



International Journal of Recent Development in Engineering and Technology  
Website: [www.ijrdet.com](http://www.ijrdet.com) (ISSN 2347-6435 (Online) Volume 15, Issue 04, April 2026)

# Derivatives Exposure in Equity Mutual Fund Investment in India

Dr. Shib Pada Patra

*Associate Professor in Commerce, Chittaranjan College Affiliated under the University of Calcutta, Kolkata, West Bengal, India.*

**Abstract--** Hedging in mutual fund investment is very important part to provide the stable return on the mutual fund investment. Performance of mutual fund manager depends on the better return on the mutual fund investment in the long term, some percentage of equity asset under management is hedged in the short term to beat the short term volatility in the financial market. This derivative instrument is made on the limited basis as per regulation of SEBI in India to provide the better return on the mutual fund investment in the long term investment. Use of derivative instruments in different times is studied using the secondary data obtained from SEBI website.

**Keywords--** Derivative Instrument, Equity Asset under Management, Hedging, Security Exchange Board of India, Volatility.

## I. INTRODUCTION

Derivatives are used in Mutual Fund Investment in India to hedge and speculative on price movement in the securities hold by the fund house in India. Security Exchange Board of India (SEBI) have given clarification in their regulation to use the derivatives to hedge the fund's equity assets. These derivatives are used to protect the price movement of the underlying securities of mutual fund schemes. Basically fund house uses hedging, speculation and arbitrage with lower capital as a derivative in the mutual fund investment. By this method, fund managers achieve their investment goal in long term investment in the volatile financial markets. Derivative instrument is used on limited basis or central strategy basis to pass the better return on the investment of the investors in the long term investment policy. In this study, year wise derivative instruments use are analysed to find the hedging for the risks and speculation on price movement of securities to earn better return to the investors in the long term investment.

## II. LITERATURE REVIEW

Parmar Anjali & Ramesh H. Devada (2025) has explain in their article, A descriptive Study on the Growth of Mutual fund Industry in India that investors is to be informed about the mutual fund and benefits of investment in mutual funds. Ruchi Jain (2018) describes in a Conceptual Overview of Mutual Funds in India.

International journal of Creative Research Thoughts that RBI & SEBI have to modify rules to increase the monitoring system to remove unethical practices in mutual investment in India. D. Indira. Vanisree Sah., P Tanvi. P Sai Deepika. & Anvith Reddy A. (2024) explains in their paper, A Study on the Importance of Mutual funds as Investment Tools that small investors invest their fund in mutual funds because these funds are managed by the experts. They can evaluate the performance of the mutual funds and rearrange their investment as they need for long term investment. J. Murthy, M. S. R. Anjaneyulu, H. Bhatt. & D.S. Kumar (2022) in their journal, Performance Evaluation of Mutual Funds: A study on Selected Equity Mutual Funds in India states that less risk investors will go for higher rank in Treynor ratio, diversified investor will go for higher rank in Sharpe ratio

## Research Gap

Various articles in the literature review have studied the conceptual overview, growth, performance of mutual fund as well as less risk in mutual fund investments but there are insufficient literature on derivatives Exposure in Equity Mutual Fund Investment to protect the short term volatility in the financial markets.

## III. METHODOLOGY

This paper is mainly descriptive and secondary data are used to analyse the study for the month of Mar-2016, Mar-2017, Mar-2018, Mar-2019, Mar-2020, Mar-2021, Mar-2022, Mar-2023, Mar-2024, and Mar-2025. In this paper, summation, percentage and line chart are used to find the nature of total derivatives exposure in Assets under Management in Indian mutual fund industry.

## IV. THE MAIN OBJECTIVES OF THE STUDY

The prime objectives of this article for the study of derivatives exposure in Assets under Management in Indian mutual fund industry

For the period of March, 2016 to March, 2025 in this paper are stated below:

1. To find the total Derivative Exposure in Equity Assets under Management
2. To analyse the trend of total Derivative Exposure in Equity Assets under Management

**V. RESULT ANALYSIS**

*A. To find the total Derivative Exposure in equity Assets under Management*

Total Derivative Exposure in equity Assets under Management and mutual fund investment in other sectors are shown in the Table-01.

<b>TABLE: I: DEPLOYMENT OF FUNDS IN EQUITY ASSETS UNDER MANAGEMENT</b>										
<b>% OF EQUITY AUM</b>										
Month in Year	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Other Sectors	100.99	100.99	101.27	100.75	100.18	100.80	100.68	100.42	101.13	100.97
Derivatives Exposure	(0.99)	(0.99)	(1.27)	(0.75)	(0.18)	(0.80)	(0.68)	(0.42)	(1.13)	(0.97)
Total in Percentage	100	100	100	100	100	100	100	100	100	100

[Source: www.sebi.gov.in]

**VI. FINDINGS**

Derivative Exposure in Equity Assets under Management is lowest in March -2020 and maximum in the March-2018. These Derivative Exposure in mutual funds show expected hedging in price movement in the financial market. This strategy is applied by the fund managers for stable growth in the mutual fund investment of the investors.

