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An empirical study on investor attitude and perception towards Indian equity derivatives market

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Abstract
Derivates are the financial instruments whose value will be derived from other underlying assets. Derivatives are commonly used by the investors to mitigate risks in the market, speculate, hedge and arbitrage. These can be traded through exchanges or 'over-the-counter'. The FINRA regulates the parties in derivative contracts and the NFA oversees the derivative markets and parties to derivative contracts. The present study is about investors' demographic characteristics and investment attitude about equity derivative markets. The sample investors for the present study are 250 consisting employees, business people, others includes self-employed. Questionnaire has been distributed through Google form. Tools like Chi-square and Komglorov-Smirnov One-Sample Test, Priority Rank Scale with Weightage and Garret Value Ranking have been applied. Age, education and annual income along with risk awareness shall have impact on the risk tolerance and satisfaction levels. It has been found that investors were satisfied with the returns on their investments in derivatives. Many of the investors were prepared to take atleast moderate risk for investment. The high prioritised objective of investment was wealth creation and tax savings, the least. Investors perceive that Indian derivate market growth is at a moderate rate. Investors were still lacking correct information due to unfair practices and price manipulations in the market. Though there is a facility of hedging risks, volatility always prevails in the derivative market. Investors should be aware about the strategies while investing in derivatives. Mediators should be loyal because it is the hard earnings of the investors been invested. Retail investors are to be educated and be provided correct and valid information to overcome risks beyond expectations and amplify their returns. Exchanges should the entire time, cog up to assist the retail investors and take inflexible actions against fraudulent mediators.

Keywords: Derivatives, perception, investment, risk, satisfaction

Introduction

Derivatives are financial innovation for those investors who are moderate risk takers. Financial markets are characterized by high degree of volatility. The Indian derivative market is a segment in the secondary market operations. Trading on derivatives is a type of financial contract between two or persons the value of which depends on another underlying asset or group of assets like stocks, commodities, bonds etc. Derivatives are commonly used by the investors to mitigate risks in the market, speculation, hedging and arbitrage. These are also known as contingent claims. Derivatives can be traded on an exchange or 'over-the-counter'. Prices of derivatives are derived from fluctuations in the underlying assets namely commodities and stocks indices and currency. These are used for hedging risk and wealth maximization basing on the speculation in the market. Derivatives are not only used to partially or fully lockup risks in the financial markets and assets, but also gaining minimum capital appreciation or acquiring profits for risk investors. These are of four types – futures, forwards, swaps and options. The Financial Industry Regulatory Authority (FINRA) regulates the parties in derivative contracts. The National Futures Association (NFA) oversees the derivative markets and parties to derivative contracts. Indian investors started trading derivatives since 2000 starting with index futures at BSE and later on NSE Since then, derivatives market is onlooking remarkable growth in terms of value and number of contracts.

Need For The Study

Risk is a common observable fact in any investment especially in the share market. These risks to some extent can be surmounted by entering into equity derivatives market, though derivatives also engage risk. The present study is on the attitude and perception levels of the investors in equity derivatives market about level of risk tolerance and satisfaction, and decision on various issues relating to equity derivates market. This study would become a pedestal to the investors for applying strategies while investing in the equity derivatives market to meet the individual pecuniary goals.

Review of Literature

1. Golluru Sanjay and Ghanathe Ramesh (2024) [1] have examined into the complex dynamics of investor buying behavior in the derivative market. The authors found that futures are the most favoured option for the investors. And that there is a strong correlation between investment and yearly income categories but not between gender and investment proportions.
2. Isha Tewari and L.K.Singh (2023) [2] have analysed the future course and factors influencing this growth and the overall economic impact of derivatives trading in India. The authors found that derivatives have a significant impact on the Indian financial sector. It is advised that the government must form committees to examine the limitations, drawbacks, challenges, etc. as a whole. SEBI must implement reforms to the operational and regulatory framework that will benefit everyone.
3. Dr. Nilam Panchal, Parth Langhneja and Jigar Makwana (2022) [3] studies the problems being faced by the investors and their behavior in the equity derivatives market. it had been found that the derivatives reduces risk involved in stock market investments.
4. Wanying Huang and Xinrun Yao (2021) [4] adopted the method of combining theoretical analysis with case

analysis to introduce the types, risks, applicable mechanisms and typical application cases of financial derivatives in detail. The authors concluded that enterprises should actively invest in technology and resource support, use derivatives to control risks and realize enterprise value. Hedging, rather than random speculation, should be the first rule of thumb for companies using derivatives.

