

# A Study on the Investors' Perception Towards Commodity Market With Reference To Goodwill Commodities Pvt Ltd

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## 1. INTRODUCTION

India, a commodity based economy where two-third of the one billion population depends on agricultural commodities, surprisingly has an under developed commodity market. Unlike the physical market, futures markets trades in commodity are largely used as risk management (hedging) mechanism on either physical commodity itself or open positions in commodity stock. A commodity market is a market that trades in primary economic sector rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee, cocoa and sugar. Hard commodities are mined, such as gold and oil. Investors access about 50 major commodity markets worldwide with purely financial transactions increasingly outnumbering physical trades in which goods are delivered. Futures contracts are the oldest way of investing in commodities. Futures are secured by physical assets. Commodity markets can include physical trading and derivatives trading using spot prices, forwards, futures, and options on futures. Farmers have used a simple form of derivative trading in the commodity market for centuries for price risk management. The Study is done to know the investors' perception towards commodity market with Reference to Goodwill Commodities Private Limited.

### 1. 2 Industry Profile

A Commodity may be defined as an article, a product or material that is bought and sold. It can be classified as every kind of movable property, except Actionable Claims, Money & Securities. Commodities actually offer immense potential to become a separate asset

class for market-savvy investors, arbitrageurs and speculators. Retail investors, who claim to understand the equity markets, may find commodities an unfathomable market. But commodities are easy to understand as far as fundamentals of demand and supply are concerned. Retail investors should understand the risks and advantages of trading in commodities futures before taking a leap. Historically, pricing in commodities futures has been less volatile compared with equity and bonds, thus providing an efficient portfolio diversification option. In fact, the size of the commodities markets in India is also quite significant. Of the country's GDP of Rs 13, 20,730 core (Rs 13,207.3 billion), commodities related (and dependent) industries constitute about 58 per cent. Currently, the various commodities across the country clock an annual turnover of Rs 1, 40,000 cores (Rs 1,400 billion). With the introduction of futures trading, the size of the commodities market grows many folds here on.

#### 1.2.1. Commodity Market

Commodity Market is an important constituent of the financial markets of any country. It is the market where a wide range of products, viz., precious metals, base metals, crude oil, energy and soft commodities like palm oil, coffee etc. are traded. It is important to develop a vibrant, active and liquid commodity market. This would help investors hedge their commodity risk, take speculative positions in commodities and exploit arbitrage opportunities in the market.

#### 1.2.2. Commodity Market - Evolution in India

Bombay Cotton Trade Association Ltd., set up in 1875,

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was the first organized futures market. Bombay Cotton Exchange Ltd. was established in 1893 following the widespread discontent amongst leading cotton mill owners and merchants over functioning of Bombay Cotton Trade Association. The Futures trading in oilseeds started in 1900 with the establishment of the Gujarati Vyapari Mandali, which carried on futures trading in groundnut, castor seed and cotton. Futures' trading in wheat was existent at several places in Punjab and Uttar Pradesh. But the most notable futures exchange for wheat was chamber of commerce at Hapur set up in 1913. Futures trading in bullion began in Mumbai in 1920. Calcutta Hessian Exchange Ltd. was established in 1919 for futures trading in raw jute and jute goods. But organized futures trading in raw jute began only in 1927 with the establishment of East Indian Jute Association Ltd. These two associations amalgamated in 1945 to form the East India Jute & Hessian Ltd. to conduct organized trading in both Raw Jute and Jute goods. Forward Contracts (Regulation) Act was enacted in 1952 and the Forwards Markets Commission (FMC) was established in 1953 under the Ministry of Consumer Affairs and Public Distribution. In due course, several other exchanges were created in the country to trade in diverse commodities.

### 1.2.2.1. Different Types of Commodities Traded

World-over one will find that a market exists for almost all the commodities known to us. These commodities can be broadly classified into the following:

- ◆ Precious Metals: Gold, Silver, Platinum etc
- ◆ Other Metals: Nickel, Aluminum, Copper etc
- ◆ Agro-Based Commodities: Wheat, Corn, Cotton, Oils, Oilseeds.
- ◆ Soft Commodities: Coffee, Cocoa, Sugar etc
- ◆ Live-Stock: Live Cattle, Pork Bellies etc
- ◆ Energy: Crude Oil, Natural Gas, Gasoline etc

### 1.2.2.2. Different Segments in Commodities Market

The commodities market exists in two distinct forms namely the Over the Counter (OTC) market and the Exchange based market. Also, as in equities, there exists the spot and the derivatives segment. The spot

markets are essentially over the counter markets and the participation is restricted to people who are involved with that commodity say the farmer, processor, wholesaler etc. Derivative trading takes place through exchange-based markets with standardized contracts, settlements etc.

### 1.3. Leading Commodity Markets of the World

Some of the leading exchanges of the world are

- ◆ New York Mercantile Exchange (NYMEX),
- ◆ The London Metal Exchange (LME) and
- ◆ The Chicago Board of Trade (CBOT).

