IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Cultural And Social Factors Influencing Perception Of Risk In Derivative Investment Among Indian Retail Investors

Sansrita Tiwari

(Research Scholar, Department of Commerce, CMP Degree College, University of Allahabad)

Adarsh Mishra

(Research Scholar, Department of Commerce, University of Lucknow)

ABSTRACT

This research paper is on the social and cultural determinants of Indian retail investors' perception of risk in the derivatives market. Although derivatives promise high returns in the form of futures and options, the nature of volatility and complexity of these themselves makes them risky, usually translated by the subjective socio-cultural frame of reference. This research centers around the observation that risk perception is more than mere objective quantitative measures of financial returns or volatility in the market but is highly dependent on cultural values and norms, social convention, family, education, income, and gender.

The evidence shows that investment choices are based on family consensus and collective action in collectivist cultures, whereas individualist forces create independent risk-taking. Social learning and herding, especially driven by peer groups and internet forums, are the main driving forces behind risk attitudes. Furthermore, behavioral biases such as overconfidence, loss aversion, anchoring, and informational cascades always come in the way of rational decision-making on a regular basis. Gender social dynamics also proved to be a strong influence, with women demonstrating risk-averse tendencies in comparison to men because of social norms and restricted access to financial resources.

The study also reveals regional differences in investment patterns in India depending on economic growth, local financial infrastructure, and cultural beliefs. Media influence, technology access, and regulatory regimes also shape investor attitudes. The study, overall, emphasizes the importance of culturally sensitive financial literacy programs, inclusive policy interventions, and enhanced investor education to facilitate balanced and well-informed derivative market participation. The findings have practical implications for regulators, financial planners, and institutions aiming to establish trust, transparency, and stability in India's expanding financial landscape.

Keywords: Risk Perception, Derivatives Market, Retail Investors, Cultural Factors, Financial literacy, Gender Dynamics, Investment Behavior

INTRODUCTION TO DERIVATIVE INVESTMENTS AND RISK PERCEPTION

Derivative investments are now a part of the financial landscape of modern financial markets, bringing challenge as well as opportunity to investors. Derivative financial products take their value from an underlying asset, such as stocks, bonds, commodities, or currencies (Selvaraj, 2020), (Selvaraj, 2021). Derivatives comprise futures, options, swaps, and other advanced instruments that enable investors to bet on the future direction of price movement of these assets. Derivatives have multiple uses, acting as hedging instruments, risk-reward enhancers, and price discovery facilitators across markets (Selvaraj, 2020), (Selvaraj, 2021). But their sophistication and the risk of high leverage also make them inherently risky, and investors need to have a thorough understanding of their workings and associated risks.

Risk perception is instrumental in determining investment decisions, determining the manner in which investors perceive and react to expected gains and losses. Risk perception is the subjective assessment of the probability and magnitude of undesired outcomes of an investment (Manzoor, 2023). Risk perception is not just dependent on objective risk measures like volatility or past returns but also on psychological, emotional, and social determinants. Risk perception has a direct impact on the behavior of investors, determining investment propensity across asset classes, portfolio diversification techniques, and investment performance (Manzoor, 2023). Knowledge of risk perception is therefore pivotal to comprehending financial decision-making and designing efficient risk-reducing mechanisms to avert future losses (Kurnijanto, 2025).

The Indian stock market has expanded manifold in the recent past, attracting more retail investors to invest in various segments, including the derivative market, (Call for Manuscripts. 2002). Determining the investment behavior of the investors is a new field of research, particularly in India's unique socio-cultural context (Manzoor, 2023). Indian retail investors, with their multistranded backgrounds, diverse financial literacy levels, and diverse cultural values, possess varied risk perception patterns and investment attitudes. Determining the determinants of their risk perception of derivative investments is essential to ensure sound decision-making, investor protection, and sustainable growth of the Indian financial market. The current study aims to explore the cultural and social determinants of risk perception of Indian retail investors in the derivative market and provide insights into their investment behavior and risk mitigation and financial literacy promotion suggestions.

CULTURAL DIMENSIONS AND RISK ASSESSMENT

Cultural values play an important role in guiding investment choices by affecting the risk attitudes, time horizons, and financial objectives of investors. Such values, derived from people's beliefs and conduct, guide how people interpret and assess investment prospects. Cultural values can be capable of impacting marketing ethical standards, which also determine how financial products are described and viewed by investors (Sarkar, 2007). Collectivist societies, for example, may value investments for the good of the community or the family, whereas individualist societies may value personal wealth accumulation. Financial institutions and policymakers should consider these differences in culture so that they develop their products and policies in relation to the specific requirements and needs of various categories of investors.

