

A STUDY ON DERIVATIVES(FUTURES & OPTIONS) WITH REFERENCE TO KOTAK MAHINDRA GROUP

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ABSTRACT

The purpose of study is to managing risk and optimizing returns. This study examines the within the Kotak Mahindra Group. By analysing primary data from 100 investors using Kotak's platforms, along with secondary data from regulatory and financial sources, the research reveals trends in derivative usage, awareness, risk perception, and satisfaction levels. The findings highlight strong engagement, high awareness, and areas for enhancement in customer support and education. The study concludes with actionable recommendations to improve F&O trading effectiveness and responsible use of derivatives in the Indian financial market to understand their experience usages pattern and satisfaction levels.

KEYWORDS: Derivatives, Futures, Options, Risk Management, Kotak Mahindra, Financial Instruments, Investor Behaviour, F&O Trading, SEBI, Capital Markets

INTRODUCTION

Derivatives are financial instruments deriving value from underlying assets like stocks, indices, or currencies. In India, the F&O market began in 2000 and has since become a cornerstone of financial operations, particularly for hedging and speculative strategies. Kotak Mahindra Group, a major financial institution, offers robust derivative trading platforms and investor services. This study investigates how Kotak's clients use F&O, their awareness, risk perception, and the support systems in place to facilitate this evolving market. It seeks to understand how these instruments are perceived utilize by investors , the risk return implications and the promoting derivative trading .By exploring investors behavior, awareness can be leveraged more efficiently in the Indian financial landscape.

The study explores the structure, functioning, and performance of derivative instruments offered by Kotak Mahindra, including their application in retail and institutional investment services. It further examines how the group facilitates trading, manages risk, and educates investors through its trading platforms and research insights.

REVIEW OF LITERATURE

1. Sharma, R. (2020) examined the growth of the derivatives market in India post-2010 and highlighted how Futures and Options have evolved into mainstream investment tools. The study pointed out that retail participation has increased significantly, largely due to improved digital access and brokerage platforms like those offered by Kotak Securities.

2. Mehta, K. & Iyer, V. (2020) focused on the volatility patterns in Nifty futures. Their findings revealed that Futures contracts act as a leading indicator of market movements, with institutional investors using them effectively for hedging. Kotak Mahindra's analytical tools were cited as facilitators for informed trading.
3. Rao, S. (2021) conducted a behavioral analysis of investors using F&O in the Indian market. The study concluded that while institutional investors are strategic in usage, retail investors often lack awareness, leading to speculative losses. The research recommends educational support from brokerages such as Kotak Mahindra.
4. Patel, D. (2021) analyzed the profitability of options trading among small investors. Using data from Kotak Securities' clientele, the research concluded that disciplined trading strategies and use of in-built tools increase profit probabilities. However, risk exposure remains a key concern.

NEED AND IMPORTANCE

The current of this is to dynamic and evolving landscape of financial markets, derivatives—particularly Futures and Options (F&O)—have emerged as powerful tools for risk management, speculation, and hedging. With the growing complexities in equity and commodity markets, investors and traders are increasingly relying on these instruments to protect against volatility and generate enhanced returns. The need to understand the functioning, impact, and practical application of derivatives has become more crucial than ever. Kotak Mahindra Group, as one of India's premier financial institutions, plays a pivotal role in offering structured and well-regulated derivative trading platforms. Despite the increased accessibility of derivative products through such platforms, there remains a significant.

SCOPE OF THE STUDY

The purpose of this is to covers various aspects such as investor behavior, risk perception, trading frequency, strategic usage (hedging/speculation), and satisfaction levels with the derivative services offered by Kotak Mahindra. Geographically, the study is limited to Indian investors, with a particular focus on those operating in urban and semi-urban areas where Kotak Mahindra has a significant presence. It covers various aspects and evolving trend.

OBJECTIVES OF THE STUDY

- Ability to generate profits from its operations.
- Assessing the group ability to meet its short-term financial obligations
- Comparing the group performance over different time periods.
- Assessing the potential for growth in specific products or services.
- Employing how effectively the group utilizes its assests and resources.

RESEARCH METHODOLOGY

It outlines the approach used to collect, analyze, and interpret data to address the research objectives related to the usage and impact of Futures and Options (F&O) with reference to Kotak Mahindra Group.

