

A Study on Customer Awareness towards Financial Derivatives Future and Option at Sunshare Investments

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Abstract: *The derivatives market is the financial market for derivatives, which financial instruments are derived from other types of assets such as futures contracts or options. The market is divided into two sections: exchange-traded derivatives and over-the-counter derivatives. The legal nature of these products, as well as the manner in which they are traded, are very different, despite the fact that many market participants are active in both. This research would aid in explaining the customer's risk and return perceptions, as well as their preference for Sunshare Investments Financial Derivatives Futures and Options. All of this would aid in making recommendations to strengthen Sunshare Investments' marketing efforts and expand their business.*

Keywords: Customer awareness, Financial Derivatives, Future & Option, Investments

1. Introduction to Financial Derivatives

A derivative is a contract in finance that derives its value from the performance of an underlying entity. This underlying entity, which can be an asset, index, or interest rate, is commonly referred to as the "underlying." Derivatives can be used to insure against price movements (hedging), increase exposure to price movements for speculation, or gain access to otherwise difficult to trade assets or markets. Forwards, futures, options, swaps, and derivatives variations such as collateralized debt obligations, credit default swaps, and mortgage-backed securities are some of the more common derivatives. The majority of derivatives, most commodities are traded over-the-counter (off-exchange) or on exchanges such as the Chicago Mercantile Exchange, whereas most insurance contracts have evolved into a separate industry. Derivatives are one of three major types of financial instruments, the other two being equities (also known as stocks or shares) and debt (i.e. bonds and mortgages).

A futures contract (also known as a futures contract) is a standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality for a price agreed upon today (the futures price). An option is a contract in finance that grants the buyer (the owner) the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on or before a specified date. Sunshare Investments is one of the fastest growing financial institutions, providing comprehensive financial solutions in all areas of life.

2. Objectives of the Study

Primary Objectives:

- The Primary objective of the study is to assess the customer's awareness towards the Sunshare Investments Financial derivatives future and option.

Secondary Objectives:

- To learn about customers' risk and return perceptions, as well as their preferences for Sunshare Investments Financial derivatives future and option contracts.
- To determine whether Sunshare Investments Financial Derivatives meet the customer's goal of maximising return on investment. To evaluate the influencing factors and strategies used for investing in Sunshare Investments Financial Derivatives Futures and options.
- To determine the preferred trading activity in the equity derivatives segment.
- To make valuable suggestions to improve Sunshare Investments' financial derivatives future and option investments.

3. Need for the Study

The derivatives market is the financial market for derivatives, financial instruments like futures contracts or options, which are derived from other forms of assets. The market can be divided into two, that for exchange-traded derivatives and that for over-the-counter derivatives. The legal nature of these products is very different as well as the way they are traded, though many market participants are active in both. This study would help in explaining the customer's perception of risk & return & their preference for Sunshare Investments Financial Derivatives Futures and option. All this would help in giving suggestions to strengthen the marketing efforts of Sunshare Investments and expand their business.

4. Scope of the Study

The study's goal is to analyse and interpret customers' attitudes toward Sunshare Investments Financial Derivatives Futures and Options.

The research focuses on general knowledge of Sunshare Investments Financial Derivatives Futures and Options, as

Volume 11 Issue 6, June 2022

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well as their risk perception. Analyze and interpret the Sunshare Investments Financial Derivatives Futures and Options strategies. Examine the strategies employed in the selection of Sunshare Investments Financial Derivatives Futures and Options. To evaluate the overall growth of trading in the Sunshare Investments Equity Derivatives Futures and Options segment in India.

5. Review of Literature

Sharpe, William F. (1966), proposed a metric for assessing portfolio performance. Based on portfolio analysis results, economist Jack L. Treynor has proposed a new predictor of Financial Derivatives and option performance that differs from virtually all others by incorporating the volatility of a fund's return in a simple yet meaningful manner. Jensen's alpha is a risk-adjusted measure of portfolio performance developed by Michael C. Jensen (1967) that estimates how much a manager's forecasting ability contributes to fund returns.

