Research Paper
Impact Factor: 3.853
Peer Reviewed, Listed & Indexed

IJBARR
E- ISSN -2347-856X
ISSN -2348-0653

A STUDY ON INVESTORS PERCEPTION TOWARDS DERIVATIVE MARKET IN COIMBATORE DISTRICT

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Abstract
The overall market is interest on government securities, bank deposits and other fixed deposit has been decreasing year after steadily due to various factors which affect the interest of the investors and the rate of interest of the investors. But on the other hand the investor's interest is gradually shifted towards mutual funds, shares and other company securities. When compare to bank deposits, the return from mutual funds is high. Likewise, when compare to mutual funds, the return from derivative (equity) market is very high. But of course risk is also high in these securities. Hence, it is very important to know, to what extent the people were aware of derivative market and their perception towards its products. Investor's perception is a two-way street of how they view the derivative segment and translate the information they receive.

All the respondents of this research works belong to Coimbatore. The sample size for the study is 200. The research design followed in this study is descriptive research, questionnaire has been designed to collect primary data. The collected data are analyzed and discussed in detail in the work.

Introduction
A derivative security is a financial contract whose value is derived from the value of something else, such as a stock price, a commodity price, an exchange rate, an interest rate, or even an index of prices. The researcher describes some simple types of derivatives: forwards, futures, options and swaps. Derivatives may be traded for a variety of reasons. A derivative enables a trader to hedge some pre-existing risk by taking positions in derivatives markets that offset potential losses in the underlying or spot market. In India, most derivatives users describe themselves as hedgers and Indian laws generally require that derivatives be used for hedging purposes only. Another motive for derivatives trading is speculation (i.e. taking positions to profit from anticipated price movements). In practice, it may be difficult to distinguish whether a particular trade was for hedging or speculation and active markets require the participation of both hedgers and speculators. A third type of trader, called arbitrageurs, profit from discrepancies in the relationship of spot and derivatives prices, and thereby help to keep markets efficient. Jogani and Fernandez describe India's long history in arbitrage trading, with line operators and traders arbitraging prices between exchanges located in different cities, and between two exchanges in the same city. Their study of Indian equity derivatives markets in 2002 indicates that markets were inefficient at that time. They argue that lack of knowledge; market frictions and regulatory impediments have led to low levels of capital employed in arbitrage trading in India. However, more recent evidence suggests that the efficiency of Indian equity derivatives markets may have improved. The researcher wanted to know the level of Perception and awareness about various investment methods in particularly Derivative Segments. With the opening up of the capital markets in a big way to Foreign Institutional Investors (FII's), Derivatives and mutual funds are becoming attractive avenues. Coimbatore is a major city with vast potential. The study will help in developing knowledge in this field.

Objectives of the Study
- To understand the profile of the investors.
- To analyze the investing habits of the investor towards derivative market.
- To analyze the factors influencing the investor in choosing the types of derivative Segment.

Research Methodology
The research design followed in this study is descriptive research, questionnaire has been designed to collect primary data. Total sample size is 200. The secondary data were collected from journals and websites.

Review of Literature
The decision-making by individual investors is usually based on their age, education, income, investment portfolio and other demographic factors. The impact of behavioural aspect of investing is, however, often ignored. Their investment decision-making is influenced, to a great extent, by behavioural factors like greed and fear, cognitive dissonance, heuristics, mental accounting and anchoring. These behavioural factors must be taken into account as risk factors while making investment decisions. With an objective to create investor's confidence in the Stock market, behavioural issues must be considered while formulating investment strategies.

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Kaustia M (2011) in their experiments on anchoring effects in the long term future stock returns estimates of investment professionals and found that expertise indeed significantly attenuated behaviour biases. A test of classic anchoring effect applied to stock market return estimates revealed that the effect obtained with students was several times higher than with professionals. Their results suggested that financial market professional may not hold steady return expectations. They also found that the professionals were not conscious of the impact of historical returns on their expectations.

Chaubey D.S and Dimri R.P (2012) in their empirical investigation identified that investment perception and various factors which influence the investors in their selection of the investment avenues. They found that the behaviour of investors for designing effective investment policies which indicated that investors' choice of their investment scheme is associated with the demographic factors like age, gender, marital status, occupation and income but it is not associated with their level of education, family size and annual savings. They concluded that physiological profiling is the most important aspect which needs to be taken care for various investment avenues.

Seru A et al., (2013) analyzed survival rates, the disposition effect and trading performance at the individual level using a large sample of individual investor records over a nine year period to determine whether and how investors learn from their trading experience. They found evidence of two types of learning that some investors become better at trading with experience, while others stopped trading after realizing that their ability was poor. Their results suggested that differences in the expected performance of investors may arise from different experience levels and if many inexperienced investors begin trading around the same time their trades could lead to time varying market efficiency.

Gender of the Respondents towards Users and Non – Users

S. No	Gender	Derivative User		Non Derivative User	
		No. of Respondents	%	No. of Respondents	%
1	Male	127	85.7	41	78
2	Female	21	14.3	11	22
	Total	**148**	**100.0**	**52**	**100.0**

From the above table, it is identified that, 85.7 percentage of the derivative users are male and 14.3 percentage of them were female and in non-derivative users, 78 percentage are male and 24 percentage are female.

