Annals of the Bhandarkar Oriental Research Institute 2023

EDITED BY

S. S. Bahulkar Shilpa Sumant

Managing Editor: Shreenand L. Bapat

PUNE

Pubilshed By:

BHANDARKAR ORIENTAL RESEARCH INSTITUTE

Annals of the Bhandarkar Oriental Research Institute
ISSN: 0378-1143

INVESTORS PERCEPTION TOWARDS OPTION TRADING: A STUDY OF INDIAN STOCK MARKET IN EAST SINGHBHUM DISTRICT OF JHARKHAND REGION.

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Abstract

After Covid, financial markets have been marked by excessive volatility. Fluctuation in stock price makes it hard for businesses to estimate their future price. Derivative securities provide them a valuable set of tools for managing the risk. National Stock Exchange provides facilities of Option trading in individual shares as well as indexed like Nifty 50, fin nifty. These days, most of retail investors are going towards option trading due to high volatility and fluctuation of option premium which gives them a chance to earn a high profit with low capital. This study is aimed to know the profitability of day trader and short term retail investor in Option contract. This study is also aimed to know that, why investors are entering in option contracts (whether they are using this option to hedge their investment or they only wants to earn money using this option trading). It is a matter of debate that, option buyers are making money or not, but these day's option volume is increasing rapidly.

Key words : Derivative Market, Call option, Put option, volatility, NSE.

Introduction

Derivative means financial contracts which derive their value from its underlying assets or group of assets. The value of these contracts keeps on changing depending upon market condition. The primary principle of entering into derivative contracts is to manage the risk by contemplating the underlying asset's value in the future.

Option contracts are those agreements that used to facilitate a possible transaction between two parties. It involves right to buy or sale underlying assets in future at a pre fixed price that is strike price. it defines the essential terms and conditions, including details of the underlying security. The strike price and the date of expiry of contracts. It is basically of two types.

Call option: A call option is a contract that gives its owner the right to buy a certain number of shares of a stock at a particular strike price on a specific expiration date. To get this right option buyer has to pay a sum of money to option seller. That amount is called option premium.

Put option: A Put option is a contract that gives its owner the right to sell a certain number of shares of a stock at a particular strike price on a specific expiration date. Put option is also a derivative contract between two parties. The buyer of the put option earns a right (not an obligation) to exercise his option to sell a particular asset to the option seller for a specific period of time.

The expiration date: in derivatives market, refers to the date in which options or contracts expire. In other words, the expiration date is the last day that a derivative contract is valid. On the date of