Culture is crucial in the process of trading and price determinations, influencing market prices and investor attitudes (Njegovanovi, 2023). Cultural beliefs and practices can influence investment choices, giving rise to cross-sectional differences in asset allocation and risk-taking behavior. For example, certain cultural groups can be inclined towards physical assets like gold or real estate, while others can invest in shares or derivatives. Cultural aspects also play a role in investor mood, influencing market volatility and price changes. By recognizing the influence of culture on investment choices, financial professionals can better understand and forecast market trends, providing more valuable guidance and advice to clients.

Social norms and traditions play an important role in risk-taking among Indian retail investors. Social cognitive theory explains how individuals acquire behavior through observing others and modeling their behavior, particularly in their social environment(Lawande, 2016). In the derivative investment, investors receive advice and experience from friends, relatives, and members of their community, which affects risk perception and investment choices. Investors acquire behavior from other chewers, in most instances, imitating the same risk-taking behavior and investment activities (Lawande, 2016). Herding behavior can have positive and negative effects, as investors can benefit from collective knowledge or lose from collective irrationality. Social norms and traditions need to be understood to enable informed decision-making and minimize the risk of herd behavior in the derivative market.

Family networks and community structures play a significant role in influencing investment choices of Indian retail investors. Family health education is highly significant and has a potential impact on well-being, influencing financial choices and risk perception (Nicholas, 2018). Family members exchange financial information, advice, and support, creating a network of influence that shapes investment choices. Family influence does not end at the immediate family but reaches the whole family, including young adults, and influences their attitude towards savings, investment, and risk (Nicholas, 2018). Tight-knit family structures and family networks can lead to the generation of feelings of confidence and trust, and investors may feel encouraged to take calculated risks and invest in new investment channels. Nevertheless, they can also shape conservative investment choices, as investors may be more concerned with the financial well-being of the family and community than with personal wealth accumulation. Identification of the influence of family structures and community networks is crucial for the design of targeted financial literacy programs and promoting informed investment choices by Indian retail investors.

SOCIAL STRATIFICATION AND INVESTMENT DECISIONS

Socio-economic status significantly influences investment mindset, investors' access to financial resources, risk-taking capability, and investment objectives. Higher socio-economic status investors have greater access to financial information and resources, enabling them to make quality investment choices. Consumption spending habits, saving behavior, and economic systems are also crucial knowledge (Babalola, 2022). They can also be more risk-taking-oriented as they possess a greater financial cushion to cover any losses. Lower socio-economic status investors can have limited access to financial resources and information, and hence be highly risk-averse and less likely to invest in sophisticated financial products such as derivatives. Narrowing these gaps is essential to enhance financial inclusion and enable all investors to enjoy the benefits of derivative market participation.

Economic trends impact individual citizens, their investment attitudes, and financial decisions (Guyer, J.I. (1999). Economic conditions, such as inflation, interest rates, and unemployment, may influence the attitudes of investors and their capacity to tolerate risk. Investors are optimistic and bullish to invest in risky assets during economic prosperity, while during economic downturn, they turn risk-averse and opt for secure investments. Knowing the connection between socio-economic status and investment attitudes is important to formulate effective strategies to promote financial stability and protect investors from losses.

Financial literacy and education are crucial drivers of risk awareness, enabling investors to make informed decisions and understand the intricacies of the derivative market. Financial literacy is information and ability required to comprehend financial knowledge, analyze investment options, and avoid financial risks. Financial literacy and technology readiness are good predictors of adoption, facilitating the use of FRA (Financial Robo Advisors) (Banerjee, 2024). More educated and financially savvy investors are likely to be aware of derivative products, risks, and benefits of diversification. They are also aware of the quality of financial information and are better placed to overcome typical behavioral biases leading to suboptimal choices. Financial literacy through education and training initiatives is crucial in enabling Indian retail investors to make informed decisions and safeguard their financial interests.

Social class influences access to financial resources and information and creates imbalances between investment opportunities and outcomes. Wealthier social class investors are able to access superior financial advice, more advanced investment products, and bigger groups of financial professionals. Poor access to long-term funding and poor returns are significant issues for green energy schemes (TaghizadehHesary, 2020). Access to information and resources can provide them with a significant competitive edge in the derivative market to make superior choices and earn superior returns. Investors in lower social classes, on the other hand, can have restricted access to financial resources and information, which can leave them vulnerable to exploitation and financial loss. Financial inclusion efforts and social inequality reduction must reverse these imbalances of access to financial resources and information and enable all investors to access the derivative market on a level playing field. Improving these imbalances can be done through strengthening the public financial institutions' role and applying spillover tax increases return projects (TaghizadehHesary, 2020).

