



Investor Perception towards Trading In Equity Derivative Market: A Study at Angel Broking Pvt. Ltd., Mysore City

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ABSTRACT

The emergence and growth of the market for derivative instruments can be traced back to the willingness of risk-averse economic agents to guard themselves against uncertainties arising out of fluctuations in asset price. Derivative is a product whose value is derived from the value of an underlying asset. The underlying asset can be equity, forex, commodity or any other asset. Derivatives are very important financial instrument for risk management as they allow risks to be separated and traded. Derivatives are used to shift risk and act as a form of insurance. The most commonly used derivatives contracts are forward, future and options. A derivative does not have any physical existence but emerges out of a contract between two parties. These underlying assets may be shares, debentures, tangible commodities, currencies or short term or long term financial securities etc. This Study mainly focused, the Demographic profile of the Respondent, and Motivational Factors Influencing investing in equity derivatives, and problems faced by the investors while doing trading activity in Equity Derivative Market. The study has conducted as primary data, survey through issued structured questionnaire targeting 60 respondents Angel Broking Pvt Ltd. situated in Mysore City. Finally Equity Derivative market is systematic risk is caused by factors external to the particular company and uncontrollable by the company. The systematic risk affects the market as well as stock market or equity financial derivative market.

KEYWORDS : Equity derivative market, Perception, forex market, derivative instrument, motivational factors.

INTRODUCTION:

Indian Equity Derivative Market at present is a lucrative field for the investors and investing in Indian stocks are profitable for not only the long and medium-term investors, but also the position traders, short-term swing traders and for intra-day traders. In terms of market capitalization, there are over 2500 companies in the BSE chart list. Generally the bigger companies are listed with the NSE and the BSE, but there is the OTCEI or the Over the Counter Exchange of India, which lists the medium and small sized companies. There is the SEBI or the Securities and Exchange Board of India which supervises the functioning of the stock markets in India. The derivatives market is the financial market for derivatives, financial instruments like futures contracts or options, which are derived from other forms of assets.

Equity derivative is a class of derivatives whose value is at least partly derived from one or more underlying equity securities. Options and futures are by far the most common equity derivatives. This section provides you with an insight into the daily activities of the equity derivatives market segment on NSE. The Securities Contracts (Regulation) Act, 1956 defines "derivatives" to include:

A security derived from a debt instrument, share, loan whether secured or unsecured, risk instrument, or contract for differences or any other form of security.

A contract which derives its value from the prices, or index of prices, of underlying securities.

At present, the equity derivatives market is the most active derivatives market in India. Trading volumes in equity derivatives are, on an average, more than three and a half times the trading volumes in the cash equity markets. Exchange traded financial derivatives were introduced in India in June 2000 at the two major stock exchanges, NSE and BSE. There are various contracts currently traded on these exchanges. The derivatives market in India has grown exponentially, especially at NSE. Stock Futures are the most highly traded contracts on NSE accounting for around 55% of the total turnover of derivatives at NSE, as on April 13, 2013.

ANGEL BROKING PRIVATE LIMITED: AN OVERVIEW

Angel broking records daily business volumes of 1500 crores in equities, 350 crores in commodities and 350 crores through online-brok-

ing linked through the largest trading base of 6,370 terminals all over the country. With over 1,200 outlets connected through a state-of-the-art network, Angel offers world-class services with a personal touch. Angel has top quality, retail focused research, expert dealing facilities in broking, commodity broking, depository services, wealth management services, a portfolio advisory and investment advisory. Angel has a dedicated investment advisory and state-of-the-art centralized help desks to answer investor queries and complaints. This facility is available 24x7, with a web-enabled, value-added back office, accompanied by a brilliant team of expert's for quality assurance.

Angel broking's trust with excellence in customer relations began in 1987. Today, angel has emerged as one of the most respected stock-broking and Wealth Management companies in India. With its unique retail-focused stock trading business model, angel is committed to providing 'real value for money' to all its clients. The Angel group is a member of the Bombay Stock Exchange (BSE), National stock Exchange (NSE) and two leading commodity exchanges in the country: NCDEX & MCX. Angel is also registered as a depository participant with CDSL.

Angel Securities Private limited was established in the year of 2007 in Mysore. Currently this branch is dealing with the clients of share brokers and stock brokers. The annual revenue of the stock exchange in the year 2013-2014 is ₹ 62.38 millions. At present in Mysore branch they trade with more than 12380 clients. Today, Angel has surfaced as one of the most respected Stock-Broking and Wealth Management Companies in India. With its unique retail-focused stock trading business model, Angel is committed to providing 'Real Value for Money' to all its clients.

