CHAPTER – 2

LITERATURE REVIEW

2.1 Introduction

In Chapter 1 we have seen the derivative financial market and also traced the progress of various regulatory reformations India has brought in for speedy development of the derivative market. This chapter covers various existing literature regarding the investor protection of derivatives and find out whether any gap exists in the regulatory framework designed for the derivatives market.

This chapter is split into three sections. Section one deal with literature in the global scenario and section two deals with literature in the Indian context and the section three pinpoint the gaps in the earlier literature and put in place the need for the present study.

2.2 LITERATURE REVIEW IN THE GLOBAL SCENARIO:

The international organization of securities commission has been taking various measures since its inception to provide the best international practices, evaluations and perspectives on international derivatives circles. The overall objectives of the any regulation are to take
care of the existing and/or potential investors so that they can carry on their investments without any worries and difficulties. It can protect various ways including the protection of fraud and insolvency of the other participants.

As per (Greenspan 1997), every market faces different regulatory problems and certain times, the participants themselves creates regulations according to their convenience. The main question here is whether to regulate the market by Government or not. And also really the government intervention in this regard will weaken or strengthen the private regulation is the paramount question faced by various regulatory agencies. The moment the participant understands that the authorities are protecting their interests and making appropriate laws for them for not making any partiality, then investors would be more confident and they will follow the existing laws prevalent in the market place.

The Greenspan further says that very good balanced standard regulation is a must for any countries if they want to create a very good quality instruments and trading practices so that the market participants would be more confident for trading with their counterparties. According to him, the normal practice is that to create common regulations for every one for all situations. The problem here is that the highly experienced and powerful participants will take undue advantage of the weak regulations of various
countries and ordinary investors will suffer the most. The smart investors are looking for opportunities for every time and the moment, they come to know that the particular market places are regulated by private regulations; they will use that opportunity for their favor or their benefit. The regulators should consider all this properly for making the objectives of the regulation.

The Economist (1998) says that investor confidence has got paramount importance in the current situations. Therefore, at the time drafting regulations, regulators should consider all the points properly so that global participants shall not face any difficulties in trading. The more global players in the derivative market mean that more economic development of that particular country.

Lazzarini and Mello states that investors should know that the different between Private and Government regulations. Those who are advocating private regulation has to show the merit of the said regulation and why the government regulations are not required. Those who are advocating the Government regulation should come with its competencies. However, he says that it would be better to have Government regulation with various investor friendly modifications than private regulation and Government should consider merit of the case one by one at the time of proposed amendments.
Lazzarini and Mello also says that before changing any sort of regulations, the particular authority should study at least two regulations already existed, so that it can understand that what are the various reasons for the regularity failures and accordingly it can solve the inefficiencies by creating appropriate amendments or changes. In the normal condition, the institutional situation of the particular country must be taken into consideration before making any type of regulation.

Lazzarini and Mello further say that if we study properly, we can see that various regularity failures regarding the Government regulations. It includes the expenses to run regulatory agencies, to create the credibility of the proposed mechanism, constraints of financial innovation and to collect information and to monitor markets.

International Organisation of securities commissions clearly states that for getting success and integrity for any type of market, the effective regulation is compulsory. It will help all the participants in the market and it should be easy for all the participants to follow the same regulations everywhere. Unclear regulations will threaten the integrity of the market deeply and it will destroy the economic development of the country.

Hathaway 1998 mentions that there are lot of points which contribute for the success or failures of any type of markets. There are no particular clear cut points to follow so that any regulator could make water tight regulations. Before making any type of regulations, law makers should
clearly understand the market culture, depth of the market, regularity framework, financial infrastructure and potential behavior of the market participants.

**Joseph Oliver** (2002) contemplates the steps taken by the Canadian Government to enhance investors’ confidence and to develop healthy capital market and also the significance of regulatory and intermediaries in capital market for protecting corporate governance. He further says that if any market has to flourish, then it requires investor confidence and most of the time investor confidence developing because of the various reasons includes proper financial reports the companies, proper compensation package of the top level management and clear corporate governance. He also states that the companies should avoid for giving information so that it can avoid for the reason for the insider trading other illegal ways of trading.

**McCall 2002** says that investor confidence and accountability of the corporates are the main points a government must consider before finalizing any reforms in the dynamic capital markets. It will create financial market more clear and stable and accordingly the well-being of the country shall flourish.