#### 1.3.1. Leading Commodity Markets of India

The government has now allowed national commodity exchanges, similar to the BSE & NSE, to come up and let them deal in commodity derivatives in an electronic trading environment. These exchanges are expected to offer a nation-wide anonymous, order driven, screen based trading system for trading. The Forward Markets Commission (FMC) will regulate these exchanges.

Consequently four commodity exchanges have been approved to commence business in this regard. They are:

- ◆ Multi Commodity Exchange (MCX) located at Mumbai.
- ◆ National Commodity and Derivatives Exchange Ltd (NCDEX) located at Mumbai.
- ◆ National Board of Trade (NBOT) located at Indore.
- ◆ National Multi Commodity Exchange (NMCE) located at Ahmedabad.

### 1.4. Commodity Futures Trading in India

Derivatives as a tool for managing risk first originated in the Commodities markets. They were then found useful as a hedging tool in financial markets as well. The basic concept of a derivative contract remains the same whether the underlying happens to be a commodity or a financial asset. However there are some features, which are very peculiar to commodity derivative markets. In the case of financial derivatives, most of these contracts are cash settled. Even in the

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case of physical settlement, financial assets are not bulky and do not need special facility for storage. Due to the bulky nature of the underlying assets, physical settlement in commodity derivatives creates the need for warehousing. Similarly, the concept of varying quality of asset does not really exist as far as financial underlying are concerned. However in the case of commodities, the quality of the asset underlying a contract can vary largely. This becomes an important issue to be managed.

### 1.5. Company Profile

Goodwill Commodities, founded in 2008, is India's best commodity House and the Largest Distribution Network, providing a wide range of financial services and investment solutions. Goodwill Commodities Provide Special - Free Trading & Demat Account Lowest Brokerage in the Industry.

#### 1.5.1. Goodwill Commodities are

- ◆ Leading Financial services and Brokerage house
- ◆ Acknowledged Leadership in execution and clearing services - Exchange Traded products
- ◆ Founded in 2008, India's best commodity house and largest Distribution network
- ◆ Cater to wide range of Investment and Financial solutions
- ◆ A diverse range of financial services provider.
- ◆ A customer of base of 25,000 and more will vouch for
- ◆ Our market research on continuous basis
- ◆ Our critical examination of any and every market information
- ◆ Our chartists whose analysis have yielded tons of fruitful information
- ◆ Our closely held trade secret of innovative sources of data that keeps us ahead of others

#### 1.5.2. The Goodwill Commodities Advantage:

- ◆ Large avenues of investment solutions and financial services under one roof

- ◆ Personalized solution and attention offered to each investors
- ◆ Research support and timely advice by our high-tech research wing
- ◆ An extensive network of branch offices
- ◆ A perfect blend of latest technology and rich experience of over a decade.
- ◆ Honesty, transparency and fairness imbibed in all our dealings
- ◆ Providers of one of the best trading platforms in terms of speed, convenience and risk management to trade in commodity market.

### 2. STATEMENT OF THE PROBLEM

The commodity market in India has its effect on economic growth and development. The growth of commodity market is vital factor for country's economic growth and trend in this market is defined by the decisions of investors, it is important to explore behavior factors influencing the decision of individual /retail investors. Further, an understanding of investors' behavior and outcomes through behavior process in the form investment decision is much important for Goodwill Commodities Private Limited, because it would help them devise appropriate asset allocation strategies to their clients. Identifying factors play an important role in determining the behavior of investors would affect the future policies and strategies of the Goodwill Commodities Private Limited.

### 3. NEED FOR THE STUDY

The reason behind this research is to find out the investor's perception about current commodity market. The main purpose is to come out with those factors which make them hold to invest in commodity market. It also tries to find out the trading frequency habits of the investors, goals, level of satisfaction and their risk associated with commodity market.

### 4. OBJECTIVE OF THE STUDY

- ◆ To study the investors' perception towards commodity market

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- ◆ To study the factor which influence to invest in commodity market
- ◆ To know the method of analysis undertaken for Investments in commodity Market
- ◆ To identify the technique used to manage the risks involved in the commodity market
- ◆ To study the level of satisfaction on the various aspects which includes return earned, liquidity aspects and level of risk associated with investments in commodity market

### 5. REVIEW OF LITERATURE

According to N.R. Institute of management Ahmadabad, Investors consider factor like global economy, availability of commodity and others things during investing in commodity and earn money by doing technical and fundamental analysis from their brokers. Media and friends are powerful communicating networks for expansion. It has been that, respondents are investing their income in diversified portfolio and less risky assets. There has been seen that coffee, wheat and cotton are more dealing commodity and investor believe that commodity market have good opportunist market in future and most of investor invest when there is favorable price in market. The commodity futures markets are experiencing a good growth in the recent past.

Naik, Gopaland Jain Sudhir Kumar (2012), emphasized that agricultural commodity futures market has not fully developed as competent mechanism of price discovery and risk management. The study found some aspects to blame for deficient market such as poor management, infrastructure and logistics. Dominance of spectators also dejects hedgers to participate in the market.

