CHAPTER 6
SUMMARY OF FINDINGS,
CONCLUSION AND
RECOMMENDATIONS
Chapter 6
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

In India the derivative market open the most exciting and challenging investment opportunity for the investors. Especially for the customers of financial products derivatives offers an avenue for maximizing their return. Within a short span, derivative trading in India has surpassed cash segment in terms of turnover and number of contracts traded. People began to believe derivative as an effective tool for managing their risk in security transactions. As derivatives are risk-shifting devices, it is important to identify and fully comprehend the risks being assumed, evaluate those risks and continuously monitor and manage those risks. Each party to a derivative contract should be able to identify all the risks that are being assumed entering into a derivative contract.

The volume traded with derivative segment is massive even though financial derivatives formally introduced in India a decade ago. NSE accounts more than 99% of volume traded in financial derivative segment. The quarterly traded volume with Index Futures, Index Options, Stock Options and Stock Futures has been processed to find growth rates in each segment; and to project future trends.

Investments from organized sectors (HNI’s and institutions) are hedged with appropriate derivative contracts and the contract selection is being done by their experts. Apart from this; their decisions are subject to the results derived by processing a huge volume of data. But retail investment decisions (Low Net worth Individuals) are not that much supported by research and analysis. Selection of a derivative contract without proper analysis may result in huge losses. Majority of F&O contract selection by retail investors are characterized by lack of analysis, lack of awareness. Even though the knowledge to the investors in the derivative segment is not adequate, they tend to take decisions with the help of the brokers or through referral groups. This research analyzes various technical and behavioural motives behind investment decisions of South Kerala investors.

Customer Preference towards Financial Derivatives with reference to South Kerala Market
Chapter 6

This study is also focused on the role and support extended by various stakeholders for derivative education and trading. This analysis has been done by using opinion collected from executives working in stock trading field. The experts’ opinion on various aspects regarding role and support from exchanges, broking firms, staffs working in broking field, partner level institutions and customers has been examined by using a separate set of questionnaire.

6.1. Demographic characteristics

A survey among 1020 investors has been conducted by using a questionnaire to analyze various demographic and behavioural factors influencing F&O investment. The demographic profile of the respondents were surveyed by asking statements related to their age, educational qualification, annual income, gender, occupation, area of residence etc.

- While classifying the respondents on the basis of gender; 76.1% were male and only 23.9% were female. From the sampled data we can infer that male investors shown greater interest towards derivative segment than female investors.

- Based on age wise categorization; the results shows that 25.9% of the respondents were within the age group of 41-50. Further 21.9% of the respondents were between the age of 31-40 and 21.4% were belonging to the age group of 51-60. Only 10% of the respondents were between the ages of 20-30. A cross tabulation between age group and area of residence has been performed and the results shows that majority of responses obtained from urban area were from the age group of 41-50 with a percentage count of 28.9; and with respect rural area 28.4% of the responses obtained from the same age group. From semi urban area the major portion of responses obtained from the age group of 31-40 with a count of 25.8%.

- The educational qualification of the selected investors were assessed and the data shows that foremost portion of investors from all area of residence were graduates. The outcome of the percentage analysis can be represented as 38.4% of the investors were graduates, 24.5% of them are post graduates, 17.4% qualified higher secondary level, 14.7% technically qualified investors, 3.6% of
the investors with high school education and 1.4% Ph.D. qualified respondents. In addition to the above cross tabulation of the data between area of residence and educational qualification shows that majority of the investors from all area of residence were graduates with a percentage count of 38.2% (urban), 35.9% (semi-urban) and 42.5% (rural) respectively.

- Major portion of the respondents were undertaking occupation like agriculture, farming, online trading etc. as the percentage analysis accounts 23%. Further 20.4% of the respondents were working in private sector and 18.5% of the respondents were self-employed. The least represented category on the basis of occupation is students with merely 5.1% response. Around 11% of the respondents were govt. employees and 11.5% of responses obtained from retired persons. Further cross tabulation between occupation and area of residence projects the following results. From urban respondents; majority of them are working with private sector with a percentage count of 27%. But from semi-urban and rural areas mainstream of the respondents undertaking other occupation like agriculture, farming, online trading etc. as a percentage counts of 20.4% and 28.4% obtained respectively.

- Only 7.5% of the selected investors receiving annual income of Rs. 500000/- and above. 13.9% of the respondents receiving below Rs. 50000/- as annual income. Around 48% of the respondents getting annual income between Rs. 50000/- to Rs. 300000/-. 

- While considering area of residence of the investors; 20% of the respondents were from urban area, 48.6% from semi urban and 31.4% from rural areas. In other words it can be inferred that the major portion of investors are located at semi-urban areas.

6.2. Knowledge about derivatives and present trading practices

The investors’ knowledge about derivative trading has been assessed in the context of source of knowledge about derivatives, nature of trading preferred, desired fund allocation proposition towards derivatives etc.

- From the analysis it is found that the major portion investors residing in all location were came to know about derivatives through broking firms. This
signals that broking firms in South Kerala taking active interest and effort for promoting financial derivatives. The survey results shown that 43.3% of the respondents get to know about financial derivatives through broking firms. 16.5% of the investors came to know about derivatives through referrals like friends, relatives etc. Moreover 28% of the respondents get knowledge about derivatives through the ads given in media by exchanges, broking firms, regulators etc. When we are scrutinizing the data on the basis of area of residence of the respondents; 40.2% of the urban investors, 44.6% of the semi urban investors and 43.4% of the rural investors came to know about derivatives through broking firm. Further, the chi-square test of independence was performed to test the association between source of knowledge about derivatives and area of residence. From the test results it is concluded that there is no association between the area of residence of the investors and the source of information about financial derivatives. (as p value 417>.05).