**Lee Hsien Loong** (2000) deeply studied the importance of investor confidence in the Asian Countries. In his study about Asian countries regarding the investor confidence, he clearly understood that social,
economic and political conditions have plays paramount influence for creating investor confidence. The banking sector reforms are the other sector every Asian country must consider for creating a good healthy capital market.

**La Porta et Al, 1998** indicates that poor investor protection limits access to finance and it has also the effect of reducing competition. Therefore, any conditions which foster financial development may indirectly favour competition in derivative market.

**Bumgarner and Pime in 2000** have observed that various government policies have clear cut affect for the capital mobility and confidence of the investors. He has also observed financial flows at the time of Chinese Sovereignty during the transition period relating to Hong Kong.

**Brian J. Porter (2005)** indicated that the unregulated market certainly fail to protect investors money which prompting them to take their capital somewhere else. At the same time, the over regulated market could easily stop growth, innovation and efficiencies. According to him, the actual requirement is balanced regulation not too loose and not rigid.

**International Monetary Fund 2000** pointed out that importance legal authority to enter into any sort derivative contracts. It is important that to check the authority of persons who signs the derivative contract. It is a very dangerous compliance issue and contracts are not enforceable by
law if it is signed by unauthorized persons. It will lead to tremendous financial loss to the banks and financial institutions. So legal authority plays important role particularly when signing contract with international and Indian clients.

Hentschel and Smith 1995 pointed out that the probability of default especially in Swap contracts. There are number of settlement dates in the swaps agreement and there are a probability of default with any of the counterparties at the time of settlement. So it is better to have suitable remedies or precautions in advance especially when contracts are with international clients to avoid financial exposure to that extent.

Bhaumik 1998 categorically mentions the importance of credit risks. Normally the derivatives trades take place through two ways. One is through the Over the Counter Market and another is through the recognized Stock or Derivative exchanges. There are no credit risks when we deal with Stock exchanges. But there is considerable default or credit risk when we deal in OTC Markets and therefore, normally banks and financial institutions will enter into contract with high net worth and/or highly rated clients.

Norton 1994 states the importance of financial capacity of participants when they deal in derivative transactions. Especially in the case of corporate clients, the clear cut policies and systems are important factors in derivative trading. Normally, corporate clients will not have problems for
money. If it is there, then they have to keep enough financial buffer to fight against adverse situations in the market.

Melamed 1997 says that importance financial literacy required especially for the directors and important mangers of the company. This will reduce most of the losses. It will also help them to implement proper risk policies in place if they have enough training and knowledge of the product and legality of the situations. The issues regarding the transparency, strengthening the financial system and managing crisis are very difficult to fix and all of these require a long term strategy of promoting growth and regulating the market place. Moreover, the companies with no earning record will subsequently enter into the market and their main objectives were profit making out of inflated price. In this situation, the small investors will lose their confidence in the market.

The financial market in FY 2008 was hit by turmoil in the credit crises which took a toll on the financial markets across the globe. However, in FY 2009, global future and options demand returned to rapid growth as more and more people invested in the capital market.

As per(ISMR Report, 2012), today, two-thirds of the total derivative markets have been adopted by financial derivatives itself. Out of these, one-third of the market is occupied by the equity indices as of 2008 statistics. Region wise analysis reveals that 40% of the total global derivative trading population is occupied by North America, which is
followed by Asia-Pacific region which accounts for 28% of the total derivative market.

Analyzing the global trends, it was observed that one of the most powerful drivers of increase in the sales of exchange traded derivatives was the currency sector which observed a percentage growth of 142.0% in year 2010. However the currency derivative market saw a dip of -22% in year 2012 (Acworth, 2012, Futures Industry Annual Volume Survey, 2011), this followed by the growth in the agricultural derivative which grew at 40.73% which also dipped in FY 2012 reflecting percentage change of 27.5%. This is followed by a growth 39.2% in the non-precious metal trading volume in 2009 and registered a change of 27.4% from the previous year in 2012 (Acworth, 2012, Futures Industry Annual Volume Survey, 2011).