A. Sathish Kumar (2013) after almost two years that commodity trading is finding favor with Indian investors and is been seen as a separate asset class with good growth opportunities. For diversification of portfolio beyond shares, fixed deposits and mutual funds, commodity trading offers a good option for long-term investors and arbitrageurs and speculators. And, now,

with daily global volumes in commodity trading touching three times that of equities, trading in commodities cannot be ignored by Indian investors. Online commodity exchanges need to revamp certain laws governing futures in commodities to make the markets more attractive. The national multi-commodity exchanges have united proposed to the government that in view of the growth of the commodities market, foreign institutional investors, too, should be given the go-ahead to invest in commodity futures in India. Commodity trading in India is poised for a big take-off in India on the back of factors like global economic recovery and increasing demand from China for commodities.

Desgupta, Basab (2014), described the monopolistically competitive nature of the Indian Commodity Derivate market which stabilizes the spot price. Result showed the co movement among future prices, production decision and inventory decisions.

Ahuja, Narender L. (2016), concluded that Indian commodity market has made enormous progress since 2013 with increased number of modern commodity exchanges, transparency and trading activity. The volume and value of commodity trade has shown unpredicted mark. This had happened due to the role played by market forces and the active encouragement of Government by changing the policy concerning commodity derivative. He suggested the promotion of barrier free trading in the future market and freedom of market forces to determine the price.

Roy, Ashutosh (2016), suggested the participation of banks in the commodity futures market for effective commodity price risk management as financing by banks could provide efficient hedge against price risk.

R. T. Nirmal Kumar (2016) in his study identified that a perception lies with majority of investors that future trading will lead to profits and it is not used for other purpose like hedging. The nature of the derivatives instruments are to reduce the risk involved in trading but in real time investors are not taking derivatives trading for reducing their risk involved in trading and profit making is considered to be an important factor for the them.

On the other side a number of reforms and initiatives are still needed in promoting India as a major futures trading hub in tune to the status of being amongst the top five producers of most of the commodities.

Bhattacharya, Himdari (2017), pointed out that significant risk returns features and diversification potential has made commodities popular as an asset class. Indian futures markets have improved pretty well in recent years and would result in fundamental changes in the existing isolated local markets particularly in case of agricultural commodities.

Nath, Golka C. and Lingareddy, Tulsi (2018), emphasised that trading in commodity futures contributed to an increase in inflation as result showed that during the time period of future trading the spot price of selected commodities and their volatilities had posted remarkable increase.

Kaur, Gurbandini and Rao, D.N. (2010), The commodity spot and future prices had closely tracked each other in selected agri commodities and no significant volatility has been found in the prices of future and spot contracts of those agricultural commodities.

Brajesh, Kumar and Pandey, Ajay (2009) Observed that commodity futures market in India provide higher hedging effectiveness in agricultural commodities as compared to non agricultural commodities and price risk management role of Indian commodity futures market has also increased with increased activity in market.

Senthil D (2012) investigated the investor's behaviour in terms of goals, preferences, factors influencing while selecting the schemes, service expectations etc,. The study found that the investor's main goal is wealth appreciation and suggests that the mutual fund companies should control the charges to be paid by the retail investors and bring the expense to a reasonable level.

Kumar, Brajesh and Pandey, Ajay (2013), investigated the short run and long run market efficiency of Indian commodity futures market. They had tested four agricultural and even non- agricultural commodities

for market efficiency and unbiasedness. The result confirmed the long run efficiency of commodity futures prices and inefficiency of futures prices in short run prices. He found many factors like lack of participation of trading members, low market depth and thin volume with Government's interference in Commodity markets etc., as major evils for inefficient price risk management.

## 6. RESEARCH METHODOLOGY

### 6.1. Descriptive Research:

Descriptive research design includes survey and the fact finding enquires of different kinds. The major purpose of this research is description of state of affairs as it exists at present. The present study undertakes descriptive research design.

### 6.2. Sampling Techniques:

The sampling technique used in the study is convenient sampling. A convenience sample is one of the main types of non-probability sampling methods. A convenience sample is made up of people who are easy to reach. The selected the sample who do trading in Goodwill Commodities Private Limited. The sample framework consists of a people who do trading in the commodity market.

#### 6.2.1. Sampling size:

The number of item selected for the population constitute sample size. This study covers the customers in the city of Madurai. The total sample size taken for the study is 300.

### 6.3. Source of data:

The task of collecting data begins after a research problem has been defined and plan is chalked out. This study pertains to collection of data from primary and secondary sources. Data was collected with a pre-designed structured questionnaire.

#### 6.3.1 Primary Data:

Fresh Data collected for the first time for a specific purpose by using the questionnaire method. The questionnaire consists of both closed ended, open ended questions. In the study the primary data is collected through the questionnaire method



### 6.3.2. Secondary Data:

Existing data which was already collected and published are referred through the websites, magazines, manuals etc. In this study, secondary data have been collected from the websites.

