



INVESTOR'S PARALLEL INSIGHT OF STANCE AND ACTION TOWARDS MUTUAL FUNDS AND DERIVATIVE MARKET

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Abstract

The majority of investment opportunities in India are considered to be risky by the investors. Investor's value income stability, principle amount, liquidity, ease of transferability as the most important features of investing. The desired level of return and the tolerance for risk help in deciding the choice of the investors. Investors can invest in mutual funds where risk can be reduced and capital appreciation can be more with the help of the fund manager. On the other side derivatives are more volatile and investors would face difficulties in selecting it. Every investor wants to save more money and increase their chances of capital appreciation. This is one of the main reasons why investor's perceptions of mutual funds and derivatives shift. There is a lot of confusion in the investment patterns and the investment avenues to be decided between mutual fund and derivatives.

I. Introduction

An investor is a person who allocates capital with the expectation of a future financial return. The primary concern of an investor is to minimize risk while maximizing return, as opposed to a speculator, who is willing to accept a higher level of risk in the hopes of collecting higher-than-average profits. Mutual funds are trusts, savings and invest the same in diversified financial instruments in terms of objectives set out in the trusts deed with the view to reduce the risk and maximize the income and capital appreciation for distribution for the members. A mutual fund is a corporation and the fund manager's interest is to professionally manage the funds provided by the investors and provides a return on them after deducting reasonable management fees. On the other hand derivative products, most notably forwards, futures and options can be traced back

to the willingness of risk averse out of fluctuations in asset prices. By their very nature, the financial markets are marked by a very high degree of volatility. Through the use of derivative products, it is possible to partially or fully transfer price risks by locking in asset prices. As instruments of risk management, these do not influence the fluctuations of underlying prices. However, by locking in asset price, a derivative product minimizes the impact of fluctuations in asset prices on the profitability and cash flow situation of risk-averse investors. To build in a good portfolio both mutual funds and derivative play an important role.

II. Review of Literature

"A Comparative Study on Performance of Selected Mutual Funds in India Y. Maheswari 2020"-In India capital market blesses with an assortment of venture options in contrast to the investors, to help them to put resources into various venture apparatuses and to make certain the productive return. Alongside different range financial items, mutual fund ensures the greatest return and least dangers to the financial specialists. Improvement of different mutual fund schemes in the Indian capital market has end up being one of the most reactant venture road in producing noteworthy speculation development.

III. Research Methodology

A. Objectives:

- To find out investors investment alternatives and time horizon.
- To identify the various risk and return involved in both mutual and derivative market
- To identify the factors influenced to invest in derivative and mutual market
- To examine and analyze results in meaningful ways that can help both the

investors and financial advisors in future investments.

B. Scope

- It assesses the perception of choosing the market by the respondents.
- They help in transferring risk from risk adverse people to risk oriented people
- Investors can increase the savings and investment in the long run
- It helped to bring out various ideas about
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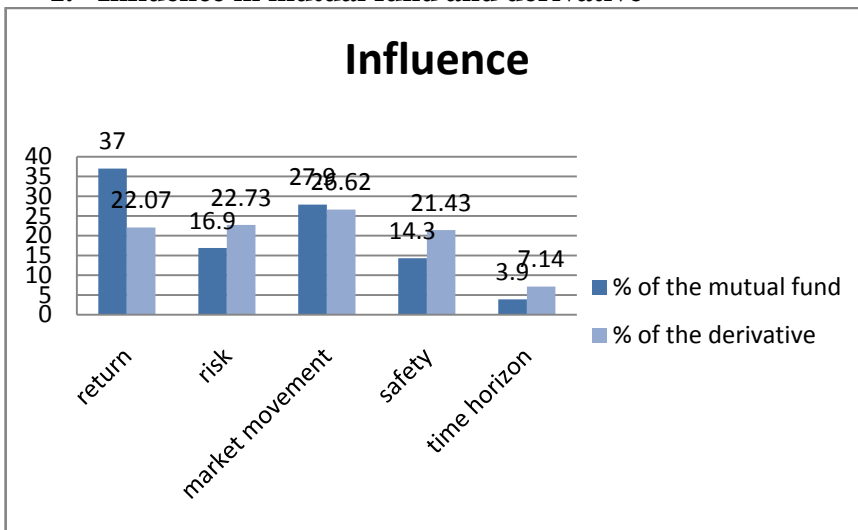
investment opportunities in mutual fund and derivative market

C. Limitations:

- The sample size is limited to 154
- The time for the study is limited
- Respondent’s bias is another limiting factor.
- The analysis is based on the data provide by the respondents