5. Ms. Amala Sara John (2020) [5] explores investor perceptions of derivative trading, conducting a study in Pathanamthitta district, Kerala. The author found that in the 1990s, financial sector reforms in India transformed its capital markets into a dynamic global player and the shift of investors to derivatives has brought speculative trading into a more controlled environment.
6. Sreelekha Upputuri (2020) [6] concludes that the Indian derivatives market is developing hastily in contrast to fairness markets. Trading in derivatives require greater than common appreciation of finance.
7. Dr. R. Venkatesh and others (2019) [7] opines that investing in stock markets is a challenge but is tool for reducing risk. The authors say that the investors should be aware about different investment strategies.
8. Dr. T. Sreelatha (2018) [8] analysed the operations of futures and options, to find the profitability of the parties and about risk management with the help of derivatives. Author suggests the investor to go for a buy of call option in bullish market and sell in a bearish market, and to go for a sale of call option in bearish market and buy in a bullish market.
9. Ankit Jain, Mrinal Mishra, and Prasanna Tantri, (2017) [9] have investigated the consequences of small investors entering the derivatives markets. The findings reveal that the involvement of small investors contributes to heightened stock valuation in both spot and derivative markets. Measures of price efficiency and liquidity show significant improvement. The results indicate a positive impact of small investor participation on both equity spot and derivative markets.
10. Sarathkumar and Dhandhayuthapani (2016) [10] analysed the key factors that influence the attitude of 200 investors in Trichy derivatives market. The authors found that the majority of the investors were ready to take risks prevailing in derivatives market and age has significant association with the awareness of derivatives market.
11. Dr. U. Raghavendra Prasad (2016) [11] analyzed investors'preference of the equity derivatives product and their participation in Equity Derivatives. The author found that risk is a key element of investment. Investors' first preference in derivatives product is index options followed by stock futures, stock options and index futures.
12. Dr. Rishi Manrai (2015) [12] tried to gauge the significance of derivative market as an option by the retail investor in India. Authors concluded that derivative market offers more return, with the hedging of interest rate risk and exchange rate risk with maximum profits and minimum loss.
13. Dr. Veena K.P and Dr. C. Mahadeva Murthy (2015) [13] focused their study on the demographic profile of the respondent, and motivational factors influencing investment in equity derivatives, and problems faced by the investors while doing trading activity in equity derivative market. The authors found that systematic risk in equity derivative market is caused by factors external to the particular company and are uncontrollable by the company. The investors can minimize risk by investing in derivatives. The use of derivative equips the investor to face the risk, which is uncertain though the use of derivatives does not completely eliminate the risk, but it certainly lessens the risk.

Objectives of The Study

1. To study the demographic characteristics and investment attitude of the investors in the Indian equity derivatives market.
2. To analyse factors investors prefer while investing in the Indian equity derivatives market.
3. To find out the objective of the investment in the Indian equity derivatives market.
4. To evaluate the perception of the investors about the growth of the Indian derivates market.
5. To identify the problems been faced by the investors in the Indian equity derivatives market and the intensity of the problems on the investors' decision making.

Methodology of The Study

The present study is empirical and descriptive in nature about the investors' perception on trading in equity derivatives. The study is based on primary data been collected through a questionnaire in Google format from a sample of 250 consisting of employees, business people, others includes self-employed. The sample consist only those who had invested in equities and derivatives. The investors are qualified graduates. Tools like percentages, Chi-square and Komglorov-Smirnov One-Sample Test, Priority Rank Scale with Weightage and Garret Value have been applied. The replies of the respondents depend on their understanding capabilities to the questionnaire and therefore the results are not universally applicable.