FACTORS DRIVING THE GROWTH OF FINANCIAL EQUITY DERIVATIVES:

Over the last three decades, the derivatives market has seen a phenomenal growth. Derivatives increase the volume traded in markets because of participation of risk-averse people in greater numbers. A large variety of derivative contracts have been launched at exchanges across the world. Some of the factors driving the growth of financial derivatives are:

- Increased volatility in asset prices in financial markets.
- Increased integration of national financial markets with the international markets.
- Marked improvement in communication facilities and sharp decline in their costs.

- Development of more sophisticated risk management tools, providing economic agents a wider choice of risk management strategies, and
- Innovations in the derivatives markets, which optimally combine the risks and returns over a large number of financial assets leading to higher returns, reduced risk as well as transactions costs as compared to individual financial assets.

REVIEW OF LITERATURE:

The research has been conducted on Equity Derivates Securities Market last few decades. The review includes studies pertaining to Investors Perception towards trading activity in Equity Derivatives;

Dietrich Domanski (2007) this paper focused “Financial investors and commodity markets” This paper discusses the factors behind their growing appeal and assesses the extent to which market characteristics, such as price volatility in commodity market related losses can be traced by one or several reason on overly speculative investment strategy, misunderstanding of how derivatives relocate risk, an ineffective internal risk management audit function. Finally this study concludes that commodity markets have become more like financial markets in terms of the motivations and strategies of participants. In derivatives market the physical limits to short selling in the spot market may at times significantly affect market dynamics. These effects require further investigations.

Anuradha and Daval (2008) the study was undertaken “Futures Trading In Pulses, Benefits Whom?” This study is intended to analyze as to who is benefited by the futures trading in agricultural commodities in India is it the consumer. As the Survey is conducted in farmers point of view and the Survey is of secondary data. The result of the study is that all the farmers are not benefited and all the commodities take use of participate well in derivative market. Finally these study conclude that derivative market has grown rapidly. This is all due to myths related to derivatives. So this study is conducted to study myths and realities related to financial derivatives, particularly futures and options from the point of view of retail investors.

Joshipura (2010) the study was conducted on “Is An Introduction of Derivatives Trading Cause-Increased Volatility?”. These study Opinions that derivatives are a financial contract and underlying variables. Derivatives provide a platform to the participants for hedging their real or potential exposure. But there is a believe that introduction of derivative trading caused increase in volatility. This study evident, introduction of derivatives trading does not lead to any significant increase in relative volatility of stocks post future and option trading period. But there is decline in daily return in one year period after the introduction of futures and options trading.

Gou (2013) the study was undertaken on “Retail Investor’s Behavior Towards Securities; A case study of Rohtak City”.This study examine that Investing in various types of assets is an interesting activity that attracts people from irrespective of their occupation, economic status, education and family background. This study mainly aims at to analyze the profile and investment choice of investor’s decisions. This Study also revealed that that more educated people enter in the capital market for making investment and create healthy environment for trading activity in stock market.

Sivarethinamohan (2013) the study emphasized on “A Study on Investors’ Preference in Indian Commodities Market” This paper attains the major areas of investments available for Indian Investors include Equity Market, Derivatives, Bonds, Debentures, Commodity market etc. Indian investors choose different areas according to their perception and attitudes. The study concludes about the investors’ preference in various Investment Avenues of commodity market products and also to identify the relationship between the various factors influencing the investors’ decisions on commodity market.

Nagaraju (2014) the study was conducted on “A study on Investors’ Perceptions towards Derivative Instruments and Markets”. This paper mainly focused investor’s perception towards various derivative instruments like Index Futures, Stock Futures, Index Options, Stock Options, Interest Rate Futures, and Currency Options etc. Even after a decade the derivatives are actively engaged by professional’s institutional investors. This study also aims at find the better solution retail investors inactively participating in the market because of lack of knowledge and complex nature of Instruments. This study is an at-

tempt to know the retail investors perception and awareness about derivatives market and its instruments.

STATEMENT OF THE PROBLEM:

The present study of equity derivatives in a simple manner this can be understood by laymen and to make the reader able to use equity derivatives with easier in his trading and to provide a complete framework to the players of the market and market strategies. As equity derivatives is also one of the kind of Financial derivatives, it is slit difficult to invest because of high volatility in market, so investor has to adopt strategies according to market to invest in equity derivatives and also should have through knowledge regarding equity derivatives. This study helps the Angle broking investors in Mysore city and Angle company brokers to analyze the different strategies to be implemented at different market situations.

Objectives of the Study;

The following are the major objectives of the study:

- To highlight the demographic profile of the Angel Broking Investors;
- To study the motivational factors Influencing investing fund upon trading activity in equity derivatives Market;
- To assess the problems faced by the investors in Equity Derivative Market; and
- To offer suggestions in the light of the study.