Statman (2000) defined the SDAR of a fund portfolio as the excess return of the portfolio over the return of the benchmark index, where the portfolio is leveraged to have the standard deviation of the benchmark index. S. Narayan Rao and colleagues assessed the performance of Indian financial derivatives and options in a bear market using a relative performance index, risk return analysis, Treynor's ratio, Sharpe's ratio, Sharpe's measure, and Sharpe's ratio. Jensen's and Fama's measurements The study computed the relative performance index using 269 open-ended schemes (out of a total of 433). After excluding funds with returns that are lower than risk-free returns, 58 schemes are used for further analysis. According to the results of performance measures, the majority of Financial Derivatives and option schemes in the sample of 58 were able to meet customer expectations by providing excess returns over expected returns based on both premium for systematic risk and total risk.

In the Indian context, the effect of incorporating lagged information variables into the valuation of Financial Derivatives and option manager's performance is investigated. The findings suggest that using conditioning lagged information variables improves the performance of Financial Derivatives and option schemes by shifting alphas to the right and decreasing the number of negative timing coefficients. Mishra et al., 2002 used lower partial moment to measure the performance of financial derivatives and options. In this paper, lower partial moment measures for evaluating portfolio performance are developed. Risk from the lower partial moment is measured by considering only states in which the return is less than a pre-specified "target rate," such as the risk-free rate. Index fund implementation in India was evaluated by Kshama Fernandes (2003). The tracking error of index funds in India is measured in this paper. The consistency and level of tracking errors obtained by some well-managed index funds suggests that low levels of tracking error are achievable under Indian conditions. At the same time, there appear to be times when certain index funds appear to deviate from the indexation discipline.

K. Pendaraki et al. investigated the construction of Financial Derivatives and option portfolios, devised a multi-criteria methodology, and applied it to the Greek equity Financial Derivatives and option market. The methodology is based on a hybrid of discrete and continuous multi-criteria decision aid methods for financial derivatives as well as option selection and composition. The UTADIS multi-criteria decision aid method is used to create financial derivatives and option performance models. The goal programming model is used to determine the proportion of chosen financial derivatives and options in the final portfolios.

Based on their distinct characteristics, the literature distinguishes between developed and emerging stock markets. The developed world's stock markets are widely assumed to be more liquid and efficient than their counterparts in emerging markets.

While many stock markets have evolved significantly over the last decade, emerging markets in particular have grown exponentially in terms of trading volume, number of listed companies, and market capitalization (Goetzmann & Jorion, 1999). In recent years, attractive prospects in these markets have rekindled global customers' interest (Domowitz et al., 1997; Richards, 1996; Erb et al., 1997; Bekaert et al., 1997). Although there is evidence that many emerging markets are becoming more integrated into the global capital market (Bekaert & Harvey, 1995), these markets remain distinct from developed markets in terms of high liquidity risk and limited availability of high quality, large capitalization shares.

There is plenty of evidence in the literature to suggest that emerging stock markets have higher volatility and price changes (Salomons & Grootveld, 2003; Appiah-Kusi & Menyah, 2003; Harvey et al., 2000; Kawakatsu & Morey, 1999; Bekaert et al., 1998; Bekaert & Harvey, 1997; De Santis & Imrohroglu, 1997; Bekaert et al., 1997; Schaller & Van Norden, 1997). In addition, when compared to developed markets, emerging markets share characteristics such as a high degree of country risk (i.e., political risk, economic risk, and financial risk), currency depreciation, failed economic plans, financial shocks, and capital market reforms.

Furthermore, when compared to developed markets, common Emerging market characteristics include a high level of country risk (i.e., political, economic, and financial risk), currency depreciation, failed economic plans, financial shocks, and capital market reforms. As a result, the higher level of risk associated with emerging markets implies a higher expected rate of return in these markets. Some researchers, however (Harvey, 1995; Bekaert, 1995), believe the opposite is true.

