A STUDY ON INVESTOR'S LEVEL OF AWARENESS ABOUT COMMODITY MARKET

Mr.William Robert.P

Asst. Professor, Saveetha School of Management, Chennai.

ABSTRACT

The study entitled on investor's level of awareness about commodity market. The management of the Stock Broking Service is in a position to know whether the investors are aware of the commodity market. To get the suggestion from the investors for the further development in providing awareness programme for the growth of the organization. The objectives is to study level of awareness, preference, demographic profile and the factors influencing the investment in commodity.Descriptrive research design is used in this study. The self-administrated questionnaire was used to collect data from the respondents. The questionnaire comprised factor influencing the investors in commodity market. Using a convenience sampling approach, a total of 142 customers were interviewed at Stock Broking. Tools used for analysis are percentage analysis, mean analysis and weighted average for analyzing primary data. The investor level of education is between UG and PG.The age category is between 25-50 and the gender is male. Majority of the investors are aware about the investment in commodity market. The study reveals that individual investors depends mainly on annual income and wants to earn high return in the short term period.The preference of investment is crude oil, silver, copper and gold compared to other commodities. The predominant factors influencing the investment in commodity are Online software, friends and brokerage.

Keywords: *Commodity*

INTRODUCTION

The Indian commodity market requires huge investments and better trading activity both in the national as well as the regional commodity markets. The participation of non-professional people trading commodity markets makes the market a risky venture. Non-professional participants simply add to the instability factor of the market. There is a terrible need for professional experts who are able to provide advice on commodity trading and build commodity inclusive portfolios. Such professional awareness, expertise, and guidance in commodity trading can come from professional commodity traders called commodity trading advisors.

Commodity Market is an organized trader's exchange in which standardized, graded products are bought and sold. Worldwide, there are 48 major commodity exchanges that trade over 120 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. Trading of S&P 500 and other financial futures has broken down some of the barriers that once separated stock, bond, and commodity markets and made it easier for investors to hedge their stock investments. Critics charge that the futures trading at the commodity markets in Chicago have made stock prices more volatile. The Chicago Board of Trade is the largest futures and options exchange in the United States, the largest in the world is Eurex, an electronic European exchange.

The main idea behind the study conducted was to find out the investors awareness in commodity market with reference to Stock Broking firm, Chennai. This study also deal with the investor's preference from commodity market. To identify the investor's preference means, it should find out the characteristics of investors who invest under the guidance of different share brokers. It also should concentrate on whether they are satisfied with the services and earnings from the commodity market to provided by the investment an also by the brokers service. They will be expecting different types of commodities from their investment guide. Some of them may not be satisfied with their service and the information they give. The study is made to find out the investors preference from commodity market of the investors from their share brokers. How is investors satisfaction from commodity market satisfaction level can be improved by providing better services. Keeping all these things in mind the primary and secondary objectives of the study are set.

TRADING OF COMMODITY DERIVATIVES IN INDIA
EXCHANGE TRADING

An asset (commodity/stock), when is traded over an organized exchange is it is termed, to be traded on the *Exchange.* This type of trading is the general trading which we see on the major exchanges world over. The settlement in the exchange trading is highly standardized.

OVER THE COUNTER TRADING

An asset (commodity/stock) is traded over the counter usually because the company is small and unable to meet listing requirements of the exchanges and facilitates the trading in those areas where the exchanges are not located. Also known as unlisted the assets are traded by brokers/dealers who negotiate directly with one another over computer networks and by phone.

Instruments such as bonds do not trade on a formal exchange and are thus considered over-the- counter securities. Investment banks making markets for specific issues trade most debt instruments. If someone wants to buy or sell a bond, they call the bank that makes the market in that asset.

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.