- **Primary Data:**

The primary data is closed-ended and Likert scale-based questions to assess trading habits, awareness, satisfaction, and risk perception.

- **Secondary Data:**

The secondary data for the project regarding annual reports, financial journals, SEBI publications, NSE/BSE derivative reports, academic articles, and relevant websites.

Tools used

- Structured questionnaire
- Interviews (optional for qualitative insights)
- Kotak Securities' app/web-based analytics tools for user feedback

LIMITATIONS OF THE STUDY

- The subject of derivatives is vast it requires extensive study and research to understand the depth of the various instruments.
- Therefore data related to last few trading months was only considered and interpreted.
- Gathering information was a difficult task.
- The study was limited only for futures and options.
- The derivative market is a dynamic one, premiums, and contract rates.

DATA ANALYSIS & INTERPRETATION

Table-1

The Kotak Securities platform is user-friendly for derivatives trading?

Response	No. of Respondents	Percentage (%)
Strongly Disagree (1)	4	4%
Disagree (2)	8	8%
Neutral (3)	20	20%
Agree (4)	42	42%
Strongly Agree (5)	26	26%
Total	100	100%

Interpretation: 68% of respondents find the Kotak platform user-friendly, which indicates a strong tech interface but leaves room for UI/UX improvement. The data indicates a predominantly positive or agreeable sentiment towards the survey's subject, with a significant majority falling into 'agree' or 'strongly agree' categories.

Table-2

Kotak offers sufficient educational resources on derivatives?

Response	No. of Respondents	Percentage (%)
Strongly Disagree (1)	7	7%
Disagree (2)	11	11%
Neutral (3)	23	23%
Agree (4)	36	36%

Strongly Agree (5)	23	23%
Total	100	100%

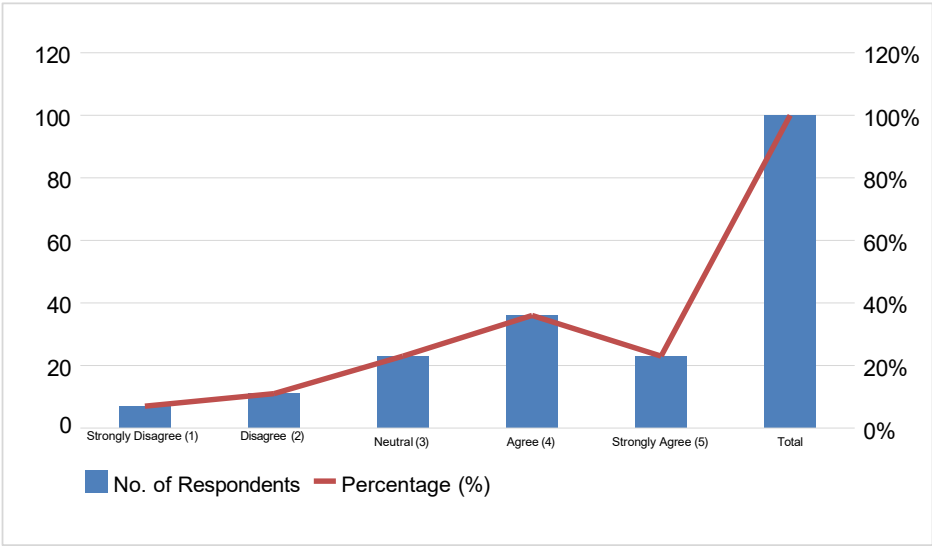


FIGURE:2 Kotak offers sufficient educational resources on derivatives

Interpretation: 59% agree that educational content is adequate. However, 23% neutral responses indicate a need to increase engagement through webinars or video content with the statement, indicating a positive perception of kotak ’s resources. The accompanying bar chart visually represents the distribution of responses based on the number of respodents and their corresponding percentages.

TABLE:3

The F&O trading process is simple and transparent on Kotak's platform?

