

GROWTH OF FINANCIAL DERIVATIVES MARKET IN INDIA

Dr. Anil Bansal*
Himani Gupta**

Abstract

The past decade has witnessed the multiple growths in the volume of international trade and business due to the wave of globalization and liberalization all over the world. As a result, the demand for the international money and financial instruments increased significantly at the global level. In this respect, change in exchange rates, interest rates and stock prices of different financial markets have increased the financial risk to the corporate world. Adverse changes in the macroeconomic factors have even threatened the very survival of business world. It is therefore essential to develop a set of new financial instruments known as derivatives in the Indian financial markets, to manage such risk. The basic purpose of these instruments is to provide commitments to prices for future dates for giving protection against adverse movements in future prices, in order to reduce the extent of financial risks. Today, the financial derivatives have become increasingly popular and most commonly used in the world of finance. This has grown with a phenomenal speed all over the world that now it is called as the derivatives revolution. In India, the emergence and growth of derivatives market is relatively a recent phenomenon. Since its inception in June 2000, derivatives market has exhibited exponential growth both in terms of volume and number of contract traded. The market turnover has grown from Rs.2365 Cr. in 2000-2001 to Rs. 26444804.86 Cr. in 2013-14. . The market turnover of NSE has grown from Rs 2,365 Crores in 2000-01 to Rs 3, 82, 11,408.05crores in 2013-14 and BSE market turnover also increased from Rs 5021.81 crores in 2003-04 to Rs 92, 19,434.32crores in 2013-14 Within a short span of twelve years, derivatives trading in India has surpassed cash segment in terms of turnover and number of traded contracts. The passed study encompasses in its scope, history, concept, definition, types, features, regulation, market, trend, growth, Future prospects and challenges of derivatives in India and status of Indian derivatives market vis-à-vis global derivative market.

Keywords: *Derivatives, Exchange Rate, Forward, Futures, Notional Value, Options, Risk Management, Swaps.*

Introduction

The most significant milestone in financial innovation is achieved with the issuance and trading of derivatives. Along with this positive element, the proponents of derivatives also admit that this term arouses more controversies and most people look at them with suspicion and few would believe that they do contribute to the society's welfare. But the matter of fact is that derivatives are a standard risk management tool that enables risk- sharing and facilitates the efficient allocation of capital to productive investment activities. In this study, we will try and examine the veracity of a few misconceptions that surround derivatives along with their economic benefits. The present study attempts to discuss the genesis of derivatives trading by tracing its historical development, types, regulation and policy developments, trend & growth, future prospects and challenges of derivative market in India

Need for the Study

The derivatives are new innovative products in Indian capital market. The real growth and development of derivatives. market can be traced after 2000-01 onwards. Many regulatory framework have been developed and many committees were set up to give suggestions and recommendations for

* Associate Professor, Department of ABST, University of Rajasthan Jaipur, Rajasthan.

** Research Scholar, Department of ABST, University of Rajasthan Jaipur, Rajasthan.