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INVESTOR'S AWARENESS TOWARDS COMMODITIES MARKET WITH REFERENCE TO CHENNAI CITY: A STUDY

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Abstract: **The commodity market plays a vital role in India's economic growth. It is known that India's major growth sector of the future are commodities and commodity market. India is set to become a major producer, consumer, exporter and importer of a wide range of commodities. Recently, many investors have been attracted to trade in commodities market due to many factors such as transparency in the price mechanism, low margins, risk management, benefits to farmers due to price clarity and a well-organized market. Moreover, commodity market ensures uniform standardization of the product quality due to its stringent terms and it has enabled to predict the price of the commodities there by reducing the risk. The exporters can hedge their price risk and improve their competitiveness by making use of commodity futures market. The Indian commodity market has been integrating with the global market as a result of the free-trade environment. Unlike the share market, commodities market offers a different avenue for investment as they are less volatile when compared with equities and bonds is a highly liquid asset class and offers the investors an opportunity to gain from the price**

movements in commodities. Also the long trading hours of the commodity market enables easy access to markets all the time.

Index Terms - Commodities Market, Investors

I INTRODUCTION

In India, commodity markets largely remained underdeveloped in earlier years. Free trade in many commodity items remains restricted under the essential commodities Act (ECA), 1955 and forwards as well as future contracts are limited to specific commodity items listed under the forward contracts (Regulation) Act (FCRA) 1952. Following the introduction of economic reforms in 1991 and the expert committee report in June 1993, reintroduction of futures which were banned in 1966 and expansion of coverage to agricultural commodities along with silver was done. The National Agricultural policy 2000 envisaged external and domestic market reforms and dismantled all controls and regulations in the agricultural commodity markets.

Today, commodity exchanges are purely speculative in nature when compared to the earlier period when the prices of any commodity were not fixed in an organized way. But, at present, before investing in commodity markets, the buyer can reach to the producers, end-users, and even retail investors at a grass root level, thus having price transparency and risk management in the vital market. Since 2002, the commodities market in India has experienced unexpected changes in terms of modern exchanges and the number of commodities allowed in 2006 became 94 as compared to 59 commodities in 2005. These commodities included major agricultural commodities such as rice, wheat, jute, cotton, coffee, major pulses such as Urad, Arahar and Chana, edible oilseeds such as mustard seed, coconut oil, groundnut oil and sunflower oil, spices like pepper, chillies, cumin seeds and turmeric, metals such as aluminium, tin, Nichel, and copper, bullion as gold and silver, crude oil, Natural gas and polymers among others. Gold accounted for the largest share of trade in terms of value. In India, there are 26 exchanges operating in India and carrying out commodity trading activities in as many as 146 commodity items at present. There are at present 6 nation-wide markets multi-commodity exchanges accepted by the Government of India, the National Multi Commodity Exchange (NMCE), Ahmadabad, Multi Commodity Exchange (MCX), National Commodity and Derivatives Exchange (NCDEX), Mumbai Indian Commodity Exchange (MICEX), the Ace Derivatives Exchange (ACE) and the Universal Commodity Exchange (UCX). The chief regulator of these commodity futures markets in India is the Forward Markets Commission (FMC), Mumbai and is overseen by the Ministry of Finance. At present, it regulates Rs 17 trillion worth of commodity trade in India for the year 2014-15. It is evident that an efficient and well-organised commodities market is generally helpful in price discovery for traded commodities.

India, being one of the top producers of a large number of commodities, and also having a long history of trading in commodities and related derivatives, the knowledge about commodity markets among our Indian citizens is very important and essential. Since the commodity market has made enormous progress in terms of technology, transparency and the trading activity, but the people are still unaware of the commodity market and its activities. Therefore, the study has been undertaken entitles, "A study on investors' awareness towards commodities market with reference to Chennai city, Tamil Nadu" to find out the awareness of investors' towards commodities market. It also finds out the preference and opinion of the investors regarding different commodities traded in the market.

II REVIEW OF LITERATURE

Ghosh and Madhusudan (2000) investigated the intra-state spatial integration of rice markets in India by using ML method of co-integration. Intra-state regional integration of rice markets was evaluated by testing the long run linear relationship between the prices of the state-specific variety of rice quoted in spatially separated locations in four selected states. The cointegration results for Uttar Pradesh indicated that the regional markets are integrated to such an extent that the Law of one price (LOP) holds for III and IV ARWA variety of rice. However, no evidence was found in favour of the LOP for the coarse or common variety of rice marketed in Bihar, Orissa and West Bengal, even though, the regional rice markets were found to be integrated. The results pertaining to inter-state regional integration of rice markets represented by four market centers chosen from the four selected states, revealed that even though the markets are integrated, the LOP does not hold.