IV. Data Analysis:

1. Influence in mutual fund and derivative

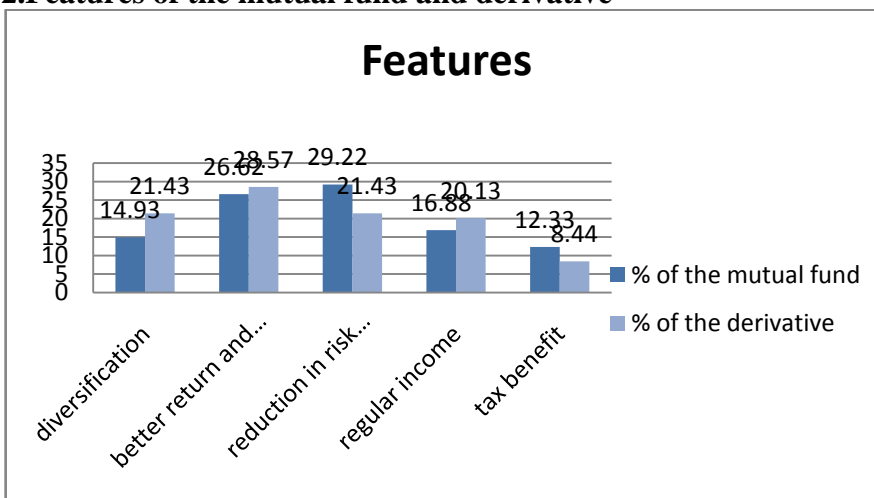


Inference:

It is inferred that 37% of mutual fund and 22.07% of derivative respondents feel return has an influence.16.9% of mutual fund and 22.73% of derivative respondents feel risk has an influence .37% of mutual fund and 22.07% of derivative respondents feel market movement

has an influence.37% of mutual fund and 22.07% of derivative respondents feel safety has an influence.37% of mutual fund and 22.07% of derivative respondents feel time horizon has an influence to invest in mutual fund and derivative

2.Features of the mutual fund and derivative

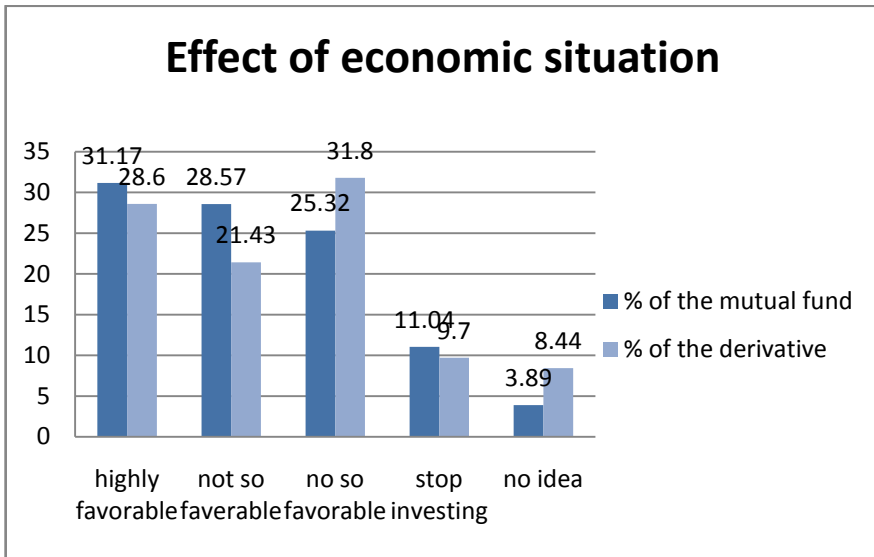


Inference:

It is inferred that 14.93% of mutual fund and 21.43% of derivative respondents feel diversification. 26.62% of mutual fund and

28.57% of derivative respondents feel better with return and safety. 29.22% of mutual fund

3.Effect of economic situation on mutual fund and derivative



Inference:

It is inferred that 31.17% of mutual fund and 28.6% of derivative have a highly favorable situation. 28.57% of mutual fund and 21.43% of derivative does not have a favorable situation. 25.32% of mutual fund and 31.8% of derivative have a better to sell and invest (no so favorable) situation. 11.04% of mutual fund and 9.7% of derivative have stopped investing. 3.89% of mutual fund and 8.44% of derivative have no idea on mutual fund and derivative.

4.Co-efficient Correlation

Objective:

To identify the relationship between the market prediction and profit make on derivative market

X: Market prediction **Y:** profit make on derivative

X	Y	X ²	Y ²	XY
13	13	169	169	169
15	35	225	1225	525

and 21.4% of derivative respondents feel reduction in risk and transaction cost. 16.88% of mutual fund and 20.13% of derivative respondents feel regular income. 12.33% of mutual fund and 8.44% of derivative respondents feel tax benefit is an important

47	45	2209	2025	2115
61	40	3721	1600	2440
18	21	324	441	378
154	154	6648	5460	5627

$$\begin{aligned} \text{Correlation, } r &= \sum XY / (\sqrt{\sum X^2}) (\sqrt{\sum Y^2}) \\ &= 5627 / (\sqrt{6648}) (\sqrt{5460}) \\ &= 0.93 \end{aligned}$$

Inference:

The co-efficient correlation is (0.93) which is positively correlated. Therefore there is relationship between the market prediction and profit make on derivative market.

