion of percentage of the amount in investment portfolio, invest in derivative product in 50% to 100%, same in the highest proportion of experience in stock market in 5 years and below and the lowest proportion of experience in stock market in 15 years and above.

Result show that years of experience in stock market in 10 to 15 years 10 investor with the percentage of investment portfolio, invest in derivative product in 30% to 50%, 5 years and above 5 investors with the percentage of investment portfolio, invest in derivative product in 50% to 100%, 5 to 10 years 15 investor with the percentage of investment portfolio, invest in derivative product in 10% to 30% , 15 years and below 22 investors with the percentage of investment portfolio, invest in derivative product. In less than 10%.

Percentage of amount in investment portfolio, invest in derivative product in 10% to 30% with the experience in stock market in 5 to 10 years the proportion is 15, Percentage of amount in investment portfolio, invest in derivative product in 30% to 50% with the experience in stock market in 5 to 10 years and 10 to 15 years the proportion is 10% of amount in investment portfolio, invest in derivative product in 50% to 100% with the experience in stock market in 15 years and above the proportion is 5% of amount in investment portfolio, invest in derivative product in less than 10 % with the experience in stock market in 5 to 10 years the proportion is 5,

**Table 5 What is your average return on investment in derivative product? \* From how many years you invest in derivative trading? Crosstabulation**

Count		From how many years you invest in derivative trading?				Total
		1 to 2 years	3 to 4 years	5 year and above	less than 1 year	
What is your average return on investment in derivative product?	10% to 20%	9	3	1	14	27
	100% and above	0	2	5	0	7
	20% to 50%	12	10	1	4	27
	50% to 100%	6	6	7	2	21
	less than 10%	2	0	0	16	18
Total		29	21	14	36	100

From the above study I can interpret that the proportion of average return on investment in derivative market in 10% to 20% and 20% to 50% are highest and the lowest proportion of average return on investment in derivative product in 100% and above and same the highest proportion in years of invest in derivative trading in less than 1 year and the lowest proportion in years of invest in derivative trading in 5 years and above.

Result show that average return on investment in derivative product in 10% to 20% 14 investor with the years of invest in derivative trading in less than 1 year, average return on investment in derivative product in 100% and above 5 investor with the years of invest in derivative trading in 5 year and above, average return on investment in derivative product in 20% to 50% 12 investor with the years of invest in derivative trading in 1 to 2 year, average return on investment in derivative product in 50% to 100% 7 investor with the years of invest in derivative trading in 5 years and above, average return on investment in derivative product in less than 10% 16 investor with the years of invest in derivative trading in less than 1 year.

Invest in derivative trading in 1 to 2 year with the average return on investment in derivative trading 20% to 50% the proportion is 12, Invest in derivative trading in 3 to 4 year with the average return on investment in derivative trading 20% to 50% the proportion is 10, Invest in derivative trading in 5 year and above with the average return on investment in derivative trading 50% to 100% the proportion is 7, Invest in derivative trading in less than 1 year with the average return on investment in derivative trading less than 10% the proportion is 16.

**Table 6 The percentage of loss covered by hedging the derivatives? \* What is your average return on investment in derivative product? Crosstabulation**

Count		What is your average return on investment in derivative product?					Total
		10% to 20%	100% and above	20% to 50%	50% to 100%	less than 10%	
The percentage of loss covered by hedging the derivatives?	0% - 20%	5	0	0	0	14	19
	100% and above	1	5	0	1	0	7
	20% - 50%	17	0	8	6	3	34
	50% - 100%	4	2	19	14	1	40
Total		27	7	27	21	18	100

From the above study I can interpret that the proportion of average return on investment in derivative product in 10% to 20% and 20% to 50% are highest and the lowest proportion of average return on investment in derivative product in 100% and above and same the highest proportion of the percentage of loss covered by hedging the derivatives in 50% - 100% and the lowest proportion in the percentage of loss covered by hedging the derivatives in 100% and above.