### 6.4. Statistical Tools:

The collected data from the filled in questionnaire were edited properly to make them ready for coding. A master table was prepared to sum up the available information in the Questionnaire. With the aid of master table grouping, classification tables have been prepared and then they were analyzed through statistical tools they are Chi square test, Simple percentage analysis, Correlation analysis and Anova.

## 7. DATA ANALYSIS AND INTERPRETATION

### 7.1. Gender Wise Classification

An exertion has been made to know the gender of respondents who are investing in commercial market. For the purpose of this study, gender has been classified as Male and female. The details are delivered in the following table, Table 1.

Gender	No.of.Respondents	Percentage (%)
Male	207	69.0
Female	93	31.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 1: Gender Wise Classification

#### Interpretation:

Above table infers that 207 respondents are male and 93 respondents are female. From the above table we can conclude that most of the respondents are male.

### 7.2. Age Wise Classification

Age	No.of. Respondents	Percentage (%)
Upto 30 Years	122	40.7
31-40 Years	118	39.3
Above 40 Years	60	20.0
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 2: Age wise Classification

#### Interpretation:

Above table denotes that 122 respondents are in the age group of up to 30 years, 118 respondents are in the age group of 31-40 years, 60 respondents are in the age group above 40 years. Above table shows that most of the respondents are up to 30 years old and between 31-40 years old.

### 7.3. Educational Qualification Wise Classification

Educational Qualification	No.of. Respondents	Percentage (%)
Up to Secondary level	38	12.7
Degree	95	31.7
Post graduate	109	36.3
Professional	58	19.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 3: Educational qualification wise classification

#### Interpretation:

Above table infers that 38 respondents are having qualification as secondary level, 95 respondents are having degree as educational qualification, 109 respondents are degree holders and 58 respondents are having professional degree as their educational qualification. From the above table it's inferred that most of the respondents are post graduates.

### 7.4. Occupation Wise Classification

Occupation	No.of. Respondents	Percentage (%)
Self employed	127	42.3
Government /	90	30.0
Others	83	27.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 4: Occupation Wise Classification

#### Interpretation:

Above table concludes that 127 respondents are self-employed, 90 respondents are working in government /private sectors and 83 respondents are belongs to other occupations like pensioners, students and agriculture background. Table 4 infers that most of the respondents are business personals.

### 7.5. Marital status Wise Classification

Marital Status	No.of. Respondents	Percentage (%)
Married	185	61.7
Unmarried	115	38.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 5: Marital status wise Classification

#### Interpretation:

Above table shows that 185 respondents are married and 115 respondents are unmarried. The above table concludes that most of the respondents selected for the study are married.

### 7.6. Monthly Income Wise Classification

Monthly Income	No.of. Respondents	Percentage (%)
Upto Rs. 30000	101	33.7
Rs.30001-Rs.50000	81	27.0
Above Rs.50000	118	39.3
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 6: Monthly income wise classification

#### Interpretation:

Above table conveys that 101 respondents are having below than Rs.30000 as their monthly income, 81 respondents are having Rs.30001-Rs.50000 as their monthly income and 118 respondents are having more than Rs.50000 as their monthly income. Most of the respondents are getting above Rs.50000 monthly salary.

### 7.7. Total Annual Investment Wise Classification

Total Annual Investment	No.of. Respondents	Percentage (%)
Below Rs.50000	106	35.3
Rs.50001-Rs.100000	78	26.0
Above Rs.100000	116	38.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 7: Total Annual Investment

#### Interpretation:

Above table infers that 106 respondents are investing less than Rs.50000 as their annual investment, 78 respondents are investing Rs.50001-Rs.100000 as their annual income, and 116 respondents are investing more than Rs.100000 as their annual income. From the above table we can conclude that most of the respondents made more than Rs.100000 annual investment in commodity market.

### 7.8. Type of Investor

Type of Investor	No.of. Respondents	Percentage (%)
Medium Term (1-5 Years)	250	83.3
Long Term (Above 5 Years)	50	16.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 8: Type of investor

#### Interpretation:

Above table shows that 250 respondents are investing in medium term of investment which is 1-5 years plan, 50 respondents are investing in long term of investment which is more than 5 years plan. Almost most of the respondents are medium term investors. They made 1-5 years investing in commodity market.

### 7.9. Investing In Commodity Market

Investing in Commodity Market	No.of. Respondents	Percentage (%)
Below 1 Year	120	40.0
1-2 Years	127	42.3
Above 2 Years	53	17.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 9: Investing in Commodity Market

#### Interpretation:

Above table conveys that 120 respondents are investing in commodity market for less than 1 year, 127 respondents are investing in commodity market

for 1-2 years and 533 respondents are investing in commodity market for more than 2 years. From the above table it can be concluded that many investors have less than 1-2 years' experience in commodity market.

