CONCLUSION

8.1 Introduction

The Chapter 7 presented the outcome of respondent data collected through quantitative questionnaire which helped making revelations regarding the trading behavior of the retail investors in Mumbai.

This chapter presents the conclusions established on the research questions and also presents recommendations of researcher specified to improve overall structure of Indian derivatives market. It is extremely important that conduct of these markets is in an orderly manner. A number of factors have contributed towards the inception and growth of derivatives in the Indian market. However, there have been certain challenges as well which have plagued the growth like; risks, scams, fraudulent intermediaries. This led to the establishment of regulatory body like SEBI, which have following motives; market integrity, systematic safety, and investor protection.
The prominent emerging trends which were seen after the primary and secondary research are that investors are becoming market savvy; they are extracting information from different resources which in turn has revolutionized the way in which transactions are carried out in the security market. Investor’s today are aware of their rights and have been using them to resolve the issues they face during investments. Most of the investors use hedging and speculative techniques when investing in the market.

In future, one can predict that Indian Capital Market would grow to vibrant heights and may also attain a leading position in the world financial system. Organizational changes in the stock markets would further instill confidence among the small time retail investors. Further introduction of exotic products would boost the Indian economy as well.

There have been various factors which have contributed towards the growth in the derivatives operations market like; Volatility in the prices of assets, financial market integration as per the markets of international on global platform, significant Improvements in the system of communication and its lower level costs and sophisticated tool for the risk management which provides wider choice to economic strategist, innovation in the development of derivatives market (Gopinath, 2010).

There have been a number of scams in the Indian Capital market which led to the development of cells which specifically deal with investor
protection and grievance redressal. A number of acts and ordinances have been passed since Indian independence in 1947 for the protection of investors.

The SEBI is controlling the Indian equity derivatives market. The main functions of SEBI are; protection of investor through regulation and also encourage the development of capital market. Its main objectives are; maintenance of conducive environment, encourage education among investors, and development of infrastructure. Its main function is regulation of stock exchange, stock brokers, investor, intermediaries, and makes rules and regulations with changing times, and adjudication.

SEBI conducts prescribed process and takes appropriate action against the fraudulent company. Also the complaint redressal system is available online for the convenience of the investors. They impose penalty against the fraudulent, and adjudicate them if proven guilty.

8.2 Conclusion

The researcher presented the overview of the derivatives and type of derivatives currently operational in Indian and world market.

There are two well-defined groups of derivative contracts and the derivatives normally traded on over the counter as well as exchanges. In the over the counter market, the trading taking place with two parties
directly and exchange traded derivatives are concerned, the trading take place in the various stock exchanges. Forwards and swaps which help in hedging risk, and are also flexible in nature. In India, different derivatives instruments are permitted and regulated by various regulators.

The researcher elaborately reviewed concerned literature and is divided into three sections. Section one deals with literature in the global scenario and section two deals with literature in the Indian context and whereas section three identifies certain gaps in the earlier literature and suggests the need for the present study.

As far as the research methodology is concerned, this segment of the thesis particularly aims on the research methods and positivism research paradigm and researcher tries to study the casual relationship variables and influence of these variables on investor’s perceptions and investment behavior. In addition to positivism, quantitative research methodology has been applied. Survey method was used to collect information, and both primary and secondary data was utilized for analysis and conclusion.

The Growth on Indian Derivatives Market starts with the history of origin of derivatives in India, which was full fledgedly launched in the year 2000. Trading has existed in India since British rule. Cotton was the first commodity to be traded in modern independent India. Presently there are four equity derivative products and there are currency derivatives and interest rate derivatives. Of these future contracts are most popular among
the masses.

The Need for the Investor protection in Derivatives Market discusses the advantages and challenges of investing in derivatives market. Advantages include; redistribution of risks, increase in credit availability, diversification of portfolio and protect the investors from exposure to external influences.

The researcher gave an overview of the different regulatory actions undertaken by SEBI in order to redress the grievances of the investors. Next an overview of the different programs under NISM like the projects initiated by various institutions and Schools for Certification of Intermediaries have been discussed.

