

A PROPORTIONAL INVESTIGATE ON THE EXAMINATION OF INVESTOR TOWARDS EQUITY AND DERIVATIVES

Dr. M.S.Vasu*

ABSTRACT

Most investment avenues in India are called risky by investors. The main investment feature perceived by investors is liquidity, income stability, main amount, approval, and easy ability to transfer. Indian investment avenues such as silver, bank, share, life insurance, postal savings, real estate, gold, etc. are available. The desired return level and risk tolerance help decide the investor's choice. The investment may change from national saving certificates, provident funds, insurance schemes, chit funds, government securities, corporate fixed deposits, equity, bonds, derivatives, and schemes for mutual funds. It can be inferred that each investor is interested in saving extra, adding direct risk to new benefit. This is the main reason why the investor's perception alters when it comes to equity and derivatives investment. There is a lot of confusion between equity and derivatives in the investment avenues and the investment patterns to be decided. The objective of this research investigate is to contrast investors' perception of equity and derivatives.

Keywords: Derivatives, Investment, Savings, Risk, Equity.

Introduction

In any economy, the financial market is the vertebrae of the economic system. Trends in the financial market to assist in the allocation of share capital in the economic sectors. Capital allocation helps to maintain a significant investment and saving environment. India's financial system is more complex than the real system, as it continues to adapt to the economy's altering requests. Throughout India's financial system there are a variety of investment avenues. There are some avenues of investment that tend to yield huge returns, and there are some that do not tend to yield huge returns. In fact, there is always a fluctuating risk associated with investment avenues. Several avenues are highly risky while others are not so risky. These are the two key factors that affect investors' view of the investment in derivatives and equity. Investment is called a great investment when it is capable of satisfying the investors' requests. This is the main reason why investors request to look at the starting point of a perfect investment. When making investment decisions, derivatives and equity are the two investment sources for populace in India. Equity refers to the discrepancy between asset and liability interest. Equity can also be negative if liabilities are more than assets. Owners' equity represents a company's equity that is shared between preferred stock owners. Indeed, the valuation of capital stock depends on the company's economic prospects. The derivative, on the new hand, refers to security with the cost dependent on the underlying assets. Derivatives are also claimed to derive the worth from new sources or assets. Commodities, bonds, currencies, commodities, market indices, and interest rates are the underlying assets from which derivatives derive their worth. The purpose of this research study is to compare investors' view of equity and derivatives. Hyderabad's investors would collect primary data to undertake the research study.

Aim of the Research

The aims of this research study are as follows:

- Comparing and studying factors which concern investor selection while selecting derivatives and equity.
- Comparing and researching investors' view of equity and derivatives.

* Department of MBA, Sree Rama Engineering College, Tirupati, Andhra Pradesh, India.

Concern Remark

The importance of a study in terms of investors' perception of investment avenues does not request to be emphasized. The way an investor perceives Investment Avenue and the factors influencing the investor's perception levels are main investment decision-making issues. Also very critical in investment decisions is the way an investor perceives and mitigates risk in an investment path. Investors' understanding of Investment Path's securities and derivatives is also a main concern. In addition to different demographic factors such as age, experience, income level, gender, investment patterns and occupation, investors' perception of equity and derivatives was also influenced. These are the main factors which create the research study very essential to compare investors' perception of derivatives and equity.

Research Framework

The current research will cover investors' actions towards Hyderabad City's equity and derivatives. It would examine investors' demographic factors and address how these investors make decisions in Hyderabad Region.

Research Hypothesis

H₀: Any significant gender-based diversity in investor investment patterns between derivatives and equity.

H₁: A significant gender-based diversity in the investor's investment pattern between derivatives and equity.

Literature Review

Annaly's is was conducted to determine investors' requirement and preference for investment derivative based on sampling of convenience. It was found that the investors preferred equity schemes for the most part while investing in mutual funds. An examination study was also carried out to analyze the effect of a huge number of demographic factors on investors' approach towards derivatives and equity. The investigate found that 71 respondents had a positive approach out of 200 respondents and 117 respondents had a favorable approach while 62 respondents had a negative approach towards derivatives. Study denounced that most investors were still uncertain about derivatives and were unable to shape any approach or action towards derivatives investment. It was also noticed that most respondents lacked knowledge of different aspects of derivatives.

A research study conducted on the basis of a descriptive study to recognize and evaluate factors that influence investors' perception of investment in India's capital market. Occupation has been identified as a factor that has the most important impact on investors' investment pattern. This has an impact on future risk and uncertainty as well as preference, cash market and future and preference investment size. Besides that age, there was another factor influencing the future and the preferences and cash market. These are the two variables that have been starting to have a significant influence on investor behavior. Investors in the emerging market have enormous scope for capital appreciation and current earnings.

An analysis investigate was carried out on a sample of 200 respondents to examine the level of investor awareness and investment pattern. In order to utilized a pre-test questionnaire. It was noticed that most investors were conscious of the equity investment and its benefits. It further established that the main individuals taking investment decisions for equity were people belonging to the age group aged 19-55 years. The income group was 30,000-70,000 and above along with that. Tax benefits and portfolio diversification for the main factors which attracted investors to invest in equity are also identified.

