

A study on Derivatives(Futures and Options): Sharekhan securities Sharekhan securities

¹Sk Nusrath,²Dr.V.V.Narsi Reddy

¹Department Of MBA, Sri Chaitanya Institute Of Technology & Research Ugc Autonomous
Institution Khammam

²Department Of MBA, Sri Chaitanya Institute Of Technology & Research Ugc Autonomous
Institution Khammam

Abstract

Derivatives are important financial instruments used for risk management, speculation, and investment purposes in modern financial markets. This study focuses on derivatives trading, particularly Futures and Options, with special reference to Sharekhan Securities. The research aims to analyze the role and functioning of derivative instruments in the stock market and examine the trading practices followed by investors through Sharekhan Securities. Futures and Options are widely used by investors and traders to hedge risks, maximize returns, and manage market volatility. The study evaluates the awareness, trading behavior, and investment preferences of investors dealing in derivatives. It also examines the performance and services provided by Sharekhan Securities in facilitating derivative trading activities. The research is based on both primary and secondary data collected from investors, company reports, journals, websites, and financial publications. The findings indicate that derivative trading has become an important tool for portfolio management and risk reduction in the financial market. The study concludes that proper market knowledge, investment strategies, and efficient brokerage services play a significant role in improving investor participation and decision-making in derivatives trading.

Keywords: Derivatives Market, Futures and Options, Sharekhan Securities, Stock Market, Financial Derivatives, Risk Management, Hedging, Speculation, Investment Strategies, Capital Market.

I. INTRODUCTION

Derivatives are important financial instruments whose value is derived from underlying assets such as stocks, commodities, currencies, and market indices. In the modern financial market, derivative trading plays a significant role in risk management, hedging, speculation, and portfolio diversification. Among various derivative instruments, Futures and Options are widely used by investors and traders to manage market volatility and maximize returns. Futures contracts involve an agreement to buy or sell an asset at a predetermined price on a future date, while Options contracts provide the right, but not the obligation, to buy or sell assets at a specified price within a given period.

Sharekhan Securities is one of the leading brokerage firms in India offering trading services in equity, derivatives, commodities, and mutual funds. The company provides investors with market analysis, trading platforms, investment guidance, and customer support for effective participation in derivative trading. This study focuses on analyzing derivatives trading practices with special reference to Futures and Options at Sharekhan Securities. The research aims to understand investor awareness, trading behavior, risk management practices, and the role of brokerage services in facilitating efficient derivative trading activities in the stock market.

Research Objectives

- To study the concept and importance of derivatives in the financial market.
- To analyze the functioning of Futures and Options trading with special reference to Sharekhan Securities.
- To understand the role of derivative instruments in risk management and portfolio diversification.
- To examine investor awareness and knowledge regarding Futures and Options trading.
- To analyze the trading behavior and investment preferences of investors in derivative markets.
- To evaluate the effectiveness of Sharekhan Securities in providing derivative trading services and customer support.
- To study the impact of market volatility on derivative trading decisions.
- To analyze the risks and returns associated with Futures and Options trading.
- To identify the factors influencing investor participation in derivative trading.
- To suggest suitable measures for improving investor awareness, trading strategies, and risk management practices in derivatives trading.
- The study mainly focuses on Futures and Options trading activities carried out through Sharekhan Securities.
- Convenience sampling method was used for selecting respondents for the study.
- A sample size of 50 investors and traders was selected for collecting data and opinions regarding derivatives trading.
- The collected data was classified and organized systematically using tables and statistical methods.
- Percentage analysis, comparative analysis, graphs, and charts were used for interpretation and presentation of data.

II. REVIEW OF LITERATURE

Derivatives have become an important component of modern financial markets due to their role in risk management, speculation, and investment diversification. Several researchers have emphasized that derivative instruments such as Futures and Options help investors protect themselves against market volatility and price fluctuations. Previous studies indicate that Futures contracts are widely used for hedging risks and managing price uncertainty, while Options provide flexibility and strategic advantages to investors in managing investment portfolios. Researchers have also highlighted that derivative markets improve market efficiency, liquidity, and price discovery in the stock market. Financial experts further state that proper knowledge and understanding of derivative instruments are essential for investors to minimize financial risks and maximize returns.

