



“EQUITY DERIVATIVE – A STUDY ON INVESTORS INVESTING IN EQUITY MARKET”

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ABSTRACT

The Research paper on “EQUITY DERIVATIVE – A STUDY ON INVESTORS INVESTING IN EQUITY MARKET” . I interacted with clients regarding their investment in stock markets. SRSPL provides a platform where customers could invest in stock market. It is basically a platform where you can invest in share market. Shares are risky mode of investment for the customers as they need to know how the market works and invest accordingly. Stock market give tremendous returns when invested in right security at right time over a long term. The task given to us was

- 1. Opening D-Mat account*
- 2. Working on BOLT & ODIN (Trading Software)*
- 3. Trading on behalf of the customer*
- 4. Making calls to the clients for verification of document.*

Working with Suresh Rathi Securities Pvt. Ltd. was a great experience. I got to know how stock market works, different stock exchanges are and how to invest patiently for a long term good return on investment.

KEY WORDS:

Equity market, Derivative market, Investment option, Futures and Options, Risk & Return Share market.



1. INTRODUCTION

The liberalization of the Indian economy has ushered in an era of opportunities for the Indian corporate sector. However, these opportunities are accomplished by challenges.

The corporate are now required to operate at global capacities to be able to reap the benefits of economies of scale and be competitive.

To operate at global capacities, huge investments are called for and the main source of fund in the public at large. Therefore, the corporate now started tapping the capital market in a big way.

After the Indian economy integrates with the world economy, any change, good or bad, anywhere in the world affects the Indian economy also. It is a well-known fact that the returns on investment in equity is maximum but so is the risk that is associated with it. Hence it is absolutely essential to have a way or method that keeps this risk under check and this is exactly where the various types of financial derivatives come to play.

The development and origin of derivatives has been one of the significant events in the securities market.

The term “derivatives” is used to refer to financial instruments which derive their value from some underlying assets. The underlying assets could be equities (shares), debt (bonds, T-bills, and notes), currencies, and even indices of these various assets, such as the Nifty 50 Index.

2. RESEARCH METHODOLOGY

It is the systematic, theoretical analysis of the method applied to a field of study. It comprises the theoretical analysis of the body of method and principles associated with a branch of knowledge.

SRSPL provided us with the data of clients with their contact number and their address.

This data was used for document verification, account opening and trading with daily settlement and deliveries.

METHODS OF DATA COLLECTION

•PRIMARY

It is the method of collecting data directly from the source. The information can be obtained from telephone survey, mail or by face to face interview. Since the study required a systematic gathering of information, a survey research (using a structured questionnaire) was selected.

We were supposed to meet the client personally.



•SECONDARY

It is the data that is collected by someone for the purpose other than the researcher's current project and has undergone a statistical analysis.

The collected data might work as a secondary data for further study of SRSPL. Data is taken from various source such as magazines, newspaper, internet etc.

POPULATION FRAME:

The population frame was 50 and the data collected by the population was primary which gave further information of the clients investing in stock market. The population was restricted to Jodhpur city. The data collected from 50 clients was used to analyse the investor's behaviour towards security market.

SAMPLE SIZE:

The study was based on the data collected by the survey. The data belonged to the existing clients of SRSPL. The total data collected was 60 out of which 50 client's data was taken for further study.

SAMPLING METHOD

SIMPLE RANDOM:

A simple random sample is a subset of a statistical population in which each member of the subset has an equal probability of being chosen. A simple random sample is meant to be an unbiased representation of a group. The method used for sampling was simple random i.e. the data was collected through a survey for a small population. More over the method is selected so as to see different behaviour of clients and their investment in security market.

DATA COLLECTION TOOL:

Data collection was done with the help of both open and close ended questionnaire.

Primary survey is done with the clients. This method of collecting the data is the easiest and gives accuracy of information.

TOOLS USED: Questionnaire.

Responses can be analysed with quantitative methods by assigning numerical values. The Results are generally easier (than qualitative techniques) to analyse. More over its cost is low



and even covers large geographical areas and the answers are in respondent's words so they are free from bias.