BEHAVIORAL BIASES AND SOCIAL INFLUENCE

Behavioral biases play an important role in investment decisions and lead investors to deviate from rational economic theory and make poor decisions. The biases, due to psychological and emotional factors, have the capability to skew the perception of risk, affect investment decisions, and in turn impact investment performance. The decision-making of financial experts is not always rational but bound rational due to these factors (Khare, 2024). Overconfidence bias, herding bias, loss aversion bias, and anchoring bias are some of the prevalent behavioral biases of Indian retail investors. Overconfidence bias leads investors to overestimate themselves and their skills and hence take unnecessary risk. Herding bias leads investors to imitate the crowd and base investment decisions on what others have done and fail to do own analysis. Loss aversion bias leads investors to fear losses more than they welcome gains and therefore hold losing assets longer. Anchoring bias leads investors to pay too much heed to first information, although irrelevant or outdated.

Financial experts exhibit behavioral biases, risk perception, and low risk-taking (Khare, 2024). Detection of these biases and identification of mechanisms to neutralize their impact is essential to ensure sound decision-making and improving investment outcomes among Indian retail investors.

Herding behavior and informational cascades have profound impacts on investment choice, generating market volatility and financial loss. Herding bias was found to be directly related to risk perception, and it influenced investment choice and market trends (Kurnijanto, 2025). Informational cascades occur when investors make decisions based on what others do, rather than on their information, to create a snowball effect leading to irrational behavior in the market. In the derivatives market, where information is complex and dynamic, herding behavior and informational cascades might accelerate risk perception and trigger excessive speculation. Herding behavior and informational cascades' dynamics are essential to learn about in formulating strategies that promote market stability and protect investors from loss.

Social media and online forums increasingly influence risk perception among Indian retail investors. Factor analysis research summarized three factors that explain perception of retail investors towards web reporting practices of stock exchanges ,(Call for Manuscripts. 2002). Online forums are a forum where investors can exchange information, learn investment strategies, and provide their views about the market. Although these forums remain a good source of information and advice, they can also be sources of misinformation, rumors, and opinion-based comments. Social media can also be a source of herding behavior and informational cascades, which can result in higher market volatility and financial losses. Investors must be careful consumers of online information, checking the authenticity of sources and resisting the temptation to follow others.

GENDER AND RISK PERCEPTION

Gender differences in risk perception have been extensively documented, with repeated findings that women are more risk-averse than men. Gender is significantly and strongly related to a number of behavioral biases and risk factors, and it influences investment decisions and market behavior (Khare, 2024). The variations are due to a variety of factors such as societal norms, gender roles, and biological factors. Women tend to make investment decisions based on a conservative and risk-averse approach, and financial security and long-term returns are more significant than short-term gains. Women are also likely to be loss-averse and hence avoid investments like derivatives. These gender variations need to be considered while preparing tailored financial literacy programs and promoting well-informed investment decisions in male and female investors.

Societal expectations and gender roles significantly influence investment patterns, determining access to investment instruments, financial literacy, and contributing to the derivatives market. Math accounting training lessons on citizens' property empower women to operate the market (Kaufmann, 2022). Women across most societies tend to handle the finances at home and make the family's investment decisions. They may, however, be barred from access to financial education and investment instruments due to societal expectations and gender expectations. It is important to challenge these barriers to ensure gender equity in financial markets to empower women to achieve their financial aspirations and drive economic development.

Financial education and investment opportunities are generally unequal and women have great barriers to access the derivative market. This research assists to comprehend the speculative nature of the investors and also to direct the investors in a correct direction to earn high return from short duration of time, (Call for Manuscripts. 2002). Women can have restricted access to financial advice, investment instruments, and professional networks, thereby having restricted capability to access the derivative market. They can also experience discrimination and prejudice in financial institutions, which will further restrict their capability to make rational investment decisions. Encouraging gender equality in financial education and investment opportunities is very important to empower women to attain their financial objectives and contribute significantly to the economy.

Investment Preferences by Gender

According to a January 2024 survey by DBS Bank India and CRISIL, Indian women choose prudent investments:

Investment Instrument	Percentage of Women Investors
Fixed Deposits & Savings	51%
Gold	16%
Mutual Funds	15%
Real Estate	10%
Stocks	7%

Source: 51% of women in India prefer low-risk financial instruments; only 7% invest in stocks: Survey