- Large portion of the respondents would like to periodically trade with derivatives as the percentage analysis accounts 32.3%; this indicate that the investors prefer to use derivatives only when the market exhibits greater volatility. 15.2% of the respondents are regular users of derivatives and 29.1% would like to occasionally trade with derivatives. From the urban investors 36.3% would like to use derivatives periodically. While considering semiurban and rural investors the percentage count is 31.5% and 30.9% with respect to periodic trading preference. The goodness of fit test shows that there exists a significant association between area of residence and the nature of trading preferred by investors. This was validated with chi-square value of 16.156 is significant at 5% level of significance as p value 0.013 < 0.05.

- Merely 1.2% of the respondents would like to allocate more than 20% of their investment towards F&O segment. And with respect to fund allocation preference majority (44.3%) are on the opinion that less than 5% of the total investment can be allocated to derivatives. This percentage results clearly indicates that the retail investors are too conservative towards derivative investment. Supplemented to this the area wise opinion shows that 40.2% of the urban investors; 45% and 45.9% of the semi urban and rural investors preferred
to allocate only less than 5% of their total investment towards derivatives. Chi-Square test was used to check the significance of relationship between the area of residence and the allocation of fund with derivatives. The test proves that there does not exist any significant association between area of residence of the investors and their fund allocation preference (where p value 0.406 > 0.05).

6.3. Factors influencing on investment behaviour

The investment decisions in derivatives are subject to several factors like attitude towards the instrument, external motivating and demotivating factors, infrastructural facilities offered etc. All these play a vital role in shaping the investment behaviour of the retail investors.

- The attitude towards derivative trading was analyzed; and it is found that the semi-urban investors has shown greater positive attitude towards derivatives as the highest mean value 12.784 was obtained. As the mean score obtained in this respect to other area of investors are 12.52 and 12.47 (for urban and rural). As the mean score of responses are closely related the results were validated by using ANOVA. The result shows that there does not existing any significant difference between the area of residence and attitude towards financial derivatives. But considering the multiple comparison of post hoc test of ANOVA it is observed that the mean score of the general attitude of the selected investors belonging to semi-urban and rural areas differ significantly, as the p value close to .05. So, it may be concluded that general attitude of the investors is positive in the semi-urban area than the investors of rural area (mean difference .309).

- The investment behaviour of the investors is motivated by several factors; and these factors inherently influence them while taking a decision. Multi-Dimensional Scaling (MDS) technique is a powerful tool to identify key motives that can influence the investors’ behaviour. For ensuring more accuracy to the result; the investors were categorized on the basis of their area of residence. From the analysisit can be concluded that majority of the investors residing in urban location are motivated towards derivatives trading by favorable information from media and an inner urge to get knowledge about the

Customer Preference towards Financial Derivatives with reference to South Kerala Market
trading practices as highest mean score of 2.72 and 1.49 obtained respectively. The semi-urban population is also having similar line of response as with positive co-efficient of 2.580 and 1.7217. But there exist a huge difference from the opinion of rural population as they are motivated to trade with derivatives for meeting their personal financial needs with a highest co-efficient of 1.2555.

- There are several factors which can demotivate the investment behaviour of retail investors. With due consideration to the above the opinion of the investors were analyzed using MDS Alscal Model to identify the major demotivating factors. The results show that the urban investors are demotivated from trading with derivatives because of lack of confidence and lack of expertise knowledge about the trading mechanism (where highest positive co-efficient of 1.22 and 1.91 obtained from different dimensions). The semi-urban investors were demotivated for derivative trading by asymmetrical information from different sources and lack of confidence (with co-efficient values of 1.4025 and 0.7352 respectively). The rural investors are very much concerned on asymmetrical information and counting failure of fellow investors (with positive co-efficient of 1.6042 and 0.5922).

6.4. Investors' preference towards derivatives

The investors' preference towards different investment opportunities were evaluated for identifying their most favorite destiny from investment and speculation/hedging dimension.

- The results shows that majority of investors in all area of residence would like to channel their investment towards cash market as investment option (as highest coefficient of 2.7226, 2.6862 and 2.9301 obtained respectively for investors belonging to urban, semi urban and rural areas). Along with cash segment they would like to use financial derivatives for hedging/speculation purpose. The semi urban and rural investors favored equity based futures and options from the other dimension for hedging/speculation purpose (with positive co-efficient values of 1.2434 and 0.2594). But the urban investor would
like to use combination of two or more options or futures (equity or index based) for hedging/speculation purpose. (MDS Alscal Model)

6.5. Investors’ evaluation on Broking firms

The stock broking firms were evaluated by investors on the basis of ominous factors, supporting factors and expectation factors. Ominous factors here refer various factors demotivating from broking firms regarding derivative trading. Supporting factors for derivative trading evaluated on the context of infrastructure, secretarial assistance, financial assistance etc. The investors’ expectation about broking firms were also assessed using several variables.

- The urban and semi urban investors are on the opinion that lack of awareness program organized at firm level stand as the major discouraging factor for derivative trading (co-efficient of 1.119 and 1.023 respectively). From another dimension the urban investors are on the opinion that the broking firm will withdraw their support after initial encouragement (coefficient 0.671). The rural investors believes that the broking firm encouraging them to trade with derivatives because it would provide them more revenue than that of cash segment (coefficient 0.97) from one dimension. Moreover the rural investors are not happy with the quantum of information provided by the broker (coefficient 0.36).

- Multivariate Analysis of Variance techniques were used to evaluate the supporting factors offered for derivative trading by the broking firm. Four variables viz. infrastructure, secretarial assistance, financial assistance and investors’ education were considered. From MANOVA it found that It may be observed that the mean score of the responses of the selected investors on the four elements of the functioning do statistically significant at 5 per cent level of significance in the Multivariate tests (F value of Pillai’s Trace 23014.65 with p=.000<.05). But considering this variables individually, it can be found that the mean score of the investors education and secretarial assistance do not vary significantly (p value is greater than 0.05 in these cases). Further the mean score estimates shows that the semi urban investors are happy with the infrastructural facilities for derivative trading. The urban investors are quite happy with
investors education programs, secretarial support extended, financial assistance etc. provided by the broking firms (with highest positive mean scores obtained).

- The investors from all area of residence would like to prefer that their broking firm should be honest and sincere in its operation (Mean value 1.95). This conclusion was arrived by using Friedman test on the assumption that the highest rank will be given to the variable with lowest mean value.