OBJECTIVE OF THE STUDY

- To study consumer awareness regarding financial markets.
- To identify investor's behaviour while selecting stocks.
- To know about client's views regarding SRSPL.
- To know the role of derivatives in India.
- To study mutual funds available in the market.

LIMITATION OF THE STUDY

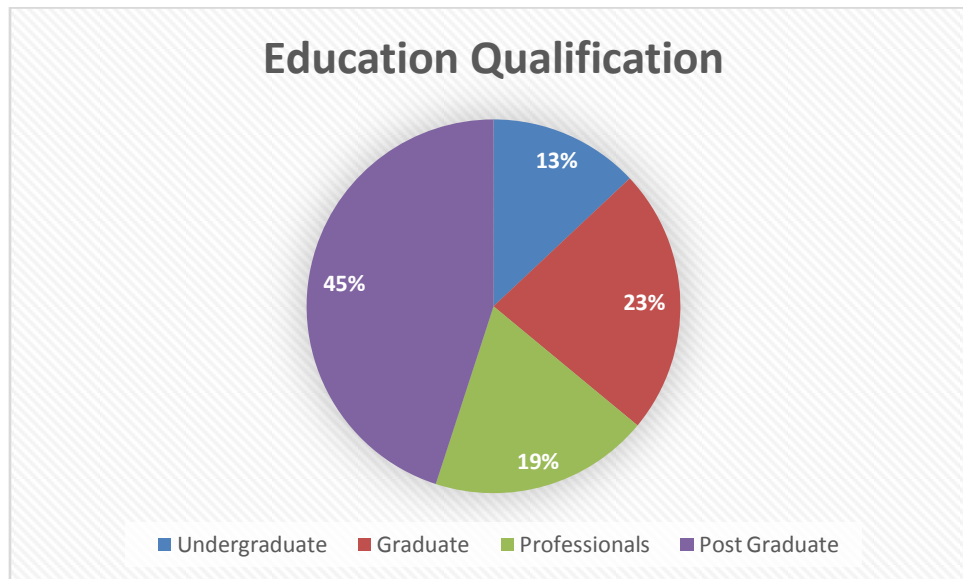
- The project was only for two months so I couldn't go through all the concepts used in the market.
- Due market volatility it was difficult to predict the market.
- The study was conducted in the limited area of Jodhpur region only.
- Sample size is not sufficient to get a clear opinion.
- Limit information availability because of less awareness among investors/ brokers/ sub-brokers.

3. DATA ANALYSIS TESTING AND INTERPRETATION

Data Analysis and Interpretation

Table 1. Education qualification of investors investing in derivative market

Education qualification	Investment %
Under graduate	13%
Graduate	23%
Post graduate	45%
Professional	19%