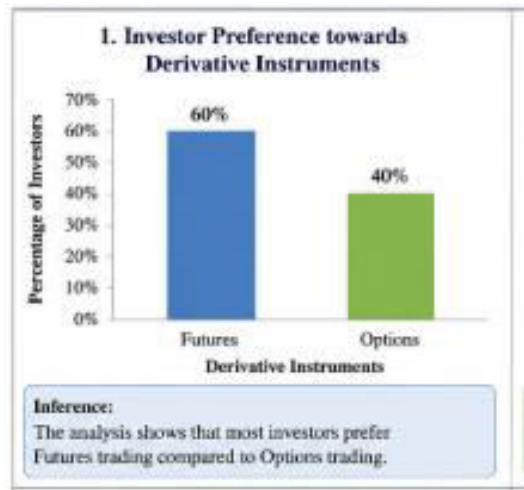
Several studies conducted on brokerage firms and investor behavior reveal that investor awareness, market knowledge, and trading experience significantly influence participation in derivative trading. Research related to Sharekhan Securities indicates that the company provides effective trading platforms, market analysis, investment guidance, and customer support services for derivative traders. Studies also show that brokerage firms play an important role in improving investor confidence and

Research Methodology

- The study is based on a descriptive research design to analyze derivatives trading practices with special reference to Futures and Options at Sharekhan Securities.
- The research is analytical in nature as it involves interpretation and evaluation of investor behavior, trading patterns, and market performance related to derivative trading.
- Both primary and secondary data were used for conducting the study.
- Primary data was collected through questionnaires, personal interviews, and discussions with investors and traders dealing in derivatives.
- Secondary data was collected from company reports, financial journals, books, websites, stock market publications, and research articles related to derivatives trading.

facilitating efficient trading activities in Futures and Options markets. Researchers have observed that technological advancements, online trading platforms, and real-time market information have increased investor participation in derivative trading. The existing literature provides valuable insights into derivative trading practices, risk management strategies, investor behavior, and the role of brokerage services in supporting effective participation in financial markets.

III. DATA ANALYSIS & INFERENCES



Interpretation

The above bar graph represents investor preference towards derivative instruments at Sharekhan Securities. The analysis shows that 60% of investors prefer Futures trading, while 40% prefer Options trading. This indicates that Futures contracts are more popular among investors compared to Options contracts. The preference for Futures trading may be due to its simplicity, higher liquidity, and easier understanding of market movements. Investors often use Futures contracts for short-term trading, speculation, and hedging against market risks. On the other hand, Options trading is preferred by a smaller group of investors due to its complex strategies and risk considerations. The analysis suggests that investors are more comfortable with Futures trading because it provides direct exposure

to market price movements and potential profit opportunities.



Interpretation

The above pie chart represents the purpose of trading in derivatives among investors at Sharekhan Securities. The analysis shows that 45% of investors participate in derivatives trading for speculative purposes, while 35% use derivative instruments for hedging and risk management. Around 20% of investors engage in arbitrage trading to take advantage of price differences in the market. The findings indicate that speculation is the primary reason for investor participation in Futures and Options trading due to the possibility of earning higher returns in a short period. The analysis also suggests that derivatives are widely used as an effective financial tool for managing market risk and improving investment strategies. Overall, the graph highlights the growing importance of derivative trading in investment decision-making and portfolio management.