The commodities that are traded today are:
Agro-Based Commodities such as Wheat, Corn, Cotton, Oils, Oilseeds etc
Soft Commodities such as Coffee, Cocoa, Sugar etc
Livestock such as Live Cattle, Pork Bellies etc
Energy such as Crude Oil, Natural Gas, Gasoline etc
 Precious Metals as Gold, Silver, Platinum etc
Other Metals such as Nickel, Aluminium, Copper etc

FACTORS AFFECTING THE PRICES OF COMMODITIES
The factors affecting the prices of various commodities can be divided into two
GENERIC FACTORS
The factors affecting all the commodity prices in general are Demand and supply

,Indian rupee Vs Other Currencies, Export/Import parity and Current scenario news.

SPECIFIC FACTORS

These are the factors affecting a particular commodity or a class of commodities: Precious metal factors include stock market volatility, global macro economics and US dollar Vs other major currencies. Industrial Metals factors include Industrial demand, substitute metals supply, government regulations and infrastructure projects. Energy factors includes production

NEED OF THE STUDY

The management of the Stock Broking Service is in a position to know whether the investors are aware of the commodity market. To find the solution for the problem and satisfy the need of the investors. To get the suggestion from the investors for the further development in providing awareness programme for the growth of the organization.

OBJECTIVES OF THE STUDY

- To Study the level of awareness of investor in commodity.
- To find the preference of investment in commodity.
- To determine the demographic profile of the investor in commodity.
- To find the factors influencing the investment in commodity .

SCOPE OF THE STUDY

1. The study is related to investments in mutual commodity market.
2. The study assesses the preference of choosing the market by the respondents
3. The study helps us to know about the Investor's awareness towards commodity market.

LITERATURE REVIEW

Jena, Pratap Kumar, and Phanindra Goyari (2016) examine the relationship between stock, bond and commodity prices in India using the Dynamic Conditional Correlation (DCC) model. This study uses secondary data on daily returns for three alternative asset classes from June 10, 2005 to June 30, 2011. Therefore, the specific variables are S&P CNX Nifty index collected from National Stock Exchange (NSE) of India, corporate bond yield collected from Bloomberg, and commodity futures index (Comdex) from the Multi Commodity Exchange (MCX) of India. The sample period is 1,463 days for all the composition. The results show that both commodity and stock prices are positively correlated but commodity and bond prices are negatively correlated. There is higher return with less volatility in commodity price, which implies that it is more efficient in asset allocation compared to a traditional asset like bond. When there is an increase in the market risk with stock market volatility, the conditional relation between commodity and stock price declines. It is good news for the investor to make asset allocation to commodity market and vice versa.

Kapil, Sheeba, and Kanwal Nayan Kapil (2010) offer arguments and insights as to why the Indian commodity market needs the participation of the commodity trading advisors. To discuss the various issues related to CTAs applicability in India. To outline the need for

allowing CTAs activity in Indian commodity market and discuses the key operational and policy considerations in developing the commodity market for CTAs in India. The recent expansion of Indian commodity market has not been very structured. The market has expanded with the expansion in demand for commodities both in spot and derivative market. There have been constraints through policy restrictions and at the same time there has been an effort for liberalization of the commodity market to bring them at par with international commodity market. Originality/value – This is the first paper that initiates thoughts on allowing CTAs to participate in the Indian commodity market. The paper builds on the concept that CTAs would add the desired price discovery, volume, and depth to the Indian commodity market.

Ftiti, Z., Kablan, S., & Guesmi, K. (2016) analyzes the relationship between commodity prices and credit to the private sector in commodity-exporting developing countries, particularly three nations in Sub-Saharan Africa. It extend the findings of non-empirical studies dealing with this issue for the case of African countries and complement the literature on the methodological side by investigating this relationship using wavelet analysis. This frequency approach is appropriate, as it takes into account investor heterogeneity and the time-variant characteristic of the studied relationship. Further, it explains the lead–lag relationship between the studied series. Second, for medium and short timescales, the interaction is high and significant only during periods of turmoil. In terms of the lead–lag relationship, our results also show that the commodity market causes fluctuations in the credit market.