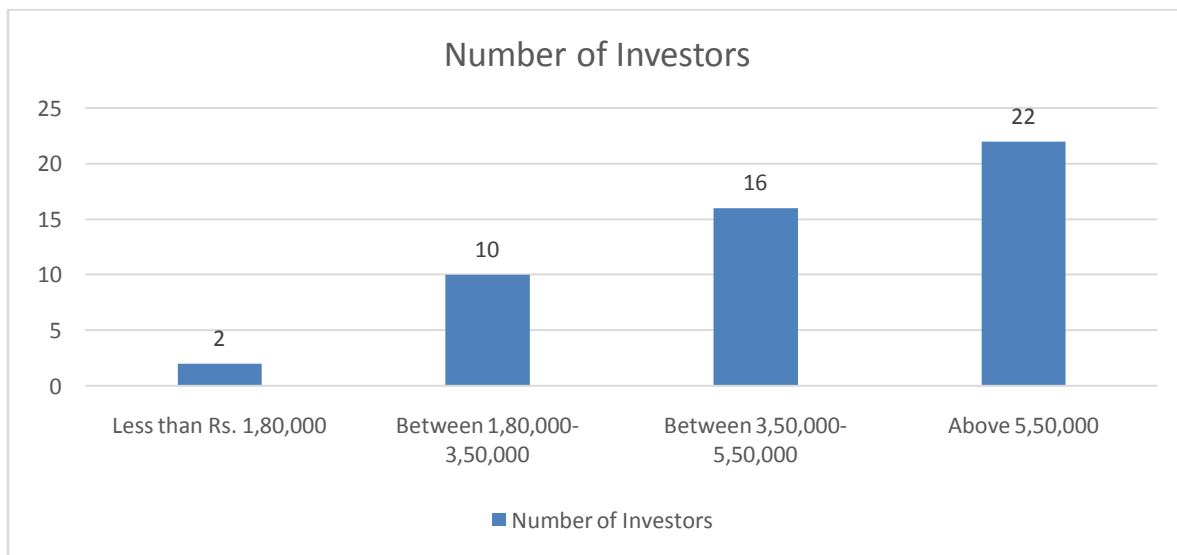
Interpretation:- From the above pie chart, it is clearly evident that 45% of investors who invest in equity derivative market are post graduate, 23% are graduate, 19% are professionals remaining 13% are graduate.

Finding: Majority of investors who invest in equity market are post graduate.



Table 2. Income range of investors investing in equity market.

Income Range	Number of Investors
Less than Rs. 1,80,000	2
Between 1,80,000-3,50,000	10
Between 3,50,000- 5,50,000	16
Above 5,50,000	22
Total	50



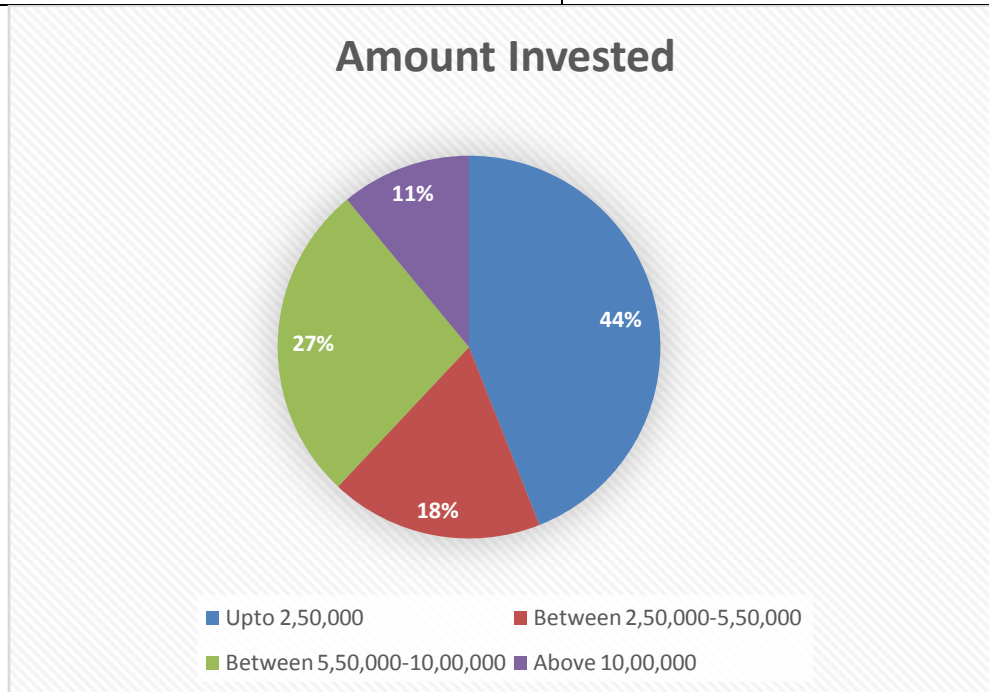
Interpretation:- From the above chart it is clearly evident that 2 investors out of 50 are having income less than Rs.180000. 10 investors having Rs.180000 to 350000. 16 investors are having income between Rs.350000- 550000. 22 out of 50 are having income above Rs.550000.