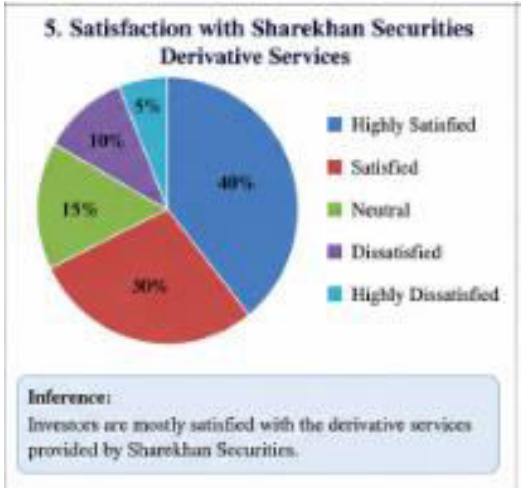
Interpretation

The above pie chart represents the level of investor awareness about Futures and Options trading at Sharekhan Securities. The analysis shows that 30% of investors are highly aware and 45% are aware of derivative trading concepts and market operations. Around 15% of investors have a neutral level of awareness, while only 10% are less aware about Futures and Options trading. The findings indicate that the majority of investors possess adequate knowledge regarding derivative instruments, trading strategies, and market activities. The analysis also suggests that increasing financial literacy programs, market education, and investment guidance can further improve investor understanding and participation in derivative trading. Overall, investor awareness plays a significant role in making effective trading decisions and managing financial risks in the derivatives market.



Interpretation

The above bar graph represents the frequency of derivative trading among investors at Sharekhan Securities. The analysis shows that 40% of investors trade derivatives on a daily basis, while 30% trade weekly. Around 20% of investors participate in derivative trading monthly, and only 10% trade rarely. The findings indicate that most investors actively engage in Futures and Options trading to take advantage of short-term market opportunities and price fluctuations. The graph also suggests that active participation in derivative trading is influenced by market volatility, profit opportunities, and continuous market monitoring. Overall, the study reflects that derivative trading has become a regular investment activity for many investors seeking higher returns and effective risk management.



Interpretation

The above pie chart represents the satisfaction level of investors regarding the derivative trading services provided by Sharekhan Securities. The analysis shows that 40% of investors are highly satisfied and 30% are satisfied with the services offered by the company. Around 15% of investors expressed a neutral opinion, while 10% and 5% of investors were dissatisfied and highly dissatisfied respectively. The findings indicate that the majority of investors are satisfied with the trading platform, customer support, market analysis, and brokerage services provided by

Sharekhan Securities. The analysis also suggests that effective customer service, reliable trading facilities, and investment guidance contribute positively to investor confidence and satisfaction in derivative trading activities.



Interpretation

The above graph represents the factors influencing investor decisions in derivative trading at Sharekhan Securities. The analysis shows that market trends are the most influential factor affecting investor decisions with 30%, followed by risk management at 25%. Profit potential influences 20% of investors, while company research and other factors contribute 15% and 10% respectively. The graph indicates that investors primarily focus on market movements and risk reduction strategies before participating in Futures and Options trading. The analysis also suggests that proper market analysis, financial knowledge, and effective risk management practices play a significant role in making successful derivative trading decisions. Overall, investor behavior in derivative trading is largely driven by market conditions and the potential to manage financial risks effectively.

IV. FINDINGS

- The majority of investors prefer Futures trading compared to Options trading due to its simplicity and higher market participation.

- Most investors participate in derivative trading for speculative purposes to earn higher short-term returns.
- A significant number of investors use derivative instruments for hedging and risk management.
- Investor awareness regarding Futures and Options trading is comparatively high among Sharekhan Securities customers.
- Financial literacy and market knowledge play an important role in improving investor participation in derivative trading.
- Daily trading is more common among investors, indicating active involvement in short-term market opportunities.
- Market trends and risk management are the major factors influencing derivative trading decisions.
- Investors rely on market analysis and price movements while making trading decisions in Futures and Options.
- Most investors are satisfied with the derivative trading services provided by Sharekhan Securities.
- Effective customer support, trading platforms, and investment guidance contribute positively to investor satisfaction.
- The study found that derivatives are widely used for portfolio management and reducing financial risks.
- Futures and Options trading helps investors manage market volatility and improve investment strategies.
- Technological advancements and online trading facilities have increased investor participation in derivative markets.