Age Level of the Respondents

S.No	Age Level	Derivative User		Non Derivative User	
		No. of Respondents	%	No. of Respondents	%
1	Below 25 Yrs	4	2.38	4	8.33
2	26-35 Yrs	25	16.67	13	25.93
3	36-45yrs	49	33.33	12	23.15
4	46-55 Yrs	46	30.95	15	26.85
5	Above 55yrs	24	16.67	8	15.74
	Total	**148**	**100.0**	**52**	**100.0**

From the above table, it is identified that, 33 percentage of derivative users are under the age group of 36-45 years, 30.95 percentage of users are 46-55 years, 16.67 percentage of users are both 26-35 years and above 55 years, 2.38 percentage of users are below age group of 25 years and non-derivative users 26.85 percentage of them were under 46-55 years.

Respondents Awareness towards Derivative Segment

Awareness	No of Respondents	Percentage
Aware	158	79
Unaware	42	21
Total	**200**	**100**

The data from the respondents awareness category indicates 79 percentage of the respondents are aware and 21 percentage of the respondents are unaware about the derivative market.

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Investors Attractive Reasons for Investing in Derivative Segment

Attractive Reasons	No of Respondents	Percentage
Diversification of risk	46	30.95
Cash generation	39	26.19
Potential for capital gain	39	26.19
other	24	16.67
Total	**148**	**100**

Investors attractive reason for investing in derivative segment is identified that, 30.95 percentage of the derivative user's attractive reasons for investing is diversification of risk, 26.19 percentage were for potential for capital gain and cash generation and 16.67 percentage were for other reasons to investing in derivative segment.

Educational Qualification of the Respondents

S. No	Educational Qualification	Derivative User		Non Derivative User	
		No. of Respondents	%	No. of Respondents	%
1	School	14	9.52	15	28.7
2	Degree	53	35.71	14	26.85
3	Professional	42	28.57	13	25
4	Others	39	26.2	10	19.45
	Total	**148**	**100.0**	**52**	**100.0**

From the above table identified that, 35.71 percentage of the derivative users are degree holders, 28.57 percentage of the users are professionals and 9.52 percentage of users are in school level. 28.7 percentage of non-derivative users were in school level and 26.85 percentage of non-derivative users are degree holders.

Occupation of the Respondents

S. No	Occupation	Derivative User		Non Derivative User	
		No. of Responses	%	No. of Responses	%
1	Salaried	28	19.05	21	39.82
2	Self employed	42	28.57	11	22.22
3	Business	46	30.95	11	22.22
4	Other	32	21.43	9	15.74
	Total	**148**	**100.0**	**52**	**100.0**

From the above table, it is identified that, 30.95 percentage of the derivative users are doing business, 28.57 percentage of users are self-employed, 19.05 percentage of users are salaried people. 39.82 percentage of non-derivatives users are salaried, 22.22 percentage of non-derivative users are both self-employed and business people.

Period of Investment of the Respondents

S. No	Period of Invst	Derivative User		Non Derivative User	
		No. of Responses	%	No. of Responses	%
1	Less than 1 year	24	16	7	12.96
2	1 -3 year	38	26.19	14	27.78
3	3 -5 years	42	28.57	17	32.41
4	More than 5 year	44	29.24	14	26.85
	Total	**148**	**100.0**	**52**	**100.0**

From the above table identified that, 29.24 percentage of derivative users were investing for a period of more than 5 years, 28.57 percentage of users for 3-5 years, 26.19 percentage of users for 1-3 years and 16 percentage of users for less than 1 years. 30.56 percentage of non-derivative users are investing for a period of 3-5 years.

IJBARR
E- ISSN -2347-856X
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Investors Preference towards Derivative Product

Products	No of Respondents	Percentage
Stock Index Futures	18	11.9
Stock Index Options	10	7.14
Futures On Individual Stock	85	57.14
Options On Individual Stock	35	23.81
Total	**148**	**100**

From the above table 5.2.4 it is identified that, 57.14 percentage of the investors who invest in derivative segment preferred towards futures on individual stock, 23.81 percentage of them invest in options on individual stock, 11.9 percentage of them invest in stock index futures and 7.14 percentage of them invest in stock index options.

Derivative Participants Preference towards Number of Contracts

Derivative Participants	1-3 Contracts	3-6 Contracts	Above 6 Contracts
Speculator	34.38	28.57	33.33
Hedger	40.62	42.86	66.67
Others	25	28.57	0
Total	**100.0**	**100.0**	**100.0**

From the above table identified that, 40.62 percentage of investor invest enter in to 1-3 contracts, 42.86 percentage of them are opting for 3-6 contracts and 66.67 percentage of them are opting for more than 6 contracts.

Ranking Among Sectors for Investing

S. No	Sectors	Weightage Score	Weighted Average	Rank
1	IT sector	627	4.13	2
2	banking sector	677	4.46	1
3	Pharmaceutical sector	293	1.93	4
4	Cement sector	326	2.15	3
5	Others	149	0.98	5

The Respondents have ranked **Banking sector** as **First, IT sector** as **Second, cement sector** as **Third , pharma sector** as **fourth, other sector** as **fifth.**

Conclusion

From the forgoing analysis, it is observed that the investment in stocks and derivative markets is a major challenge ever for Investors. Derivatives acts as a major tool for reducing the risk involved in investing in stock markets for getting the best results out of it. The investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk. Awareness about the various uses of derivatives can help investors to reduce risk and increase profits. Though the stock market is subjected to high risk, by using derivatives the loss can be minimized to an extent.

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