6.6. Investors’ financial objective of trading with derivatives

- Even though derivatives are considered to be risk management tools; the major financial objectives behind derivative trading are considered to be maximization of return as the highest rank preference given by South Kerala investors. (Friedman test)

- Moreover the investors are on the opinion that selection of a suitable derivative contract (mean score 1.76) stand as the major factor behind successful outcome. Conducting an analysis on the present economic/ market situation (mean score 2.51) ranked as the second essential requirement for successful trading. (Friedman test)

6.7. Post Investment Behaviour of Investors

The outcome of the derivative trading can be either successful or failure. The post investment behaviour of the investors has analyzed on the basis of two different extremes with respect to anticipated outcomes.

- If the outcome in derivative trading is successful; the investors are on the opinion that more fund will be channelized for derivative contracts (highest positive mean score of 1.88 obtained).

- If the outcome is failure; the investors will allocate fund only after proper analysis and some investors are on the opinion that they will stop the derivative trading for a while (mean scores of 1.19 and 1.69 obtained respectively).

- Further paired sample t test was used to evaluate the mean scores obtained from two different extremes; and it was found that Pair 2(Funds can be invested only after proper analysis) is not statistically significant as P value 0.191 > 0. Thereby it can be inferred that investors would like to channel fund towards derivatives
only after proper analysis irrespective of their previous trading experience. From the above analysis we can conclude that the investors will shape their investment decision based on previous trading experience; but all their funding decisions will be backed up with proper analysis.

6.8. Support extended by Intermediaries in Derivative Trading

The existing level of support extended by intermediaries for derivative trading has been analyzed to identify the situation prevalent in the present scenario. The data was collected from 200 experts working with stock trading business; and they were classified on the basis of their position. The data consists of responses from 44 top level executives, 71 middle level experts and 85 lower level executives. Further appropriate statistical tools were used to process the data; and the following are the major results obtained after data analysis.

❖ At exchange level three variables viz. products offered, volume traded and revenue generated was considered for the study purpose; and opinion with respect to the same was collected from different level of employees. MANOVA shows that mean score of the responses of the experts do vary statistically significant at 5 per cent level of significance. While considering the opinion of experts on the basis of their position the top level executives were on the opinion that there exists excellent support from the exchange for derivative education and trading. (As high mean scores of 4.750, 4.682 and 4.636 respectively). The middle level executive took a neutral stand. The lower level executives are not very much happy with facilities offered by exchange for derivative trading.

❖ Five different variables were considered to evaluate the experts’ opinion on support provided at firm level for derivative trading. The variables were promotional strategies, secretarial support, education program for investors, orientation program for staff and infrastructural facilities. MANOVA shows that opinion on existing scenario for derivative trading at firm level is statistically significant at 5% level of significance. The top level executives favored that firm level facilities for derivative trading are excellent as highest mean score obtained for all the above variables.
The supporting staffs working at different broking firms can play a vital role in derivative education and trading. Quality of service given, qualification of the staff, skill and competency, freedom for decision making etc. were the variables considered for study. The mean score of experts’ opinion on derivative trading at staff level do vary statistically significant at 5% level of significance as F value of Pillai’s trace 1925.723 with p value 0.000 < 0.05. The top level executives were not happy with the service extended by staffs for derivative trading (as lowest mean scores obtained). But the lower level employees took comparatively a different stand as they express that service offered at staff level are excellent (as highest mean scores obtained).

At partner level; different institutions like SEBI, RBI, Govt. agencies etc. can play a pivotal role for facilitating derivative education and trading. The variables like SEBI/ Exchange initiated programs, tie up with financial institutions for arranging funds for investors, counseling to investors by experts from govt. agencies were considered for the study. MANOVA shows that mean scores between subject effects are statistically significant at 95% confidence level. The top level executives are on the opinion that the partner level institutions like SEBI; commercial banks etc. are doing a greater job in Indian financial market. The lower level employees are not that much aware about the service extended by partner level institutions.

The experts opinion about derivative customers were evaluated in the context of investors knowledge, seeking advice from experts, frequency of monitoring contract, maintaining margin money and their ability to learn from experience. MANOVA shows that the mean score obtained from experts are statistically significant at 5% level of significance. The top level executives are on the understanding that the investors having sufficient knowledge and skill for derivative trading. The middle level executives somewhat agree with the opinion of top level even though they took a neutral stand. The lower level employees are on the opinion that the customers are not possessing sufficient knowledge and skill for derivative trading.

Historical price movements were considered to be important criterion for contract selection by experts (with a percentage count of 32.5%). While
considering position wise opinion of the experts' 36.4% of the top level executives, 28.2% of the middle level executives and 34.15 of the lower level executives preferred historical price movement as an important criterion for contract selection. General market information considered to be the second best criteria for all categories of experts (with 32% agreement). Further chi-square test shows that there is no significant association exist between the position of experts and their contract selection mechanism (the value of chi-square is 4.705 with p=0.789,>0.05).

- It is inferred that more than 99.5% of the experts are on the opinion that the investors should consult with them before going for F&O investment. In addition to this chi-square test generates p value 0.507 >0.05. From this we can conclude that there is no significant association existing between the position of the respondents and their concern for extending consultation.

- The Friedman test shows that the experts would like to consider their previous trading experience (mean score 1.37) as the most preferred and trusted information source. The least preference goes to influence from colleagues as the highest mean score 3.15 obtained for this variable.