Research Methodology:

The present study has been collected from both primary and secondary sources. The primary data was collected from investors of Angel Broking Pvt. Ltd, to know about level of awareness and knowledge of investors about trading in Equity Derivative Market. The questionnaire was designed for collection of data. Population for the study was investors in Angel Broking Pvt. Ltd, Mysore city. The Survey considered only investors who had D-Mat Account. The sampling unit for the study was each individual derivative retail investors. The sample size for study was only 60 respondents. The method of sampling used is Random sampling. Secondary data was gathered from different sources such as, Internet, website, Professional Magazines, referred journals. The analysis of data is done using percentage and quantitative method for tabulations and represents the data using graphical method.

ANALYSIS & INTERPRETATION

Demographic Profile of the Angel Broking Investors;

Table No.1 represents the demographic profile of the investors of Angel broking Pvt. Ltd. in Mysore city. From viewpoint of age pattern, majority of 80.00 percent of the respondents belongs to age group of between 25 to 40 years. It was found that equal number i.e., 24 respondents adults and youth involving in equity derivative trading market. Moderate numbers of 48 male and 12 female respondents are trade with equity derivative market. It was found that occupation of the investor’s majority 60.00 percent of the respondents are business men’s are interested to invest more money in angel broking compared to the professionals and Employees.

**Table No.1
Demographic Profile of the Angel Broking Investors.**

Sl. No.	Particulars	Frequency	%
1.	Age pattern ;		
	Between 25 to 30 years	24	40.00
	Between 30 to 40 years	24	40.00
	Between 40 to 50 years	12	20.00
2.	Gender ;		
	Male	48	80.00
	female	12	20.00
3.	Investors occupation ;		
	Businessman	36	60.00
	Professional	15	25.00
	Employment	09	15.00
4.	Investors Annual Savings;		
	Below 50000	30	50.00
	Between 50000 to 100000	18	30.00
	Above 100000	12	20.00
5.	Annual Income Level;		
	Less than 1,50,000	24	40.00
	Between 1,50,000 to 2,50,000	30	50.00
	Between 2,50,000 to 3,50,000	06	10.00

Source: Field Survey.

From the viewpoint of annual savings of the investors around 60.00 percent respondents are below the income of ₹ 50000. Investor's savings also indirectly affects in the trading of Equity derivative market. According the income level of the respondents Majority 50.00 percent of the respondents belongs to the annual income of ₹1,50,000-2,50,000.

Motivational factors Influences investing money in equity derivatives Market;

Table No. 2 Indicates the motivational factors of investors towards equity derivative market. Around 40.00 percent of the respondents were agreed that investing money in equity derivative market they get maximum returns compared to other investment's return like Bank Deposits etc. Majority 50.00 per cent of the respondents were strongly agreed that they investing money in equity derivate market investors get more tax benefit. Among 40.00 percent respondents disagree they get highest return in equity derivative market. Further 30.00 percent and 40.00 percent of the respondents they strongly agreed with investing money in equity derivative market, it generates annual pool of saving as well generates higher level of income to investors. Among 50.00 per cent of the respondents were agreed that get motivating from family and friends they investing money in equity derivative market. Majority 40.00 per cent of the respondents neutral in the case they can earn unlimited profit through trading activity in equity derivative market. To conclude, there is a positive impact on factors influencing equity derivative market.

Table No.2
Motivational Factors towards Equity Derivative Market

Sl.No.	Motivational Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Better than other investment's return like Bank Deposits	15 (25.00)	24 (40.00)	06 (10.00)	15 (25.00)	00 (00.00)
2.	Tax Benefit to the Investors	30 (50.00)	15 (25.00)	09 (15.00)	06 (10.00)	00 (00.00)
3.	Highest Rate of Return	12 (20.00)	18 (30.00)	00 (00.00)	24 (40.00)	06 (10.00)
4.	Annual Pool of savings	18 (30.00)	09 (15.00)	12 (20.00)	15 (25.00)	06 (10.00)
5.	Higher Income of the investor	24 (40.00)	24 (40.00)	06 (10.00)	06 (10.00)	00 (00.00)
6.	Family and Friends	12 (20.00)	30 (50.00)	00 (00.00)	09 (15.00)	09 (15.00)
7.	Unlimited profit	09 (15.00)	12 (20.00)	24 (40.00)	15 (25.00)	00 (00.00)

Source: Field Survey.

