



# A Study on Investor Awareness towards Commodity Market with Special Reference to Erode District

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### ABSTRACT

This research work is started to know the investors awareness towards commodity market. The study is made to find out the investors knowledge towards commodity market. The investors are provided detailed questionnaire to collect data, the data has been stored in an effective way to generate meaningful interpretation and findings. There are plenty of investment opportunities available to every investor in Erode district. In this study the researcher has used descriptive research design. The selection of sample is done in the commodity market offices, stock exchange terminals and banks which are giving investment advice to their clients. Some brokerage offices, insurance selling investment offices are the target group to select sample. Some investors are preferred to invest in equity shares, mutual funds, insurance schemes, real estate and derivative securities like currency futures, stock futures, index futures and commodity futures. Hence this study is started to test the investor's awareness towards commodity market. Commodity trade ensures superior returns to the investors.

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### Introduction

Commodity includes all kinds of goods. FCRA defines "goods" as "every kind of moveable property other than actionable claims, money and securities". Futures trading are organized in such goods or commodities as are permitted by the central government. The national commodity exchanges have been recognized by the central government for organizing trading in all permissible commodities which include precious metals and non-ferrous metals; cereals and pulses; oil seeds, raw jute and jute goods; sugar; potatoes and onions; coffee and tea; rubber and spices, and many more. Commodity market is an organized traders' exchange in which standardized, graded products are bought and sold. Worldwide, there are 48 major commodity exchanges that trade over 96 commodities, ranging from wheat and cotton to silver and oil. Most trading is done in futures contracts, that is, agreements to deliver goods at a set time in the future for a price established at the time of the agreement.

### Review of Literature

Sahadevan, K.G, (2007) This paper reviews more and less mainstream policy options in relation to the commodity question in the light both of its classical definition and of the emerging concern about oligopoly. It begins by updating the evidence concerning commodity price decline and volatility, and examining the implications of these phenomena for macro-economic performance and livelihoods in producing countries. This paper deals with Price dissemination in every Monday becomes a monopoly to the local producers, especially once they come to the market. Farmers typically face a short period between the time that they harvest and the time that they can sell the crop.

As per the concept of Forward Market Commission (2003), the lack of standards and certification prices can be quoted and compared across the country once there is a good standardization of commodities. Once commodities can be clearly categorized as one standard as opposed to the other, then prices become more

meaningful for comparison at one mandy versus another. These standards should be applicable equally across all states.

### Scope of the Study

This research work is started to know the investors awareness towards commodity market. Today investment is happening in the all walks of life of a human being. Now everybody interested to invest in expensive assets and fancy assets. The expensive assets are real estate, mansion and many more and fancy assets includes shares, mutual funds, derivatives of currency, stock and commodities. Hence this study is started with the objective of knowing the investors awareness about the available investment outlets.

### Objectives of the Study

1. To identify the factors are responsible for stimulating investors to invest in commodity market.
2. To check the level of investor awareness on the commodity market investments.
3. To analyze the investment preference of investors among various investment avenues.
4. To find out the investors knowledge towards commodity market.

### Research Methodology

Research also starts with a question or problem. Its purpose is to find answer to question through the application of scientific method. It is the pursuit of the truth with the help of study and observation.

### Research Design

In this study the researcher has used descriptive research design.

### Data Used

Every research we require data's there are two types of data are used by most of the research. There are primary and secondary data. Primary data means data collected by the investigation for the purpose of investigation directly is known as primary data, the researcher use some methods to collect data directly from the respondents. The primary data are very accurate and reliable.

**Table 1. Investment Objectives of the Respondents**

Sl. No	Investment Objective	No. of Respondents	Percentage
1	High Income	3	1.50
2	Reasonable Income	75	37.50
3	Reasonable Income and Safety	81	40.50
4	For Future welfare	41	20.50
5	Retirement Protection	0	0.00
6	Tax Benefit	0	0.00
	Total	200	100.00

(Source: Primary data)

**Table 2. Awareness of commodities traded in commodity market**

Sl. No	Aware of Commodities Traded in Commodity Market	No. of Respondents	Percentage
1	Yes	52	100.00
2	No	0	0.00
	Total	52	100.00

(Source: Primary data)

Researcher can collect the primary data in three different ways. One of the most common and widely used primary data collection methods is the survey. With the use of survey, we can gather a wide range of valuable information on the behavior of the customer, viz. attitudes motives and opinions. The other two methods are not capable to yield such information. After identifying and defining the research problem and determining specific information required solving the problem, the researcher task is to take for the type and source of data, which may yield desire result.