The researcher also shows the result of analysis conducted on or about 300 investors in Mumbai, India. The researcher analyzed the demographic profile of participants including their educational qualification, gender, age. Professional background and annual income. The respondents across 18-60 years were subjected to the survey. Majorly, 180 respondents in the sample population were aged between 36 to 45 years corresponding to 60.5%. 63 respondents equal to 21% pointed out that they were aged between 46 to 55 years. 32 respondents i.e. 10.5% were in their mid-age falling in 26-35 years age bracket. 16 respondents were the most aged, aged 56 years and above and remaining 9 respondents were fairly young falling in 18-25 years age bracket and corresponding to 5% and 3% respectively.
Statistical analysis in terms of gender reveals that, more males in comparison to females generally invest in the derivatives market. 232 respondents of the sample population were males against 68 females corresponding to 77.5% and 22.5% respectively.

The respondents were asked about their professional background in order to determine which category of people generally invests their money in the derivatives market. The statistical analysis reveals that more working service professional invest in the securities market in comparison to businessmen. 191 respondents of the sample population were doing service followed by 78 business persons corresponding to 63.5% and 26% respectively.

On analysis the responses towards annual income of the respondents, nearly half of the sample population i.e. 146 respondents indicated that they earn between Rs. 2.5- Rs. 5 lacs per annum corresponding to 48.5% of the total sample population. 66 respondents indicated that they earn Rs. 6 lacs to Rs. 15 lacs and 67 respondents indicated that they earn more than 6 lacs corresponding to 22% and 22.5% respectively. Remaining 21 respondents i.e. 7% indicated that they earn less than Rs. 2.5 lacs.

The respondents were asked about the duration of time they have been trading in the derivatives market in order to analyze their level of experience with respect to trading. 177 respondents indicated that they have been investing for nearly 3-5 years corresponding to 59% of the total
sample population. 70 respondents i.e. 23.5% indicated that they have been investing for more than 10 years.

When asked about the category of derivatives in which participants traded, majorly 209 respondents indicated that they traded in equity derivatives corresponding to 69.5%. Apart from that 56 participants pointed out that they trade in currency market and 35 respondents indicated that they trade in commodity market corresponding to 18.5% and 12% of the total sample population.

When the respondents were asked about their style of trading, majorly 182 respondents indicated that they prefer hedging corresponding to 60.5% of the total sample population. This reflects that most of the traders want to play safe.

Out of the remaining respondents 62 respondents indicated that they prefer arbitrage style while 56 respondents indicated that they prefer speculation corresponding to 20.5% and 19% of the total sample population.

The response to the respondents were towards their risks and fears when investing in derivatives market, majorly more than half the sample population i.e. 109 respondents indicated that they fear the slump in market corresponding to 54.5% of the total sample population. 47 respondents indicated that they fear that the company may shut down and
they would lose their money and 44 respondents indicated that there is no certainty in results which is another factor which increases the overall risk corresponding to 23.5% and 22% respectively.

The top reasons which were signified by the respondents for investing in derivatives market were profit (289 respondents (96.5%)), investment leverage (287 respondents (95.5%)), and wider variety of products (255 respondents (85.5%)) in the derivatives market. Other reasons which were indicated by the respondents were; hedging (247 respondents (82.5%)); high rate of return (222 respondents (74%)), longer trading hours (216 respondents (72.5%)), arbitrage (210 respondents (70%)) and liquidity in market (210 respondents (70%)).

The response towards from whom investors take advice for investing in stock market, majorly 153 respondents indicated that they consult stock brokers corresponding to 51% of the sample population. 75 respondents indicated that they have hired professionals and research analysts from equity research firms who manage their portfolio corresponding to 25% of the sample population. 33 respondents i.e. 11.5% indicated that they research on their own with the help of financial websites which represent the data of different sectors which can be analyzed if one is experienced.

The respondents were asked if they have ever incurred any loss due to investment in the derivatives market. To this while 222 participants
accepted and it was 74% of the total sample population. While remaining 78 participants not agreed and it was upto 26% of the total samples.

Response towards awareness regarding derivative market activities in Indian capital market, 285 participants accepted and 48 participant accepted strongly and they were clearly aware of the derivative market activities in ICM corresponding to 55.5% of the sample population. 33% respondents disagreed and remaining 11.5% respondents maintained a neutral stand.

The conferences and seminars relating to trading in derivatives market whenever I get time is related, majorly 54.5% respondents disagreed that they ever attend any conferences or seminars related to trading in derivatives market. Only one third of the respondents indicated that they have attended these seminars. Remaining 10% respondents maintained a neutral stand.

When asked if respondents consulted financial institutions, brokers, intermediaries and financial service companies majorly 64 respondents agreed with the statement. 26.5% participant not agreed and 9.5% participants taken a neutral stand.

