UGC Approved Journal
Research Link
Since March 2002
An International, Registered & Refereed Monthly Journal : Business Management
Research Link - 171, Vol - XVII (4), June - 2018, Page No. 8-10
ISSN - 0973-1628 ■ RNI - MPHIN-2002-7041 ■ Impact Factor - 2015 - 2.782

Currency and Equity Derivative Performance in India : A Study

The investments in derivatives are increasing in day by day due to the extreme volatility of the equity markets which are reflecting in day to day equity market operations. The presence study has been emphasized on the secondary data from the data 2013 to 2018. The bi-variate correlation has been applied between the equity and currency derivatives investment volume and the result indicated that they are moderately positive correlation during the analysis period .The growth performance of equity & derivative investment has been examined with the help of weighted score from the period of 2013-14 to 2017-18 and it has been observed that the derivative currency derivative investment performance is observed to be superior then the equity derivative investment performance. linear regression has been applied to measure the impact of the equity derivatives & bank nifty spot on the nifty future on the result indicated that the equity derivatives having the negative influence on the currency derivative investment whereas the bank nifty spot influence has been observed positively by the bank nifty spot during the study period .Hence the presents study the equity & currency derivative investment volume has been considered and examined the impact of equity (underlying) for the period to 2013-2014 to 2016 -17 and result stated that the derivative investments are subjects to the equity market risk factor . This study also useful to the derivative &equity investor along with the regulator and economic research scholars so that they can take the inform decision before they can take the inform decision before they invest along with the common investment ideas in the equity markets.

***Key Words** : Bank-nifty, Currency Derivatives, Equity, Volumes.*

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Introduction :

When Currency derivatives market introduced in India, it was great opportunity for importers, exporters and multinational companies with forex exposure. These derivative products have wide scope to mach customer requirements. Currency derivatives market is similar to other derivatives, stocks and indices. Currency derivative value derives from the underlying currency. Currency derivative developed to protect exposure against unpredictable currency movements. In terms of foreign currencies, importers and exporters incur huge obligations to guard their interest by buying appropriate derivative products. In India RBI allowed Exchange Traded

Currency Futures on 29 August 2008.Then Indian Forex market gaining huge growth as this market involved trading as well as hedging concept First time in India National Stock Exchange was launched Forex currency future. Now there are three more exchanges trading Forex currency derivative namely Bombay Stock Exchange, Multi commodity exchange of India and United Exchange of India Limited.

The emergence and growth of the market for derivatives instruments can be followed back to the readiness of hazard disinclined financial specialists to monitor themselves against uncertainties emerging out of fluctuation in resource costs. Derivatives are intended to encourage the supporting of value dangers of stock possessions or a monetary/business exchange over a specific period. By securing resource costs, subordinate items limit the effect of fluctuations in resource costs on the gainfulness and income circumstance of hazard disinclined financial specialists, and along these lines, fills in as instruments of hazard administration.

Review of Literature :

Golak Nath (2017) : As the Indian currency futures market has been in existence for over 7 years, this paper analyses the effectiveness of the 1-month USD/INR currency futures rates in predicting the expected spot rate.

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The volatility of the USD/INR spot returns was also analysed. Using multivariate GARCH models such as the constant conditional correlation and dynamic conditional correlation, signs of a volatility spillover between the USD / INR spot and currency futures market were also observed.

S. Sathya 2015 : The Study focus on value, product, and cash subsidiaries in India prove from future market. This investigation center around the hazard and return related with subsidiaries utilized as a part of value, item, and money showcase in India, the normal and standard deviation to get to the hazard and return factor and furthermore near device for connection investigation were utilized to discover relationship among hazard and return. It is discovered that the hazard premium of value is basically the same as ware, value returns are contrarily connected with product return and money return and furthermore found that the value, ware, and cash of subsidiaries are utilized for supporting reason.

Asani Sarkar - 2010 : The Currency Derivatives advertise is the biggest resource showcase on the planet, much bigger than value and the business sectors. However the Indian situation is very unique. Money Derivatives showcase happens to be littler than the other two in India. The day by day exchanging volumes in this market are however a play when contrasted with the of value showcase. In this examination venture we go for finding the reasons with respect to why this market has not possessed the capacity to get force in India .We discover individuals' considerations and the reason they put resources into various resource markets.

D. G. Praveen - 2010 : Indian trades have as of late been allowed to offer cash prospects on their stages to the market members. The paper diagrams the agreement, and outlines the advancement and development of cash prospects in India since their initiation in 2008. It accentuates the current close network amongst item and cash markets. It features the expanded conversion scale instability of Indian swapping scale against US dollar (INRUSD) amid customary and non regular exchanging hours and contends for the capacity of the market to rapidly adjust to broadened exchanging hours. The paper suggests some new items and an elective instrument to settle the agreements.

Objective of The Study :

(1) To study the relationship of currency & equity derivative in India.

(2) To measure the investment performances of currency & equity derivative

(3) To study the intra impact of currency & equity derivative in India.

Research Methodology : The present project has been done by using historical tools a secondary data. The following tools were applied on three objectives. The stationary tests were applied of ADF, Phillip Parron. The Bi-variate Correlation and Linear Regression test were used.