As a result, the primary motivation for this research is to determine (a) whether emerging market returns are more volatile than those of their more developed counterparts, (b) how realised rates of return in the two types of markets compare to each other, (c) whether there is a measurable difference in risk characteristics between the two types of

markets, and (d) how consistent these results are from 1994 to the end of 2001.

6. Statement of the Problem

- People are generally unaware of Sunshare Investments Financial Derivatives Futures and Options. This prevents them from receiving a reasonable return on their investment.
- A very few educated people who do not want to invest in Sunshare Investments Financial Derivatives Futures and options because they are completely unaware of how they work and perceive a very high level of risk.
- A better understanding of the customers will allow the company to fine-tune its offerings in sunshare investments financial Derivatives Futures and gain more business.

7. Research Gap

- Only 150 Sunshare Investments Financial Derivatives Futures and option customers from Chennai were chosen for the study because only customers in Financial Derivatives Futures and option with sufficient knowledge about various forms of investment will be able to compare them.
- Because of a lack of time, some information could not be gathered.

- The Study's coverage is limited due to respondents' unwillingness and bias.

8. Research Methodology

The research design specifies the types of research methodologies used to collect data for the study. The descriptive research design and hypothesis testing research design were both chosen for this project's study.

The goal of descriptive research is to obtain an individual's characteristic toward an objective or variable of interest in a situation. A descriptive research design simply describes something, such as demographic characteristics of a product group (or) customers.

A descriptive research study specifies who, what, when, why, where, and how aspects of the research. It entails developing more specific hypotheses and testing them using statistical inference techniques. However, the descriptive method does not uncover the cause and effect relationship between variables.

It includes a sample size of 150 customers of Sunshare Investments across Chennai. Questionnaire consists 20 queries to survey various demographic and perceptions of customers.

Table 1: Percentage Analysis of Demographic Variables

Question	Variables	Frequency	Percentage
Respondents by Genders	Male	102	68
	Female	48	32
	Total	150	100
Age	Below 20	48	32
	22 - 30	72	48
	30 - 40	20	13
	50 above	10	7
	Total	150	100
Monthly Income	Less than 10000	55	37
	10000 to 25000	42	28
	25000 to 50000	20	13
	50000 to 1 lac	22	15
	Above 1 lac	11	7
Total	150	100	
Respondents Experience In Equity Derivatives Market	0 - 1Yr.	32	21
	>1Yr. <2Yr.	67	45
	>5Yr.	30	20
	> 10 Yr.	21	14
	Total	150	100
Respondents Awareness About Sunshare Investments Financial Derivatives Future And Option	High	52	35
	Medium	58	39
	Low	22	15
	Not aware	18	12
	Total	150	100

Source: Primary data

Question	Variables	Frequency	Percentage
Growth of Trading in Sunshare Investments	Grew at very fast pace	82	55
	Growth was moderate	38	25
	Growth was slow	30	20
	Total	150	100
Influenced to Invest in Sunshare Investments	Friends	32	21
	Relatives	16	11

	Media	58	39
	Brokers	38	25
	Others	6	4
	Total	150	100
Market is ripe now	Strongly Agree	46	31
	Agree	42	28
	Neutral	34	23
	Disagree	18	12
	Strongly Disagree	10	7
	Total	150	100
Respondents Experience In Equity Derivatives Market	0 - 1Yr.	32	21
	>1Yr. <2Yr.	67	45
	>5Yr.	30	20
	> 10 Yr.	21	14
	Total	150	100
Respondents Awareness About Sunshare Investments Financial Derivatives Future And Option	High	52	35
	Medium	58	39
	Low	22	15
	Not aware	18	12
	Total	150	100

Source: Primary data

9. Discussion of Results

Based on Statistical analysis and hypothesis:

• Chi-Square Test

We accept the alternate hypothesis and as there is a relationship between the occupation and awareness about Sunshare Investments financial derivatives future and option.