#### 7.10. Percentage of investment in Commodity Market from Total Investment

Percentage of Investment in Commodity Market from Total investment	No.of. Respondents	Percentage (%)
Percentage of Investment - Below 50 %	123	41.0
Percentage of Investment - 51-75 %	121	40.3
Percentage of Investment - Above 75 %	56	18.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 10: Percentage of investment in commodity market

#### Interpretation:

Above table infers that 123 respondents are investing below 50% of their total investment in commodity market, 121 respondents are investing 51-75 % of their total investment in commodity market and 56 respondents are investing more than 75% of their total investment in commodity market. Most of the respondents made less than 50 percentage investments in commodity market from their total investments.

#### 7.11. Frequency of Trading

Frequency of Trading	No.of. Respondents	Percentage (%)
Daily	114	38.0
Weekly	80	26.7
Monthly	71	23.7
Occasionally	35	11.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 11: Frequency of Trading

#### Interpretation:

Above table denotes that, 114 respondents are trading daily, 80 respondents are trading weekly, 71 respondents are trading monthly and 35 respondents are trading occasionally in commodity market. Above table concludes that many respondents are trading daily in commodity market.

#### 7.12. Method of Analysis for Investment

Method of Analysis for Investments	No.of. Respondents	Percentage (%)
Fundamental Analysis	69	23.0
Technical Analysis	27	9.0
Fundamental and Technical Analysis	59	19.7
Experts Advise	98	32.7
All above	47	15.7
<b>Total</b>	<b>300</b>	<b>100.0</b>

Table 12: Method of Analysis for Investment

#### Interpretation:

Above table denotes that 69 respondents are using fundamental analysis as a method of analysis, 27 respondents are using technical analysis as a method of analysis and 59 respondents are using both fundamental and technical analysis as method of analysis. 98 respondents are using expert's advice and 47 respondents are using all the above mentioned methods. Most of the respondents getting experts' advice before going to invest their money in commodity market. Experts' advice is the mostly used method of analysis for investment.

#### 7.13. Ranking for Investment Preferences

Investment preferences	Mean	SD	Rank
Fixed Deposit	4.00	1.90	5
Mutual Fund	3.23	1.31	3
Equity (Share) Market	2.83	1.44	1
Commodity Market	3.50	1.73	4
Financial Derivative (Future / Option) Market	2.87	1.46	2
Insurance	4.53	1.69	6

Table 13: Ranking for investment preferences



**Interpretation:**

Above table denotes the ranking for investment preferences. With the opinion of respondents equity (share) market got first ranking with the mean value of 2.83, financial derivative (future/option) market got second ranking with the mean value of 2.87, mutual fund got third ranking with the mean value of 3.23. Commodity market got fourth ranking with the mean value of 3.50, fixed deposit got fifth ranking with the mean value of 4.00 and insurance got sixth ranking with the mean value of 4.53.

**7.14. Ranking for Risk Associated Investments**

Level of Risk associated Investments	Mean	SD	Rank
Fixed Deposit	2.06	1.00	6
Mutual Fund	3.51	0.87	4
Equity (Share) Market	3.82	0.84	2
Commodity Market	3.86	0.77	1
Financial Derivative (Future / Option) Market	3.73	0.83	3
Insurance	3.46	1.18	5

Table 14: Ranking for Risk associated investments

**Interpretation:**

Above table shows the ranking for risk associated investments. By the response of respondents, commodity market is ranked as high risk investment with the mean value of 3.86. Equity market got second ranking for risk with the mean value of 3.82 and financial derivative market got third ranking with the mean value of 3.73. Mutual fund got fourth ranking with the mean value of 3.51, insurance got fifth ranking with the mean value of 3.46 and fixed deposit got last ranking with the mean value of 2.06.

**7.15. Ranking for level of awareness about derivative products**

Level of awareness about Derivative Products	Mean	SD	Rank
Equity (Stock) Futures	3.40	0.71	1
Equity (Stock) Options	3.29	0.74	3
Commodity Market	3.35	0.66	2

Table 15: Ranking for Level Of Awareness About Derivative Products

**Interpretation:**

Above table concludes the ranking of awareness about derivative products. From respondents opinion equity (stock) got first ranking with the mean value of 3.40, commodity market got second ranking with the mean value of 3.29 and equity (stock) option got third ranking with the mean value of 3.29.

**7.16. Ranking for factors that attracts to make Investment**

Factors attracts to make investment of Commodity market	Mean	SD	Rank
Low Risk	3.33	1.56	4
Low Investment	2.80	1.14	3
High Return	2.67	1.33	1
High Liquidity	2.77	1.60	2
Speculation	3.53	1.15	5

Table 16: Ranking For Factors That Attracts To Make Investment

**Interpretation:**

Above table conveys the ranking for factors attract to make investment. High return was ranked as first factor that attract with mean value of 2.67, high liquidity ranked as second factor with the mean value of 2.77 and low investment got third ranking with the mean value of 2.80. Low risk got fourth ranking with the mean value of 3.33 and speculation was ranked with least attracting factor to make investment.