- Multi-Dimensional Scaling Alscal model has been used to identify experts' preference towards financial derivatives and its combination. From MDS it is clear that the experts working in all level of management prefers index based options and combination of equity shares and index based futures with highest coefficient of 2.1461 and 1.2362 obtained respectively. Here the experts are showing greater interest towards index based instruments as a hedging tool

- Experts suggest that the best strategy for appealing more fund towards derivatives are; attracting more fund from cash segment through dealers (mean score 1.90 obtained). The next preferred strategy is to influence the investor through successful players of F&O segment. (Friedman test results)

- The experts' opinion on most suitable strategies for managing existing customer base has been analyzed by using five different variables; viz. customer education before derivative trading, providing timely expertise advise, frequent monitoring the contract position, counseling in case of failure and arranging financial assistance from internal and external sources. The experts are on the
judgment that the total customers have to be separated on the basis of their experience. The inexperienced investors can be retained through implementing strategies like providing proper orientation before F&O trading, frequent monitoring of contract positions and giving timely expertise advice. In the case of experienced investors the executives suggested the following strategies viz. arranging counseling for the investors who has suffered marginally huge losses and arranging financial assistance from internal/external sources for F&O trading.

- The mean score obtained with respect to the above has been further processed with paired sample t-test. The results shows that the opinion with respect to the Pair 3 (Monitoring contract position) and Pair 4 (Counsel them in case of failures) are not statistically significant at 5% level of significance. Hence we can say that strategies mentioned in Pair 3 and Pair 4 can be applied to both categories of investors irrespective of their experience in derivative trading.

- The experts expected that there will be more than 20% revenue growth in F&O segment by implementing a new business model for trading with derivatives. While considering their position wise opinion it is found that the mean score obtained in this respect is not statistically significant at 5% level of significance (chi square test results).

6.9. Growth and development of Derivatives in India

The growth and development of financial derivatives in India has been analyzed with secondary data collected from NSE. The monthly trading volume for 12 years has been taken for analytical purpose and further the data reorganized on quarterly basis. The quarterly growth rate of index futures, index options, stock options and stock futures has already been projected in the third chapter of this research work. In addition to the above future trend has been calculated by using time series techniques and the relationship between instruments in terms of volume has been analyzed by using correlation techniques.

- The trend analysis shows that an upward trend was projected for volume traded in various derivative instruments like Index Futures, Index Options, Stock Options and Stock Futures. And from the analysis we can infer that this trend
will continue in future also. Hence we can anticipate a bright future for derivative segment in India in terms of trading volume.

- An analysis has been conducted by using Karl Pearson’s co-efficient of correlation techniques. There exists a strong relation between index futures and stock futures as the correlation co-efficient is 0.897; which indicates that the sales volume of these instrument moves in the same direction for the period under study. The correlation between other instruments are; index futures and index option signifies a correlation of 0.601, index futures and stock options turnovers records a correlation value of 0.516, both index based and stock based arrived at a correlation value of 0.824 and a positive correlation of 0.416 was reported between index options and stock futures. This shows that the trading volume of all the instruments under study is moving towards the same direction; and investors'considers all instruments are equally important for hedging purpose.

6.10. Testing of Hypotheses

1) There is no significant association between area of residence and source of information about financial derivatives.

The value of chi-square is not significant at 5 per cent level of significance, as the value of chi-square is 6.060 with p=.417>.05. It can be concluded that there is no association existing between area of residence and source of information about financial derivatives. (Null hypothesis is accepted)

2) There is no significant association existed between the area of residence of the investors and their fund allocation preference.

The Chi-square test proves that there does not exist any significant association between area of residence of the investors and their fund allocation preference (where p value 0.406> 0.05).

3) There does not existing any significant difference between the attitude towards financial derivatives and investors area of residence.

The above hypothesis was tested by using ANOVA with 5% level of significance; the test results generates a value of F 2.203 with p=.111>.05. Based on the test results it can say that there does not existing any significant difference between the
attitude towards financial derivatives and investors area of residence. Further post hoc
test of ANOVA shows that the mean score of the general attitude of the selected
investors belonging to semi-urban and rural areas differ significantly, as the p value
close to .05.

4) There is no significant difference on opinion of investors about supporting
service rendered by broking firms.

The above hypothesis was tested by using Multivariate Analysis of Variance
model (MANOVA). The results shows that F value of Pillai’s Trace 23014.65 with
p=.000<.05. Here null hypothesis is rejected and from the test results it can be inferred
that the opinion of investors about supporting service rendered by broking firm do vary
significantly.

5) There is no significant difference on the rank preference of investors on the
financial objective of F&O trading.

The Friedman’s test for several related samples is used to test the difference in
preferences of the investors associated with their financial objective of trading with
F&O instruments. The results shows that the mean rank preference of investors on
financial objectives behind F&O investment is statistically significant at 5% level of
significance (Where p value 0.000<0.05).

6) There is no significant difference on the post investment behaviour of investors
based on the outcome of F&O trading.

Paired sample-test was used to test the above hypothesis and the result shows that
mean difference of the Pair1 (More funds can be invested with derivatives) and Pair 3
(Will stop trading with derivatives for a while) is statistically significant at 5% level of
significance where p value 0.000< 0.05. While considering the mean difference of the
investors opinion on Pair 2(Funds can be invested only after proper analysis) is not
statistically significant as P value 0.191> 0.05 at 95% confidence level. It gives raise to
the fact that the investors will shape their investment decision based on previous
trading experience; but all their funding decisions will be backed up with proper
analysis.

7) There is no significant variation in the evaluation of experts based on their
position about support extended by various stake holders for F&O trading.
MANOVA was used to measure the above scenario at different stakeholder’s level viz. exchange level, firm level, staff level, partner level and customer level. The test result shows that evaluation of experts regarding all the above scenario is statistically significant at 5% level of significance as Pillai’s Trace generate a p value of 0.000<0.05 in all the above cases. Hence we can conclude that different opinion were expressed by experts based on their position regarding support extended at by various stake holders for F&O trading.

8) **There is no significant association exist between the experts’ position and their contract selection mechanism.**

For the above hypothesis; the value of chi-square is not significant at 5 per cent level of significance, as the value of chi-square is 4.705 with p=0.789>.05. Therefore it is concluded that there is no association between the position of the experts and their contract selection method.

9) **There is no significant difference between the rank preferences of experts on fund accumulation strategies.**

Friedman test result shows that p value of 0.000<0.05 at 5% level of significance with a chi-square value of 668.475. Hence it can be inferred that the rank preference of experts are different (Null hypothesis is rejected).