Kumar Ranjit (2000) analyzed the relationship between prices of rice in domestic market (New Delhi) with major rice markets of the world viz., Bangalore and Houston (USA) by using the co integration approach. The results clearly revealed that all the price series were not stationary and were not integrated in the long run.

III RESEARCH METHODOLOGY STATEMENT OF THE PROBLEM

A commodity market facilitates trading in various commodities. Commodity markets have diverse avenues for investment, away from traditional avenues of equity, bonds and real estates. A better exposure to commodity markets and awareness of their services helps to increase the investor's returns while lowering their risks. Not much people know that commodities marketing has something for everyone with ample opportunities to trade, hedge and speculate, commodities have long been the asset class to invest in. Hence, the awareness about such commodities market among the people has to be studied and analysed to further improve the commodities trading in India.

There is a general fear among the people that most investors lose money in commodities marketing. This happens only when market participants do not trade with discipline and fall victim to greed and fear. One more reason for the loss is that they lack proper awareness about the commodities market. It is important that all commodity trading decisions should be based on good knowledge and commercial intelligence. Since many people do not have proper knowledge about commodity market, the role of brokers is mainly relied on. The broker plays an important role in giving depth and liquidity to the market, and informing investors about the risks involved. But if the investors have no knowledge about their commodity trade, there are chances of facing loss.

Demand for commodities both in domestic and global market is estimated to grow by four times than the current demand in the next five years. In this context, it is quite evident that how far the investors or the people are aware of the commodity market so as to attract more investors by removing the general fear of the people needs to be extensively studied. Moreover, the proposed study on "A study on investors' awareness towards commodities market with reference to Chennai city, state of Tamil Nadu, India) is considered more important to analyse the people's awareness to recommend for further improvement in commodity market, there by uplifting Indian economy. The study has been chosen to analyze and examine the risk-return aspects in investing in commodities market.

IV RESEARCH DESIGN - DESCRIPTIVE AND ANALYTICAL RESEARCH DESIGN

In this study the researcher has made an attempt to describe the socio-economic status of investors and functioning of commodities market at Chennai city. There has also been an attempt to find out whether there is any association between the socio- economic status and preference of investors towards commodities market by applying statistical tools. Hence, in order to achieve these targets the researcher elects descriptive and analytical study.

4.1 Data Collection Method

The task of data collection begins after a research problem has been identified and research design chalked out. The data collection method offered by the researcher is,

Primary Data

The primary data are those which are collected afresh and for the first time. These were collected from the investors residing at Chennai city concerning their awareness in commodities market. The researcher has used interview schedule method to collect primary data from the employees.

Secondary Data

The secondary data are those which have been collected for some other purpose and are in existence. The records and documents pertaining to the functioning and activities of commodities market, its current scenario will constitute the secondary source for the study.

4.2 Research Instrument

A structured questionnaire is framed which contains,

Open-ended questions

Closed-ended Questions

4.3 Sampling Technique

It would be practically impossible for anybody to collect data from the whole population elements. Even though it is possible it would be prohibitive in terms of time, cost also possibility for errors in results. Therefore sampling is chosen by the researcher to collect needed information. Sampling is the process of selecting a sufficient number of elements from the population so that a study of the sample and understandings of its properties would make it possible to generalize the same to the population elements.

Universe/ population: It consists of investors residing at Chennai city.

Element: It is the single member of the population. Each investor residing at Chennai city constitutes an element.

Sample size/ unit: The sample size chosen by the researcher is about 200 investors.

Subject: Each investor from the sample size consists of subject.

Sampling technique: Due to unknown population, the sampling method adopted is called probability sampling. In that convenient sampling technique has been chosen to select the sample respondents according to the convenient accessibility and proximity to the researcher.

Formulation of Hypotheses

Based on the objectives of the study, the following Null Hypotheses (H0) have been framed and tested:

There is no significant difference in the mean ranks towards preference of commodity in commodities market.

There is no significant relationship between awareness and satisfaction of investors towards commodities market.

Statistical Tools Used

To study the socio-economic status of the investors, Frequencies are used.

To identify the preferences of investors towards commodities, Friedman test is used.

To find out the most significant statement/item in each product of commodities market, Mean and Standard Deviation (descriptives) are used.

To ascertain the significant relationship between awareness and satisfaction of investors towards commodities market, Bivariate Correlation and Regression are used.