**7.17. Ranking for Source of Awareness about Investment**

Source of awareness about investment in Commodity market	Mean	SD	Rank
Newspapers	2.88	1.76	2
Television	3.09	1.07	4
Friends & Relatives	2.49	1.24	1
Stock Brokers	3.08	1.57	3
Magazines meant for capital market	3.47	1.14	5

Table 17: Ranking for source of Awareness about Investment

**Interpretation:**

Above table shows that ranking for source of awareness about investment. Friends and relatives are got first ranking for awareness about investment with the mean value of 2.49, newspapers got second ranking with the mean value of 2.88, and Stock brokers got third ranking with the mean value of 3.08. Television got fourth ranking with the mean value of 3.09 and magazines meant for capital market got fifth ranking with the mean value of 3.47.

**7.18. Ranking for Techniques Used To Manage Risks**

Techniques used for manage the risks in Commodity market	Mean	SD	Rank
Avoidance	4.02	2.37	6
Exit with minimum loss	3.84	1.40	3
Diversification	3.36	1.74	2
Average Down	4.02	1.87	5
Ignore the risk	3.27	1.98	1
Hedging	3.98	1.86	4
Invest with the trend in the market	5.50	1.82	7

Table 18: Ranking for Techniques Used To Manage Risks

**Interpretation:**

Above table shows the ranking for techniques that used to manage risks. With respondents opinion ignore the risk got first ranking with the mean value of 3.27, diversification got second ranking with the mean value of 3.36, exit with minimum loss got third ranking with the mean value of 3.84. hedging got fourth ranking with the mean value of 3.98, average down got fifth ranking with the mean value of 4.02 and invest with the trend in the market got last rank with the mean value of 5.50.

**7.19 Ranking for advantages of Commodity Market**

Advantages of Commodity market	Mean	SD	Rank
Transferability of Risk	3.02	1.89	4

Low Investment	2.81	0.81	3
High Return	2.74	1.34	2
High Liquidity	2.55	1.48	1
Price Discovery	3.88	0.85	5

Table 19: Ranking for Advantages of Commodity Market

**Interpretation:**

Above table denotes ranking of advantages of commodity market. High liquidity got first ranking with the mean value of 2.55, high return got second ranking with the mean value of 2.74 and low investment got third ranking with the mean value of 2.81. Transferability of risk got fourth ranking with the mean value of 1.89 and price discovery got last rank with the mean value of 3.88.

**7.20. Ranking for Disadvantages of commodity market**

Disadvantages of Commodity market	Mean	SD	Rank
Volatile	4.54	1.80	6
Returns not assured	3.23	1.26	4
Risky	2.62	1.13	1
Complexity	3.03	1.67	2
Standardized contracts	3.16	1.42	3
High contract size (lot size)	4.38	1.92	5

Table 20: Ranking for Disadvantages of commodity market

**Interpretation:**

Above table concludes the ranking for disadvantages of commodity market. Risk in commodity market got first ranking with the mean value of 2.62, complexity got second ranking with the mean value of 3.03 and standardized contracts got third ranking with the mean value of 3.16. returns not assured got fourth ranking with the mean value of 3,23, high contract size got fifth ranking with the mean value of 4.38 and volatility of commodity market got last ranking with the mean value of 4.54.

### 7.21. Level of Satisfaction with Commodity Market

Level of satisfaction with Commodity Market	Mean	SD	Rank
Return earned	3.51	0.78	3
Level of Risk	3.39	0.76	9
Diversification of investments	3.47	0.65	5
Liquidity aspects	3.49	0.68	4
Information provided by the brokers	3.34	0.83	11
Investors protection measures	3.54	0.62	1
Guidance of the experts (through media)	3.45	0.70	7
Settlement of the contracts	3.42	0.91	8
Size of the contract	3.36	0.86	10
Role of Stock Exchange	3.46	0.80	6
Role of the brokers	3.53	0.76	2

Table 21: Level of satisfaction with commodity market

#### Interpretation:

Above table shows the ranking for level of satisfaction

Factors	1	2	3	4	5	6	7	8	9	10	11
Return Earned	1	.288**	.385**	.386**	.498**	.437**	.337**	.325**	.148*	.301**	.132*
Level of Risk		1	.367**	.504**	.460**	.318**	.335**	.295**	-.001	.350**	.055
Diversification			1	.557**	.391**	.641**	.485**	.461**	.200**	.303**	.389**
Liquidity Aspects				1	.416**	.491**	.395**	.400**	.109	.445**	.174**
Information - brokers					1	.362**	.316**	.533**	.192**	.299**	.145*
Inv. Protection Measures						1	.510**	.410**	.137*	.332**	.427**
Guidance of the Experts							1	.176**	.096	.332**	.113
Settlement - Contracts								1	.174**	.331**	.336**
Size of the Contract									1	.168**	.313**
Role of Stock Exchange										1	.343**
Role of the Brokers											1

\*\* Significant at 1 percent level

\* Significant at 5 percent level

Table 22: Inter correlation between Level of Satisfaction with various aspects associated with trading / investments in commodity market

with commodity market. With the opinion of respondents investors' protection measures got first ranking with the mean value of 3.54, role of the brokers got second ranking with the mean value of 3.53 and return earned got third ranking with the mean value of 3.51. Liquidity aspects got fourth ranking with the mean value of 3.49 and diversification of investments got fifth ranking with the mean value of 3.47. And information provided by the brokers, size of contract, level of risk got last three rankings with the mean values 3.34, 3.36 and 3.39.

