
Factors influencing emergence of financial derivatives market

This study will focus on the factors that influence emergence, development and growth of derivatives market in Kenya. The research objectives and research hypotheses set out based on Nairobi securities exchange. Descriptive research design will be used in the study. The population census will be drawn from the Nairobi Securities Exchange of 20 firms' financial participants' listed and key staff from the Capital Markets Authority of Kenya as a result therefore stratified and purposive sampling technique will be used to sample 120 employees in 20 firms. The sample size will be 40 employees from 14 firms.

Both primary and secondary data shall be used. Data collected shall be validated, edited, coded and then analyzed qualitatively from 34 respondents. The data shall be analyzed using a Statistical package called R. The study is approximated to reveal 65% changes in development and growth of derivatives market in Kenya shall have been accounted for by changes in financial innovation, regional market integration, and risk management, government regulations and regulatory frameworks. The investigation will find out that there is perfect positive relationship between the study variables that is the coefficient of correlation will +1. The multiple regression model shall be used with level of significance of 0.1% mean that the level of type 1 error is acceptable to indicate that the data will ideal for making a conclusion on the population parameters as the value of significance (p-value) will less than 5%. At 5% level of significance and 95% level of confidence; risk management will show that a 0.002 level of significance government regulation and regulatory framework will show that 0.003 level of significance, financial innovation will show 0.0035 level of significance; regional integration will show that 0.0015 level of significance; clearly showing that financial innovation will most significant factor in emergence, development and growth of derivatives market in Kenya.

The study recommends that the Capital Markets Authority, Nairobi Securities Exchange and the credit referencing bureaus in Kenya take advantage of the high liquidity levels among the multinational corporations and financial institutions to increase trade volumes in forward contracts, swaps and options. The study also recommends a similar study incorporating respondents from regulatory agencies like Central Bank of Kenya and Capital Markets Authority in order to widen the awareness of the factors influencing emergence development and growth of financial derivatives in Kenya.