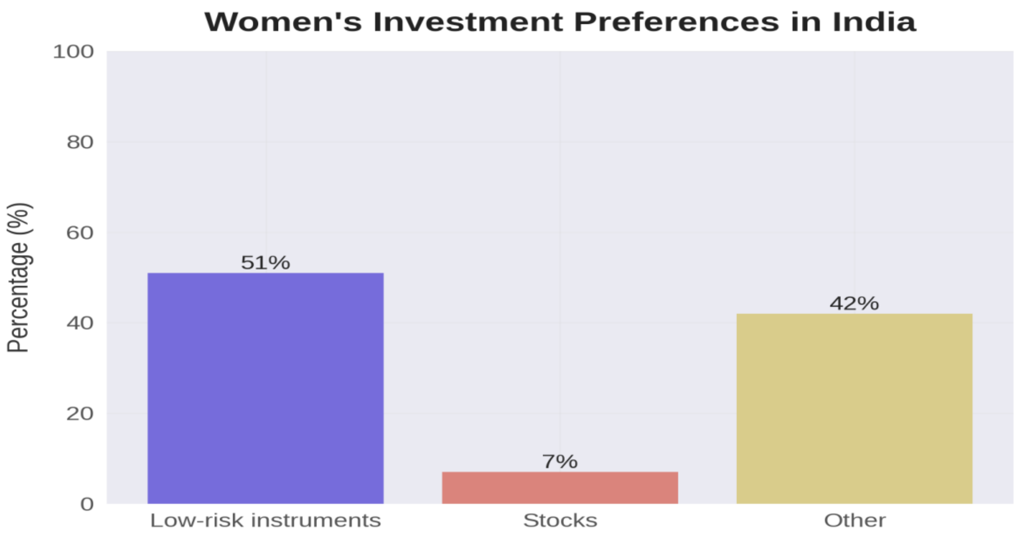

Chart-1 Women's Investment Preferences

Observation:

51% of women prefer Fixed Deposits and Savings, with only 7% investing in stocks.

Interpretation:

This demonstrates unequivocally that Indian women are highly risk averse. This inclination for low-risk investments like gold and savings may be influenced by cultural norms surrounding risk management and financial stability. The small proportion of equities (7%) indicates a reluctance to participate in volatile markets. With a little allocation to equity investments, this data clearly shows that women favour low-risk financial products.

Gender Representation in Derivative Trading

Fiscal Year	Percentage of Female Traders	Percentage of Male Traders
2021-22	14.9%	85.1%
2023-24	13.7%	86.3%

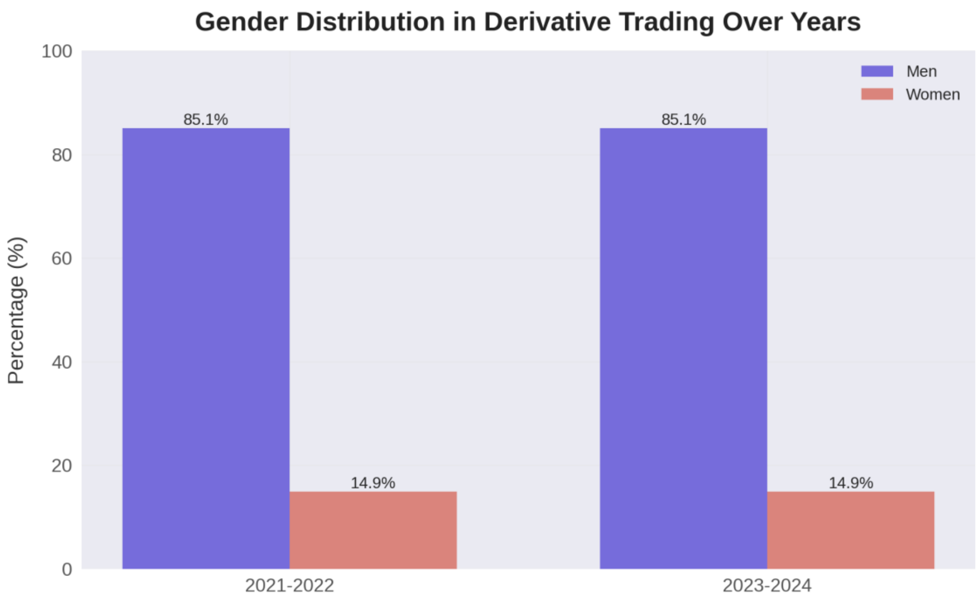

Chart 2: Gender Distribution in Derivative Trading

Observation:

Women constitute only 13.7% to 14.9% of derivative traders, while men dominate the space with over 85% participation.

Interpretation:

Due to its high levels of speculation and danger, the derivatives market has an extremely low female involvement rate. This supports the theory that risk perception differs significantly between genders and is probably impacted by social conditioning as well as financial knowledge**.**

Average Losses in Derivative Trading by Gender

Fiscal Year	Average Loss per Male Trader (INR)	Average Loss per Female Trader (INR)
2023-24	88,804	75,973

Source: Traders losing big in India's derivative market are under 30, low income, small-city men