V. CONCLUSION

The study on derivatives trading with special reference to Futures and Options at Sharekhan Securities concludes that derivative instruments play a significant role in modern financial markets by helping investors manage risk, hedge against market volatility, and earn profits through speculative trading. The analysis revealed that Futures trading is more preferred by investors compared to Options trading due to its simplicity and ease of understanding.

The study also found that most investors participate in derivatives trading mainly for speculative purposes, while a considerable number use derivative instruments for hedging and portfolio management. Investor awareness regarding Futures and Options trading is comparatively high, and effective brokerage services provided by Sharekhan Securities contribute positively to investor participation and satisfaction. Factors such as market trends, risk management, and profit potential strongly influence investment decisions in derivative trading. Overall, the study highlights that proper market knowledge, investment strategies, and efficient trading support services are essential for successful participation in derivative markets and improving investor confidence.

- Derivatives play an important role in risk management and portfolio diversification.
- Futures trading is more preferred by investors compared to Options trading.
- Most investors participate in derivative trading for speculative purposes.
- Derivative instruments help investors manage market volatility and financial risks.
- Investor awareness regarding Futures and Options trading is comparatively high.
- Market trends and risk management are major factors influencing trading decisions.
- Daily trading activity is common among active derivative traders.
- Effective brokerage services improve investor confidence and trading experience.
- Proper understanding of derivative instruments and market analysis is essential for successful trading and long-term investment performance.

VI. Future Scope

The future scope of studying derivatives, particularly futures and options, with reference to Sharekhan Securities is considerable due to the increasing participation of retail investors in the Indian capital market. Future studies can examine

how investors use derivatives for hedging, speculation, portfolio diversification, and risk management. Greater awareness of derivative products and improved access to online trading platforms may further increase participation, making investor education an important area for future development.

The growing adoption of digital trading technologies and artificial intelligence provides significant opportunities in the derivatives market. Sharekhan Securities can use data analytics, algorithmic tools, and AI-based systems to provide investors with market insights, risk indicators, trading information, and personalized investment support. Future research can evaluate how these technologies influence investors' decision-making, trading efficiency, and risk-management practices.

Another important area of future research is risk management and investor awareness. Futures and options can provide opportunities for managing market exposure, but they also involve substantial risks, particularly when leverage is used. Future studies can examine investors' understanding of margin requirements, option premiums, volatility, expiry, and potential losses. Educational programs, simulated trading environments, and improved risk disclosures can help investors make more informed decisions.

Future research can also focus on changing market conditions and innovative derivative products. Studies can examine the influence of market volatility, interest rates, inflation, economic events, and regulatory changes on futures and options trading. Comparative research across different derivative instruments can help identify suitable strategies for different investor objectives and risk profiles.

Finally, future studies can conduct a comparative analysis of Sharekhan Securities with other brokerage firms based on brokerage charges, trading platforms, research support, customer service, derivative tools, and investor education. Emerging technologies such as automated

trading, predictive analytics, mobile trading applications, and real-time risk-monitoring systems can also be explored. These developments can help improve the accessibility, efficiency, transparency, and risk awareness of derivatives trading while supporting more informed participation in the capital market.