Data Analysis And Interpretation

Table 1: Investors Demographic Characteristics

S.No	Characteristic		No. of investors	Percentage to total
1	Gender	Male	125	50
		Female	125	50
2	Age of the investor	20-35 years	78	31.2
		35-50 years	94	37.6
		50-65 years	49	19.6
		65 years above	29	11.6
2	Educational qualification	Graduate	56	22.4
		Post Graduate	108	43.2
		Professional	86	34.4
3	Occupation	Employees	84	33.6
		Business	56	22.4
		Professional	72	28.8
		Others	38	15.2
4	Annual income	Less than Rs.250000	12	4.8
		Rs.250000-Rs.500000	44	17.6
		Rs.500000-Rs.1000000	92	36.8
		Above Rs.1000000	102	40.8

Source: Questionnaire (primary data)

Interpretation: As per the table 1, among the sample taken for study, 125 (50%) respondents are male and 125 are female (50%). As per the age, 31.2% of the investors were between 20-35 years of age can be called early birds, 37.6% were between 35-50 years of age, 19.6% were between 50-65 age group belonging to middle age and pre-retirement, and remaining 11.4% were above 65 years age. The investors who are graduates counted to 22.4%, 43.2% are post graduates and remaining 34.4% are professionals. Around 33.6% of the investors are employees, 22.4% are business people, 28.8% are professionals and remaining 15.2% are others like self-employed. Only 4.8 percent of the investors are having annual income of less than Rs.250000, 17.6% are earning between Rs.250000 and Rs.500000, 36.8% have income ranging between Rs.500000 and Rs.1000000 per annum, 40.8% are earning annual income above Rs.1000000 per annum.

Table 2: Investors' Investment Attitude

S.No	Attitude		No. of investors	Percentage to total
1	Knowledge in stock market and investment	No knowledge	28	11.2
		Limited	62	24.8
		Good	102	40.8
		Extensive	58	23.2
2	Experience in investing in derivatives	Less than 5 years	66	26.4
		5 to 10 years	106	42.4
		More than 10 years	78	31.2
3	Source of advice to invest	Self	89	35.6
		Brokers	78	31.2
		Websites and news networks	66	26.4
		Others like friends and relatives	17	6.8
4	Percentage of income invested in derivatives	Less than10 percent	37	14.8
		10% to 25%	79	31.6
		25% to 40%	92	36.8
		40%-50%	42	16.8
5	Period of investment	Short term	48	19.2
		Mid term	78	31.2
		Long term	99	39.6
		Intraday	21	8.4
6	Risk awareness	Credit risk	62	24.8
		Market risk	98	39.2
		Selection risk	59	23.6
		Operational risk	31	12.4
7	Risk tolerance	Risk averse	32	12.8
		Low	40	16
		Moderate	93	37.2
		High	85	34
8	Average returns earned	Incurred loss	18	7.2
		Less than 10 percent	50	20
		10% to 25%	83	33.2
		25% to 50%	67	26.8
		More than 50%	32	12.8
9	Satisfaction on returns	Highly satisfied	70	28
		Satisfied	71	28.4

		Normal (Neutral)	16	6.4
		Dissatisfied	46	18.4
		Highly dissatisfied	47	18.8
10	Decision if loss occurs (Continuity)	Wait and see	54	21.6
		Diversify	69	27.6
		Withdraw	53	21.2
		Ignore and Increase investment	25	10
		Hedging	49	19.6

Source: Questionnaire (primary data)

