



Performance of Currency Trading in National Stock Exchange

KEYWORDS

Online trading, Currency market, Investors, Transparency etc.

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ABSTRACT

India has attained the rational development in educational, technology, wealth and so on. This development has created more consciousness in all the segments to the Indian society. The online trading system has attained the best possible extent in India. Especially the currency market provides a significant support to the International trade practice because of the market which works in the liberalised environment. The online practices have been open out in all the segments including market exchange trading system. This system provides the trading transparency to the market participants. Currency exchange trading is an essential to business world. All currency trades involve the simultaneous buying of one currency and selling of another. The currency pair thought of as a single unit. In this modern world, Investors have an opportunity to trace out the best alternative investment for their surplus money. The online system has provided the flexibility of the investors to manage their portfolio. Based on the importance of currency market, the researcher has adopted to study the currency trades in NSE. The researcher has used descriptive tools such as mean, standard deviation and co-variance to analyse the market data.

INTRODUCTION

India has achieved an exponential growth in the economic development activities to compete with all other countries. This development has been occurred by the optimistic change which has led to the growth of the nation. This situation helps to achieve a feasible result in different extents such as manufacturing, agriculture, and financial services and so on. This improvement made by the incredible contribution of different industries in India.

Since 1991, India takes stepping towards the growth by allowing market space to the foreign investment. During this period India was facing a serious balance of payment crisis. Hence it was forcing to devaluate the rupee value against U.S Dollar. Indian foreign exchange market works with a liberalised environment. Foreign Exchange (FOREX) market has promoted into familiar in the world over the last 40 years. Forex market also known as currency market and many of them are discovered in the forex exchanges activities. It is also a largest market in the world and the market which achieves to defeat rest of markets by the performance. At present 2.5 trillion dollars transaction exchanged in the forex market.

There are 25 countries major currency pairs are participated in forex trading. Especially in India, only four major currencies are available to trade against Indian rupee (INR). The major currencies are U.S. Dollars (USD), Euro (EUR), Great Britain Pound (GBP) and Japanese Yen (JPY). The currencies are always fluctuating in the value. In this volatility some countries currency reaches the highest point and some countries' currencies value getting down. This value dejection created by the major market determinates such as trade deficit, capital inflows, devaluation pressure, inflation and speculation and so on.

CURRENCY TRADING PROGRESS IN INDIA

Currency futures are an agreement or contract, which involves buying or selling one currency for another on a specified future date, at an agreed price. FOREX market is quite old and India needed of exchange traded currency derivative was long awaited. The Reserve bank of

India (RBI) granted approval to trade futures and options contracts in the currency market through recognised stock exchanges by Securities Exchange Board of India (SEBI). Therefore, the National stock exchange has received a principle approval from SEBI and RBI to trade the currency derivatives in India. NSE has launched the automated screen based trading system for currency futures on 29th august 2008. Besides NSE, The India leading stock exchanges of Multi Commodity Exchanges (MCX-SX) and Bombay Stock Exchanges (BSE) have been started the currency derivative trading segment. The NSE trading system called as "National exchange for automated Trading" (NEAT). The exchange was initially introduced U.S dollar to trade against Indian rupee (USDINR) and subsequently allowed other currency pairs as EURINR, GBPINR and JPY-INR. In the primary stage of futures, the turnover has risen.

In the beginning, the banks and authorised dealers were undertaking the forex derivative contracts. After that, the exchange traded currency futures started a new beginning because of the retail investors allowed to participate in currency derivatives trading. Currency Options trading was introduced on 29th October 2010. The currencies are trading by the lots or units. The trading hours of the Indian exchanges followed 9.00 a.m. to 5.00 p.m. from Monday to Friday. The exchange has framed the contract specifications and providing the basic guideline to the market participants.

Foreign Exchange Management Act (FEMA, Act 42 of 1999) allows all Indian residents that are eligible to trade in the Currency Derivatives segment. Currently, trading facility in Currency Futures will be offered to all Resident Individuals, HUFs, and eligible Corporates to participate in the currency derivatives under the FEMA criteria. Foreign Institutional Investors (FIIs) and Non-Resident Indians (NRIs) are not permitted to participate in currency futures market. The major fundamental factors which are affecting the currency movements such as trade balance, wealth, internal budget deficit and surplus, Interest rate, inflations and political factors.

Risk aversion is a kind of trading behaviour revealed by the foreign exchange market when a potentially adverse event happens which may affect market conditions. The major objective of the currency derivative is hedging the risk. The investors liquidate their positions in the risky assets and the traders are behaving to transfer their funds into the risk less assets due to the uncertainty. A judgement of the currency market risk depends upon the knowledge and understanding of the variables that affects the currency rates. A Clearing Member (CM) of National securities clearing Corporation Limited (NSCCL) has the responsibility of clearing and settlement of all deals executed by Trading Members (TM) on NSE, who clear and settle such deals through them. The mode of settlements has followed by the Indian rupees only.