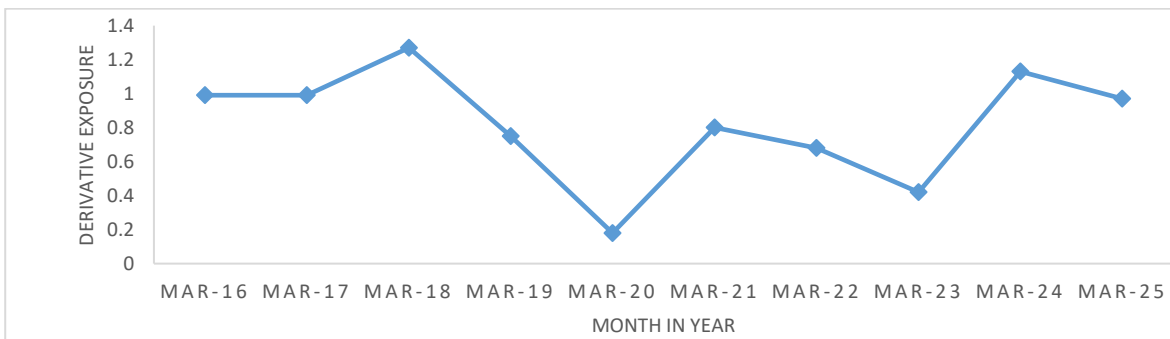
Derivative Exposure in mutual funds indicates the expectation of financial market volatility.

*B. To analyse the Trend of total Derivative Exposure in equity Assets under Management*

In this section, trend of the total Derivative Exposure in equity Assets under Management is measured in the following Table-II and trend line on the basis of Table-II is shown in the Chart-I:

<b>TABLE: II: DEPLOYMENT OF FUNDS IN EQUITY ASSETS UNDER MANAGEMENT</b>										
<b>% OF EQUITY AUM</b>										
Month in Year	Mar-2016	Mar-2017	Mar-2018	Mar-2019	Mar-2020	Mar-2021	Mar-2022	Mar-2023	Mar-2024	Mar-2025
Derivatives Exposure in Percentage	0.99	0.99	1.27	0.75	0.18	0.80	0.68	0.42	1.13	0.97

[Source: Compiled by the Author]



[Source: Compiled Based on Table-II]

**Chart-I: Trend Of Total Derivative Exposure In Equity Assets Under Management**



**International Journal of Recent Development in Engineering and Technology**  
**Website: www.ijrdet.com (ISSN 2347-6435 (Online) Volume 15, Issue 04, April 2026)**

*Findings:*

Derivatives Exposure in the Table-II & Chart-I shows the inconsistent trend because nobody can predict the price movement in financial market for so many national and international factors. Market experts guess price movement in financial market only and fund manager allocate certain percentage of Equity Assets under Management in derivative exposure for stable performance of fund in the long term return.

**VII. CONCLUSION**

Derivatives Exposure in equity Assets under Management is essential for the stable performance of equity mutual fund investment in financial markets in volatile financial markets in the long term investment. Sometimes it may click or not to earn the better return on the investment in the long term investment but fund managers apply the hedging with lower capital to give the steady return in the mutual fund investment in the long term investment beating the short term volatility in the financial markets.

It is very important that these strategy works as hedging in the short term investment only to beat volatility in the financial markets.

**REFERENCES**

*Journal*

- [1] Anjali P. & Davada H. R. (2025). A descriptive Study on the Growth of Mutual fund Industry in India. International Education & research journal, 1-6.
- [2] Jain R. (2018) a Conceptual Overview of Mutual Funds in India. International journal of Creative Research Thoughts, 1-5.
- [3] Indira D., Sah V., Tanvi P., Deepika S. P. & Reddy A. (2024). A Study on the Importance of Mutual funds as Investment Tools. E3S Web of Conference, 1-5.
- [4] Murthy J., Anjaneyulu R. S., Bhatt H. & Kumar S.D. (2022). Performance Evaluation of Mutual Funds: a study on Selected Equity Mutual Funds in India. Journal of Positive School Psychology, 1-9.

*Webpage*

- [1] <https://www.sebi.gov.in/statistics/mutual-fund/deployment-of-funds-by-all-mutual-funds.html#>
- [2] <https://www.amfiindia.com>
- [3] <https://www.sebi.gov.in>