Interpretation: The table 2 depicts that 11.2% of the investors have no knowledge about derivatives, 24.8% are having limited knowledge, and 40.8% are having good knowledge about investments in derivatives whereas 23.2% of the investors are acquired with extensive knowledge on investments in derivatives. About 26.4% of the investors are investing their monies in derivatives for less than five years, 42.4% are investing for five to ten years, and 31.2% of them are experienced more than ten years in derivatives investments. Out of the total, 35.6% of the respondents have self interest in investments in derivatives, whereas 31.2% have invested through brokers, 26.4% learned about derivatives from websites and new networks, remaining 6.8 percent from others. Regarding the percentage of income the investors have invested in derivatives, 14.8% of the investors have invested less than ten percent of their annual income in derivatives, 31.6% have invested 10% to 25%, and 36.8% have invested 25% to 50% of their income, and 16.8% have invested 40% to 50% of their income in derivatives. Regarding period of investment, 19.2% of the investors have invested for a short period, 31.2% have invested for medium term, 39.6% have invested for long term where as only 8.4 percent liked to invest on daily basis ie: intraday.

The table shows that 24.8% of the investors were aware about the credit risk in the investment, 39.2% were aware about the market risk, 23.6% about the selection risk and 12.4% about the operational risk of the investment. The table depicts that 12.8% of the investors were risk averse ie: not interested in taking risk, 16% were low risk tolerant, 37.2% were moderate risk tolerant and 34% were ready to take high risk in the investment. According to the table, 7.2 percent of the investors incurred loss in their investments, 20% earned less than 10%, 33.2% have earned returns 10% to 25%, 26.8% have earned 25% to 50%, and remaining 12.8 percent of the investors have earned more than 50% returns on their investments. As per the table, 28% of the investors were highly satisfied with the returns earned on the investments in derivatives, 28.4% were satisfied, 6.4 percent were unable to take a decision and remained neutral, 18.4% were dissatisfied, and 18.8% of the investors were highly dissatisfied about the returns. The table shows that 21.6% of the investors follow 'wait and see' attitude in case loss occurs, 27.6% diversifies their investments to other avenues, 21.2% withdraw their money and 10% either ignore or increase their investment amount being ready accepting the risk, and 19.6% of the investors try to hedge the risk.

Table 3: Cross Tabulation of Percentage of Income invested in Derivatives and Average Returns Earned

Average Returns Earned		Incurred loss	Less than 10%	10% to 25%	25% to 50%	More than 50%	Total	Percentage
Percentage of Income Invested in Derivatives	Less than10%	3	7	17	8	2	37	14.8
	10% to 25%	5	18	26	27	3	79	31.6
	25% to 40%	7	13	28	19	15	82	36.8
	40%-50%	3	12	12	13	12	52	16.8
	total	18	50	83	67	32	250	100
	Percentage	7.2	20	33.2	26.8	12.8		

Source: Calculation

Interpretation: As per the table 3, among the total investors, 16.8% have invested highest amount of their income in derivatives ie: 40% to 50% and 14.8% have invested less than 10% of their income. Most of the investors (33.2%) have earned 10% to 25% income on their investments and least 7.2 percent have incurred loss.

H_{01}: There is no significant relation between the percentage of income invested in derivates and the average returns earned (the two variables are independent)

Chisquare test is applied. The calculated value (20.442) is less than the critical value of χ^2 (21.026) for 12 df at 0.05 level of significance. H_{01} is accepted and hence concluded that the average returns earned on derivates are independent of the percentage of income invested.

Table 4: Cross Tabulation of Average Returns Earned and Satisfaction Level

Satisfaction Level		Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Total	Percentage
Average Returns Earned	Loss	0	0	0	8	10	18	7.2
	<10%	0	5	5	18	22	50	20
	10%-25%	14	28	6	20	15	83	33.2
	25%-50%	34	28	5	0	0	67	26.8
	>50%	22	10	0	0	0	32	12.8
	Total	70	71	16	46	47	250	100
	Percentage	28	28.4	6.4	18.4	18.8		

Source: Calculation

Interpretation: As per table 4, 12.8% of the investors have earned more than 50% from the investments in derivatives and least 7.2 percent have incurred loss. At last the investors have to get satisfied with their investments and income earned, 28% of the investors were highly satisfied with the returns, where as 18.8% were highly dissatisfied.