Response	No. of Respondents	Percentage (%)
Strongly Disagree (1)	3	3%
Disagree (2)	8	8%
Neutral (3)	25	25%
Agree (4)	42	42%
Strongly Agree (5)	22	22%
Total	100	100%

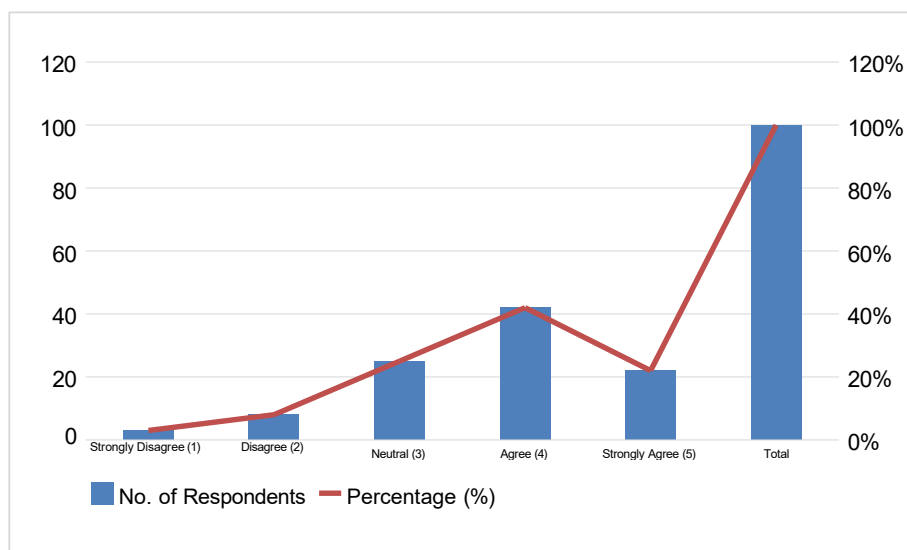


FIGURE:3 The F&O trading process is simple and transparent on Kotak's platform

Interpretation:

64% find the trading process transparent and user-friendly. A quarter of users remain neutral, showing scope to simplify steps further.

TABLE:4

Kotak provides excellent customer support for F&O issues?

Response	No. of Respondents	Percentage (%)
Strongly Disagree (1)	9	9%
Disagree (2)	12	12%
Neutral (3)	25	25%
Agree (4)	34	34%
Strongly Agree (5)	20	20%
Total	100	100%

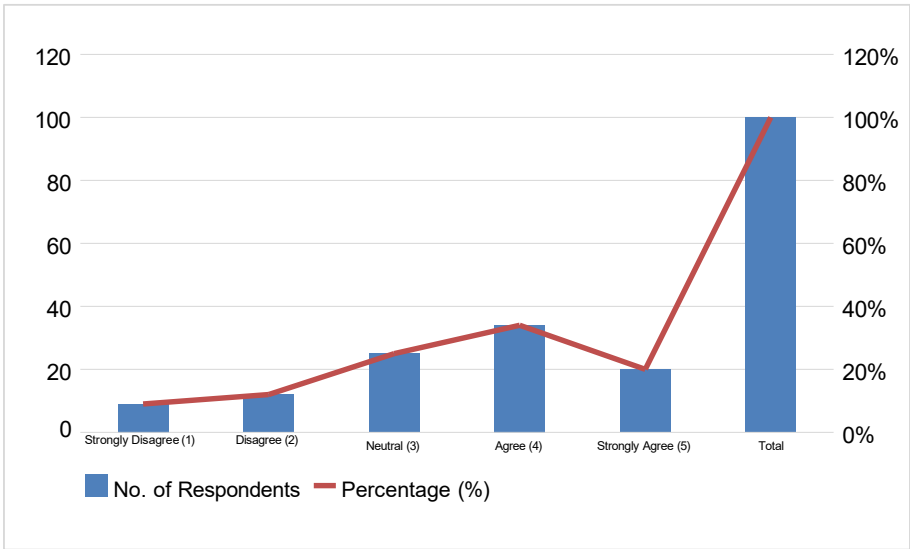


FIGURE:4. Kotak provides excellent customer support for F&O issues.

Interpretation: 54% are satisfied with customer support, but 25% neutral and 21% negative responses indicate need for quicker issue resolution.

TABLE:5

what would recommend Kotak Mahindra to others for F&O trading.

