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**POTENTIALITY OF DERIVATIVE TRADING IN INDIAN
CAPITAL MARKET: AN EMPIRICAL STUDY ON BSE****Mr. Mubarak¹& Dr. Ramesh O Olekar²**

¹ Assistant Professor and Research Scholar, Department of Studies and Research in
Commerce, V.S.K University, Post Graduate Centre Nandihalli, Sandur, Ballari,
Karnataka, India

² Chairman and Associate Professor, Department of Studies and Research in Commerce,
Vijayanagara Sri Krishnadevaraya University, Ballari, , Karnataka, India

ABSTRACT

Discovery of derivatives have restructured and revolutionized the entire financial system across the globe and derivatives have earned a well deserved and extremely elegant place among all the financial products in Indian Capital Market. Derivatives are standardized contracts which are employed for a various utility such as reduction of funding cost, enhancing the yield and minimizing risk etc. However, the most desirable use of derivatives is price discovery and transferring market risk, called Hedging, which is a protection against losses resulting from price volatility. Thus derivatives are a very important tool of risk management as well as speculative and arbitraging tool that help in effective management of risk and optimizing the results by stakeholders. As awareness about the usefulness of derivatives as a risk management, speculative and arbitraging tool has increased; the markets for derivatives too have grown. The emergence of derivative market an ingenious feat of financial engineering that provides an effective and less costly solution to the problem of risk that resulting from high uncertainty and price volatility. Since 2000, financial derivatives market in India has shown a remarkable growth both in terms of volumes and number of traded contracts and the stock markets are becoming globally efficient. BSE is one of the oldest and most popular and reliable stock exchange in India. The statistical data seems that the BSE total turnover on the financial derivatives segment has grown by Rs 4475008.32 billion during the year 2015-16 as compared with Rs 1673 billion in the year 2000-01. If compare to trading figures of BSE, trends of BSE is highly volatile and not well deserved and not encouraging both in terms of volumes and number of contracts traded in all categories of derivatives product. Thus present study is undertaken to analyze the derivative trading in BSE in India. It is an endeavor to portray the growth and expansion of financial derivative of BSE in India during the time period of 2000-01 to 2015-16.

KEYWORDS: *financial derivatives, derivative trading, variations, BSE, CAGR.*