H_{02}: Satisfaction levels of the investors are independent from the average returns earned.

Chisquare test is applied. The calculated value (157.911) is more than the critical value of χ^2 (26.296) for 16 df at 0.05 level of significance. H_{02} is rejected, and hence concluded that the satisfaction levels of the investors are dependent from the average returns earned.

Table 5: Comparison Table of Risk Tolerance and Decision if Loss Occurs (continuity)

Decision if loss occurs		Wait and see	Diversify	Withdraw	Ignore or Increase investment	Hedging	Total	Percentage
Risk tolerance	Risk averse	2	6	20	0	4	32	12.8
	Low	6	12	14	0	8	40	16
	Moderate	24	28	12	11	18	93	37.2
	High	22	23	7	14	19	85	34
	Total	54	69	53	25	49	250	100
	Percentage	21.6	27.6	21.2	10	19.6		

Source: Calculation

Interpretation: As per table 5, 71.2% of the investors on total are moderate and high risk takers and 12.8% are risk averse. Wwhen compared to the risk tolerance and the decision about the investment ie: decision if loss occurs, it is clear that 68.8% of the investors on total would follow diversify, hedge or wait and see approaches, and least 10% could ignore the risk and continue their investment.

H_{03}: There is no significant association among the variables 'risk tolerance' and 'decision if loss occurs' (continuity).

Chisquare test is applied. The calculated value (58.319) is more than the critical value of χ^2 (21.016) for 12 df at 0.05 level of significance. H_{03} is rejected and hence concluded that there is no significant association among the variables 'risk tolerance' and 'decision if loss occurs' (continuity).

Table 6: Preference of factor for investment

S. No	Factor	PRS (+) / Weightage	1 / 5	2 / 4	3 / 3	4 / 2	5 / 1	R * W	RANK
1	Moderate Risk #		77	46	49	42	36	836	I
	Percentage of investors		30.8	18.4	19.6	16.8	14.4		
	R*W		385	184	147	84	36		
2	Liquidity #		54	49	46	46	55	751	IV
	Percentage of investors		21.6	19.6	18.4	18.4	22		
	R*W		270	196	138	92	55		
3	Dividends #		45	54	62	49	40	765	III
	Percentage of investors		18	21.6	24.8	19.6	16		
	R*W		225	216	186	98	40		
4	Company Reputation #		42	51	56	52	49	735	V
	Percentage of investors		16.8	20.4	22.4	20.8	19.6		
	R*W		210	204	168	104	49		
5	Capital Appreciation #		62	54	46	49	39	801	II
	Percentage of investors		24.8	21.6	18.4	19.6	15.6		
	R*W		310	216	138	98	39		

Source: Questionnaire (primary data)

PRS (+) = Priority Rank Scale given by respondents to the factor, W-Weightage # Number of respondents R*W Number of respondents multiplied by wieghtage Ranks given on descending order on the totals of R*W

Interpretation: Table 6 shows the preference factor selected by the investors at the time of investing in derivatives. Investors have given highest priority for moderate risk, 2nd priority was given for capital appreciation, 3rd rank for earning dividends, 4th rank for liquidity and 5th rank for company reputation.

Table 7(A): Objective (Purpose) of the Investment

S.No	Purpose / PRS (+)	1	2	3	4	5
1	Wealth creation #	129	54	34	23	10
	Percentage of investors	51.6	21.6	13.6	9.2	4
2	Earn high returns #	98	61	46	26	19
	Percentage of investors	39.2	24.4	18.4	10.4	7.6
3	Tax savings #	26	37	49	66	72
	Percentage of investors	35.2	22.4	20.4	10.8	11.2
4	Speculation #	48	54	64	44	40
	Percentage of investors	19.2	21.6	25.6	17.6	16
5	Hedging #	88	56	51	27	28
	Percentage of investors	10.4	14.8	19.6	26.4	28.8