### 7.22. Correlation Analysis

Correlation Coefficient (r) shows that return earned have positive relationship with all other various aspects associated with trading / investments in commodity market. Level of risk doesn't have significant relationship with size of the contract and role of the brokers. Liquidity aspects factor don't have any relationship with size of the contract. Guidance of the experts (through media) doesn't have significant relationship with size of the contract and role of the brokers. Remaining factors have significant and positive relations.

### 7.23 Inter Correlation between Level of Awareness about Derivative Products

Factors		Equity (Stock) Futures	Equity (Stock) Options	Commodity Market
Equity (Stock) Futures	Pearson Correlation	1	.604**	.574**
	Sig. (2-tailed)		.000	.000
	N	300	300	300
Equity (Stock) Options	Pearson Correlation	.604**	1	.570**
	Sig. (2-tailed)		.000	.000
	N	300	300	300
Commodity Market	Pearson Correlation	.574**	.570**	1
	Sig. (2-tailed)	.000	.000	
	N	300	300	300

\*\* Significant at 1 percent level

Table 23: Inter Correlation between Level of Awareness about Derivative Products

#### Interpretation:

Correlation coefficient shows that equity (stock) futures have 60 percent positive relationship with equity (stock) options and 57 percent positive relationship with commodity market. Equity (stock) options have 57 percent positive relationship with commodity market.

### 7.24. Inter Correlation between risks associated with different investment avenues

Correlation coefficient shows that opinion about risk on fixed deposit has significant negative relationship with other investment avenues. Opinion about risk on mutual fund has positive relationship with other investment avenues except fixed deposits. Equity market, commodity market, financial derivatives and insurance also have significant and positive relationship with other investment avenues except fixed deposits.

Factors	1	2	3	4	5	6
Fixed Deposit	1	-.211**	-.269**	-.208**	-.199**	-.468**
Mutual Fund		1	.515**	.539**	.497**	.581**
Equity (Share) Market			1	.771**	.725**	.421**
Commodity Market				1	.742**	.478**
Financial Derivative Market					1	.441**
Insurance						1

\*\* Significant at 1 percent level

Table 24: Inter Correlation between risks associated with different investment avenues

## 8. FINDINGS OF THE STUDY

- ◆ 207 respondents are male and 93 respondents are female. 122 respondents are in the age group of up to 30 years, 118 respondents are in the age group of 31-40 years, 60 respondents are in the age group above 40 years.
- ◆ 38 respondents are having qualification as secondary level, 95 respondents are having degree as educational qualification, 109 respondents are degree holders and 58 respondents are having professional degree as their educational qualification. 127 respondents are self-employed, 90 respondents are working in govt/private sectors and 83 respondents are working in others.
- ◆ 101 respondents are having below than Rs.30000 as their monthly income, 81 respondents are having Rs.30001-Rs.50000 as their monthly income and 118 respondents are having more than Rs.50000 as their monthly income. 106 respondents are investing less than Rs.50000 as their annual investment, 78 respondents are investing Rs.50001-Rs.100000 as their annual income, and 116 respondents are investing more than Rs.100000 as their annual income.
- ◆ 250 respondents are investing in medium term of investment which is 1-5 years plan, 50 respondents are investing in long term of investment which is more than 5 years plan. 120 respondents are investing in commodity market for less than 1 year, 127 respondents are investing in commodity market for 1-2 years and 533 respondents are investing in commodity market for more than 2 years.
- ◆ 123 respondents are investing below 50% of their total investment in commodity market, 121 respondents are investing 51-75 % of their total investment in commodity market and 56 respondents are investing more than 75% of their total investment in commodity market. 114 respondents are trading daily, 80 respondents are trading weekly, 71 respondents are trading monthly and 35 respondents are trading occasionally.
- ◆ 69 respondents are using fundamental analysis as a method of analysis, 27 respondents are using technical analysis as a method of analysis and 59 respondents are using both fundamental and technical analysis as method of analysis. 98 respondents are using expert's advice and 47 respondents are using all the above mentioned methods.
- ◆ With the opinion of respondents equity (share) market got first ranking with the mean value of 2.83, financial derivative (future/option) market got second ranking with the mean value of 2.87, mutual fund got third ranking with the mean value of 3.23. Commodity market got fourth ranking with the mean value of 3.50, fixed deposit got fifth ranking with the mean value of 4.00 and insurance got sixth ranking with the mean value of 4.53.
- ◆ By the response of respondents, commodity market is ranked as high risk investment with the mean value of 3.86. Equity market got second ranking for risk with the mean value of 3.82 and financial derivative market got third ranking with the mean value of 3.73. Mutual fund got fourth ranking with the mean value of 3.51, insurance got fifth ranking with the mean value of 3.46 and fixed deposit got last ranking with the mean value of 2.06.
- ◆ From respondents opinion equity (stock) got first ranking with the mean value of 3.40, commodity market got second ranking with the mean value of 3.29 and equity (stock) option got third ranking with the mean value of 3.29.
- ◆ High return was ranked as first factor that attract with mean value of 2.67, high liquidity ranked as second factor with the mean value of 2.77 and low investment got third ranking with the mean value of 2.80. Low risk got fourth ranking with the mean value of 3.33 and speculation was ranked with least attracting factor to make investment.
- ◆ Friends and relatives are got first ranking for awareness about investment with the mean value of 2.49, newspapers got second ranking with the