Examination research also analyzes the influence of different demographic factors such as age, gender, savings, occupation, employment, and income to test retail investors' approaches towards equity and derivatives. The investors were identified as having a positive approach towards derivatives and equity investment. It was also found that mainly investors prefer not derivatives to invest in equity. There were two main reasons for achieving minimum risk on maximum return. In addition to that protection was also an important factor affecting investors' decision-making. A structured questionnaire was also used to analyze investor knowledge about different investment avenues and investment risk knowledge.

It is found that investors' perception has modified due to the enormous driving factors for the growth of derivative markets. The main driving factor motivating the development of the Indian economy's derivative market is improving facilities of communication. New and new investors are looking forward to investing in derivatives because of the improved contact facilities. In addition, long-term investment and liquidity are also the main factors that have helped boost the investors count opting to

invest in derivatives. It is also found that derivative contract volumes have only increased due to these two factors. It is also claimed that, due to Greater Returns, derivatives have increased the investor's interest in taking great risk. It is also found that this is the factor that in India has also improved entrepreneurship.

Researchers have recognized that derivative markets are high regulated and standardized, and this allows a controlled environment and is also related to the fact that huge-risk outcomes result in greater returns. The investors are motivated by taking higher risk because they are going to get higher returns. But, due to derivatives, it also results in earning great profit. This is also an important reason why commodity derivative 10 plays a key task in group cost risk management. There are various forms of derivatives that are commonly used in India, such as swaps forward, preferences, and future.

Research Methodology

Considering the literature, the current examine study is performed as descriptive research investigate. It will also be conducted by survey method to gather investor information in Hyderabad City. To do this, various variables were used to construct a standardized questionnaire. For collecting primary and secondary data, the researcher used simple random technique.

Sampling

For the present research study, a test of 200 respondents from Hyderabad City would be taken randomly.

Tools for Data Analysis

There are a numerous statistical and mathematical tool, but Chi square is the basis of the current research study. The statistical test is performed using SPSS software.

Data Analysis

The present research study's hypothesis has been evaluated using Chi-square fitness goodness check. The case processing summary of 200 study contributors, consisting of both males and females, is given below. The second table shows preferred investment avenues like derivatives, equity, or both and gender. The third table represents the P-worth and the chi-square test.

Summary of Processing Case

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
gender * investment	200	100.0%	0	0.0%	200	100.0%

Table 1: Case Analysis Gender Summary * Investment

		Investment			Total	
		Equity	Derivative	Both		
Gender	Male	Count	48	32	48	128
		Expected Count	48.2	32.6	48.2	371
		% within gender	19.7%	12.9%	67.4%	100%
	Female	Count	21	18	33	72
		Expected Count	21.8	18.4	33.8	72
		% within gender	22.3%	12.7%	65.1%	100%
Total	Count	69	50	81	200	
	Expected Count	69.0	50	81	200	
	% within gender	20.8%	12.8%	66.4%	100%	

Table 2: Chi-Square Test Crossing

	Worth	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.201*	2	.712
Likelihood Ratio	.200	2	.718
Linear-by-Linear Association	.190	1	.442
N of Valid Cases	200		

a. 0 cells (0.0%) anticipated to count below 5. The expected minimum number is 37.44.

Table 3: Chi Square Test**Symmetric Measures**

		Worth	Approximate Signature
Nominal by Nominal	Phi	.032	.717
	Cramer's V	.032	.717
N of Valid Cases		200	

a. Not assume the result of nullity.

b. Using the normal asymptotic error assuming the hypothesis is null.

In accordance with the decision rule to evaluate whether or not the test is important (for Alpha=.05). The P worth is greater than or equal to 0.05 in this implies that the test is not important. This further means that the trading trends of stocks and securities between males and females are not significantly different.

Table 4: Symmetrical Measures

Factors influencing derivatives selection	
Factors	No. of respondents
Complexity	110
Suitable only for big investors	119
Unsafe and risky	132
Low brokerage fees	23
Less speculative	120
Sufficient protection measures	131
Role of SEBI	129
Factors influencing Equity selection	
Factors	No. of respondents
Easy and Traditional	154
Comfort	139
Safe and less risky	168
High brokerage fees	29
More speculative	32
Sufficient protection measures	124
Role of SEBI	147

From the previous table, it is identified that there are numerous factors influencing derivatives and equity selection. It is also found that the reason investors prefer derivatives are because they are low speculative. This is the only and most important explanation why derivatives are chosen. In addition, the investors also found that appropriate protection measures for derivatives are being taken by the regulatory bodies. It's also a big reason for investors to prefer this. For derivatives, SEBI also plays a very main role and its will protect investors. That's also why investors are preferring derivatives.

From the previous table it is identified that there are various factors influencing equity selection. It is further recognized that it is easy and traditional for investors to choose equity. This is the most important reason to choose equity. Also, investors prefer equity because it's easy and any person can invest in it quickly. Another justification for investing in equity is because it is secure and lowest cost. In addition, the investors also thought that adequate defense steps were being taken for equity by the regulatory bodies. It's also a big reason investor are choosing this. In equity, SEBI also plays an important role& its will protect investors. That's also why investors select equity.

