EXECUTIVE SUMMARY

“A Study on Derivatives Operations in Indian Capital Market with Special Reference to Protection of Retail Investors in Mumbai” has given exposure to investment scenario in India with special emphasis on derivative industry and retail investors in Mumbai, India. The main motive of the said research is to analyze investors’ perception with investment behavior in the Indian Derivative Market.

The first chapter **INTRODUCTION** gives an 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.

The main features of over the counter derivatives, i.e. Forwards and swaps which help in hedging risk, and are also flexible in nature. In India, we can see that various regulators including RBI, SEBI and Forward Commission to regulate number of derivative transaction.

Unlike OTC derivatives, Exchange traded derivatives have a specific format and are based on standardized terms and conditions. This chapter also presents a timeline of growth of derivative market in India since FY
2000 when they were first introduced in the market. The derivatives trading were there in the world market since 1700 but it has gained popularity after 1860.

There are a number of regulatory bodies which manage the irregularities in the market. A number of laws and regulations have been formulated by the government of India and overview of which has been given in the first chapter. The chapter also discusses the issues related to derivative operations in the Indian Capital Market. Some of the issues include, lack of standardization of contracts, requirement for higher capitals for non-cleared trades, and bilateral collateralization.

Second chapter **LITERATURE REVIEW** studies the existing literature on the topic of derivatives and investor protection. The first part of the chapter Literature review explains Global Scenario and the second part covers Indian context and conclusion discusses the gap between the Global, Indian scenario and existing study titled “A STUDY ON DERIVATIVES OPERATIONS IN INDIAN CAPITAL MARKET WITH SPECIAL REFERENCE TO PROTECTION OF RETAIL INVESTORS IN MUMBAI”. However, this study is only concentrated on the perceptions and investment behavior of retail investors. The chapter also discusses the three main types of investors in the market, i.e. hedgers, speculators and arbitrageur and also discussed about the regulatory framework designed for the derivatives market. TheSEBI regulate the regulatory functions of Equity Derivatives.
Chapter three **RESEARCH METHODOLOGY** elaborates the type of research undertaken for the present study. The chapter consists of various sections like research design, type of study, sampling plan, data collection instruments, data analysis procedure and the ethical considerations. Survey method was used to collect information, and both primary and secondary data was utilized for analysis and conclusion.

Chapter four discusses the **GROWTH ON INDIAN DERIVATIVES MARKET**. The chapter 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. In India, we can see that four equity derivatives includes futures & options in Index, Stock, Currency, and interest rates. Of these future contracts are most popular among the masses. The turnover of all the products has increased over the years.

Chapter five, **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. However along with the advantages, there are number of challenges and the major one being risks faced by the retail investors in the derivatives market. Study of these risks also brings forward the need for investor protection which has also been discussed in the chapter.
Chapter six, **INVESTOR PROTECTION AND EDUCATION IN DERIVATIVES MARKET AND THE ROLE OF THE REGULATORY AUTHORITIES**, gives an introduction to investor protection and education programs which are currently available in the country. Researcher gave an overview of the different regulatory actions undertaken by SEBI in order to redress the grievances of the investors. Programs like; regional seminars, dedicated website for the investors, education material, financial programs and even programs from school children have been developed.

In the last section, an overview of the different programs under NISM like the projects initiated by the various educational organizations have been discussed.

The chapter seven **DATA ANALYSIS AND INTERPRETATION** presents the results of statistical analysis of responses of 300 investors in Mumbai, India. Most of the derivatives investors were highly experienced and majorly invested in equities for a minimum period of 1 year. The main reason for not investing in the market as cited by the respondent was lack of awareness and understanding.

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. Final
chapters eighth and nine presents the CONCLUSION and RECOMMENDATIONS based on the data collected from primary and secondary data analysis.