mean value of 2.88, and Stock brokers got third ranking with the mean value of 3.08. Television got fourth ranking with the mean value of 3.09 and magazines meant for capital market got fifth ranking with the mean value of 3.47.

- ◆ With respondents opinion ignore the risk got first ranking with the mean value of 3.27, diversification got second ranking with the mean value of 3.36, exit with minimum loss got third ranking with the mean value of 3.84. hedging got fourth ranking with the mean value of 3.98, average down got fifth ranking with the mean value of 4.02 and invest with the trend in the market got last rank with the mean value of 5.50.
- ◆ High liquidity got first ranking with the mean value of 2.55, high return got second ranking with the mean value of 2.74 and low investment got third ranking with the mean value of 2.81. Transferability of risk got fourth ranking with the mean value of 1.89 and price discovery got last rank with the mean value of 3.88.
- ◆ Risk in commodity market got first ranking with the mean value of 2.62, complexity got second ranking with the mean value of 3.03 and standardized contracts got third ranking with the mean value of 3.16. returns not assured got fourth ranking with the mean value of 3.23, high contract size got fifth ranking with the mean value of 4.38 and volatility of commodity market got last ranking with the mean value of 4.54.
- ◆ With the opinion of respondents investors' protection measures got first ranking with the mean value of 3.54, role of the brokers got second ranking with the mean value of 3.53 and return earned got third ranking with the mean value of 3.51. Liquidity aspects got fourth ranking with the mean value of 3.49 and diversification of investments got fifth ranking with the mean value of 3.47.
- ◆ Correlation coefficient shows that return earned have positive relationship with all other various aspects associated with trading / investments in

commodity market. Level of risk doesn't have significant relationship with size of the contract and role of the brokers. Liquidity aspects factor don't have any relationship with size of the contract. Guidance of the experts (through media) don't have significant relationship with size of the contract and role of the brokers. Remaining factors have significant and positive relations.

- ◆ Opinion about risk on fixed deposit has significant negative relationship with other investment avenues. Opinion about risk on mutual fund has positive relationship with other investment avenues except fixed deposits. Equity market, commodity market, financial derivatives and insurance also have significant and positive relationship with other investment avenues except fixed deposits.
- ◆ Equity (stock) futures have 60 percent positive relationship with equity (stock) options and 57 percent positive relationship with commodity market. Equity (stock) options have 57 percent positive relationship with commodity market.

## 9. SUGGESTIONS

The following suggestions are brought out on the basis of the result of the study.

- ◆ Most of the investors are involved in short term trading. It indicates high risk involved in short term trading than long term trading. In this case investor should maintain high rate of margin money, avoid false recommendation and rumors. Instead they should take decisions on the basis of technical analysis.
- ◆ Further if the investment portfolio is enhanced to gold, silver, crude oil, natural gas etc., it helps to reduce the risk involved in short term trading in the commodity future.
- ◆ Investors should choose the right product to enter into the market on the basis of time ability skill. It helps to reduce the risk of their portfolio.
- ◆ The government, stock exchange, and brokers shall conduct awareness programme regarding commodity trading in the urban and semi urban



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areas. It will help to develop the investor's literacy level.

- ◆ The investor should equip themselves about the net selectivity skill and time ability skill. It helps the investor to improve their emotional risk tolerance.

### 10. CONCLUSION

A commodity market is a market that trades in primary economic sector rather than manufactured products. Soft commodities are agricultural products such as wheat, coffee, cocoa and sugar. Hard commodities are mined, such as gold and oil. Investors access about 50 major commodity markets worldwide with purely financial transactions increasingly outnumbering physical trades in which goods are delivered. Futures contracts are the oldest way of investing in commodities. Futures are secured by physical assets. Commodity markets can include physical trading and derivatives trading using spot prices, forwards, futures, and options on futures. Farmers have used a simple form of derivative trading in the commodity market for centuries for price risk management. The study is done to find out the investors' perception towards commodity market and the factor which influence the investors to invest in commodity market. The research also study the method of analysis undertaken by the investors for Investments in commodity Market and technique used to manage the risks involved in the commodity market.

From the research, the researcher concludes that investment in the commodities market is high risk investment. If the respondents invest in commodity market products, they can gain more profit, but the company has to trade and provide service effectively to satisfy the investor's investment needs. Long term investments are highly suggestible than short term investment, because long term investments give a stable return for long time also it will make the investors to increase their knowledge in commodities market products and its trend and directions.

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