Conclusion

The investigation suggests that equity is a superior preference for investors than the derivatives. The study identifies a number of favorable factors that support that equity is a superior preference than derivatives to make investment decisions. There are several favorable factors that make it easier for investors to invest in equity, and because of that investors prefer to invest in equity. Investors are also found to find derivatives new risky than equity.

The study has achieved the goals set at the start. It recognized the factors affecting investor select while selecting derivatives and equity as described above. Furthermore, the research study also identified investors' view of derivatives and equity. It is studied that the investors' perception of equity and derivatives does not vary.

References

1. Vashishtha, A. & Kumar, S., 2010. Development of Financial Derivatives Market in India- A Case Study. International Research Journal of Finance and Economics .
2. Acharya, V. & Richardson, M., 2009. Derivatives: The Ultimate Financial Innovation. NewYork.
3. Sathya, S., 2015. A Comparative Study on Equity, Commodity, Currency Derivatives in India - Evidence from Future Market with special reference to BSE Ltd, Mumbai. International Journal of scientific research and management (IJSRM).
4. Allayannis, G. & Weston, J., 2001. The use of foreign currency derivatives and form market worth. The review of financial studies .
5. Saravana, S., 2010. An Analysis of Investor Preference Towards Equity and Derivatives. The Indian Journal of Commerce, 63(3), p.71.
6. Bandivadekar, S. & Ghosh, S., 2003. Derivatives and Volatility on Indian Stock Markets. RBI Occasional Papers, 24(3), pp.12-28.
7. Sarangdevot, S. & Rathore, Y., 2014. Growth & Future of Derivatives in India: A Study. Int'l Journal of Computing, Communications & Instrumentation Engg. (IJCCIE) .
8. Chawla, D., 2014. An Empirical Analysis of Factors Influencing Investment in Mutual Funds in India. Global Business Review, 15(3), pp.493-503.
9. Sahadevan, K.G., 2002. Derivatives and Risk Management: A Study of Agricultural Commodity Futures in India. Research Project Report, Indian Institute of Management, Lucknow.
10. Karthikeyan, S., 2014. Investors Perception towards Investment. International Journal of Informative and Futuristic Research, 1(9), pp.55-67.
11. Sah, A.N. & Omkarnath, G., 2005. Causal Relationship between Futures Contracts and Volatility of the Spot Market: A Case of S&P CNX Nifty and Nifty Futures. ICFAI Journal of Derivatives Markets, 2(2), pp.64-71.
12. Kathuria, L. & Singhanian, K., 2010. Investor Knowledge and Investment Practices of Private Sector Bank Employees. The Indian Journal of Commerce, 63(3), p.79.
13. Kumar, B. & Pandey, A., 2009. Role of Indian Commodity Derivatives Market in Hedging Cost Risk: Estimation of Constant and Dynamic Hedge Ratio and Hedging Effectiveness. 22 Asralian Finance and Banking Conference 2009.

14. Nelson, J., Moffitt, J. & Graves, J., 2005. The impact of hedging on the market worth of equity. *Journal of Corporate Finance*.
15. Nath, G.C., 2003. Behaviour of stock market volatility after derivatives. NSE Working Paper.
16. Bhatt, K. & Bhatt, K., 2012. Effects of Investor Occupation and Education on Choice of Investment: An Empirical Study in India. *International Journal of Management*, 29(4).
17. Roztocki, N. & Weistroffer, H.R., 2004. Evaluating information technology investments in emerging economies using activity-based costing. *Electronic Journal of Information Systems in Developing countries*.
18. Kuemmerle, W., 1999. The Drivers of Foreign Direct Investment into Research and Development: An Empirical Investigation. *Journal of International Business Studies*.
19. Reddy, Y.V. & Sebastin, A., 2008. Interaction between Equity and Derivatives Markets in India: An Entropy Approach. *ICFAI Journal of Derivatives markets*, 5(1), pp.18-32.
20. Bhavani, G., & Shetty, K. (2017). Impact of Demographics and Perceptions of **Investors** on Investment Avenues. Available at SSRN 2980205.
21. Boda, J. R., & Sunitha, G. (2018). Investor's psychology in investment decision making: A behavioral finance approach. *International Journal of Pure and Applied Mathematics*, 119(7), 1253-1261.
22. Gupta, M. D., & Mokshmar, P. (2017) FACTORS AFFECTING THE PERCEPTION OF INVESTORS TOWARDS EQUITY AND DERIVATIVES IN INDORE CITY.
23. Islamoğlu, M., Apan, M., & Ayvalı, A. (2015). Determination of factors affecting individual investor behaviours: A study on bankers. *International Journal of Economics and Financial Issues*, 5(2), 531-543.
24. Dr. M.Babu, Dr.J.Gayathri, Dr. G.Indhumathi, R.Muneeswaran, (2020) Investors Behavioural Pattern in Equity Market, *Solid State Technology*, Volume 63, Issue 2s.