VII. REFERENCES

- [1] F. Black and M. Scholes, "The pricing of options and corporate liabilities," *Journal of Political Economy*, vol. 81, no. 3, pp. 637–654, 1973, doi: 10.1086/260062.
- [2] R. C. Merton, "Theory of rational option pricing," *The Bell Journal of Economics and Management Science*, vol. 4, no. 1, pp. 141–183, 1973, doi: 10.2307/3003143.
- [3] F. Black and M. Scholes, "The valuation of option contracts and a test of market efficiency," *The Journal of Finance*, vol. 27, no. 2, pp. 399–417, 1972, doi: 10.2307/2978484.
- [4] J. D. Macbeth and L. J. Merville, "An empirical examination of the Black-Scholes call option pricing model," *The Journal of Finance*, vol. 34, no. 5, pp. 1173–1186, 1979, doi: 10.1111/j.1540-6261.1979.tb00063.x.
- [5] C. A. Ball and W. N. Torous, "On jumps in common stock prices and their impact on call option pricing," *The Journal of Finance*, vol. 40, no. 1, pp. 155–173, 1985, doi: 10.1111/j.1540-6261.1985.tb04942.x.
- [6] D. C. Heath and R. A. Jarrow, "Arbitrage, continuous trading, and margin requirements," *The Journal of Finance*, vol. 42, no. 5, pp. 1129–1142, 1987, doi: 10.1111/j.1540-6261.1987.tb04357.x.
- [7] M. Rubinstein, "A simple formula for the expected rate of return of an option over a finite holding period," *The Journal of Finance*, vol. 39, no. 5, pp. 1503–1509, 1984, doi: 10.1111/j.1540-6261.1984.tb04920.x.
- [8] F. A. De Roon, T. E. Nijman, and C. Veld, "Hedging pressure effects in futures markets," *The Journal of Finance*, vol. 55, no. 3, pp. 1437–1456, 2000, doi: 10.1111/0022-1082.00253.
- [9] K. Eom and B. Hahn, "Traders' strategic behavior in an index options market," *Journal of Futures Markets*, vol. 25, no. 2, pp. 105–133, 2005, doi: 10.1002/fut.20143.
- [10] Y. Wang, Z. Zhang, and R. Hua, "Investor behavior and volatility of futures market: A theory and empirical study based on the OLG model," *Frontiers of Business Research in China*, vol. 5, no. 4, pp. 512–536, 2011, doi: 10.1007/s11782-011-0143-2.
- [11] G. Saravanan, D. R. Gayathri, and M. Deo, "New insights into the impact of futures and options trading on the underlying spot market volatility in India," *Journal of Emerging Market Finance*, vol. 7, no. 1, 2011, doi: 10.1177/097324701100700110.
- [12] L. Fong and C. Han, "Impacts of derivative markets on spot market volatility and their persistence," *Applied Economics*, vol. 47, no. 22, pp. 2250–2258, 2015, doi: 10.1080/00036846.2015.1005813.
- [13] C. Völkert, "The distribution of uncertainty: Evidence from the VIX options market," *Journal of Futures Markets*, vol. 35, no. 7, pp. 597–624, 2015, doi: 10.1002/fut.21673.
- [14] C.-C. Chen and S.-H. Wang, "Net buying pressure and option informed trading," *Journal of Futures Markets*, vol. 37, no. 3, pp. 238–259, 2017, doi: 10.1002/fut.21797.
- [15] C.-C. Chang, Y.-H. Hsieh, and Y.-J. Wang, "Information content of options trading volume for future volatility: Evidence from the Taiwan options market," *Journal of Banking & Finance*, vol. 37, no. 3, pp. 1217–1228, 2013, doi: 10.1016/j.jbankfin.2012.11.013.
- [16] J. Bai and R. C. Perron, "Are options trading strategies really effective for

hedging in the Indian derivatives market?”
Cogent Economics & Finance, vol. 10, no. 1,
2022, doi: 10.1080/23322039.2022.2111783.

[17] S. Sandra, “A study of Indian derivatives market and its current position in global financial derivatives market,” International Journal of Research in Engineering, Science and Management, vol. 4, no. 1, pp. 1–6, 2021, doi: 10.47607/ijresm.2021.437.

[18] “An analytical study of equity derivatives traded on the NSE of India,” Cogent Business & Management, 2022, doi: 10.1080/23311975.2022.2100616.

[19] “Investment behavior of foreign institutional investors and implied volatility dynamics: An empirical study on the Indian equity derivatives market,” Journal of Risk and Financial Management, vol. 16, no. 11, Art. no. 470, 2023, doi: 10.3390/jrfm16110470.

[20] “A study on retail investor behavior in derivatives markets: Analysing motivations, objectives, and the efficacy of futures and options trading,” Journal of Informatics Education and Research, vol. 5, no. 2, 2025, doi: 10.52783/jier.v5i2.3058.