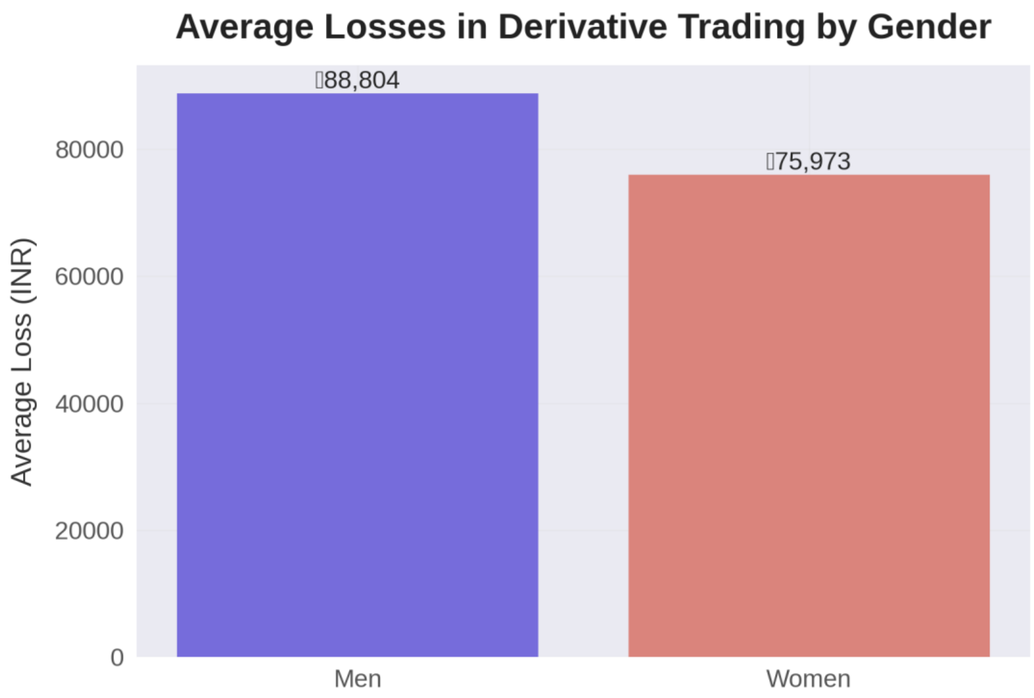

Chart 3: Average Losses in Derivative Trading by Gender

Observation:

Average loss for male traders was INR 88,804, compared to INR 75,973 for female traders.

Interpretation:

Women trade derivatives less frequently and lose less money on average, which may indicate that they are more disciplined and careful traders. Even in a high-risk field, their resistance to excessive risk may prove beneficial in reducing significant financial losses.

Despite a little drop in total female involvement in derivative trading, their performance measures show a more careful and perhaps successful approach to risk management.

Factors Influencing Risk Perception

Demographic Factor	Impact on Derivative Trading Preference	Significance Level (p-value)
Gender	Negative (-0.316)	0.015
Age	Positive (0.172)	0.004
Educational Qualification	Positive (0.181)	0.011
Annual Family Income	Negative (-0.230)	0.012
Marital Status	Positive (0.610)	0.001

Source: Traders Perception and Awareness on Financial Derivatives in Indian Stock Market

Key Insights from Regression Data:

Gender (Negative coefficient): Indicates that women are less likely to participate in derivatives.

Age and Education (Positive coefficients): Older and more educated investors are more likely to engage with derivatives

Income (Negative coefficient): Higher income surprisingly correlates with less interest in derivatives—possibly due to the preference for more stable wealth preservation strategies.

Marital Status (Strong positive coefficient): Married individuals may feel more financially secure or obligated to grow wealth aggressively.

Interpretation:

The impact of gender on risk aversion is statistically significant ($p = 0.015$). Here, cultural roles, financial independence, and self-assurance in handling risky assets probably come into play. Being female is linked to a reduced propensity for derivative trading, according to the negative coefficient for gender, which is consistent with the risk-averse conduct that has been seen among female investors.

REGIONAL DISPARITIES AND INVESTMENT PREFERENCES

Regional variations in investment behavior across various regions of India reflect the heterogeneity of economic conditions, cultural practices, and financial development within the nation. The share investors constitute the highest number of respondents to the study (Call for Manuscripts. 2002). A region could have a higher proportion of risk-taking investors with sophisticated knowledge of derivative products, while another region could have a higher proportion of conservative investors with a preference for less risky investments. Regional variations can be due to a variety of reasons ranging from variations in incomes, education levels, financial services availability, and risk-taking behavior of the population. Understanding these regional variations is essential to design specialized financial literacy programs and promoting prudent investment choices by Indian retail investors.

Regional economic conditions and cultural practices play a significant role in shaping risk perception, thereby determining investment decisions and market trends. Investment is not a man-of-the-street business as it uses disciplines like mathematics, statistics, accounts, economics and behavioral science (Call for Manuscripts. 2002). Economically developing regions with a vibrant entrepreneurial culture can develop a greater willingness to take risk, while regions with economic uncertainty and conservative cultural beliefs can foster risk aversion. Cultural practices, such as religious beliefs, family traditions, and social norms, can also shape investment decisions, leading to distinctive regional variations in asset allocation and risk-taking behavior. A knowledge of the impact of regional economic conditions and cultural practices is necessary to understand investment decisions and promote well-informed decision-making among Indian retail investors.