10) **There is no significant difference existed on the customer retention strategies suggested by experts based on investors experience in F&O trading.**

Paired sample T-test was used to test the above hypothesis and the result shows that to Pair 1(Educating them properly before entering in to contract ), Pair 2 (Providing timely expertise advice) and pair 5 (Arranging financial assistance from internal/ external sources) are statistically significant at 95% confidence level as p value <0.05. for the remaining pairs ie; Pair 3 (Monitoring contract position) and Pair 4 (Counsel them in case of failures) p values of 0.557 and 0.138 obtained respectively at 5% significance level As p values are greater than 0.05 indicates that the strategies mentioned in the above pairs are not statistically significant. Hence the above retention strategies are equally applicable to both category of investors irrespective of their experience in F&O trading.
6.11. Conclusion

The retail investment decisions are subject to several market driven and non-market driven forces. The investors’ decision to trade with an investment alternative is depending upon a number of variables like their general attitude, major investment motives, present level of support and service offered, influence of other players etc. This research was intended to analyze the major factors influencing the investors’ preference towards financial derivatives. From this research we can arrive at some useful conclusions;

- The major portion of the retail investors came to know about derivatives through broking firms; this signals that the intermediaries can play a predominant role among retail investors in impelling their investment decision. As the broking firms are very much concerned about maximization of their revenue; there exists a possibility that the investors may mislead by the broking firms towards derivative investment.

- Along with the above the investors have raised some apprehension on the service extended by broking firms at F&O level. The major apprehensions were the investors are encouraged by broking firms to trade with derivatives because derivatives would provide them more revenue than cash segment. In addition to that the retail investors are not happy with quantum of information provided for F&O trading at firm level.

- The retail investors in South Kerala are too conservative especially with respect to the fund allocation towards derivatives; and their fund allocation is highly influenced by previous trading experience.

- Even though the retail investors are visibly motivated towards derivative trading by favorable information from media; and some invisible factors like urge develop a knowledge on derivative trading, personal financial needs etc. also plays a vital role in shaping their investment behaviour towards derivatives. The investors are demotivated towards derivative investment by lack of awareness, lack of confidence, asymmetrical information from different sources, counting failure of fellow investors etc.
The investors' are considering derivatives as a speculation tool rather than a risk management tool. This scenario doesn't supporting with the basic purpose of this instrument. An immediate focus from appropriate authorities is required to reposition derivatives as a risk management tool rather than a speculation tool.

The top level executives working in broking firms are satisfied with support service provided for derivative trading by various stake holders like stock exchange, broking firms, partner level institutions, customers etc. But the top level executives are not so happy with service extended at staff level; and this clearly indicate that necessary orientation should be given to staffs working in broking firms regarding derivative trading. Also an opinion has derived from the survey that the effective promotion mechanism for F&O segment among retail investors is to attract customers from cash segment; for this purpose the staffs working in broking firms can play a vital role.

The executives prefer their own previous trading experience as the most trusted information source for contract selection. This practices pointing towards the fact that they are least concerned about analytical or research oriented output.

While analyzing the general trend with respect to the turnovers of various instruments like index futures, index options, stock options and stock futures in Indian context interestingly it is found that all the above instruments exhibits an upward trend during the study period. Further the research strongly point out that this upward trend is likely to continue in the future also.

6.12. Recommendations

This research closely examines different aspects regarding derivative trading in south Kerala. The results of the study equally highlight the opinion of investors, experts and the statistical facts and figures persisting in Indian context. Even though the volume traded with derivatives are gigantic; the instrument is not being properly utilized by the Low Net worth Investors (LNI’s); and there lacks a strong mechanism to manage the flow of fund towards derivative segment from LNI’s. From the light of the above the following recommendations can be made:
6.12.1: Proposal to Regulators

- From the sample taken from South Kerala a small portion of investors came to know about derivatives through ads given in media by exchanges, regulators etc; and major portion of the respondents get to know about derivatives through broking firms. There is a possibility that the investors may mislead by the broking firms towards derivative investment. The regulators should draw immediate attention on the above fact and should design a proper campaign for educating common investors.

- Though SEBI is organizing several investors education campaigns using their empanelled resource person; such programs lacks proper education about derivatives. Such campaigns should be linked with awareness classes on derivatives and the participants should be educated about the pros and cons in derivative contracts.

- The stock exchange has to make it mandatory that all staffs working with broking firms should be qualified with NCFM derivatives module. Proper mechanism has to be developed to inspect the qualification of staffs working with broking firms. If possible a recognized register of qualified person working with various broking firms should be maintained. To a certain extent this measure would help to prevent fraudulent practices happening in F&O trading and thereby investor's interest can be protected.

6.12.2. Proposal to Broking Firms

- The broking firms should establish mock trading terminals for providing sufficient practical knowledge to inexperienced investors. Several investors would like to get adequate practical knowledge about the functioning of derivatives. But inadequate infrastructures usually force them to undertake some real contracts even before getting sufficient exposure with different derivative instruments. Establishing mock trading terminals would help to overcome the aforesaid problem to a certain extent.

- At firm level; extended and continued support has to be ensured for investors as they are afraid that the broking firms will withdraw their support after initial encouragement. Additionally quality research data can be provided to the
investors with respect to projected stock price movements, projected index movements, suggested derivative contracts, suggested combinations of derivatives etc.

- Proper investors education programs organized at firm level will help the inexperience investors to know about the functioning of derivatives. If possible a live orientation can be given to the inexperienced investors at the trading terminals through qualified and expertise stock dealers.

- While conducting a close examination among investors on the basis of area of residence; the rural investors are not that much happy with the supporting service extended at firm level. In rural areas the broking firms are usually stretching their arms through franchising agreements. But adequate measures have to be developed at the firm level to check whether these franchisees are maintaining the standard and quality prescribed by them.

- Derivatives in Indian context are used as a hedging tool rather than a speculation tool. At this context the broking firms should ensure adequate back up from the investors in the form of portfolio, margin money etc; before allowing them for undertaking a derivative contract. This would enable the investors to repay their obligation from derivative contracts internally rather that looking for fund from external sources.