5.Chi-Square Analysis

Objective: To identify factors determine the both market

Hypothesis

H₀: There is no adequate information of factors affecting both markets

H₁: There is adequate information of factors affecting both markets

Observed frequency

Statements	Strongly agree	Agree	Neither agree non disagree	disagree	Strongly disagree	Total
Political factor	7	7	6	7	7	34
Mutual factor	7	7	6	6	6	32
Technological factor	5	5	5	5	5	25
International factor	5	7	8	5	5	30
Industry factor	5	7	10	5	6	33
Total	29	33	35	28	29	154

$$\chi^2_{cat} = (\mathbf{O}_i - \mathbf{E}_i)^2 / \mathbf{E}_i = 3.055$$

Inference: From above chi-square it is inferred that the null hypothesis is accepted therefore there is no adequate information factor affecting both markets

V.Findings:

- 40.9% of the respondents are from the age group 41-50, and 15.6% of the respondents are from the age group above 50 or over
- 24.0% of the respondents are professional, 33.8% of the respondents are business, 32.5% of the respondents are government, and 9.7% of the respondents are other specify.
- 11.7% of the respondents annual income is < 2lak, 63% of the respondents annual income is 5lak to 8lak, and 11.7% of the respondents annual income > 8lak
- 55.8% of respondents have invested 100000-150000 and 10.4% of invested more than 150000.
- 12.3% of the respondents have invested in equity, 17.5% of the respondents have invested in commodity, 33.8% of the respondents have invested in derivative, and 36.4% of the respondents have invested in mutual fund.
- 27.3% of the mutual fund and 20.1% of the derivative respondents have invested from 5-10years, and 11.0% of the mutual fund and 8.4% of the derivative have invested more than 15 years.
- 35.1% of the mutual fund and 29.2% of the derivative respondents have portfolio value between 150000 to 200000, 5.1% of the mutual fund and 13.6% of the derivative respondents have portfolio value more than 200000.
- 8.4% of the respondents always get a profit, 39.6% of the respondents some time have a profit, 11.8% of the respondents never have profit.
- 36.3% of the mutual fund and 31.8% of the derivative respondents rank for high risk. 4% of the mutual fund and 12.3% of the respondents rank for different options available.
- 40.3% of the respondents have self analysis for call and put option in derivative, and 16.9% of the respondents have others sources for call and put option in derivative
- 26% of the mutual fund and 23.4% of the derivative respondents feel they have growth from 10-20lakhs, 13.6% of the mutual fund and 3.9% of the derivative respondents feel they have growth for more than 50 lakhs
- 37% of mutual fund and 22.07% of derivative respondents feel return has an influence to invest in mutual fund and derivative. 16.9% of mutual fund and 22.73% of derivative respondents feel risk has an influence to invest in mutual fund and derivative.
- 29.22% of mutual fund and 21.4% of derivative respondents feel reduction in risk and transaction cost is an important feature for mutual fund and derivative. 16.88% of mutual fund and 12.33% of mutual fund and 8.44% of derivative respondents feel tax benefit is an important feature for mutual fund and derivative.

- 31.17% of the respondents feel growth level is 21%-25%, 7.79% of the respondents feel growth level is above 25%
- 31.17% of mutual fund and 28.6% of derivative have a highly favorable situation on mutual fund and derivative. 3.89% of mutual fund and 8.44% of derivative have no idea on mutual fund and derivative.
- There is relationship between the market prediction and profit make on derivative market
- There is no adequate information factors determine the both markets.
- There is significant difference within the level of satisfaction regarding services.

VI.Suggestions

- ❖ Investors interested in both the market invested very less percentage. Investor should learn on the returns about both the market. Comparing how total return is derived for both mutual funds and derivatives, investors would be able to understand which one would be a better choice
- ❖ In mutual fund and derivative market the risk level is moderate; investor's could give equal preference to both the market.
- ❖ Though the investors consider all the factors while their investment decisions. If investors got more information regarding time horizon and safety for mutual fund and derivative market they would take a better decision.
- ❖ Mutual funds are allowed to use derivatives for hedging purposes and it

could provide a better option for the investors.

VII.Conclusion

The analysis suggests that if there is more risk, there is more return. It is noticed that due to risk involved in the investment, the investors prefer going for smaller portfolio size and it can also be said that the mutual fund and derivative market is totally dependent on the risk taken by the investors in investing in mutual fund and derivative market. Hence the investors can go for high investment involving high risk in order to earn more returns. The investors are the decision makers in the mutual fund derivative market, even though they consult the brokers or stock agency before investing into the shares, the stock agency should only consider those factors that are favorable to the investors. On the whole investors having good attitude and understanding towards mutual fund and derivative market invest in it. Investors who feel derivative more risky than mutual fund might not opt for it.

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