Local financial institutions and investment advisors are key influencers of Indian retail investors' investment behavior. Brokerage firm needs to encourage more investors for their development by offering quality service (Call for Manuscripts. 2002). These institutions act as an intermediary between investors and the financial market, offering advice, guidance, and access to investment products. The quality and availability of these services have the potential to make a difference to investors' awareness of derivative products, risk perception, and investment performance. Encouraging the development of local financial institutions and ensuring that they offer high-quality, unbiased advice is important to empower Indian retail investors to make informed investment decisions and realize their financial goals.

REGULATORY ENVIRONMENT AND PROTECTION OF INVESTORS

The efficacy of current regulations in protecting retail investors in the derivative market is a concern for regulators and policymakers. RBI seeks ways for healthy growth of market and measures to popularise usage of derivative instruments but still awareness of the derivative instruments and its usage are very low (Selvaraj, 2020), (Selvaraj, 2021). Regulations seek to enhance market transparency, avert fraud and manipulation, and promote fair trading. But the intricateness of the derivative products and the pace of technological progress may make it difficult to regulate the market efficiently and protect investors against loss. Analysis of the strengths and weaknesses of current regulations is necessary to assist in identifying areas of improvement and enhance investor protection.

Regulatory policies exert a significant influence on risk perception, and this in turn influences investment behavior and market processes. Indian-born men had over two times, and Indian-born women over five times, higher risks of death from oral cancer compared to the native English and Welsh subjects (Lawande, 2016). Policies that increase market transparency and reduce information asymmetry can allow investors to make more informed decisions and estimate the risk more accurately. Policies that increase financial literacy and investor education can allow investors to understand the complexity of derivative products and avoid common behavioral biases. Regulatory policies should also reduce potential conflict of interest and ensure that financial institutions act in the best interest of the clients.

Investor education programs are playing crucial role in facilitating well-educated decision-making; thus, empowering investors to comprehend the risks and returns of derivative investments. Less experienced people can also be high earners if decisions are made based on advanced fundamental and technical analysis (Selvaraj, 2020). The programs can enable investors with the skills and knowledge they need to analyze investment opportunities, minimize financial risk, and steer clear of pitfalls. RBI looks for means for healthy development of market and takes measures for popularizing usage of derivative instruments, but even now awareness towards the derivative instruments and its usage are very low (Selvaraj, 2021). Investor education programs should particularly be designed to address the unique needs and interests of various investor segments, keeping in mind their varied financial literacy, cultural orientation, and investment objectives.

INFLUENCE OF MEDIA AND INFORMATION AVAILABILITY

Financial media and news are a key driver of risk perception among Indian retail investors. Media reports and recommendations from friends and relatives have caused investors to burn their fingers in the capital markets (Rasiwala, 2019). Financial media, investment websites, and social media give investors a constant stream of information about the market, economic conditions, and investment opportunities. But objectivity and quality of information could be very different, and investors must be smart consumers of media reports. Sensationalized reporting, biased reporting, and unsubstantiated rumors could lead to risk perception misguidance and irrational investment decisions. Promoting media literacy and ethical financial reporting is the need of the hour to ensure that investors get correct and unbiased information.

Access to information and technology significantly influences investment decision-making, enabling investors to make more informed decisions and engage more actively in the derivative market. Technology readiness is a reliable determinant of behavioral intention to use FRA, which encourages the utilization of online tools and resources (Banerjee, 2024). Online trading websites, mobile apps, and personal finance websites provide investors with access to real-time market information, investment analysis, and learning materials. These materials can help investors track their portfolios, monitor market trends, and make informed decisions. Technology access is, however, unevenly distributed, and less affluent socio-economic investors might be denied access to these facilities. Closing these gaps and improving digital inclusion is required to ensure all investors can access the potential contribution of the information revolution.

Misinformation and rumors have a serious impact on investor confidence, leading to market volatility and potential financial loss. Investors reaction to various internal changes like dividend announcements, mergers and acquisitions, buyback of shares and external changes like fraud/scam, political changes are analyzed in the project which helps the company to understand the overall investors sensitivity and the future market trend (Call for Manuscripts. 2002). In the derivative market, where prices are highly sensitive to news and sentiment, misinformation and rumors can spread rapidly, leading to panic selling or irrational exuberance. Investors must be cautious in verifying the authenticity of information sources and resisting the temptation to act on unsubstantiated rumors. Promoting media literacy and critical thinking are required to protect investors from the adverse effects of misinformation.

CASE STUDIES OF INVESTMENT BEHAVIOR IN DERIVATIVE MARKETS

Instances of investment decision-making driven by cultural and social factors in real life are rich sources of information on the dynamics of risk perception and investment behavior of Indian retail investors. All the studies were conducted in and around Chennai who were at the investment platform of stock markets and thus give a specific regional setting (Call for Manuscripts. 2002).These case studies can reveal how cultural values, social norms, and socio-economic status come together to shape investment decisions and outcomes. From an analysis of successful and failed investment strategies across different cultural and social settings, we could gain a deeper insight into the determinants of informed decision-making and financial success.