- Presently the investor’s decisions are highly influenced by the previous trading results and the contract selection is being done without analyzing the merit of various contracts. Here the decisions are dominated by ‘fantasy rather than facts’. It is the responsibility of the broking firm to counsel the investors with the support of sufficient information and position them to select contracts based on merit.

- The expertise advice given to the investors should back up with sufficient data analysis; as the experts are following a tendency to select a contract based on their previous trading experience.

- For promoting trading with derivatives; adequate strategies has to be developed at the firm level. Before designing a strategy investors should be classified on the basis of their experience in derivative trading. The new investors should be strictly channeled towards orientation programs and the existing investors can be
attraction through promotional programs. Here orientation can be given to the new investors by conducting awareness classes, distributing educational materials, facilitating mock trading terminals, organizing opportunity to interact with successful players etc. The existing players can be attracted towards trading by offering attractive commissions/brokerage, arranging financial assistance from commercial banks for fund in the form of premium, margin money etc.

- The broking firms in collaboration with recognized agencies can organize psychological counseling for investors who had suffered huge financial losses in stock market. This would form a part of their responsibility towards the society as they are highly depending on stock traders for their revenue.

6.13. Scope of further research

Risk has become an inherent element of any investment option and the investors are generally risk averse. Even though their investment decisions are mainly based on risk-return analysis, some other unknown reasons can also act as a powerful factor in shaping their investment decision. For instance derivatives are generally presumed to be an investment option to compensate risk arising from original investment. Even towards risk management tools, people are keeping some apprehension in their mind. In this context studies related to beliefs, attitudes, behaviour etc. have become significant for various stakeholders dealing with financial products. Getting knowledge about attitudes and behaviour of the participants towards various financial products is useful for various stakeholders like exchanges, organizations, intermediaries, regulators, government etc. This situation opens an ample scope of some useful research works on the topics like;

- Attitudes and behaviour of farmers towards agricultural derivative contracts in Kerala.
- Managing exchange rate risk by NRI’s using currency derivatives: A case study focusing on motives and hitches in Kerala.
- An extensive study on the investment culture of Retail investors in Kerala.
# ANNEXURE 1

*Questionnaire used for survey among Investors*

<table>
<thead>
<tr>
<th>Area</th>
<th>:</th>
<th>Urban</th>
<th></th>
<th>Semi Urban</th>
<th></th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>:</td>
<td>Male</td>
<td></td>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>:</td>
<td>20-30</td>
<td></td>
<td>31-40</td>
<td></td>
<td>41-50</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>51-60</td>
<td></td>
<td>61&amp;Above</td>
</tr>
<tr>
<td>Educational Qualification</td>
<td>:</td>
<td>High School</td>
<td></td>
<td>HSE</td>
<td></td>
<td>Graduate</td>
</tr>
<tr>
<td>Occupation</td>
<td>:</td>
<td>Student</td>
<td></td>
<td>Govt. Service</td>
<td></td>
<td>Private Job</td>
</tr>
<tr>
<td>Annual Income</td>
<td>:</td>
<td>Below Rs. 50000</td>
<td></td>
<td>Rs. 50000-Rs. 300000</td>
<td></td>
<td>Rs. 300000-Rs. 500000</td>
</tr>
<tr>
<td>Experience in Derivative Trading</td>
<td>:</td>
<td>Less than 1 Year</td>
<td></td>
<td>1-3 Years</td>
<td></td>
<td>3-5 Years</td>
</tr>
</tbody>
</table>

1. How did you come to know about Financial Derivatives?

- Friends and Relatives
- Advertisement in Media
- Broking Firm
- Other Source

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*
2. Which kind of trading that you prefer with Financial Derivatives.

Regular          □  Periodic          □  Occasional          □
Other Source      □

3. Express your agreement on the following statements intended to measure the general attitude towards derivatives.

(SA- Strongly Agree, A- Agree, N- Neutral, DA- Disagree, SDA- Strongly Disagree)

<table>
<thead>
<tr>
<th>Attitude towards Financial Derivatives</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. I know how to trade with derivatives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. The operational mechanisms of derivatives are quite easy.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. My investments would like to insure with derivatives.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. I consider it will enhance my status among fellow investors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Mark your response on the following statements envisioned to measure the motivating factors behind derivative trading.

(SA- Strongly Agree, A- Agree, N- Neutral, DA- Disagree, SDA- Strongly Disagree)

<table>
<thead>
<tr>
<th>Motivating factors behind derivative trading</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Knowledge &amp; Confidence.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Influenced by fellow investors, friends, relatives etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued in Page No. 223...
Continuation from Page No. 222

c. The support and encouragement extended from broking firms/intermediaries.

d. Favorable information from stock exchanges, media etc.

e. Urge to get an idea about the trading process.

f. Counting the success stories of fellow investors.

g. Counting the success of past investment.

h. Meeting Personal financial needs.

5. Mark your response on the following statements proposed to measure the factors demotivating derivative trading. (SA- Strongly Agree, A- Agree, N- Neutral, DA- Disagree, SDA- Strongly Disagree)

<table>
<thead>
<tr>
<th>Factors demotivating trading with financial derivatives</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Lack of Confidence.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Discouragement from friends/relatives etc.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Lack of expertise knowledge.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Asymmetrical information from different sources.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Counting failure of fellow investors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Counting failure in past.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Desire to play safe.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6. Kindly express your preference towards the following investment options.

*(HF - Highly Favorable, F - Favorable, N - Neutral, UF - Unfavorable, HUF - Highly Unfavorable)*

<table>
<thead>
<tr>
<th><strong>Investor’s preference toward derivatives and its combinations.</strong></th>
<th><strong>HF</strong></th>
<th><strong>F</strong></th>
<th><strong>N</strong></th>
<th><strong>UF</strong></th>
<th><strong>HUF</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Cash Market.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Index based Futures and Options.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Equity based Futures and Options.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. Combination of equity and index based options/Futures.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. Combination of equity and futures/options of equity shares.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. Combination of two or more options/futures. (either index/equity based)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. Evaluate the service offered by your depository participant on the following contexts.

