

# **An Inquiry into Efficiency of Financial Futures Market in India**

**Deepak Danak**

**Professor**

**Institute of Management, Nirma University, Ahmedabad**

## **Abstract**

In a market economy, efficient functioning of the markets becomes a pre-condition for attaining the desired goal of economic welfare. Ideally, any market is expected to be efficient in its functioning; however, the reality may be far from it. The efficiency of futures market is revealed in its ability to move in tandem with the spot market exhibiting the desired economic relationship between the two. This study aims at examining whether the financial future markets in India is functioning efficiently or not. Towards that, it studies Index Futures of NSE on NIFTY since it is the most highly traded financial futures in India. Data analysis is done using EViews 6 software for regression analysis and conducting necessary tests like Augmented Dickey-Fuller Test, Engle and Granger Test, Wald Test, and Johansen's Test. Though the results show that the two prices are cointegrated, they do not meet the condition of necessary restrictions on the coefficients, suggesting lack of market efficiency. The findings of the study will help to set the agenda for the various stake holders like the government, the exchanges, and the regulators like SEBI to make the market more efficient.

**Key Words:** Financial Derivatives, Index Futures, Futures Market Efficiency, Cointegration Analysis