**Sample**

Sampling size of this study is 200.

**Sampling Design**

In a statistical investigation the interest usually lies in the assessment of the variation with respect to one or more characteristics relating to individuals belonging to a group. Here simple random sampling is selected. The selection of sample is done in the commodity market offices, stock exchange terminals and banks which are giving investment advice to their clients. Some brokerage offices, insurance selling investment offices are the target group to select sample.

**Survey Details**

The period of study was limited to four months and survey is conducted within six weeks. The sample size is taken as 200. The respondents are consulted directly through questionnaire. During the period the following steps were taken.

1. Objectives were set and questionnaire was finalized.
2. Data were collected and recorded.
3. Data were analyzed and interpreted.

**Data Collection Details**

Primary data, Secondary data

**Questionnaire**

Questionnaire has been used to get the needed information from the respondents on the basis of information collected from the questionnaire analysis has been alone.

**Tools For Analysis****A) Simple Percentage Analysis****B) Chi-Square Test****Limitations of the Study**

1. The study is confined to Erode district only the generalization of the study may be correct or wrong to applying to entire universe.
2. Because of the active trading in the stock market terminal place, there is lack of free time for them to interact with the researcher.

3. Due to the time constraints, the researcher not in a position to go in-depth enquiry in the commodity market.

**Inference:** From the above table, it shows that 40.5% of the respondents prefer reasonable income and safety, 37.5% of the respondents prefer reasonable income from investment, 20.50% of the respondents want future welfare and 1.5% of the respondents prefer high income.

**Inference:** From the above table, it is clear that 100% of the respondents know of the commodities traded in the commodity market

**Findings of the Study**

1. 49.5% of the respondents invest below 25% of their income.
2. It is found that 55% of the respondents have medium level of risk taking capacity.
3. It is found that 46% of the respondents got advice from consultants.
4. 53.5% of the respondents invest in shares.
5. All the respondents (100%) have trading in commodity market below 1 year.
6. 73.08% of the respondents are having frequency of weekly trading.
7. 46.15% of the respondents have awareness to some extent in commodity market
8. All (100%) of the respondents know of the commodities traded in the commodity market.
9. It shows that 59.62% of the respondents choose the commodity market for the reason of high return.
10. Majority (100%) of the respondents get reasonable price of the commodity.
11. 59.62% of the respondents will never recommend others to enter into the commodity market.
12. 55.5% of the respondents have attended awareness programme.
13. From the Chi-Square analysis, there is no close relationship between Annual Income and Investment Portion.
14. From the Chi-Square analysis, there is close relationship between Annual Income and Risk Capacity.
15. From the Chi-Square analysis, there is no close relationship between Annual Income and Investment Avenues.
16. From the Chi-Square analysis, there is no close relationship between Risk Capacity and Investment Avenues.
17. From the Chi-Square analysis, there is close relationship between Commodity Market and Recommendation.

### Suggestions and Recommendations

- ❖ Most of the respondents are not aware of various products offered by commodity market. So, proper guidance can be given to them. This is to create awareness.
- ❖ A regular investor friendly seminar can be organized to suit the timings of the investing public. For instance such seminars can be interactive sessions, arranged at frequent intervals.
- ❖ The newsletters published helps investors. Hence newsletters / bulletins can be published for guidance.
- ❖ Efforts to be taken to popularize commodity market through appropriate publicity measures.

### Conclusion

The study is made to find out the investors knowledge towards commodity market. The investors are provided detailed questionnaire to collect data, the data has been stored in an effective way to generate meaningful interpretation and findings. There are plenty of investment opportunities available to every investor in Erode district. Some investors are preferred to invest in equity shares, mutual funds, insurance schemes, real estate and derivative securities like currency futures, stock futures, index futures and commodity futures. Hence this study is started to test the investor's awareness towards commodity market. Commodity trade ensures superior returns to the investors. The investors are carefully analyzing the available investment avenues for before going for investment. The study reveals that commodity market is in a nascent stage in Erode. The investment avenues of individual investors depend mainly on

annual income and risk taking capacity. The investors in Erode are not much aware of commodity market so proper awareness program should be conducted to improve the awareness level of investors. Commodity offers high income to the investors, hence investing in commodity market helpful to earn handsome return than any other forms of investment.

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