Han, L., & et al. (2017) utilizes the search volume for key terms on Google as a direct and timely proxy for investor attention in order to examine how attention impacts commodity futures prices. To examine the impact of investor attention on market efficiency. 13 commodity futures and the interaction between attention and returns, even after controlling for important macroeconomic variables. Results show that rising attention, on one hand, increases information efficiency and attenuates arbitrage opportunities, whereas, on the other hand, decreases market efficiency by facilitating herd behavior.

Rombouts, A. (2017) contribute to restoring that confidence, the community of regulators has drawn up a body of rules, all of which are aimed at providing greater protection to savers and investors by acting on the quality of both demand and supply of investment products. To find out the logic, the necessary complementarities and potential developments from a regulatory point of view. It concludes that the measures taken are still far from having reached maturity and thus their objective, and that the only way forward is to reinforce peer pressure among Member States in order to achieve greater upward convergence and to enhance the effectiveness of the measures adopted.

Erb, C. B., & Harvey, C. R. (2016) find out the Misperceptions about Commodity Futures Investing. The poor performance is largely the result of poor "income returns," a return building block similar to a stock's dividend yield or a bond's yield. Three misperceptions have contributed to this disappointment: (1) Commodities are a play on commodity prices, (2) commodity prices provide an inflation hedge, and (3) commodity markets.

Monga et al (2016) conduct the study with the basic concern to understand investment alternatives available, factors associated with it, positive and negative aspect of different forms of investment and thereby help to create general awareness among investors. Data is collected from conveniently selected 300 respondents through interviews using a self-developed questionnaire. Findings revealed that investment in jewellery was the most

preferred form of investment. However, gold coins, bullion bars, ETF etc., are also gaining ground slowly. Respondents tend to look for options which assure them greater returns and are free from unnecessary hustle and bustle.

Periyasamy, S (2016) study examines the impact of Investor Awareness Program and its impact on prospective investors in India. The study is analytical in nature. The data required for the study is primary in nature. Primary data was collected through a well-structured questionnaire by adopting random sampling method. This study examines the change in attitude of the participants of the program towards investment in stock markets.

Chen, Y. L., & Chang, Y. K. (2015) investigates the impact of the trading positions of hedgers (i.e., producers, merchants, processors, or users of a commodity), speculators (i.e., commodity pool operators, trading advisors, or hedge funds), and swap dealers on the price formation process in the agricultural, metal, and energy futures markets. Hedgers are less likely to be information motivated, so their trading delays the price formation process. However, speculators' positions have positive impacts on price efficiency because speculators correct pricing errors. This study also offers evidence that the role of swap dealers, similar to speculators in futures markets, is to provide liquidity and cross-market arbitrage. The findings highlight the role of producers, hedge funds, and swap dealers in price formation processes in commodity futures-information that is beneficial to academics, practitioners, and regulators.

Mellios et al (2016) objective is to address, in an a continuous-time framework, the issue of using storable commodity futures as vehicles for hedging purposes when, in particular, the convenience yield as well as the market prices of risk evolve randomly over time. We suggest various decompositions allowing an investor to assess the sensitivity of the optimal demands to the state variables and to specify the role played by each risky asset. Empirical evidence shows that the convenience yield has a strong impact on the speculation and hedging positions and the interaction among time-varying risk premia determines the magnitude and the sign of these positions.

Iqbal et al. (2013) identify the relationship and link between investor behavior and financial market anomalies.To explain the behaviour of individual and institutional investors in financial capital markets. The paper also explains that either mentioned investor behaviors have a direct or indirect impact of stock market change or the change compels the investor to behave in specific ways. The paper explains that an individual investor performs poorly as compared to institutional investors because of having less information and sophistication. The most compelling factors behind stock market anomalies are investor overconfidence, overreaction, overestimation, investor biased behavior and investor's less sophistication level. Therefore it may be inferred that investor behavior forms stork market anomalies.