The growth rate in Asia was nearly 39.8% followed by North America which registered a rate of 32.2% and Europe (19.8%) in 2009. In terms of contracts traded in FY 2012, change in terms of market is observed, where the Asia-Pacific region occupies, 35.6% and 1.9% including others exchanges (Dubai, Israel, South Africa, and Turkey) (See Chart 2..2). Most of the contribution in the Asia Pacific region was from India, China and Korea.
2.3 LITERATURE REVIEW IN THE INDIAN CONTEXT

The first instance of equity trading hails back to the eighteenth century, when securities of East India Company were traded in the country under British leadership. However, the trading structure was mainly unstructured until late nineteenth century. There were two main trading centers, Bombay (Now, Mumbai) and Calcutta (Now, Kolkata). Bombay however can be regarded as the main trading center wherein initially shares of the banks were the stocks which were mainly traded.
During the American Civil War, (1860-61), trading flourished in Mumbai as it was an important source of cotton and high demand of cotton resulted in boom in the share prices. After flourishing in the market for nearly half a decade market saw a major slump in year 1865. Also the Britishers didn’t want the Indian economy to flourish therefore they didn’t make any efforts to develop and organize the Indian capital market. At that point of time the investors depended mainly on London Stock Exchange (LSE) funds.

At this point of time trading was limited to only handful of brokers and there were no up-scale offices where trading could be done. However, these stock brokers formulated an informal association in year 1875 which was named as “The Native Shares and Stock Brokers Association”, Bombay. Later the industrial and trading centers of Calcutta and Ahmedabad also materialized. Under the Bombay Securities Contracts Control Act of 1925, Bombay Stock Exchange (also known as BSE) was recognized in year 1927 (Mishra, 1997, Rambhia and Ashok, 1997; Bhatt, 2003; Chatt, 2005 and Pathak, 2011).

Post-independence, the Indian economy took many years to organize and develop its capital market. This is because for the first two financial years, the policies of the government were focused on the development of the Indian agricultural sector and public sector undertakings. The shares of public sector undertakings were not listed on the stock exchange although they were healthier than the private sector undertakings. The Controller of
Capital Issues (CCI) handled every aspect of private sector undertaking like timing, compositions, interest rates, floating costs of new issue.

The tough and strictness in regulations halted the growth of Indian capital market for many years. This also demotivated the companies in releasing public interest litigations for almost 40-45 years (Mishra, 1997, Rambhia and Ashok, 1997; Bhatt, 2003; Chatt, 2005 and Pathak, 2011).

In 1950s, companies like, Bombay Dyeing, National Rayon, Tata Steel, Kohinoor mills were some of the companies whose shares were brought by the speculator class of the brokers. The stock market at this point of time was also known as “Satta Bazaar”. In order to regulate the stock markets, government passed the Securities Contract Act in year 1956. Also simultaneously the company’s act was enacted in the same year. This decade also marked the establishment of development of financial institutions and state financial co-operations (Mishra, 1997, Rambhia and Ashok, 1997; Bhatt, 2003; Chatt, 2005 and Pathak, 2011).

The equity derivatives market was introduced in India, in year 2000 after the recommendation of L. C. Gupta Committee. Since its inception Indian Derivative market has seen immense growth and the growth is continue to grow for years to come. The growth has been observed both in terms of volume and also in terms of traded contracts.
Chitale 2003 mentions that as per the guidelines of SEBI, all the foreign institutional investors must register their company in India if they want to start trading in India. However, the number of FIIIs currently is very negligible in Indian capital market; they have been increasing their investment and presence in the equity derivative market day by day.

Lee 2004 states that even foreign players not registered in India can do the derivatives trading provided they can use their local partners as a registered entity.

Sarkar A 2006 stipulatesthat IRDA does not have any sort of regulations for the use of the derivative products by Insurance companies. According to him, the non- financial companies have certain advantages as far as the regulation is concerned.

Jayanth M Thakur 2000 communicated the implications of derivatives and the derivatives can be used for safeguarding oneself against the potential risks. Therefore, it is widely acknowledged by all including the SEBI committee on derivatives that a considerable degree of speculative activity in a market for derivatives is necessary and without this a proper market in derivatives cannot operate successfully.

The international organization of securities commission has been time to time introduced various reformation for screen based trading in the derivative market. It has benefitted the derivative industry
tremendously because it was mainly intended clarify the problems in regularity and compliance issues. It has also brought in various international legal standards, disclosure provisions and risk management tools reviewing continuous basis so that any country can adopt the same according to their needs.

