

**INVESTORS' PERCEPTION TOWARDS DERIVATIVE MARKET – AN ANALYSIS IN
ERODE**

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ABSTRACT

A healthy structured financial system consequence into better economic development of a nation. The financial institutions and financial market are measures of a financial system in due to that financial system is a very extensive term. The accountability of a financial system is to organise the investing in the form of monetary assets and money and then invest it to the productive Ventures. The derivative investment pattern and perception of investors are not recognised in Erode. Therefore, this study focused to analyse the investors' perception towards derivative market in Erode. This study was adopted on descriptive research method. For the purpose, the researcher has selected the 105 investors by using purposive sampling method. The researcher has collected their perception about the investing on derivate marketing through a well-structured questionnaire included Likert's 5 point scaling technique. The statistical tools such as percentage analysis, mean score analysis, standard deviation and Anova analysis. From the research, it is found that there is a significant difference between the variable age, gender educational qualification, monthly income of the investors and the dependent variable perception towards derivate trading in the study area.

Keywords: Derivate Market, Investors Perception, Financial System and Share Market.

1. INTRODUCTION

Indian Financial sector has gone through numerous significant improvements over the years. Financial derivatives have entered Indian Capital Market as a financial innovation and risk management tool but it has elevated lots of concern among market participants, policy makers and economists. The raised concerns relate to the financial impact of these new instruments as their introduction has created an environment where speculation has become a leading activity. Derivative trading is also used for hedging purposes but the speculative activity connected with derivative trading has led to high volatility in the underlying markets. Frequent market crises during last decades have upraised concerns about the impact of these new instruments among market contributors, policy makers and economists.

A derivative instrument is a product or contract that does not have any value on its own, as it derives its value from some underlying asset. However, the availability of risk management products entices more investors to the cash or spot market. Arbitrage between the cash and derivative markets makes additional business to the cash market, in addition to enabling development in delivery-based business, lesser volatility and enhanced price discovery. Perception of investors differs as they have several alternatives risk management tools in financial market. There may be many factors which disturbs the decision of investors while using derivatives tools to manage their financial risks. Education or Professional literacy off course increase the level of understanding and awareness among investors to understand the complex mechanism and strategies of derivatives.

2. REVIEW OF LITERATURE

The study of Gautam (2016) indicated that the first impact of derivative trading was seen in the form of huge volumes and liquidity in the Indian market. In addition, price discovery was taking place and volatility had reduced in general and experienced derivative traders considered derivatives as risky