OBJECTIVES

- To trace out the ancient evolutions of Indian currency

TABLE-1
TRADING PERFORMANCE OF INDIAN CURRENCY MARKET IN NSE

Year	No. of contracts			Turnover			Growth rate
	Futures	Options	Total	Futures (Rs. in crores)	Options (Rs. in crores)	Total (Rs. in crores)	
2008-09	32672768 (100)	Nil	32672768 (100)	162272.47 (100)	Nil	162272.47 (100)	-
2009-10	378606983 (100)	Nil	378606983 (100)	1782608.1 (100)	Nil	1782608.1 (100)	999
2010-11	712181928 (95)	37420147 (5.0)	749602075 (100)	3279002.2 (95.05)	170785.61 (4.95)	3449787.81 (100)	94
2011-12	701371974 (72)	271972158 (28)	973344132 (100)	3378488.75 (72.27)	1296501.05 (27.73)	4674989.8 (100)	36
2012-13	684159263 (71)	275084185 (29)	959243448 (100)	3765105.18 (71.38)	1509359.38 (28.62)	5274464.56 (100)	13
2013-14	478301579 (72)	181890951 (28)	660192530 (100)	2940885.94 (73.29)	1071627.56 (26.71)	4012513.5 (100)	-24
2014-15	325565722 (72)	111060993 (28)	436626715 (100)	2055849.96 (73.29)	687490.77 (26.71)	2743340.73 (100)	-32
Total	3312860217	877428434	4190288651	17364212.60	4735764.37	22099976.97	
Mean	473265745.29	175485686.80	598612664.43	2480601.80	947152.87	3157139.57	
SD	251168130.66	103057219.34	339607133.52	1248179.66	530043.58	1762291.93	
CV	53.07	58.73	56.73	50.32	55.96	55.82	

Note: Source: www.nseindia.com, **Figures in brackets indicates percentage to total.**

Table -1 displays NSE currency trading performance from 2008-09 to 2014-15 and the market performance are measured through total turnover and traded volume of the currency pairs. Traded volume and turnover has been classified as section wise as futures and options. Currency futures trading has started in the year of 2008-09 and options trading started from 2009-10. Majority of the contracts (more than 71 percent) sold on futures trading in NSE. The options trading participations has lesser than the futures and it has contributed up to 29 percent as well as contracts and turnover from 2011-12 to 2014-15.

market.

- To analyse the volatility of the currency segment in NSE.
- To assess the future scope of currency investment in NSE.

RESEARCH METHODOLOGY

Research Type:

The nature of study is based on descriptive method.

Source of data:

The study is conducted mainly based on the secondary data available and gathered from various sources such as daily newspapers, magazines, journals, articles and authorised websites and so on.

Figure -1

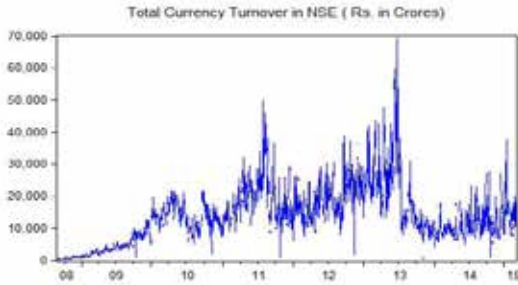


Figure-1 indicates the daily currency turnover in NSE from 2008-09 to 2014-15. NSE has attained the highest reach of total turnover in the year 2012-13 of Rs.5274464.56 crores. During this period the currency market was attained glowing performance in India. US Dollar has provided the major contribution in this period of 2012-13 because of U.S dollar has much demand in the global market.

AVERAGE TURNOVER OF CURRENCY TRADING IN NSE



Figure -2

Figure-2 indicates the average turnover of the currency trading in NSE. Majority of the portion of futures contracts has attained the highest turnover upto 72 percent of the total turnover. Options turnover has attained only 28 percentage of average turnover over the five years.

CONCLUSION:

Currency market is one of the most price transparencies, liquid, hectic and volatile financial market in the world. The Indian currency market is not an exception too. The Indian currency market also proved that the market is too volatile since of its inception. After 2012-13 the currency market performance was moving towards the negative trend and the investors' contribution is very low. The Indian forex market operates mainly on the US dollars. Foreign investors increase the demand of US dollars as they convert their rupee assets into US dollars. If there is shrinkage in US dollars that will be reflecting in the currency market performance. The external factors are also influencing the currency market such as low capital inflow, high current account deficit and devaluation pressure and so on. The currency market is mainly based on the global market. The market will be revived soon and the exchanges must take actions to make importance to the rest of currency pairs.

REFERENCE

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