Findings: Majority of investors who invest in equity derivative market are having income more than Rs.550000.



Table3. Amount invested in equity derivative market

Amount invested	Amount %
Up to Rs 250000	44%
Between Rs 250000 and Rs 550000	18%
Between Rs 550000 and Rs1000000	27%
Above Rs 1000000	11%

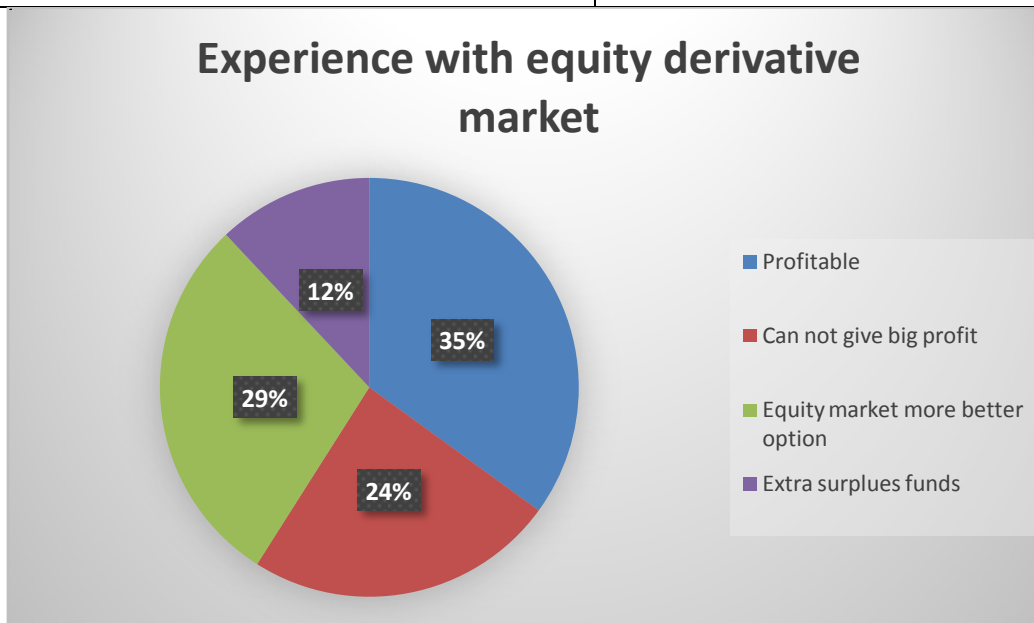


Interpretation: - From the above chart it is clearly shown that 44% investors invested up to 250000. Normally in the equity derivative market 18% invest between 250000 to 550000 and 27% investors invest between 550000 to 1000000 and remaining 11% invested above 1000000.

Findings: majority of investors and brokers have invested up to 250000 in equity derivative market

Table-4 Experience with equity derivative market

Experience with equity derivative market	
Profitable	35%
Cannot give big profit	24%
Equity market more better	29%
Extra surplus	12%