As per the Acworth W., 2012, Futures Industry Annual Volume Survey, 2011, the main drivers of growth in India were financial contracts, and foreign exchange contracts. Also an increase in the growth of equity derivatives, the National stock Exchange occupied second position after NYSE Liffe Europe on the basis of number of single stock futures contracts traded in 2010. However, in terms stock options contracts traded in 2010, India’s NSE didn’t acquire any position among the top five exchanges. In this category, CBOE occupied the first position. In terms of stock index options, NSE occupied second position after Korean Exchange and in terms of stock index future; NSE occupied third position after CME group and Eurex.

According to Sarkar A 2006, the main participants of the equity derivatives market which accounts for more than 60% is occupied by the retail investors and the credit for the popularity goes to retail investors. Another reason for the rise of retail investors is that the size of the future contracts is small which attracts many small time investors.
According to Vashishtha and Kumar, 2010, in the derivatives market, there are three types of investors. The first one is the Hedgers and their main intention in trading in the derivative market is hedge their business risks. These types of traders are already in the business which has tremendous exposure particularly in the foreign exchange or interest rates. If they do not hedge properly, there may be potential risks which lead to exorbitant losses in their business. Therefore, they are very active in the derivative trading which helps them to hedge their potential risks.

Other type of traders is Speculators. Their main intention in the derivative market is betting thinking that future movements would be very much favorable to them. These types of traders are ready to take risks but some time, they will make tremendous losses. However, these types of traders are required in the market, because they provide liquidity in the market.

The third and last one is Arbitrageurs. These type of traders will not take any sort of risks. They will watch the market continuously take the advantage of discrepancies in the prices of similar commodities/assets or same commodities/assets in different markets in order to lock their profit which every market is growing.

Reserve Bank of India has many important functions and objectives and one of main function is regulation of the capital market. Their regulatory
actions help the primary dealers to raise fund from the RBI and accordingly it can help the market participants by creating enough liquidity in the market. (RBI Official Website).

After the enactment of the SEBI Act on year 1992, SEBI got statutory status. Their main priority is that to protect the investors by enacting various investor friendly regulations and also to encourage potential investors in the derivative trading so that it can develop the best capital market in India. (SEBI official website; SEBI Annual report, 2001-2012):

The functions and powers bestowed upon SEBI are through Securities Contract Regulation Act (SCRA). While some other functions are delegated through the Companies Act, its main areas are making proper regulation in place other registration process. Other than that SEBI has the power to issue directives and also inspect the books and records and if any discrepancies are found they can even cancel registrations (SEBI official website; SEBI Annual report, 2001-2012).

**R. Venkataramani 1994** technically revealed the uses and dangers of derivatives. According to him, the derivative products can cause to a dangerous situation to the investors if its full implications are not clearly understood by them. Since it is an off balance sheet item in nature most of
the time and variety of derivative products are traded than the cash market and investors suffer heavily due to their sensitive nature.

**Akash Josh 2000** assessed the benefit of derivatives in reducing risks. According to him, derivatives allow an investor to hedge or reduce risks. Sometimes, it tends to confuse investors due to their sophisticated nature. However, the leverage that the derivatives offer to any traders, investors or speculators is enormous. Because of the use of derivatives, the volatility of the market also gets neutralized tremendously. In his conclusion, he clearly stated that while the judicious one stands to gain from it, and a person who fails to understand it right could land up burning his fingers and make huge losses. He further states that in the opinion of a majority of ordinary investors, the regulation of the Indian stock market was largely unproductive in protecting investors and ensuring fair dealing and systematic markets. According to him, approximately 70% of the sample household heads across all income and age classes said that the Govt/Sebi measures for protecting investor’s confidence are not adequate.

**Gokaran (2000)** has organized a survey using questionnaire method in all India bases. His entire study was fully based on primary data. According to his survey, it was quite clear that existing investor protection agencies like SEBI, investor Guidance cell and RBI were come to realize as time consuming, costly and hostile. With the purpose of meeting investor’s
expectations, working style of those agencies needed to be evaluated with respect to grievance handling methods and procedures so that it become more reliable, investor friendly and well organized.

The worsening of this problem compared to 2001 meant that the regulatory measures against corporate malfeasance and mismanagement were absolutely inadequate. A need was identified for more drastic reform of the corporate governance system from the viewpoint of its accountability to the “minority” shareholders. This also meant that SEBI prescribed corporate Governance code had absolutely no effect.

