

ASSESSING THE PUBLIC AWARENESS ON FINANCIAL DERIVATIVES IN HYDERABAD REGION

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ABSTRACT

Derivatives are financial instruments whose value is derived from an underlying asset, such as stocks, bonds, commodities, or indices. Investors use derivatives for various purposes, including hedging against price fluctuations, speculating on price movements, and managing risk. In the Indian stock market, common types of derivatives include futures and options. This article explores the current state of public awareness regarding derivatives in Hyderabad Region with respect to some factors. Through a comprehensive analysis of available data, surveys, and market trends, it aims to assess the extent to which investors and the general public understand and aware of derivatives, their basic functionalities, and associated risks. Ultimately this article ensures that enhancing public understanding of derivatives is essential for fostering a well-informed investor base and promoting market stability in Hyderabad Region.

Keywords: Derivatives, stock market, Public awareness, Risk associated with derivatives, Investor knowledge, Factors affecting, Hyderabad Region.

1. INTRODUCTION

The Indian stock market has undergone significant transformations with the evolution of financial instruments, prominently among them being derivatives. In India derivatives trading began in 2000 with the establishment of the National Stock Exchange (NSE) and the introduction of index futures. The first derivative instruments introduced were index futures contracts on the Nifty 50.

The Securities and Exchange Board of India (SEBI) regulates the derivatives market in the country, setting guidelines to ensure transparency and investor protection. Derivatives, as financial tools, derive their value from underlying assets such as stocks, bonds, commodities, or indices. Derivatives play a vital role in shaping risk management and investment decisions.

In the context of the Indian stock market, derivatives, particularly futures and options, play a vital role in shaping investment strategies and risk management. This study involves in assessing public awareness on derivatives in the Hyderabad region respect to some factors. By analysing pertinent data, conducting surveys, and examining market trends, this exploration seeks to provide a comprehensive assessment of the public's understanding and awareness on derivatives, their fundamental functionalities, and the associated perception of investors towards derivatives market in Hyderabad with respect to some factors. This study reveals that income will affect on Level of awareness of derivative market and experienced people will face less risk in derivative market.

Statement of the problem: While Financial derivatives play a crucial role in the financial markets, their effective utilization requires a foundational understanding among investors and the general public.

This study addresses the critical issue of the current state of public awareness on financial derivatives in Hyderabad Region. This study becomes imperative for informed policy decisions and the sustainable growth of the financial sector.

Research Gap: The research gap in the study on public awareness of derivatives in Hyderabad Region lies in the limited availability of comprehensive and up-to-date data assessing the clear awareness and understanding of investors.

While existing research shows the importance of derivatives and highlights the need for enhanced financial literacy, there is a scarcity of in-depth analyses that explore into specific aspects of public awareness, such as the understanding of basic functionalities, risk perceptions. Bridging these gaps is crucial for developing targeted strategies to improve public awareness and knowledge regarding derivatives in Hyderabad Region.

2. OBJECTIVES OF THE STUDY:

- To evaluate the existing level of public awareness regarding derivatives in Hyderabad Region with respect to some factors.
- To assess the understanding and awareness of investors and the general public regarding the basic functionalities and risks of derivatives.

3. RESEARCH METHODOLOGY

- **Research Design:** I have taken the descriptive research design which includes naturalistic observation and survey.
- **Sample size and area:** The sample size of 100 people is chosen from Hyderabad.
- **Data Collection Sources:**
Primary Data: Gather primary data directly from participants through questionnaire.
Secondary Data: Refer to existing literature, reports, and financial publications to provide a contextual background and comparative analysis.
- **Sampling Technique:** Stratified Random Sampling: Stratify the sample based on demographic factors such as age, income, education, and experience in the stock market to ensure a diverse representation
- **Data Analysis Tools:** Descriptive statistics, such as mean, median, and mode, will be used to analyse quantitative data obtained through structured questionnaires. Additionally, inferential statistics, regression test may be employed to identify significant differences in awareness levels among various demographic groups. Statistical software like SPSS or Excel will be used for data analysis to ensure accuracy and efficiency.

4. REVIEW OF LITERATURE

G. Ramesh, Prof. R. Nageswar Rao (2023): This present study is an attempt to understand the Investors' perception and behaviour In Indian derivatives Market. The results indicate that the investors have good Perception and aware of risks Associated with derivatives Market, are highly influenced by factors like experience (past performance), level of Knowledge, risk tolerance Level and satisfactory returns behave rationally in the Market expect huge profits with Irrespective of risks (high). This paper investigates the perception of investors towards derivatives market in Hyderabad with respect to some factors. This study reveals that income will affect on Level of awareness of derivative market and experienced People will face less risk in derivative market.