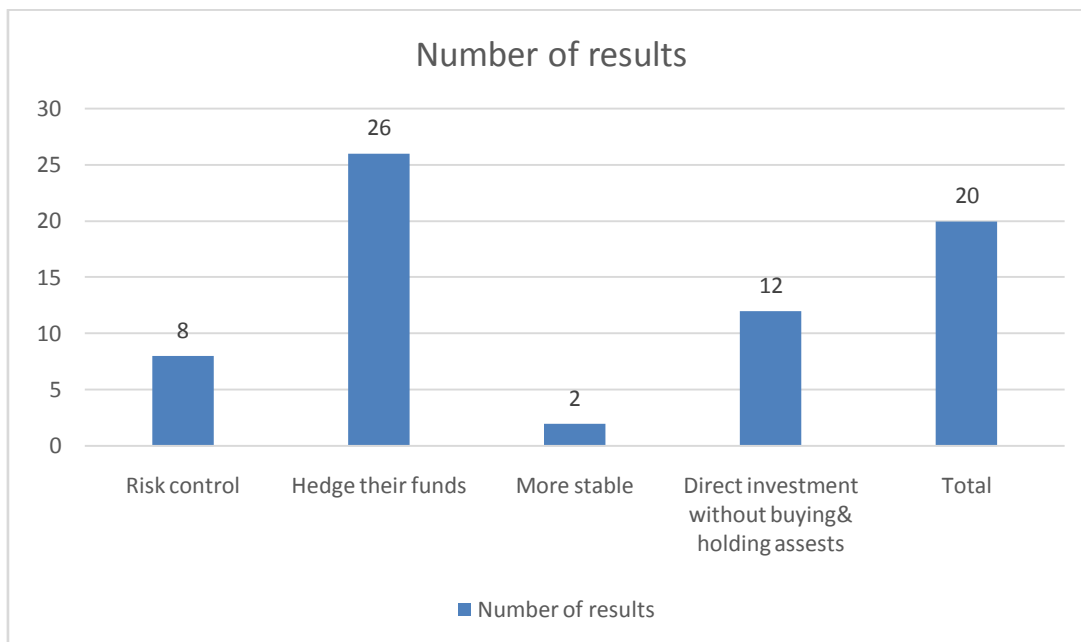
Interpretation:- From the above chart, it is clearly evident that 35% investors (18 investors out of total 50 investors) finds derivative as profitable investment options, 24% investors (12 investors out of total 50 investors) finds derivatives as not highly profitable investment option, 29% investors (15% investors out of 50 investors) finds stock market far better than the derivatives market and remaining 12% investors (6 investors out of total 50investors) invest in derivative market as they are having extra surplus funds so as to invest in equity derivative market

Findings:- Majority of investors find derivatives as profitable investment option.



Table-5 Purpose of investing in equity derivative market

Purpose of investment	8
Risk control	26
Hedge their fund	2
Direct investment without buying & holding assets	14
Total	50



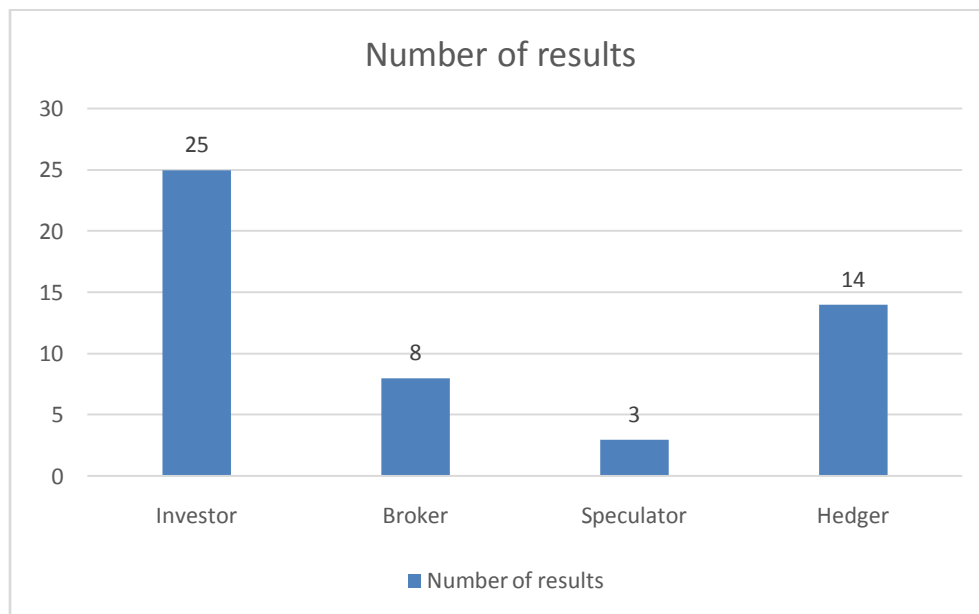
Interpretation:- From the above chart, it is clearly evident that out of sample of 50 persons taken, 26 persons invest in derivative market to hedge their funds, 8 persons invest in derivative market to control risk, and 2 person invest in derivative market as they feel market is quite stable and remaining 14 person invest in derivate market as they feel it is a direct investment market as they feel it is a direct investment without need of buying and holding asset.