*(E - Excellent, VG - Very Good, A - Average, P - Poor, and VP - Very Poor)*

<table>
<thead>
<tr>
<th><strong>Evaluation of Depository Participant</strong></th>
<th><strong>E</strong></th>
<th><strong>VG</strong></th>
<th><strong>A</strong></th>
<th><strong>P</strong></th>
<th><strong>VP</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Ambiance.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Trading facilities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Locational accessibility.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Continued in Page No. 225...*
### B. Investors Education

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

d. Conducting investor’s education programs.

e. Mock trading facilities.

f. Providing business magazines/ booklets etc.

g. Creating opportunity to interact with experts.

h. Special coaching by trained staffs etc.

### C. Secretarial Assistance

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

i. Attention from dealers.

j. Timely telephonic/ email conversation on investment position.

k. Mailing monthly ledger statements.

### D. Financial Assistance

<p>| | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

l. Brokerage/ commission

m. Margin provided

---

8. Express your opinion on ominous factors from Broking Firms (DP) for trading with derivatives.

*(SA- Strongly Agree, A- Agree, N- Neutral, DA- Disagree, SDA- Strongly Disagree)*

<table>
<thead>
<tr>
<th>Discouraging factors for derivative trading at firm level.</th>
<th>SA</th>
<th>A</th>
<th>N</th>
<th>DA</th>
<th>SDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. I have not been given an awareness program by the DP.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. I have been encouraged by the staff for trading with derivatives but they are not willing to educate about this.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*
c. I am keen to know about derivatives but the broking firm is not taking active interest.

d. The broking firm is not actively providing information/ tips regarding my investment position.

e. I have been provided with some information/ tips by broker. But I cannot trust those sources.

f. I am not happy with the quantum of information provided by the broker.

g. I think that broking firms will encourage the investors initially and subsequently they will withdraw their support.

h. I consider that the investors are encouraged; because derivatives will offer them more profit than cash segment.

9. Kindly rank preference about your expectation from broking firm (1-6).

<table>
<thead>
<tr>
<th>Customer Expectation</th>
<th>Honest and Sincere</th>
<th>Providing Timely information/tips</th>
<th>Conducting awareness classes</th>
<th>Charging lesser brokerage/commissions</th>
<th>Extended and continued support</th>
<th>Knowledgable expertise dealers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
10. Which of the below mentioned financial objectives that you aim through derivative trading. *(Kindly rank your preference from 1-6)*

<table>
<thead>
<tr>
<th>Financial Objective</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Maximization of Return</td>
<td></td>
</tr>
<tr>
<td>b. Minimization of Risk</td>
<td></td>
</tr>
<tr>
<td>c. To Insure the principal investment</td>
<td></td>
</tr>
<tr>
<td>d. Hedge against inflation</td>
<td></td>
</tr>
<tr>
<td>e. To make speculative profit</td>
<td></td>
</tr>
<tr>
<td>f. To set off previous investment losses</td>
<td></td>
</tr>
</tbody>
</table>

11. Which of the following factor you think as an essential prerequisite for successful trading. *(Kindly rank your preference from 1-6).*

<table>
<thead>
<tr>
<th>Essential prerequisites for successful derivative trading.</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Selection of a suitable derivative contract.</td>
<td></td>
</tr>
<tr>
<td>b. Conducting an analysis on the present economic/ market situation.</td>
<td></td>
</tr>
<tr>
<td>c. Support/ information provided by DP.</td>
<td></td>
</tr>
<tr>
<td>d. Creating a portfolio even before entering in to derivative contract.</td>
<td></td>
</tr>
<tr>
<td>e. Proper awareness on the functioning of derivative contracts.</td>
<td></td>
</tr>
<tr>
<td>f. Constant monitoring of position and timely modification contracts.</td>
<td></td>
</tr>
</tbody>
</table>

12. What percentage of your stock market investment that you prefer to put in F&O segment?

- Below 5%  
- Between 5% to 10%  
- Between 10% - 20%  
- Above 20%  

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*
13. How will you shape future investment decisions based on previous trading results?

(Kindly express your agreement and disagreement on the following statements.)

<table>
<thead>
<tr>
<th>Post investment Behaviour</th>
<th>Agreed</th>
<th>Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. If the outcome is successful.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. More funds can be invested with derivatives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Funds can be invested only after proper analysis.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Will stop trading with derivatives for a while.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>B. If the outcome is failure.</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. More funds can be invested with derivatives.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Funds can be invested only after proper analysis.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Will stop trading with derivatives for a while.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**ANNEXURE 2**

**Schedule used for conducting survey among Executives**

Name..........................................................

Designation..................................................

Organization.............................................

1. Kindly evaluate the existing scenario for derivative trading in the context of the following statements. *(Express your opinion where E- Excellent, VG- Very Good, A- Average, P- Poor, VP- Very Poor)*

   **A. Exchange Level**

<table>
<thead>
<tr>
<th>Existing scenario for derivative trading</th>
<th>E</th>
<th>VG</th>
<th>A</th>
<th>P</th>
<th>VP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Products offered.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Volume traded.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Revenue generated.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

   **B. Firm Level**

<table>
<thead>
<tr>
<th>Existing scenario for derivative trading</th>
<th>E</th>
<th>VG</th>
<th>A</th>
<th>P</th>
<th>VP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Promotional strategies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Secretarial support extended.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Education programs for investors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Orientation programs to the staffs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Infrastructural facilities.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*
### C. Staff Level

<table>
<thead>
<tr>
<th>Existing scenario for derivative trading</th>
<th>E</th>
<th>VG</th>
<th>A</th>
<th>P</th>
<th>VP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Qualification of staffs (NCFM/BCDE) to deal derivative segments.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Quality of service given.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Skill and competency.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Freedom for decision making.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### D. Partner Level.