Comparing successful and failed investment strategies in the case of Indian retail investors can offer impetus to informed decision-making and risk avoidance. The research is to examine the significance of investments and to ascertain the investors based on the comments of the investors, providing insights into the investment sector (Call for Manuscripts. 2002). These comparisons can determine the traps and biases that result in unsatisfactory investment results, as well as methods that can assist investors in meeting their financial objectives. Through the learning of previous successes and failures, investors can craft better investment strategies and enhance their overall financial performance.

Learning from past market trends and crises is required to stimulate well-educated investment decisions and risk management in the derivative market. The study helps in comprehending the speculative nature of the investors as well as to guide the investors in the right direction to attain high return from short duration of time, to make efficient investment strategies (Call for Manuscripts. 2002). Observing how the investors reacted to past market shocks, such as the 2008 financial crisis or the COVID-19 pandemic, can help in comprehending their risk behavior and perception. These learnings can be employed to create enhanced risk management strategies, financial education programs, and regulatory policies.

STRATEGIES TO REDUCE RISK AND ENHANCE INFORMED INVESTING

Culturally responsive financial literacy is important in enabling effective decision-making and empowering Indian retail investors to grasp the complexity of the derivative market. Suggest the application of the principles of behavioral finance in making the advisors" advisory and wealth management decisions, enhancing the quality of financial advice (Manzoor, 2023). The programs should be tailored to the specific needs and preferences of different investor segments based on their differences in financial literacy, culture, and investment goals. Culturally responsive programs should tackle common behavioral biases, enhance critical thinking, and encourage investors to seek objective financial advice.

Effective risk communication strategies are necessary in an effort to convey complex derivative product information and risk to different investor groups. This research will also assist policymakers in developing behaviorally guided policy decisions in a bid to protect the interests of the investors, which will guarantee good governance (Manzoor, 2023). The strategies should be presented in plain language, without technical jargon, and provide information in a readable manner. Risk communication strategies should also be culturally sensitive, taking into account the varying levels of financial literacy and cultural beliefs of investor groups. Policy interventions to enhance investor protection and market transparency are essential to promote an efficient and equitable derivative market. The Market should maintain good relations in reality and should deliver of prompt services according to the customers, in case of urgency, to promote customer satisfaction and trust (Selvaraj, 2021). The General Insurance concept can be implemented to the amount invested in Indian Stock Market for which the premium can be recovered from the traders, protecting the investors (Selvaraj, 2021). These interventions should include tighter regulation of derivative products, improved disclosure requirements by financial institutions, and improved enforcement of anti-fraud laws. Policymakers should undertake financial literacy and investor education, allowing investors to make informed decisions and protect their financial interests.

CONCLUSION

Risk perception of derivative investments by Indian retail investors is a multifaceted interconnection of cultural, social, psychological, and economic factors. Derivatives being extremely potent hedging and speculative instruments are risk-taking instruments, especially for retail investors in a culturally diverse and socially stratified society like India. The research confirms that risk perception is not the same for the investor group; instead, it is decided quite strongly by family, culture, social forces, financial literacy, and gender. One of the strongest findings is the immense influence of culture and society on attitudes towards risk. Collectivist tendencies, close family relationships, and peer pressure shape investment decisions, promoting herd behavior and deterring individual risk evaluation. These behaviors are supported by social norms and intergenerational learning, leading to risk-averse and risk-seeking behaviors based on collective experience rather than objective evaluation. The effect of social stratification is also significant. Higher socio-economic groups of investors, having greater access to financial education and advisory services, have a higher level of sophistication in understanding derivative products. Lower socio-economic groups are typically risk averse as a result of a lack of resources and poor financial education. Gender is also a key driver—females are observed to be conservative in their investment strategy as a result of social pressures and lower access to financial instruments. The research also points out the importance of behavioral biases of overconfidence, anchoring, and loss aversion in distorting risk perception and decision-making. These are complemented by the growing potency of digital media and online forums that can educate and mislead. Misinformation and sensationalism, especially on social media, fuel emotional responses and induce irrational trading behavior in the derivatives market. In addition, regional economic conditions and cultural values are responsible for creating differential levels of participation in the Indian derivative market. Trust in the financial system, availability and quality of local financial institutions, and access to technology affect risk perception and risk management. Finally, the regulatory environment, though evolving, still lacks the depth to address the requirements of India's complex retail investor population. There is an imperative need for investor-centric policies that reward transparency, accountability, and education. Sensitivity-based financial literacy programs, impartial financial advice websites, and robust media literacy programs are necessary to bridge awareness gaps. In summary, it is crucial to comprehend the socio-cultural context that drives financial behavior in order to create inclusive, effective, and responsive investment environments. By appreciating and engaging with these social and cultural dynamics, policymakers, educators, and financial institutions can enhance the participation and protection of retail investors in the Indian derivatives market—leading to more inclusive financial growth and a more robust and resilient market environment.