Findings:-Majority of person invest in derivative market to hedge their funds.



Table- 6 Participation in equity derivative market

Participation as	Number of results
Investor	25
Broker	8
Speculator	3
Hedger	14



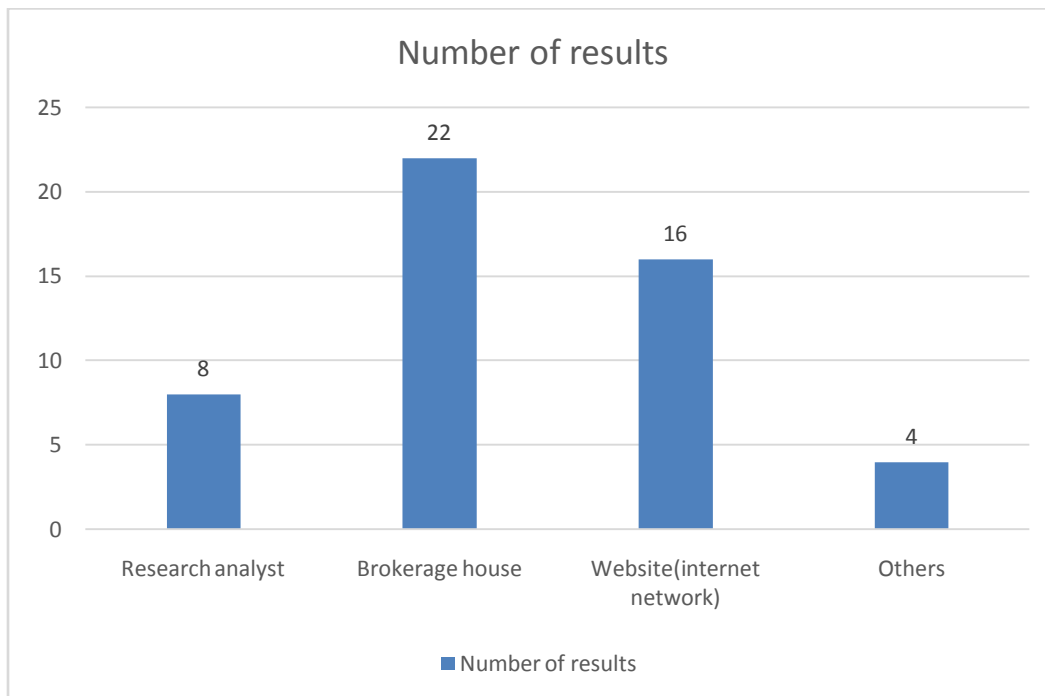
Interpretation:- From the above chart, it is clearly evident that out of sample of 50 person taken, 25 person participate in derivative market as investor, 8 person participate in derivative market as broker, 3 person participate in derivative market as speculator and 14 persons participate in derivative market as hedgers.

Findings:-Majority of persons participates in equity derivative market as investors



Table-7 From where to get advice before investing in equity derivative market.

Advice from	Number of results
Research analyst	8
Brokerage house	22
Website(internet network)	16
Others	4