Dr. K. Santi Swarup conducted a survey in December 2003 regarding the investor confidence and said study was based on questionnaires administered to investors in ten cities of India. A subsequent survey was carried out by Dr. L. C. Gupta, Naveen Jain, Utpal Chaudhary and Sacgut Gyota (2004), an interim report of which was submitted on October 1, 2004. The purpose of this study was to deepen understanding about investors’ protection and needs. The sample size was 5908 household heads spread over 90 cities/towns across 24 states/union territories. This study was based on two partially overlapping questionnaires, one which was filled through personal interview and other being a supplementary questionnaire sent through post along-with a business reply envelope.
The major findings of the study were:

About 30% of the respondents mentioned too much price volatility as the top-most worry facing the Indian Capital Market. The second most worry was named as too much price manipulation. One out of every five investors named this as a big worry. The third most important worry was named as corporate mismanagement/fraud. These factors have been persistently the top three worries in all previous surveys conducted by SCMRD earlier. However, more than half of the respondents were positive about the efforts taken for improving corporate governance. 38% of the respondents were investors in delisted companies. Also, once companies are delisted, they get away from the purview of SEBI.

Many of the small investors have remained outside the share depository system. In his speech on August 13, 2003 during the seminar “Indian Securities Market: New Benchmarks”, Mr. G. N. Bajpai indicated that he sees disintermediation in the coming years. Investors can deal directly with stock exchanges and brokers would be redundant.

And with the speed at which integration of the markets in the world is happening, there would be only one or two clearing houses in the entire world. Tomorrow’s investors would not be perceived as investors but as buyers of financial solutions. Dr. Kirit Somaiya in his doctoral thesis studied the existing regulatory framework of the capital market. He
interviewed twenty six experts and authorities of the finance and capital market. The future of capital market, the role of retail investors and a roadmap for achieving better investor protection by 2020 has been studied.

Sucheta Dalal, the famous columnist has also written extensively on the capital market and investor protection. She wrote on the 6th June, 2003 about her speech made at the CII (Confederation of Indian Industries) National Conference on April 9, 2003. She pointed out that the best of corporate groups have intention to cheat investors by giving insufficient moneyspecially during mergers and takeovers. The largest private sector companies have brazenly indulged in price manipulation and sometimes insider trading. Leading companies have found obnoxious loopholes or used the opaqueness of Sec 391 of the Companies Act to leave retail investors in the cold. It is because of inadequate supervision, not having strict accountability and appropriate punishment to the culprit.

According to her, the retail investors are the worst sufferer and the same shows that the declining level of investors in the security market. She further says that as far as the China is concerned, the new investors coming into the trading circle are very high placing India far behind in the growth of new investors even if India has got advantage of more than 135 years of old stock exchange existence.
She states that the basic problem is that investors are not organized and cannot put up a common front. A bigger problem is that the popular corporate view is that investors require no protection: that they are all greedy operators who rush to buy when prices are at the highest and whine when they collapse.

In order to educate these small investors, she argues that many more investor associations need to work in the country and they are not recognized by SEBI because they need some money to commence operations, establish a record of accomplishments. Litigation is also slow and an expensive process and even if the court has ruled in favour of the investors, the relief and costs granted to them are so niggardly that they only act as a deterrent to investor litigation.

**Sahoo 1997** categorically states that for functioning of any derivative market properly, without having any sort of failures, the regulators role is very much critical because proper regulation has got paramount importance for the efficient functioning of any sophisticated stock market. According to him, the efficient market is a backbone for easy functioning of any sort of derivative market. Accordingly the regulator shall not make any restriction for the investors instead of fair competition.
A study conducted by *Ministry of Company affairs (2004)*, regarding the perceptions of household investors. The research study indicates that most of the investors do not believe that Indian companies are honest and sincere towards investors.

The results also reflect that investors cannot rely on auditors and regulatory bodies in preventing financial irregularities. Since the investors can neither rely in regulators and developers, they have to be more careful with their investments (*Ministry of Company Affairs, 2004*).