Mr. Harshil Sharma, Dr Shipra Agarwal1, Ananda Karmakar (2023): Derivatives market plays an important role in an economic development. Derivatives markets are Risk management instruments. There are three Categories of participants in the derivatives market such As Hedgers, Speculators and Arbitragers. Financial Derivatives have become most popular and generally used in the world of finance. Derivatives are mostly used for hedging purpose. There are four main types of Derivatives contracts: Forwards, Futures, Options and Swaps. This study explains financial derivatives especially swaps and options. In recent times the Derivative markets have Gained importance in terms of their Vital role in the Economy.

Tingyu Chen1, Zihan Li2, Yitong Liu3, and Yewei Zhang4 (2023): This article explains about the Impact of covid-19 on financial derivatives which has Changed dramatically compared to the Pre-epidemic period. This dissertation focuses on the performance of Three major financial Derivatives which include futures, Options, and credit under COVID-19. The study found that There is a huge variation in the performance of these Three financial derivatives in COVID-19. In this paper, we Examine the extensive Literature to demonstrate the Changes in financial derivatives during COVID-19 by Collecting a large Amount of data about financial Derivatives during the COVID-19 period and before.

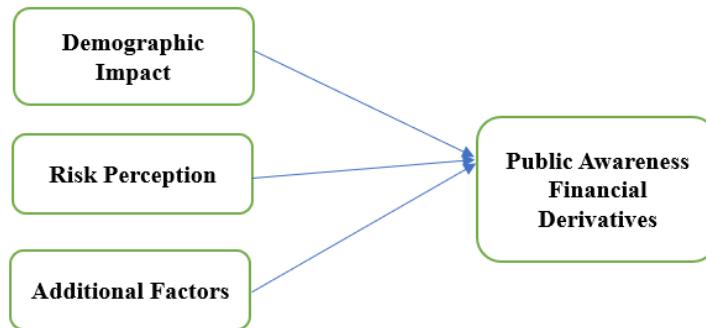
Padmalini Singh, Abhijit Das, Dwi Nita Aryani (2021): This study focused on the investors' perceptions towards stock market in different geographical areas. The data collected through online interview and Distributing questionnaires to respondents to understand their behaviours, Attitudes, desires, perspectives and level of awareness towards the stock market. The Results showed that investors' perceptions on buying shares in Asia are represented by Several indicators, such as neutral information, accounting information, and social Relevance, in which these three indicators generate impressions of the company's Activities based on profits and fundamental thinking patterns. Therefore, this will have an Influence on investors in making decisions on the shares which will be chosen by them in the future.

S. Sandra (2021): This paper traces the growth and current Position of Indian derivatives market. The present study is an effort to demonstrate the growth and expansion of derivatives in India during the period 2010-11 to 2018-19. It also encompasses the scope, history, concept, Types and growth of financial derivatives in India and the status of Indian derivatives market vis-à-vis global derivative market. The Present study is an effort to demonstrate the growth and expansion of derivatives in India during the period 2010-11 to 2018-19. It also encompasses the scope, History, concept, Types and growth of financial Derivatives in India and the status of Indian derivatives Market vis-a-vis global derivative market.

Dr. N. Selvaraj (2021): This paper explains the Traders Perception and Awareness on Financial Derivatives in Indian Stock Market. Derivatives are Among the forefront of the innovations in the financial markets and aim to increase returns and reduce risk. A derivative is a financial product which has been derived from another financial product or commodity. RBI finds ways for healthy development of market and takes steps to popularise the use of derivative Instruments, but

still awareness about the derivative instruments and its uses are quite low. Hence, it is necessary to find Out the level of awareness among investing public and if found low, how to create adequate awareness to encourage the Use of derivative products as hedge tools. This study can be used by the regulating authorities and broker houses to Increase awareness among the traders about derivatives.

Conceptual Model:



Hypothesis :

H₁: There is no significant difference in demographic impact and public awareness on financial derivatives in the Hyderabad Region across various demographic groups.

H₂: There is no significant difference in risk perception and public awareness on financial derivatives in the Hyderabad Region across various demographic groups.

H₃: There is no significant difference in additional factors and public awareness on financial derivatives in the Hyderabad Region across various demographic groups.