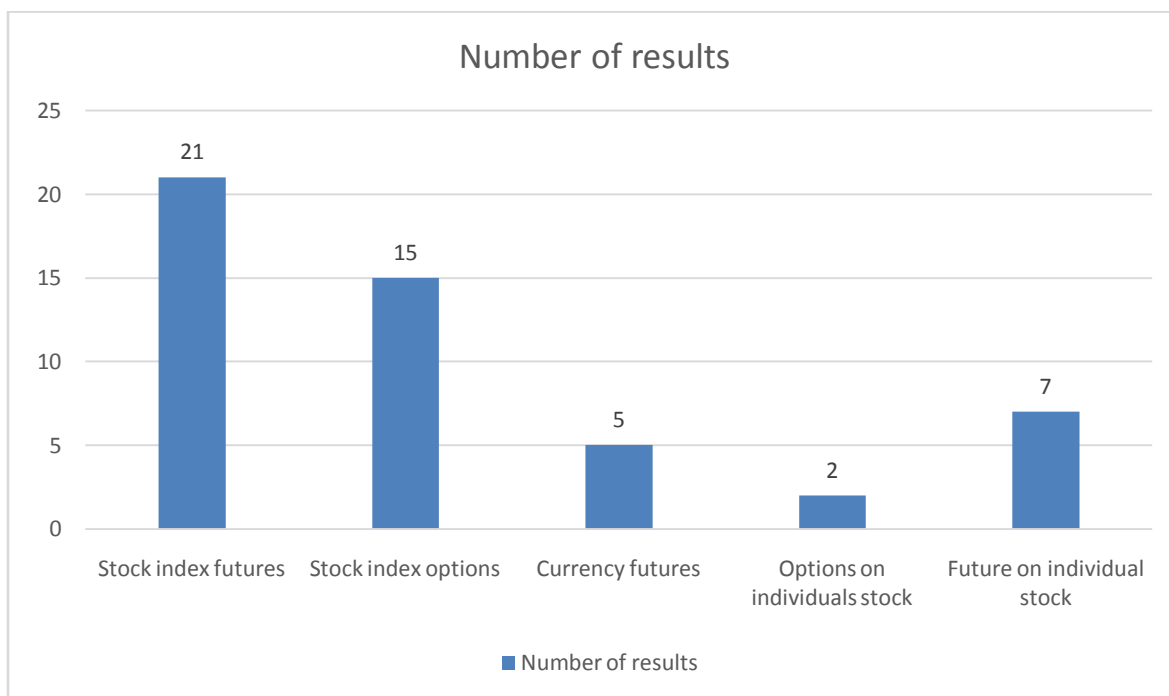
Interpretation:- From the above chart, it is clearly evident that out of samples of 50 persons taken, 8 persons will take advice from research analysts before investing in derivative market, 22 persons will take advice from brokerage houses before investing in derivative market, 16 persons will take advices from websites before investing in derivative market.

Findings: - Mainly investor take advice from brokerage houses before investing in the derivative market.



Table-8 Which of the following segment of equity derivative market is more preferred

Segment of equity market	Number of results
Stock index futures	21
Stock index options	15
Currency futures	5
Options on individuals stock	2
Future on individual stock	7



