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IN DEPTH STUDY OF INVESTORS PREFERENCES TOWARDS VARIOUS INVESTMENT AVENUES IN CAPITAL MARKET WITH SPECIAL REFERENCE TO DERIVATIVES

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Abstract:

Doing research and up to what extent your research will be utilized in the practical life is one of the key impact factor in the research work. This study is basically separated in seven segments including conclusion of the research work has been carried out. The segmentations and its included aspects are brief out as under. The thesis is on Indian Economy as well as financial system of India. In which I have found that Indian has the largest and superfast developing economy across a global economies and it can be considered one of the super powers. As far as Asian nation is concerned India is getting seventh rank in land base and second after China in terms of population. The Indian economy is the largest economy by nominal Gross Domestic Products and by Purchasing Power Parity is the fourth largest. And I have found that capital is the central factor for the economical growth in the nation. A pace in economic development is conditioned, among other things, by the rate of capital formation. And capital formation is conditioned by the mobilisation and channelisation of investible funds. The role of the financial system is to channel funds from surplus sectors to deficit sectors. Facilitating such flows on a national level increases the level of investment and effective demand and thus accelerates economic development. Financial system is a mirror reflection of an economy for any nation. The economic development of a country depends, inter alia, on its financial structure. In the long run the larger the proportion of financial assets to real assets, the greater the scope for economic growth. Investment is a pre-condition of economic growth. This apart, to sustain growth, continued investment in the growth process is essential. The second chapter of the thesis included review of literatures and in this it has been found that most of the research has been carried out supported that most of the investors have different perceptions and belief during investment decision making process. And most of the investors are following the other investors advised or analyst's advice.

Introduction to Indian Economy:

Indian has the largest and superfast developing economy across a global economies and it can be considered one of the super powers. As far as Asian nation is concerned India is getting seventh rank in land base and second after China in terms of population. The Indian economy is the largest economy by nominal Gross Domestic Products and by Purchasing Power Parity is the fourth largest.

Review of Literature:

An endeavour has been made to provide an overview of various aspects and issues related to this research work through the review of studies already carried out as well as experts' speech in the relevant area at conference both the national and international level in the retail investment sector. The review of literature can lead to draw some significant conclusions and serve as a guide mark for this study. It also gives a fair chance to identify one gap that exists in area of research

Objectives of the Study:

- To study investors' preferences towards various investment avenues in capital market with special reference to derivatives
- To study the preference level of investors on various capital market instruments.
- To study the types of risk which are considered by the investors.
- To study the ways through which the investors minimizes their risk

Scope of the study:

The Periphery of the Research work is limited to investor's preference towards some selected capital market Investment avenues i.e. bonds, Mutual fund, Equity, Equity futures & Options & Commodities Exclude any other Capital Market Investment as well as money market Investment.

Research Methodology:

Secondary sources: It is the data which has already been collected by someone or an organisation for some other purpose or research study. The data for study has been collected from basically relevant publications by RBI, SEBI, NSE, BSE and various other sources like books, journals, magazines, internet sources, etc.

Research Statement:

Now the problem is studied in the context of the title - "In-depth analysis of the Capital Market Investors' Preferences for different avenues to invest on Derivatives with special reference ". Investment research and capital market instruments available on the market are mainly focused on investor preferences associated with investments in derivatives and research

Securities Market in India – An Overview:

The securities market has essentially three categories of participants viz., the issuer of securities, investors in securities and the intermediaries. The issuers are the borrowers or deficit savers, who issue securities to raise funds. The investors, who are surplus savers, deploy their savings by subscribing to these securities. The intermediaries are the agents who match the needs of users and suppliers of funds for a commission. These intermediaries pack and unpack securities to help both the issuers and investors to achieve their respective goals. There are a large variety and number of intermediaries providing various services in the Indian securities market. This process of mobilization of resources is carried out under the supervision and overview of the regulators. The regulators develop fair market practices and regulate the conduct of issuers of securities and the intermediaries. They are also in charge of protecting the interests of the investors. The regulator ensures a high service standard from the intermediaries and supply of quality securities and non-manipulates demand for them in the market.

Capital Market of India:

An important segment of the organised financial system comprises of the primary as well as secondary segments. The term capital segment is a wide term, encompassing all long claims of money-landings and borrowings. It thus includes all term landings by banks and financial institutions and long-term borrowings from foreign markets and new issues by companies and raising of all resources from public through issue of new securities, deposits, loans, etc

In a simple term we can say that an investment is a proper and systematic allocation of the capital in one or more than one kind of investment instrument for short or long period with expecting the positive return. There are several kinds of investment vehicles exist for the investors. Basically investment instruments are bifurcated in two types one is risk free instruments and on other hand risky instruments. The risk free investment vehicles includes FD from banking and nonbanking institutions, Post office savings, PPF, traditional insurance policies, bonds and debentures form public and private sectors, whereas risky investment vehicles included unit linked insurance plans, equities, mutual funds, futures and options. Along with financial investment, investors can also invest through precious metals like gold, silver and jewelry as well as realities sector and works of arts, etc. Indian capital segment has been experiencing metamorphic changes for the last few years. The changes have become more pronounced in last couple of years with the advent of liberalization pertaining to the industry policy, licensing policy, financial services sector, interest rates etc. The race has become very extreme and real, thus affecting the industrial sector and financial services industry. As a result of this, in area of capital market, the more and more new financial instruments have been introduced by the companies accessing capital markets.

Derivatives Market of India:

A cool concept and inventions in all fields is a guarantee for the growth of decisions through adulthood. Every step of growth, the key elements are the unit to cool concept people and invention. And the key elements are just to increase return and reduce risk in all modes lifecycle. From this financial segment is not excluded. A company is increasingly maximize return and minimize risk. And these two key elements being applied for fresh concepts and new invention to advance financial market with leaving in the middle. This is playing a whole fresh whole area is known as financial engineering.

World financial markets have experienced qualitative changes in the last thirty years due to remarkable progress of derivatives. An increasingly large number of organizations now consider derivatives to play significant role in play in implementing their financial policies. Derivatives are used for variety of purposes, but, perhaps, the most important is hedging. Hedging involves transfer of market riskthe possibility of sustaining losses due to unforeseen unfavorable price changes. A derivatives transaction allows a firm to alter its market risk profile by transferring to counter-party some type of risk for a price. Hedging is the prime reason for the advent of derivatives and continues to be a significant factor driving users to deal in derivatives.

Findings:

In the derivative market most of the investors are married which means that the marital status is not much impacting on the decision regarding investment in the derivative market. The study has found very few investors are having undergraduate degree and majority of investors more qualify in education than these undergraduate investors because education qualification is most important to understand the mechanism of the investment market. In occupational analysis of the investors, more than half investors are from pvt. Sector employees and business group. This means that pvt. Sector employees and business group investors are more likely the derivatives than other occupational investors.

Conclusion:

Capital formation and investment culture among the people of a country with faster economic growth is a necessary prerequisite. Investment culture, attitudes, perceptions, and putting their savings in various financial assets, more popularly known as securities mentioned in the will of individuals and organizations. Investors' perceptions and preferences of the study, thus, the development and regulation of security markets in general, and the protection and, in particular, for designing policies to encourage small investors and house-hold will assume greater importance.

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