5. OBJECTIVES OF THE STUDY

- To study the socio-economic status of the investors in Chennai city.
- To study the factors influencing the awareness of investors towards commodities market.
- To examine the opinion of the investors towards operations and functions of commodities markets.
- To find out the preference of the investors towards various commodities.
- To examine the impact of socio-economic status and investors' preference in investment towards commodities market.

6. DATA ANALYSIS AND INTERPRETATION

6.1 SOCIO-ECONOMIC STATUS OF THE RESPONDENTS

In order to study the socio- economic status of employees, percentage analysis is applied.

1	Gender	Male 43.5		Female 56.5		
2	Profession	Govt 9.5%	Private 51.5%	Business 14%	Profession 13%	Retired 12%
3	Age group	Less than 25 years 16%	26-35 years 24%	36-45 years 31%	46-55 years 15.5%	Above 55 years 13.5%
4	Educational qualification	Upto HSC 25%	Diploma 36.5%	UG 14.5%	PG 24%	
		10000 to 25000	25001 to 50000	50001 to	75001 to 100000	Above 100000

5	Annual income	16.5%	26.5%	17.5%	20.5%	19%

Source : Primary data

From the above table 4.1 it could be inferred that 56.5% of the respondents are female and 43.5% of the respondents are male. It is observed from the analysis that majority of the respondents (56.5%) are female who have invested in commodities. Age of the respondents is classified in to five categories such as less than 25 years which comprises of 16% of respondents,24% of respondents are between 26-35 years,31% of respondents are between 36-45 years,15.5% of respondents are between 46-55 years and 13.5% of respondents are of above 55 years. It is understood that 36.5% respondents are qualified with diploma, 25% are qualified with HSC, 24% are qualified with post graduate degree, and 14.5% are qualified with under graduate qualification. It is known that 26.5% of respondent's income ranges between Rs. 25001 and Rs.50000, 20.5% of them are earning between Rs.75001 and Rs.100000 with, 19% of them are earning above Rs.100000 with, 17.5% of them are earning between Rs.50001 and Rs. 75000 and 16.5 % of them are earning between Rs.10000 to Rs.25000. It is observed from the table that 51.5% of the respondents are private employees, 14% of them are business people, 13% of them are professionals, 12% of them are retired persons and 9.5% of them are government employees.

6.2 Years of Participation of Respondents in Commodities Market

The four categories of year of participation of respondents in commodities market are given in the following table 5.6. The four categories are less than 5 years, 5 to 10 years, 11 to 15 years and above 15 years respectively. The details are furnished in the following table, 4.2

Table 4.2 :Year of Participation of Respondents in Commodities Market

Years of Participation	Frequency	Percentage
Less than 5 years	90	45.0
5 to 10 years	90	45.0
11 to 15 years	10	5.0
Above 15 years	10	5.0
Total	**200**	**100**

(Source: Primary Data)

It is observed from table 5.1.6 that 45% of the respondents have participated in the commodities market trading for less than 5 years and between 5 and 10 years, 5% of the respondents have participated between 11 and 15 years and above 15 years for trading in commodities market.

6.3 Satisfaction towards Rate of Return in Commodities Trading

The satisfaction of the investors' towards rate of return in commodities trading is divided into five categories namely highly satisfied, satisfied, neither satisfied nor unsatisfied and unsatisfied. The details are furnished in the following table, 5.1.19.

Table 4.2.1: Satisfaction towards Rate of Return in Commodities Trading

Satisfaction towards Rate of	Frequency	Percentage
Highly satisfied	10	5
Satisfied	120	60
Neutral	40	20
Dissatisfied	30	15
Highly Dissatisfied	0	0
Total	**200**	**100**

(Source: Primary Data)

It is observed from the above table that 60% of the respondents are satisfied with the rate of return in commodities trading, 20% of them are neutrally satisfied, 15% of them are dissatisfied and 5% are highly satisfied with the rate of return in commodities trading.

Significant Difference in the Mean Ranks towards preference of Commodity in Commodities Market

In order to study the major variables affecting the investors' preference towards commodities market, Friedman test is applied.

Significant Difference between the Purchases of Commodities

Null Hypothesis: There is no significant difference in the mean rank towards purchase of the commodities.

Alternative Hypothesis: There is a significant difference in the mean rank towards purchase of the commodities.