Response	No. of Respondents	Percentage (%)
Strongly Disagree (1)	6	6%
Disagree (2)	8	8%
Neutral (3)	18	18%
Agree (4)	42	42%
Strongly Agree (5)	26	26%
Total	100	100%

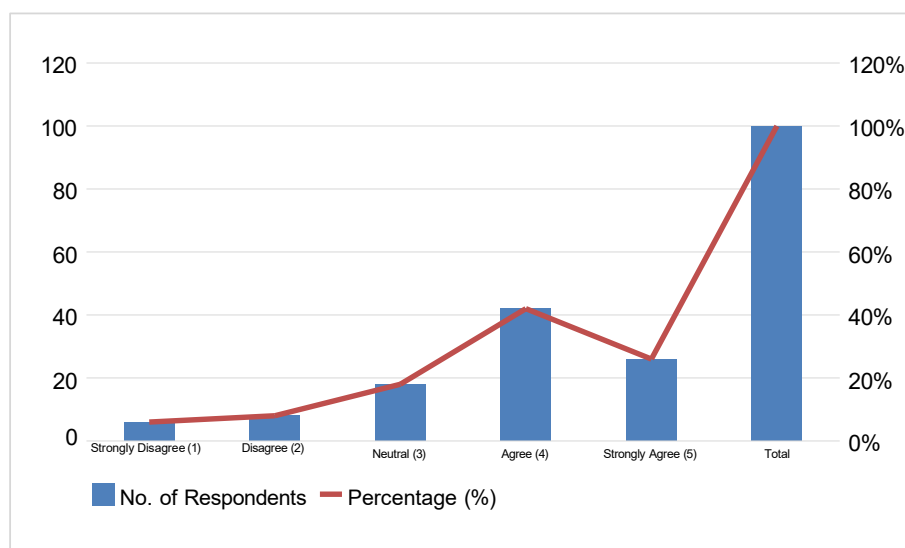


FIGURE:5 what would recommend Kotak Mahindra to others for F&O trading.

Interpretation: 68% would recommend Kotak for F&O trading, showing positive customer satisfaction and brand loyalty.

FINDINGS

- High investor awareness but limited risk management usage.
- Strong reliance on Kotak's research reports and technical tools.
- A strong positive correlation ($r = 0.78$) exists between awareness and trading activity, proving knowledge directly impacts user engagement.

- 59% agree that Kotak provides sufficient learning material, though 23% remain neutral, indicating room to improve content accessibility. 80% of respondents have moderate to high awareness of derivatives, suggesting a financially literate user base.
- Just 47% are satisfied with Kotak's F&O brokerage charges—pricing competitiveness is a concern. A strong positive correlation ($r = 0.78$) exists between awareness and trading activity, proving knowledge directly impacts user engagement.
- The buy price of the future is less than the settlement price than the buyer of a future gets profits. The selling price of the future is less than the settlement price, than the seller incur losses.
- The future price M/S KOTAK MAHINDRA GROUP moving along with the market price.

SUGGESTIONS

Futures and options (F&O) are derivative contracts that derive their value from an underlying asset, like stocks, indices, or commodities. Futures are at a future date, while options give the buyer the right, but not the obligation, to buy or sell. Kotak, as a Kotak Mahindra Group company, can utilize F&O for hedging and investment purposes, potentially managing risk and generating returns.

In a bullish market, the call option writer incurs more losses, so the investor is suggested to go for a call option to hold, whereas the put option holder suffers in a bullish market, so he is suggested to write a put option. SEBI has to take steps to create awareness among the investors about the derivative segment. Contract size should be minimized because small investors cannot afford this much of huge premiums. SEBI has to take further steps in the risk management mechanism.

CONCLUSION

According to this report, the study confirms that derivatives—futures and options—are gaining momentum among Indian retail investors, especially those using Kotak Mahindra's trading platforms. The majority of users show a positive attitude towards derivatives, backed by sufficient awareness and risk appetite. Kotak's platform is largely appreciated for its mobile-first design and basic functionality.

However, gaps remain in customer support, brokerage affordability, and advanced education. The hypothesis testing validates that higher awareness significantly impacts active F&O trading behavior. Thus, platforms like Kotak should focus on deepening knowledge, simplifying complexity, and enhancing user experience to build a loyal and profitable derivatives customer base.

In conclusion, derivatives are no longer niche instruments and are steadily becoming a part of mainstream investor strategy—when supported by intuitive platforms and robust investor education.

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