Data Analysis and Interpretation :

The table 1 depicts the bi-variate correlation of

(1) To Study the Relationship of Currency & Equity Derivative in India

Correlations		Currency Derivatives	Equity
Derivatives			
Currency Derivatives	Pearson Correlation	1	0.586
	Sig. (2-tailed)		0.002
	N	58	
Equity Derivatives	Pearson Correlation	0.586	1
	Sig. (2-tailed)	0.002	
	N	58	58

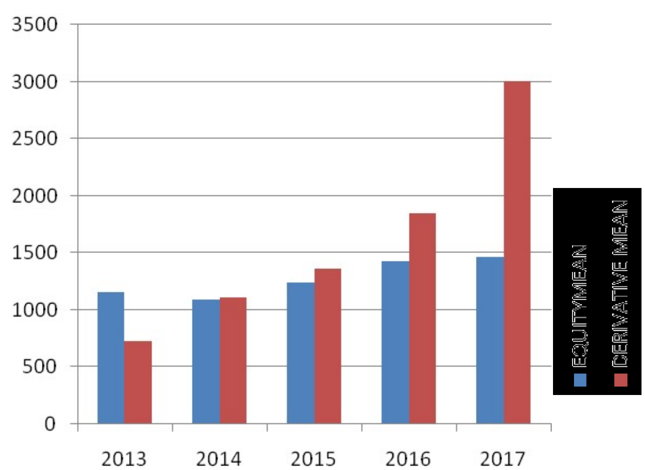
Source : Compiled through SPSS version 22 on secondary data.

Currency Derivatives with Equity Derivatives in India which represents a moderate correlation (0.586). Here as p-value > 0.522 which represents non significance, thereby we conclude that Null hypothesis is rejected and Alternative hypothesis is accepted i.e., The Currency Derivatives and Equity Derivatives are correlated.

(2) To measure the investment performances of currency & equity derivative

	Equity Mean	Derivative Mean
2013	1153.9	730
2014	1093.9	1113.5
2015	1245.6	1364
2016	1426.4	1851.2
2017	1467.9	3006.2

Source : Compiled through secondary data.

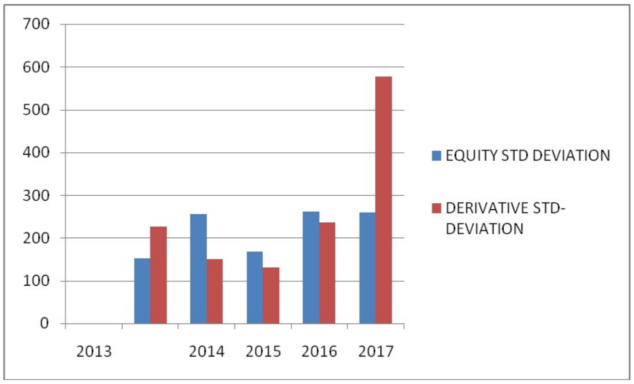


From the above graph the study can observe both the means of equity and derivative markets through which we can understand, In the first place mean of equity is higher

	Equity	Derivative
	Std Deviation	Std-Deviation
2013	152.63886	226.46242
2014	255.74351	149.23393
2015	167.07151	131.59484
2016	261.75413	235.87712
2017	260.13181	576.92104

Source : Compiled through secondary data.

than mean of derivative in the year 2013, whereas mean of derivative has gradually increased over the coming years than the mean of the equity



From the above graph the study can observe both the standard deviation of equity and derivative markets through which we can understand, In the first place std-deviation of equity is less than standard deviation of derivative in the year 2013, whereas standard deviation of derivative has gradually increased over the coming years than the std-deviation of the equity

(3) To study the intra impact of currency & equity derivative in India

Currency Derivatives (Dependent Variable)					
Independent variable	Standardized Coefficients Beta	T	F Value	R Square	Sig.
(Constant)		3.074			0.003
Equity Derivatives	-0.086	-0.645	0.416	0.007	0.522

Source : Compiled through SPSS version 22 on secondary data.

The above table indicates that the linear regression beta coefficient value of Equity Derivatives influence on Currency Derivatives. The p value is observed to be nonsignificant at 5% level and the analysis result states that the R square value is above the base value i.e., 0.007. F-Statistic calculated value (0.416 is seemed to be less than critical value 4.0012)and coefficients beta (-0.086) is observed to have negative influence on Currency Derivatives. Hence it concluded that the Equity Derivatives has a negative influence which states that Null hypothesis has been rejected and Alternative hypothesis has been accepted.

Bank Nifty Derivative (Dependent Variable)

Bank Nifty Derivative (Dependent Variable)					
Independent variable	Standardized Coefficients Beta	T	F Value	R Square	Sig.
(Constant)		17.606			.000
Bank Nifty Spot	.198	1.581	2.500	.198	.119

Source : Compiled through SPSS version 22 on secondary data.

The above table indicates that the linear regression beta coefficient value of Bank Nifty Spot influence on Bank Nifty Derivative. The p value is observed to be nonsignificant at 5% level and the analysis result states that the R square value is above the base value i.e., 0.198. F-Statistic calculated value (2.500 is seemed to be less than critical value 4.0012 and coefficients beta (0. 198) is observed to have positive influence on Bank Nifty Derivative. Hence it is concluded that the Bank Nifty Spot has a positive influence which states that Null hypothesis has been rejected and Alternative hypothesis has been accepted.

Conclusion of The Study :

The present study concludes currency and equity derivatives performance in India from the period of 2013-2018 by considering the secondary data analysis present study has made an attempt to identify the derivatives of currency &equity growth in the past 5 years. The bi-variate correlation applied and observed that currency equity derivatives are positively correlated during the analysis period the weighted score has been applied to measure the growth performances of the equity derivative investment. The study observed that equity derivative investment performance is observed to be higher than the equity derivative investment during the study period. The regression has been applied and result stated that the equity derivatives are having the negative impact on the currency derivative during the study period. The bank spot nifty influence is also has been observed positively on the bank nifty derivatives during the study period .Hence there is a further research scope to do in this area by considering the various economic factors influence on the investor investment decision making so that the investor can take an informed decision for the long term investments in equities and by using the derivative to mitigate the risk of the investments which is there in equity market.

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