• One Way Anova

We reject the null hypothesis and conclude that there is significance difference between the broking firms before starting trading in equity derivatives and influenced to invest in Sunshare Investments financial derivatives future and option.

• Karl Pearson's Correlation

There is positive relationship between the respondent risk perception about Sunshare Investments financial derivatives and respondents risk is most concern in the equity derivative market.

10. Findings

- Most of the respondents are in the age group of 22 to 30 years.
- Most of the respondents are Male.
- Most of the respondents are Under Graduates
- Most of the respondents are Students.
- Most of the respondents are earning Less Than 10, 000.
- Most of the respondents are Medium awareness about Sunshare Investments financial derivatives future and option.
- Most of the respondents are YES undergone any training in derivatives from NSE, BSE or broking firms before starting trading in equity derivatives.
- Most of the respondents are More than 1 Year but less than 2 years experience in equity derivatives market.
- Most of the respondents are Contracts expiring in above 12 months.

- Most of the respondents are Strongly Agree Sunshare Investments financial derivatives future and options are a great way to let your money grow.
- Most of the respondents are hedging preferred trading activity in the equity derivatives segment.
- Most of the respondents are invest in Equity derivatives markets.
- Most of the respondents are Highly Risky perception about Sunshare Investments financial derivatives future and option.
- Most of the respondents are Market Risk is concern in the equity derivative market to you today.
- Most of the respondents are Strongly Agree Market is Ripe Now for Other Complex Products in Derivatives.
- Most of the respondents are Media influenced to invest in Sunshare Investments financial derivatives futures.
- Most of the respondents are to a great extent Sunshare Investments financial derivatives fulfill your objective of maximizing the return from the investment.
- Most of the respondents are Grew at very fast pace growth of the trading in Sunshare Investments equity derivatives futures and option segment in india.
- Most of the respondents are Neutral minimum contract size value is RS. 2 lacs. respondents there should be reduction in contract size for stock and index derivatives contracts to get larger participation.
- Most of the respondents are Neutral physical delivery settlement for Sunshare Investments equity derivatives.

11. Suggestions

Investment in real estate

Mutual fund is allowed to invest in real estates. Real estate's gives higher profit & there by enables the investors in Sunshare Investments Financial Derivatives to get higher returns for their investment. SEBI must allow Sunshare Investments Financial Derivatives to invest either directly in real estate business or invest in companies shares that do real estate business.

Higher awareness among investors

Mutual fund companies should bring greater awareness in the investors mind about their different schemes. Since the bank interest rates are falling, the mutual fund companies must bring awareness among investors about their products & enable the investors to get a better return for their investments.

Tax rebate for investing in mutual fund

Tax rebate should be provided to the investor for investing in mutual fund so as to encourage them to invest in Sunshare Investments Financial Derivatives apart from ELSS.

Innovative products or funds

Mutual fund companies must create innovative funds for the investor keeping in mind the investment period of the investor. For e.g. : Standard charted mutual fund offered medium term plan for the investor which gives a better return when the investor looks for a investment period of 6 months - 1 years.

12. Conclusion

The study on investor's perception towards the Sunshare Investments Financial Derivatives enables us to find over other investments plans, level, structure, benefits and superiority of Sunshare Investments Financial Derivatives level compare with other investments and mutual funds. This study constitute a sample of 250 different kinds of investors they diversification of investment plans, opinion of the investors has been collected through structured questionnaire and study confined to the area of different areas in Chennai. Most of the investors have very good knowledge about Sunshare Investments Financial Derivatives investment and other investment plan and they are satisfied with the returns and with the performance of the investments scheme. Very easily long term and short term wealth can be created and investors are aware of that and this is a scheme which is disciplined and it gives good return and it protects the investors when the market falls.

Conclusion is that almost all the investors are satisfied with the returns and with the performance of the schemes. Based on the findings and analysis it can be concluded that the investors are satisfied with the returns and performance of Sunshare Investments Financial Derivatives' superiority and over other investments plan from other mutual fund companies.

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