Source: Questionnaire (primary data)

PRS (+) = Priority Rank Scale given by respondents to the objective # Number of respondents

Table 7(B): Percent positions and Garret Values

S.No	Present position 100(Rij-0.5)/Nj	Calculated value	Garret Value
1	100(1-0.5)5	10	75
2	100(2-0.5)/5	30	60
3	100(3-0.5)/5	50	50
4	100(4-0.5)/5	70	40
5	100(5-0.5)/5	90	25

Source: Calculated
Rij: Rank of the objective, Nj:Total objectives

Table 7(C): Average and Ranking as per Garret Value

S.No	Purpose PRS (+)	1	2	3	4	5	Total*	Average @	# Rank
	Garret Value	75	60	50	40	25			
1	Wealth creation	9675	3240	1700	920	250	15785	63.14	I
2	Earn high return	7350	3660	2300	1040	475	14825	59.3	II
3	tax savings	1950	2220	2450	2640	1800	11060	44.24	V
4	speculation	3600	3240	3200	1760	1000	12800	51.2	IV
5	Hedging	6600	3360	2550	1080	700	14290	57.16	III

PRS (+) = Priority Rank Scale given by respondents to the objective * number of the respondents multiplied by the garret value of each rank @ Average = total / no. of respondents (250) # Ranks given on descending order of the average values

Interpretation: Tables 7 (A) shows the priority rank scale to the objective given by the respondents and Tables 7 (B) and 7(C) display the priority given by the investors to objective of investment in derivatives, investors have given highest priority for wealth creation, 2nd priority was given for earning high returns, 3rd rank for hedging losses from investments, 4th rank for speculation and 5th rank for tax savings.

Table 8: Perception of the investors about growth of the Indian Derivative Market

Perception	No. of Respondents	Percentage
Fast	76	30.4
Moderate	98	39.2
Slow	56	22.4
Neutral	20	8
Total	250	100

Source: Primary data

Interpretation: Among the investors taken for study, 30.4% opine that the Indian derivate market is growing fast, 39.2% say that the market growth is moderate, 22.4% affirm that it is growing slow, and remaining eight (8) percent investors were neutral.

H_{04}: There is no difference is the perception of the investors about the growth of the Indian equity derivate market.
Chisquare is applied. The calculated value (52.656) is more than the critical value of χ^2 (7.815) for 3 df at 0.05 level of significance. H_{04} is rejected and hence concluded that there is a difference in the perception among the investors regarding the growth of the Indian equity derivative market.

Table 9(A): Problems in investing in derivatives

S. No	Problem	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	lack of information #	64	58	28	54	46
	percentage	25.6	23.2	11.2	21.6	18.4
2	exchanges sites becoming busy #	59	51	29	54	57
	percentage	23.6	20.4	11.6	21.6	22.8
3	Volatility #	69	61	22	47	51
	percentage	27.6	24.4	8.8	18.8	20.4
4	unfair practices of brokers #	72	61	32	44	41
	percentage	28.8	24.4	12.8	17.6	16.4
5	price manipulation #	70	63	24	49	44
	percentage	28	25.2	9.6	19.6	17.6
6	internet problems #	60	56	26	54	54
	percentage	24	22.4	10.4	21.6	21.6
	TOTAL #	394	350	161	302	293
	Percentage	26.27	23.33	10.73	20.13	19.53

Source: Questionnaire (primary data)
Number of respondents

Interpretation: Table 9 above displays the different problems persisting in the market and reveals investors' attitude towards the intensity of the problems on their investment decision. Among the total investors, 26.27% of them have strongly agreed that different quandaries exist and opine that these variables have high intensity on their investment, 23.33% have normally agreed, 10.73% are neutral ie: they could not give any decision, 20.13% have disagreed, and 19.53% have strongly disagreed.

H_{05}: There is no difference in ratings of responses of the investors about the problems in the equity derivatives market and the intensity of the problems on the investors' decision making.