REFERENCES

1) (Guyer, J.I. (1999). Cultural anthropology. None. Guyer, J. I. (1999). Anthropology: The study of social and cultural originality. African Sociological Review/Revue Africaine de Sociologie, 3(2), 30-53. https://doi.org/10.1177/000134559903900302
2) Call for Manuscripts. (2002).The Educational Forum, 66(4), 300. https://doi.org/10.1080/00131720208984847
3) Babalola, E., Hu, M., Chimezie, M. E., &Chinedum, A. P. (2022). The impact of capital structure on firm performance-evidence from large companies in hong kong stock exchange. Scientific Research Publlish. https://doi.org/10.4236/ojbm.2022.103072
4) Banerjee, S. (2024). Portfolio management with the help of ai: what drives retail indian investors to roboadvisors?. Electronic Journal of Information Systems in Developing Countries. https://doi.org/10.1002/isd2.12346
5) Kaufmann, L. J. &DannerSchrder, A. (2022). Addressing grand challenges through different forms of organizing: a literature review. Emerald Publishing Limited. https://doi.org/10.1108/s0733-558x20220000079014
6) Khare, T. & Kapoor, S. (2024). Elucidating the relationships among demographics, behavioral biases, and risk factors: a study of financial professionals. Journal of Investing. https://doi.org/10.3905/joi.2024.1.303
7) Kurnijanto, A. W., Joni, J., Sumbodo, K. V., Wijaya, L. I., &Sutejo, B. S. (2025). Influence of behavioral bias on investment decision with risk perception as a mediating variable: a study on generation z at the indonesia stock exchange. None. https://doi.org/10.38035/dijefa.v5i6.3643
8) Lawande, S. A. (2016). Betel Quid/Areca Nut Chewing and Deleterious Impact on Oral Health: Is Socio-Cultural Fabric the Culprit? Journal of Dental Health, Oral Disorders & Therapy, 5(1). https://doi.org/10.15406/jdhodt.2016.05.00140
9) Manzoor, A., Jan, A., Shafi, M., Parry, M. A., & Mir, T. (2023). Role of perceived covid-19 disruption, personality traits and risk perception in determining theinvestment behavior of retail investors: a hybrid regression-neural network approach. Journal of economic and administrative sciences. https://doi.org/10.1108/jeas-01-2023-0026
10) Nicholas, K., Soptich, K. M., Tyson, A., Abraham, S., Perry, G. H., & Gillum, D. R. (2018). Relationships effecting college students perception of family influence impacting their health and lifestyle. TEACH journal of christian education. https://doi.org/10.55254/1835-1492.1395
11) Njegovanovi, A. (2023). Financial evolution and interdisciplinary research. ARMG Publishing. https://doi.org/10.21272/fmir.7(1).71-95.2023

12) Njegovanovi, A. (2023). Financial evolution and interdisciplinary research. ARMG Publishing. https://doi.org/10.21272/fmir.7(1).71-95.2023
13) Rasiwala, F. & Kohli, B. (2019). A study on the awareness and perception of robo advisory services among investors in pune city. Social Science Research Network. https://doi.org/10.2139/ssrn.3308595
14) Sarkar, M. (2007). Management research in emerging economies. None. https://doi.org/10.1177/0256090920070211
15) Selvaraj, D. N. (2020). Traders perception and awareness on financial derivatives in indian stock market. Sumerianz journal of economics and finance. https://doi.org/10.47752/SJEF.310.160.170
16) Selvaraj, N. (2021). Personal variables of perception towards equity derivative markets in india. None. https://doi.org/10.37421/2169-026X.2021.10.310
17) TaghizadehHesary, F. & Yoshino, N. (2020). Sustainable solutions for green financing and investment in renewable energy projects. Multidisciplinary Digital Publishing Institute. https://doi.org/10.3390/en13040788
18) DBS Bank India. (2024, January). Survey on investment preferences and risk perception among Indian retail investors. DBS Bank India. Retrieved from https://www.dbs.com/india
19) The Print. (2023). Traders losing big in India's derivative market are under 30, low income, small-city men: Report. The Print. Retrieved from https://theprint.in/economy/traders-losing-big-in-indias-derivative-market-are-under-30-low-income-small-city-men-report/2281826/
20) Economic Times. (2024, January). 51% of women in India prefer low-risk financial instruments; only 7% invest in stocks: Survey. Economic Times. Retrieved from https://economictimes.indiatimes.com/jobs/hr-policies-trends/51-of-women-in-india-prefer-low-risk-financial-instruments-only-7-invest-in-stocks-survey/articleshow/106924216.cms