Result show that average return on investment in derivative product in 10% to 20% 17 investor with the percentage of loss covered by hedging the derivatives in 20% to 50%, average return on investment in derivative product in 100% and above 5 investor with the percentage of loss covered by hedging the derivatives in 100% and above, average return on investment in derivative product in 20% to 50% 19 investor with the percentage of loss covered by hedging the derivatives in 50% to 100%, average return on investment in derivative product in 50% to 100% 14 investor with the percentage of loss covered by hedging the derivatives in 50% to 100%, average return on investment in derivative product in less than 10% 14 investor with the percentage of loss covered by hedging the derivatives in 0% to 20%,

The percentage of loss covered by hedging the derivatives in 0% to 20% with the average return on investment in derivative product in less than 10% the proportion is 14, The percentage of loss covered by hedging the derivatives in 100% and above with the average return on investment in derivative product in 100% and above the proportion is 5, The percentage of loss covered by hedging the derivatives in 20% to 50% with the average return on investment in derivative product in 10% to 20% the proportion is 17, The percentage of loss covered by hedging the derivatives in 50% to 100% with the average return on investment in derivative product in 20% to 50% the proportion is 19.

Table 7 One-Sample Test

	Test Value = 4					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
You are making good returns from derivatives markets	-2.020	99	.046	-.340	-.67	.00
Trading in F&O is convenient.	-4.714	99	.000	-.550	-.78	-.32
Helps in fair price determination.	-3.632	99	.000	-.410	-.63	-.19
Derivative trading has enhanced liquidity in the market.	-4.078	99	.000	-.520	-.77	-.27
Markets offer wide variety of derivative to hedge risk.	-3.707	99	.000	-.490	-.75	-.23
Derivatives have helped in development of innovative financial product.	-4.106	99	.000	-.530	-.79	-.27
Your volume of derivative trading has increased.	-4.091	99	.000	-.420	-.62	-.22
Trading in derivatives enhanced market participation	-3.386	99	.001	-.420	-.67	-.17
Derivatives are good short term investment option.	-3.814	99	.000	-.510	-.78	-.24

In the above table number 7 we can interpret that significant value is more than 0.05 which indicate that we accept null hypothesis. The significant effect on making good return from derivative market is an essential part for investor in derivative market the value is 0.046 which is higher than 0.005 it means that the null hypothesis ( $H_0$ ) is accepted. Hence, there is a no significant effect of making good return from derivative market. Sample mean is equal to population mean in other word we can summarised in the following table.

Summary Table	
Particular	HO: Accept/Reject
You are making good returns from derivatives markets	Accept
Trading in F&O is convenient.	Reject
Helps in fair price determination	Reject
Derivative trading has enhanced liquidity in the market.	Reject
Markets offer wide variety of derivative to hedge risk.	Reject
Derivatives have helped in development of innovative financial product.	Reject
Your volume of derivative trading has increased.	Reject
Trading in derivatives enhanced market participation	Reject
Derivatives are good short term investment option.	Reject

Table 8 One-Sample Test

	Test Value = 4					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
High margin	-8.361	99	.000	-1.140	-1.41	-.87
Adequate awareness	-5.421	99	.000	-.770	-1.05	-.49
Monitoring of high volume/value trades	-4.373	99	.000	-.590	-.86	-.32
Monitoring speculative tendencies	-4.159	99	.000	-.600	-.89	-.31
Ensuring basic compliance for competent market participants.	-4.126	99	.000	-.620	-.92	-.32
complexity of the instrument	-3.052	99	.003	-.430	-.71	-.15

In the above table number 8 we can interpret that significant value is less than 0.05 which indicate that we reject null hypothesis. The significant effect on adequate awareness is a factor which is modulate the derivative market the value is 0.000 which is less than the 0.005 it means that the null hypothesis (H<sub>0</sub>) is rejected. Hence, there is a significant effect of adequate awareness is a factor which is modulate the derivative market. Sample mean is not equal to population mean in other word we can summarised in the following table.

Summary Table	
Particular	HO: Accept/Reject
High margin	Reject
Adequate awareness	Reject
Monitoring of high volume/value trades	Reject
Monitoring speculative tendencies	Reject
Ensuring basic compliance for competent market participants.	Reject
complexity of the instrument	Reject

### Conclusion:

From the analysis it will be conclude that the all the respondents are aware about the derivative market. Most of the respondents are taking recommendation from stock brokers to investment. Even most of the respondent are invest in derivative market from them ensure principal investment & to hedge the risk of future losses. The purpose of getting maximum return and minimize the risk. Most of the investor are aware of the different derivative product because awareness of the derivative product can help the reduce the risk and increase profit. The authority ought to help the investors to identify the reliable sources of investment advice to gain authentic information for making right decision. The statistical analysis has given insight into investor investment preference and perception about the investor for investment in derivative market.

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