<table>
<thead>
<tr>
<th>Existing scenario for derivative trading</th>
<th>E</th>
<th>VG</th>
<th>A</th>
<th>P</th>
<th>VP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) SEBI/ Exchange initiated promotional programs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Tie up with financial institutions for arranging funds to investors.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Counseling to the investors by experts from govt. agencies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### E. Customer Level.

<table>
<thead>
<tr>
<th>Existing scenario for derivative trading</th>
<th>E</th>
<th>VG</th>
<th>A</th>
<th>P</th>
<th>VP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Knowledge in trading process.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Seeking timely advice from experts for selecting contracts.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Frequency of monitoring their contract positions.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Maintaining Margin money.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Ability to learn from their previous experience.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*
2. Which of the below analytical measure will be used for selecting an F&O contract?

- Economy- Industry-
- Companywide Factors
- General market information
- Others

- Historical Price Movements
- Wild guesses

3. Would you like to be consulted by an investor before undertaking a derivative contract?

- YES
- NO

4. Which of the following source of information will be highly preferred for giving advice to investors? (Kindly rank your preference).

<table>
<thead>
<tr>
<th>Source of information</th>
<th>Tips from parent firm</th>
<th>Experts opinion from TV/ Newspapers</th>
<th>Experience from previous trading</th>
<th>Influence from colleagues</th>
<th>Others, Specify</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. Which of the following combination of derivative would you like to generally suggest for an investor.

<table>
<thead>
<tr>
<th>Expert's preference toward derivatives and its combinations</th>
<th>HF</th>
<th>F</th>
<th>N</th>
<th>UF</th>
<th>HUF</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Index based Options.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Index based Futures.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Continued in Page No. 232...

Customer Preference towards Financial Derivatives with reference to South Kerala Market
c. Equity based Futures.

d. Equity based Options.

e. Combination of equity shares and index based options.

f. Combination of equity shares and index based futures.

g. Combination of equity shares and futures of equity shares.

h. Combination of equity shares and options of equity shares.

i. Combination of two or more options.

j. Combination of two or more futures.

6. **How can you attract more investors towards F&O segment?** *(Kindly rank your preference on the following strategies).*

<table>
<thead>
<tr>
<th>Strategies for attracting more investment towards F&amp;O segment.</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Attracting investors from cash segment through dealers.</td>
<td></td>
</tr>
<tr>
<td>b) Broker initiated tie up with banks/ financial institutions for funding.</td>
<td></td>
</tr>
<tr>
<td>c) Effective promotional programs at firm level.</td>
<td></td>
</tr>
<tr>
<td>d) Offering attractive commission/incentives.</td>
<td></td>
</tr>
<tr>
<td>e) Organizing special risk management courses for investors.</td>
<td></td>
</tr>
<tr>
<td>f) Influencing investors through successful players in F&amp;O segment.</td>
<td></td>
</tr>
<tr>
<td>g) Special programs in collaboration with govt. agencies or leading institutions.</td>
<td></td>
</tr>
</tbody>
</table>

Customer Preference towards Financial Derivatives with reference to South Kerala Market
7. Express your agreement on the following statements in the context of most suitable strategy for managing the existing customer base. (kindly express your agreement on the following statements)

<table>
<thead>
<tr>
<th>Inexperienced Customers</th>
<th>Agreed</th>
<th>Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Educating them properly before entering into contract.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Providing timely expertise advice.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Monitoring contract positions frequently.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Counsel them in case of failures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Arranging financial assistance from internal/external sources.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experienced Customers</th>
<th>Agreed</th>
<th>Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Educating them properly before entering into contract.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Providing timely expertise advice.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Monitoring contract positions frequently.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Counsel them in case of failures.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Arranging financial assistance from internal/external sources.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. How much growth in revenue you expect in derivative trading through implementing a new business model.

<table>
<thead>
<tr>
<th>Revenue Growth</th>
<th>Agreed</th>
<th>Disagreed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 5%-10%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between 10%-20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


Bibliography

Books


Hair, Joseph F. (2010), Multivariate Data Analysis, Pearson Publications, USA.


Bibliography


Customer Preference towards Financial Derivatives with reference to South Kerala Market


Vohra. N.D. (2009), Futures and Options, Mcgraw Hill, New Delhi.


Research Papers


Customer Preference towards Financial Derivatives with reference to South Kerala Market


Customer Preference towards Financial Derivatives with reference to South Kerala Market


---

Customer Preference towards Financial Derivatives with reference to South Kerala Market


Customer Preference towards Financial Derivatives with reference to South Kerala Market


---

*Customer Preference towards Financial Derivatives with reference to South Kerala Market*


Bibliography


Ph.D. Theses


Bibliography

Carlos Manuel Antunes Veiga. (2010), Closed Formulas and Rating Scheme for Derivatives, Ph.D. Thesis, Frankfurt School of Business and Management, Germany.


Websites

www.bseindia.com

www.capitalmarket.com

www.commodityonline.com

www.economictimes.indiatimes.com


www.fimmda.org

www.fmc.gov.in

www.glofin.org.

www.imf.org

www.isda.org

www.ncdex.com

Customer Preference towards Financial Derivatives with reference to South Kerala Market
Bibliography

www.mcxindia.com
www.sebi.gov.in.
LIST OF PUBLICATIONS
List of publications

List of Research Papers Published


List of Research Papers presented in Conferences

1) Presented a paper entitled “Introduction to Financial Derivatives” on a Staff Development Program (AICTE Sponsored) organized by MACFAST, Thiruvalla on February 2008.

2) Presented a paper titled “Visionary Management in the new era” on a seminar organized by Institute of Management in Kerala, Varkala on September 2009.

3) Presented a paper titled “Growth and Development of Financial Derivatives in India” in National Seminar on the new paradigms in Management Research organized by University of Kerala, Thiruvananthapuram on February 2012.


5) Participated and presented a paper entitled “Behavioral Finance a conceptual framework” in National Seminar on challenges and strategic opportunities on HRM in the emerging business scenario; organized by Department of Management Studies, Caarmel Engineering College on January 2013.

Customer Preference towards Financial Derivatives with reference to South Kerala Market