Again in 2005, *Ministry of Company Affairs* conducted a study funded by Investor Protection Fund to find the irregularities in the investment market. It was found that nearly one of the sample investor populations had invested in delisted companies. What does this reflect? This clearly reflects that respondents were not educated and didn’t check the information which is given on the investor protection site of SEBI. The negative perception of investors was seen in the subsequent of the previous study discussed as well. However, authorities indicated that they would now be more careful and make efforts to improve corporate governance (*Ministry of Company Affairs, 2005*).

*Allen et al (2006)* conducted an empirical study to study investment protection in India. The study was conducted on the investors of New Delhi and Hyderabad. As per their analysis, investor protection practices in India are very poor. Also they indicated that investors generally relied
on their family and friends for advice related to where they should invest so that they do not incur any losses. He also pointed out about the lack of information among the investors which is important for the effectiveness of investor trading.

Since the great recession of 2008 which had hit the entire world and their economies, it has been five years, and regulators and policy makers are scratching their heads to come up with policies that would strengthen the financial system so that another such crises does not arise. According to him, Indian Derivative market is in the declining stage even if lot of development in the capital market relating to regulatory framework. However, we can see some sort of positive effect regarding the recovery of the market despite making enough loss in the past. However, there are many issues and challenges which the Indian financial market faces and the regulatory bodies should focus on resolving these issues (Narayankar, n.d.). According to him, inefficient flow of information and ineffective corporate governance can lead improper functioning of the market. It is mainly because of lack of investor education and proper infrastructure. The legal mechanism system should be activated by the regulatory bodies in order to protect small time investors. The trading system and market information must be more transparent so that investor will not face difficulty for efficient trading and in turn, it will make market more liquid and market will become highly efficient.
He further says that derivative market today going through tough times mainly because of price manipulation and insider trading. To remove this type of activity from the market place, the regulator has to take bold actions including setting up proper monitor and surveillance system.

Recent years phenomena is that the world has become very small due to cheap communication systems and internet and the effect of the same can be seen in the form of consolidation of world market and merging of the stock markets. So well connected stock market and the banks will create easy way for the payment and can bring down the effect of the scams considerably and the regulators have to come with a uniform regulation so that all the investors can do the trading without considering any boundaries of the countries. Internet trading has been integrated in the system in India as well and regulatory committees have formulated many requisites so as to improve the financial system for the protection of investors.

In India, 79% of the populations who have invested in the capital market have invested in derivatives and equities. This percentage is not small, and therefore measures should be taken to improve investor education and protection. However, empirical studies reflect that investors are not satisfied with these measures. Since recently no study has been
conducted which can take an overall viewpoint of derivative investors in India, therefore, this thesis would be able to fulfill that gap properly.

2.4 Conclusion - The Gap

All the above studies conducted by various research institutes, agencies and researchers have tried to analyze why investors are disenchanted, how they make decisions, what needs to be done for revival of investor confidence? But these have not covered what roles the SEBI has played in the capital market to really protect the rights and interest of the retail investor? Are the safeguards and measures taken by SEBI to protect these investors perceived as enough? These are some questions this study attempts to find answers to.

Almost all the investments in the capital market are risky and the amount of risk involved as well as the methods of reducing risk should be known first. This can be understood in terms of legal provisions, agencies for redressal of grievances and available avenues for investor protection. The role of investor Grievances Cells in stock exchanges and Company Law Board should be made clear to the investors for protection against malpractices of brokers and companies. However, some of the uncontrollable factors and unavoidable risks in investment should be understood by the investors before making any investments. Very few studies have been carried out on this aspect. SEBI's role as a protecting of investor and regulating the various
intermediaries and other entities have not been studied well and therefore, I have taken up this study.

Another gap in the above studies is about investor education which is of utmost importance in protecting the interest of investors. The basic objective of investor education is not only helping investors in protecting but also making them aware of their rights and responsibilities. Therefore, it should be comprehensive enough covering all the components of primary as well as secondary markets.

The main important factor is that the investor should know the technique of choosing a broker, placing an order and get it executed and they should be informed about the legal basis of the markets, institutional framework, and settlement of clearing process of the stock market.

There are plenty of seminars and booklets published by SEBI, BSE, NSE, RBI and investors associations for guiding investors. But these have not been studied in a comprehensive manner and hence this study has been taken up. It can be seen from this chapter that a lot has been written, surveyed and examined in the Indian Derivative Market. However, there remain some gaps which this study aims to fill in.