S.No	Problem	Calculated Value	Hypothesis Accept or Reject		Conclusion
1	lack of information	0.088	Calculated value is more than critical value	Reject	There is difference in rating
2	exchanges sites becoming busy	0.04	Calculated value is less than critical value	Accept	There is no difference in rating
3	volatility	0.016	Calculated value is less than critical value	Accept	There is no difference in rating
4	unfair practices of brokers	0.076	Calculated value is less than critical value	Accept	There is no difference in rating
5	price manipulation	0.132	Calculated value is more than critical value	Reject	There is difference in rating
6	internet problems	0.064	Calculated value is less than critical value	Accept	There is no difference in rating

Kolmogorov-Smirnov D Test (critical value of KS-D at α=0.05 is $1.36/\sqrt{n} = 0.086$) (n=250)

Findings

Based on the analysis, it has been found that most of the investors are between 20 and 50 years of age. They are qualified graduates well settled. About 77.6% of the investors were earning above Rs.500000 per annum with ability in investing in the derivative market. Most of the investors were having good knowledge on the investments in equity derivatives along with the various risks attached. These could be the reason that many of the investors relied on their own and websites and new networks for investment though some of them also have relied on brokers. Investors opted long term period so that average income earned would be at a satisfactory level. 60% of the investors have earned returns between 10% and 50% on total whereas 56.4% were satisfied with returns. Among the total investors, 16.8% have invested highest amount of their income in derivatives ie: 40% to 50% and 14.8% have invested less than 10% of their income. Most of the investors (33.2%) have earned 10% to 25% income on their investments and least 7.2 percent have incurred loss. 12.8% of the investors have earned more than 50% from the investments in derivatives and least 7.2 percent have incurred loss. At last the investors have to get satisfied with their investments and income earned, 56.4% of the investors have exposed their satisfaction and were comfortable with the returns, where as 18.8% were highly dissatisfied and feeling perturbed. When compared to the risk tolerance and the decision about the investment ie: decision if loss occurs, it is clear that 21.2% of the investors would withdraw their investments and remaining investors go for other options like hedging or diversification.

The investors were, to a larger extent moderate and high risk tolerant (71.2%) and 12.8% are risk averse. Investors were prepared to take moderate risk on the investments while company reputation was the least preferred factor for investments. The high prioritised objective of investment was wealth creation and tax savings, the least. On average, 26.27% of the investors have strongly agreed on different problems being faced in the derivative market though 19.53% have strongly disagreed. Investors recognize growth of Indian derivate market growth with moderate velocity. Some of the investors were still have deficient knowledge due to less experience and might be getting wrong information from the dependent source. Derivates is a market facing different risks, and some among the investors, though are risk averse, remained in the market for a long period.

Conclusion

An individual invests his or her hard earnings only when satisfied on various variables, but it does not mean every time the decision goes correct. Income earned from derivatives are not fixed, they depend on the pricing of the basic equity asset which always does fluctuate for many reasons explained. Risk is inevitable in derivatives market leading to low rate of return and low satisfaction. Generally investments are made for capital appreciation and wealth creation with hedging facility keeping in view short term benefits like tax savings and dividends. Problems are common, but unfair practices and price manipulations are to be controlled. Information should be provided in time so that volatility could be overcome to safeguard the investments of the common investors who are far away from exchanges can't afford sufficient time. Investors should be aware about the strategies while investing in derivatives. Lack of information and volatility leads to wrong direction of investments. Though there is facility of hedging of risks, volatility always prevails in the derivative market. Mediators should be loyal because it is the hard earnings been invested, so trusted information should be provided and in time without carrying out unfair practices to amplify investors' returns.

Investors should be aware about the strategies while investing in derivatives. Stock exchanges have to continuously educate the investors and create a fair platform for the small retail investors. With this the investors can be saved from unintended exposure to risks and gain beyond expectations. Exchanges should be all the time geared up to assist the retail investors and take inflexible actions against fraudulent mediators.

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