Table 4.3.1: Significant Difference between the Purchases of Commodities (Friedman test)

Commodities	Mean Rank	Chi-square value	P value
BULLION Gold	1.00	1.261	<0.001**
silver	2.90		
METAL Aluminium,Zinc,Lead	5.65		
Nickel, copper, sprongr iron	7.60		
FIBER Cotton	8.00		
ENERGY Crude oil	5.70		
natural gas	7.30		

SPICES Cardomom, pepper, red chilli	8.05		
OIL Castor oil, palm oil, coconut oil, mustard oil			
OIL SEEDS Caster seeds, Mustard seeds, cotton seed, sesame seed	8.75		
CEREALS	10.20		
OTHERS :- Wheat/Rice/Sugar	11.20		

Since P value is less than 0.01, the null hypothesis is rejected at 1% level of significance. Hence it is concluded that there is a significant difference among the commodities purchased by the investors. Based on the mean rank, the most significant commodity that greatly attract the investors to invest is Gold (1.00), followed by silver (2.90), Metal (5.65), Nickel, crude oil (5.70),natural gas (7.30) Nickel, copper, iron (7.60), Cotton (8.00) Cardomom,pepper, red chilli (8.05), Wheat/Rice/Sugar (9.90) Castor oil, palm oil, coconut oil, mustard oil (10.20), cereals (10.85), Caster seeds, Mustard seeds, cotton seed and sesame seed (11.20).

6.4 Significant Difference between Factors Affecting Changes in Gold Price

Null Hypothesis: There is no significant difference in the mean rank towards factors which affects the change in gold price.

Alternative Hypothesis: There is a significant difference in the mean rank towards factors which affects the change in gold price.

Table 6.1 Significant Difference between Factors Affecting Changes in Gold Price (Friedman test)

Factors	Mean Rank	Chi-square value	P value
Crude oil price changes	4.90	263.500	<0.001**
Money inflation	3.85		
Rate of interest	3.80		
American dollar value changes	2.55		
Gap between demand and supply	4.95		
Investment habits	4.85		
Compulsory domestic needs	6.05		

International political changes	5.05		

Since P value is less than 0.01, the null hypothesis is rejected at 1 % level of significance. Hence it is concluded that there is a significant difference among the factors affecting the changes in gold price. Based on the mean rank, the most significant factor which affects the change in gold price is American dollar value changes (2.55), followed by Rate of interest (3.80), Money inflation (3.85), Investment habits (4.85), Crude oil price changes (4.90), Gap between demand and supply (4.95), International political changes (5.05) and Compulsory domestic needs (6.05).

Significant Difference between Factors Affecting the Changes in Silver Price

Null Hypothesis: There is no significant difference in the mean rank towards factors which affects the change in silver price.

Alternative Hypothesis: There is a significant difference in the mean rank towards factors which affects the change in silver price.

Table 6.3.3 :Significant Difference between Factors Affecting the Changes in Silver Price (Friedman Test)

Factors	Mean Rank	Chi-square value	P value
Purchasing power of Investors	4.80	199.333	<0.001**
Hike of prices	5.05		
Demand for silver jewels articles	4.50		
Sudden international changes	3.00		
Technological changes	4.80		
American Dollar's Value Changes	3.65		
Gap between Demand and Supply	4.15		
International Economic unstability	6.05		

[Source: Primary Data]

Note: ** Denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1 % level of significance. Hence it is concluded that there is a significant difference among the factors affecting the changes in silver price. Based on the mean rank, the most significant factor which affects the change in silver price is Sudden international changes (3.00), followed by American Dollar's Value changes (3.65), Gap between Demand and Supply (4.15), Demand for silver jewels articles (4.50), Technological changes (4.80), Purchasing power of Investors (4.80), Hike of price (5.05) and International Economic unstability (6.05).

7. Conclusion

This research was basically intended to find out ways and means to help the farmers in India to get themselves into this commodity derivatives market and get them some benefits, but this study has taken a different direction towards the end, and academically it means to find out whether the various objectives framed are met out or not because in India the cost of farming is drastically increasing and the revenue to the farmers are decreasing steeply. This research seems to be a very vast area of study, wherein a lot of things with regard to commodity market, market operations, various players, marketing nuances, terminologies, technology and international commodity derivatives, derivatives exchanges, volume of trade and potential of market has been understood. The researcher has started to study the various expectations of the investors, and study the level of awareness of commodity derivatives market, and examine the investment pattern of investors, various factors influencing the spot and futures market (derivatives) and looked for suggestions to improvise the commodity derivatives market from its present position. In order to increase the perception of investors towards commodity derivatives market in Chennai city, the people those who are associated with the suggestions made in this research, should start with understanding of the expectations of investors, understanding the expectations of investors will help the people associated with commodity derivatives market, could create some sort of awareness among the investors. Creating awareness will increase the good investment pattern among the investors provided the spot and future commodity market factors are addressed properly and their valuable suggestions have to be considered carefully which in-turn will create the possibility of improving the perception of investors towards commodity derivatives market in India in the days to come.

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