5. RESULTS AND DISCUSSIONS

Reliability Statistics	
Cronbach's Alpha	N of Items
.947	13

The provided data reveals a high level of internal consistency reliability, with Cronbach's Alpha coefficient calculated at 0.947 for a set of 13 items. This indicates that the items in the questionnaire or test are strongly correlated and consistently measure the same underlying construct or concept. Such a high Cronbach's Alpha suggests that the assessment is highly reliable, demonstrating the reliability and internal consistency of the items, making them a robust measure of the trait or concept under investigation. Researchers and practitioners can have confidence in using this assessment for their purposes, as it exceeds the generally accepted threshold for reliability, with values above 0.9 considered excellent in terms of internal consistency.

Hypothesis Testing Using Regression Analysis

Hypothesis	Regression Weights	Beta Coefficient	R ²	P- Value
H ₁	Demographic Impact → Public Awareness on Financial Derivatives	.658	.432	.000
H ₂	Risk Perception → Public Awareness on Financial Derivatives	.761	.579	.000
H ₃	Additional Factors → Public Awareness on Financial Derivatives	.556	.309	.000

Demographic Impact → Public Awareness on Financial Derivatives: The first hypothesis (H₁) suggests that demographic factors have a significant impact on public awareness of financial derivatives. The positive beta coefficient of 0.658 indicates that as demographic factors change, there is a corresponding increase in public awareness of financial derivatives. The R-squared value of 0.432 suggests that demographic factors account for approximately 43.2% of the variance in public awareness. The p-value of 0.000 is below the typical significance level of 0.05, indicating that this relationship is statistically significant.

Risk Perception → Public Awareness on Financial Derivatives: The second hypothesis (H₂) suggests that risk perception has a significant impact on public awareness of financial derivatives. The positive beta coefficient of 0.761

implies that as risk perception increases, public awareness of financial derivatives also increases. The R-squared value of 0.579 suggests that risk perception accounts for approximately 57.9% of the variance in public awareness. The p-value of 0.000 indicates that this relationship is statistically significant.

Additional Factors → Public Awareness on Financial Derivatives: The third hypothesis (H_3) suggests that additional factors, not explicitly mentioned in the table, have a significant impact on public awareness of financial derivatives. The positive beta coefficient of 0.556 indicates that these additional factors are associated with increased public awareness. The R-squared value of 0.309 suggests that these additional factors account for approximately 30.9% of the variance in public awareness. The p-value of 0.000 suggests that this relationship is statistically significant.

6. CONCLUSION

In conclusion, the assessment of public awareness on financial derivatives in the Hyderabad region has yielded valuable insights into the factors influencing this awareness. The findings from the multiple regression analysis, as presented in the previous table, have revealed significant relationships between demographic factors, risk perception, and additional unidentified factors with public awareness. These results underscore the importance of these variables in shaping public awareness in the region. The study's outcomes indicate that policymakers, financial institutions, and educational institutions in Hyderabad should consider these factors when designing initiatives to improve public awareness of financial derivatives. Enhancing demographic-focused educational programs and addressing perceptions of risk could prove effective strategies to bolster awareness levels. Moreover, the study highlights the need for further research to identify and understand these additional factors that influence public awareness. Gaining a deeper understanding of these hidden variables could provide more comprehensive insights into how to effectively raise awareness about financial derivatives in the region. Overall, this assessment contributes to the ongoing conversation about financial literacy and awareness in Hyderabad and provides a foundation for future endeavours aimed at improving public knowledge and understanding of financial derivatives in the region.

7. FUTURE SCOPE OF RESEARCH

Future research could explore longitudinal studies, regional variations, effectiveness of educational interventions, impact of market trends, qualitative insights, policy implications, social media analysis, global awareness comparisons, and innovative technology-driven outreach strategies to enhance understanding of public awareness on financial derivatives in the Hyderabad Region

Limitations: This study on public awareness of financial derivatives in the Hyderabad Region has certain limitations. Firstly, the potential for sampling bias exists, as the sample may not fully represent the diverse demographics of the entire population. Secondly, the reliance on self-reported data introduces the possibility of response bias, as participants might not accurately reflect their true awareness levels. The cross-sectional design employed limits the exploration of changes in awareness over time. Additionally, the complexity of financial terminology may pose comprehension challenges for participants, influencing the accuracy of their responses. Lastly, social desirability bias might impact participants' responses, leading to answers perceived as socially acceptable rather than reflective of their actual awareness levels. These limitations should be considered when interpreting the study's findings.

8. REFERENCES

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