Graph No.2
Motivational Factors towards Equity Derivative Market



Problems in Equity Derivative Market:

Table No.3 shows the problems faced by the investors in Equity Derivative Market. Out of the total, 55.00 percent and 45.00 percent of the respondents disagree with facing problem of complicated application procedures and internet failure while doing trading activity in equity

Table No.3
Problems in Equity Derivative Market

Sl.No.	Problems	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1.	Complicated Application Procedures	15 (25.00)	12 (20.00)	00 (00.00)	33 (55.00)	00 (00.00)
2.	Lack of information	18 (30.00)	30 (50.00)	06 (10.00)	06 (10.00)	00 (00.00)
3.	Internet failure	09 (15.00)	12 (20.00)	09 (15.00)	27 (45.00)	03 (05.00)
4.	Stock exchange sites becomes busy during peak hours	36 (60.00)	18 (30.00)	00 (00.00)	06 (10.00)	00 (00.00)
5.	Too much Volatility	24 (40.00)	18 (30.00)	00 (00.00)	12 (20.00)	06 (10.00)
6.	Unfair practices of brokers	60 (100.00)	00 (00.00)	00 (00.00)	00 (00.00)	00 (00.00)
7.	Too Much Price Manipulation	30 (50.00)	18 (30.00)	12 (20.00)	00 (00.00)	00 (00.00)
8.	Late refund on unsuccessful applications	18 (30.00)	27 (45.00)	00 (00.00)	06 (10.00)	09 (15.00)

Source: Field Survey.

Graph No.3
Problems faced while trading in Equity Derivative market.

Source: Field Survey.

derivative market. Around 50.00 per cent of the respondents were agreed with faced problem of lack of information related how to trade in equity derivative market. Majority 60.00 percent of the respondents strongly agree with facing problem of Stock exchange sites will become more busy during peak hours that time is very difficult to trade in equity derivative market. Among 40.00 percent of the respondents strongly agreed with too much volatility in equity derivative market. All are the respondents i.e., 100.00 percent of the respondents strongly agreed that facing a problem of unfair practices of brokers in trading of Equity derivative market. Around 50.00 percent and 45.00 percent of the respondents strongly agree and agree facing a problem of too much price manipulation and late refund on unsuccessful applications while doing trading activity in equity trading market.

Findings of the Study:
The following are the major findings of the study:

- In the context of age pattern of the respondent, majority of 80.00 per cent of the respondents are belongs to age group of 25 to 40 years. Moderate numbers of 48 male and 12 female respondents are trade with equity derivative market.
- Majority of 60.00 percent of the respondents are business men's are interested to invest more money in angel broking compared to the professionals and Employees.
- Majority of 50.00 per cent of the respondents were strongly agreed that they investing money in equity derivate market investors get more tax benefit.
- Further 30.00 percent and 40.00 percent of the respondents they strongly agreed with investing money in equity derivative market, it generates annual pool of saving as well generates higher level of income to investors.
- Among 50.00 per cent of the respondents agreed that get motivating from family and friends they investing money in equity derivative market.
- Out of the total, 55.00 per cent and 45.00 per cent of the respondents disagree with facing problem of complicated application procedures and internet failure while doing trading activity in equity derivative market.
- Majority 60.00 percent of the respondents strongly agree with facing problem of Stock exchange sites will become more busy during peak hours that time is very difficult to trade in equity derivative market.
- 100.00 percent of the respondents strongly agreed that facing a problem of unfair practices of brokers in trading of Equity derivative market.
- Around 50.00 percent and 45.00 percent of the respondents strongly agree and agree facing a problem of too much price manipulation and late refund on unsuccessful applications while doing trading activity in equity trading market.

Suggestions for the Study:**The following are the major suggestions of the study:**

- Government should take initiative to establish training centers in the area of stock broking and equity Financial Derivative service to give a professional outlook.
- The brokers play a role of intermediation in the capital market, government should come forward with measures to provide, needed relief in the form of grants or aids to help them to improve their business.
- Brokers should develop a confidence among the clients to make online trade themselves through seminars, technical sessions etc. this in turn helps to improve the standard of Indian Financial Derivative market.
- It is advisable to the investor to invest in the derivatives market because of the greater amount of liquidity offered by the financial derivatives and the lower transactions costs associated with the trading of financial derivatives.
- The investors can minimize risk by investing in derivatives. The use of derivative equips the investor to face the risk, which is uncertain though the use of derivatives does not completely eliminate the risk, but it certainly lessens the risk.

Conclusion:

Equity derivatives have become very important in the field finance as well as financial instruments for risk management as they allow risks to be separated and traded. The future of the equity derivatives market in India looks bright, with increase in volumes and liquidity, and an expanding participation base. The software for equity derivatives market has been facilitating for the efficient and transparent trading in equity derivatives instruments. The role of regulator has been commendable. SEBI has championed a lot of initiatives for the betterment of derivatives market like electronic trading, online brokering and dematerialization. These measures have laid a strong foundation for the derivatives market. The best way to get a feel of the trading system is the actual watching of the screen and observing how it operates So finally conclude that equity derivatives are a most useful and strong tool in the hands of the investors because which offers a range of solution to the risk management task.

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