The respondents were asked if the number of programs, their duration, course structure etc. were adequate or not. To this out of 151 respondents 52 participants pointed out that they were adequate while 42 participants pointed out that they were highly adequate compared to 62.4% of the total population which is aware of these programs.
On the other hand in all 46 respondents indicated that these programs were highly inadequate corresponding to 30.7% of the sample. Remaining 11 respondents i.e. 6.9% maintained a neutral stand.

Out of 300 respondents, 259 respondents indicated that they were aware of the existence of regulatory bodies which have been employed by the government for the protection of investor corresponding to 86.5% of the sample population.

Remaining 41 participants however, not agreed with comments compared to 13.5% of the total population. These 259 participants are then enquired if they are also knows the acts that are being passed for the protection of investor rights. Out of these 259 respondents 148 respondents agreed while 111 respondents denied corresponding to 57.2% and 42.8% of the sample population.

When asked about the satisfaction with the protection given by the regulatory bodies, 145 participants pointed out that they are well pleased and 34 participants shows that they are highly pleased. In all 179 participants pointed out that they are satisfied compared to 69.4 percent of the total population.

When respondents are asked if complex derivatives should allowed for trading majorly 226 respondents agreed corresponding to 75.5% of the sample population. Remaining 74 respondents i.e. 24.5% indicated that
they would not trade for complex products which could be because they are not aware of these products or they are satisfied with the existing options.

It can be noted that strong correlations can be found between certain factors which have led to the growth. Respondents indicated that the clearing and settlement of derivative transactions have been found efficient (0.953), also the facilities provided by the government for trading are efficient (0.767), the variety of derivatives available in the market (0.808), the ease of obtaining the data (0.811), the market is from manipulation (0.792) and the regulatory bodies have helped in the protection of investor rights (0.952).

On the other hand, the factors which have shown negative correlations are that the transactions are not conducted in orderly manner (-0.624) and that transactions have not been fair in the market sometimes (-0.551). Therefore, we can conclude that the derivatives market has seen growth since it was started in year 2000 however there have been certain factors which may have acted as a road block and hampered the growth. In these circumstances, we can fully accept the Null Hypothesis and reject the alternative hypothesis.

In terms of regulation of the market and protection of the retail investors, the participants are given their opinion that they are satisfied with the regulation and protection provided by the regulatory bodies and the risks
they perceive while investing in the market. Respondents indicated that they have fear of investing in products which have shown loss in the past (-0.562). Also the respondents indicated that the regulatory bodies are not able to protect them against their grievances when in need (-0.551). Other than that respondents disagreed that they feared investing in the derivatives market (0.876), they rely on stock brokers and other financial institutions for financial advice (0.904); the fear further reduces if the stock in the past have reflected positive growth (0.764).

The results reflect that although the respondents do not fear of investing in the derivatives market especially in products which have reflected positive growth, however, they do not feel protected in spite of the existence of regulatory bodies. In these circumstances, we can fully accept the Null Hypothesis and can reject the alternative hypothesis.

As per the respondents, market has observed steady growth since its inception in Indian Capital Market. Only a handful of respondents indicated that they had enrolled in the educational programs started by the regulatory bodies. Although the respondents were aware of the existence of regulatory bodies, they didn’t feel protected by their presence.

When the respondents were asked if they have seen growth in the derivative market since its inception, most of them agreed that there has been a steady growth in the market. Also there have been many factors which have contributed towards this growth like; clearing and settlement of
transactions has been efficient, trading practices are efficient, regulatory committees help in protection of customer rights, market is free from manipulation, and there is wide variety in terms of products.

Most of the respondents indicated that they were aware of the regulatory bodies which exist for their protection and overall regulation. Respondents indicated that they feel that there is a risk of investing in the market if the past record of the product is not good. Also they were not sure if the grievance cell would be able to resolve their problems in case they face any.

Most of the retail investors were not aware of the education programs initiated by the government and even less number of population indicated that they had actually enrolled in any of the programs, which reflects that they are not aware of the educational programs initiated by government of India in 2005.

Most of the investors are dependent on stock brokers and financial institutions for advice or some of them indicated that they are referring financial news and consult their peer group for advice. SEBI along with NISM has launched a number of certificated programs for investors. They have initiated regional seminars, have also dedicated website for the investors to collect information and data. Other than that NISM has introduced a number of schools which help in enhancing the education and financial literacy of the investor.