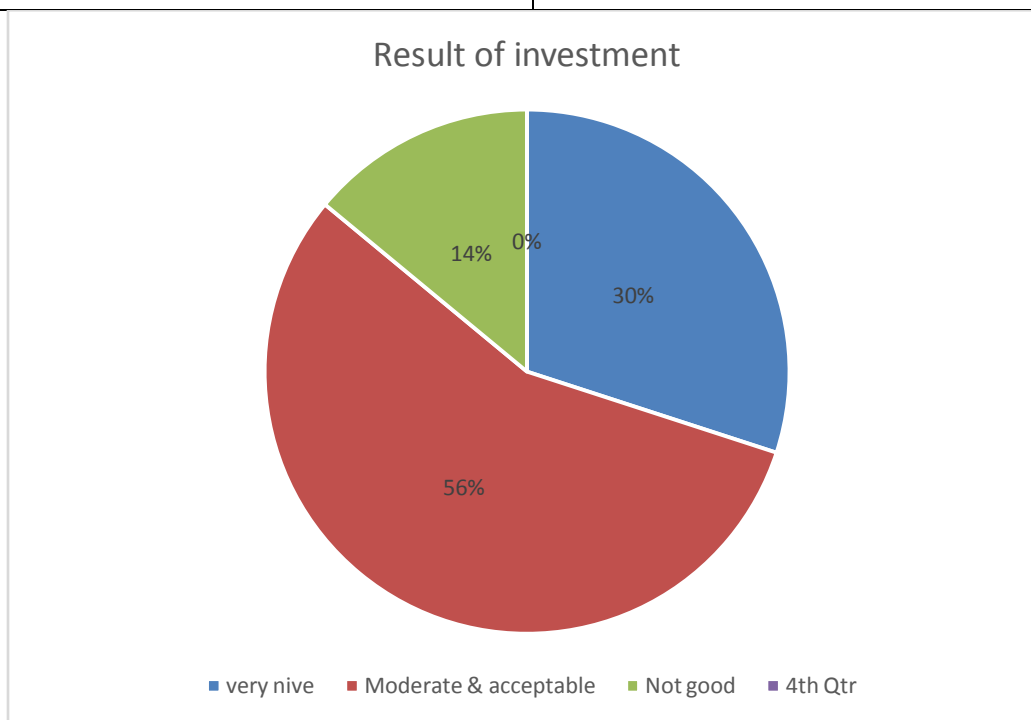
Interpretation:- The above chart, it is clearly evident that out of sample of 50 persons taken, 21 persons will prefer to invest in stock index futures, 15 person will prefer to invest in stock index options, 5 person will prefer to invest in currency future, 2 persons will prefer to invest in option on individual stock and 7 persons will prefer to invest in future on individual stock.

Findings :- Majority of person invest in equity derivative market on the regular basis.



Table- 9 Results of investment made in equity derivative market

Result of investment	Numbers
Very nice	15
Moderate & acceptable	28
Not good	7



Interpretation:- From the above pie chart, it is evident that out of sample 50 persons taken, 15 investors mark the result of investment in derivative market as great, and 28 investors mark the results of investment in derivative market as moderate and acceptable and only remaining 7 investors mark the result of investment in derivative market as not so good.

Findings:- Majority of investors marks the result of investment in equity derivative market as moderate and acceptable.



RESEARCH FINDINGS

- Majority of investors who invest in the equity derivative market are post graduates and professionals.
- Majority of investors who invest in the derivative market are having income more than Rs. 550000.
- Majority of investors find equity derivative market as profitable investment options.
- Majority of person invests in equity derivative market to hedge their fund.
- Majority of persons invest in equity derivative market as investors
- Mainly investors take advice brokerage house before investing in the derivative market
- Majority of participant in equity derivative markets prefers to invest in stocks in index futures
- Majority of person invest in the equity derivative market on the regular basis
- Majority of investors mark the result of investment in equity derivative market as a moderate and acceptable.
- Majority of investors thinks that there is positive relationship between derivative market and cash market
- Equity derivative market has now fully settle in the India investors psyche.

SUGGESTIONS

SUGGESTION FOR CUSTOMERS:

There is less Awareness among the people about Equity derivative market

- Most of the people still invest their money in FD's or keep the money in their savings bank account so we need to educate them by telling them about the benefits of Equity derivative market.
- For more than 70% respondent are preferred as a F&O segment as mode of investment.
- Investors are mainly concerned with the risk factor of Share market.
- Due to less awareness most of the crowd doesn't invest into Stock market.

SUGGESTION FOR SRSPL

- People are happy with the SRSPL portal and say that it's the most use friendly portal.
- Knowledgeable people prefer direct platform for investment, so it can be a threat to the company if they start with any other platform for investment. So, the company should think about its charges in Stock market

After the study it was analysed that financial sector is already in the booming state hence Equity derivative market awareness among the people would be beneficial both in short and long run.

This could be created by organising seminars on Equity derivative market



CONCLUSION

Through the study I analysed that the concept of Equity derivative market is still growing in India. so huge opportunities are there in the market in this sector. The Share market is in the hands of few private players such as SRSPL, KARVI, ANAND RATHI, etc.

Working with SRSPL was really a very nice experience we learned many things. An industrial exposure gave us the practical knowledge and taught us many things before actually entering the corporate world.

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