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FINANCIAL DERIVATIVES AND RISK MANAGEMENT: AN OVERVIEW

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ABSTRACT

Financial contracts whose value is derived from an underlying asset, index, orate are known as derivative instruments. They are crucial in managing financial risks, making predictions about asset values, and mitigating risks. Multiple parties that can trade over the counter or on an exchange construct a derivative. Derivatives are multifaceted tools that have changed the financial industry by providing investors with a range of risk management options. With the use of derivatives, risks associated with traditional instruments can be efficiently unbundled and managed independently. Futures, forwards, options, and swaps are the primary derivatives that are used to manage risk in the markets for financial instruments and commodities. When used properly, derivatives can lower expenses while also raising returns. The study's base is secondary data gathered from numerous publications, articles and journals. Understanding the function of derivatives in corporate is management is the goal of this research. According to the study's findings, derivatives are crucial for risk management.

KEYWORDS: *Derivatives, Forwards, Futures, Options, Swaps, Risk.*

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