Research Methodology

This present study is descriptive in nature. It includes primary data based on survey method. The self-administered questionnaire was used to collect data from the respondents. The questionnaire comprised factor influencing the investors in commodity market. Using a convenience sampling approach, a total of 142 customers were interviewed at Stock Broking, Chennai. Tools used for analysis are percentage analysis ,mean analysis and weighted average for analyzing primary data.

DATA ANALYSIS

Table:1 Demographic Profile of the Investor

Age	Frequency	Percentage	Educational qualification	Frequency	Percentage
Below 25 yrs	42	29.7	Up to 12th	21	14.8
25-50 yrs	72	50.7	UG	72	50.7
50-75 yrs	21	14.7	PG	35	24.6
Above75 yrs	7	4.9	Others	14	9.9
Total	142	100	Total	142	100
Occupation	**Frequency**	**Percentage**	**Gender**	**Frequency**	**Percentage**
Business	27	19.1	Male	99	69.8
Profession	89	62.6	Female	43	30.2
Employed	14	9.8	Total	142	100
Others	12	8.5			
Total	142	100			
Annual House hold income	**Frequency**	**Percentage**	**Investment Portion**	**Frequency**	**Percentage**
Below 1 Lakhs	9	6.4	Below 25%	42	29.58
1 Lakhs -2 Lakhs	28	19.7	25% -50%	60	42.26
2 Lakhs- 3 Lakhs	70	49.3	50%-75%	21	14.78
Above 3 Lakhs	35	24.6	Above 75%	19	13.38
Total	142	100	Total	142	100
Investment Objective	**Frequency**	**Percentage**			
High income	73	51.4			
Reasonable income for	38	26.7			

Safety					
For Retirement welfare	27	19.1			
Tax benefit	4	2.8			
TOTAL	142	100			

From the table1 demographic profile of the investor shows that 72% of the investor are at the age between 25 to 50 years which is higher. Educational qualification is between UG and PG.The occupation level is professional category. The gender are predominantly male. The Investment portion of the income is between 25-50% and the Investment objective of the investor is to be Reasonable and safety.

Table:2 Awareness of the Respondents

S.No	Awareness in commodity market	No. of Respondents	Percentage (%)
1	Total awareness	18	12.7
2	Good awareness	29	20.4
3	Awareness to some extend	83	58.5
4	Unaware	8	5.6
5	Totally Unaware	4	2.8
	Total	142	100

From the table 2, it is clearly shows that 2.8% of the respondent's awareness towards commodity market is totally unaware, 5.6% of the respondent's awareness towards commodity market is unaware, 58.5% of the respondent's awareness towards commodity market is awareness to some extent, 20.4% of the respondent's awareness is good and 12.7% of the respondent's awareness towards commodity market is totally awareness. Hence, majority of the respondent's awareness in commodity market is awareness to some extent.

Table:3 Commodity Market Helps Investor's

S.NO.	Commodity Market Helps investor's	No. of Respondent	Percentage(%)
1.	Protects From Abnormal Cost Increase	108	76.1
2.	Ensures Continuous Supply	34	23.9
	Total	142	100

From the table 3, it is clearly shows that 76.1% of the respondent says that commodity market helps the investors to protect from abnormal cost increase and about 23.9% of the respondent say that commodity market helps to ensure continuous supply. Hence, majority of the

respondent say that commodity market helps the investors to protect from abnormal cost increase.

Table:4 Awareness programme attended by investors

S.NO.	Awareness Programme attended By Investor	No. of Respondent	Percentage(%)
1.	Yes	121	85.2
2.	No	21	14.8
	Total	142	100

From the above table 4, it is clearly shows that 85.2% of the respondent have attended the awareness programme and about 14.8% of the respondent have not attended the awareness programme . Hence, majority of the respondent have attended the awareness programme.

Table:5 Factors While Choosing An Investment Option

S.No	Factors while choosing an investment option	No. of Respondents	Percentage (%)
1	How quickly will I be able to increase wealth?	83	58.5
2	The opportunity for steady growth	27	19
3	The amount of monthly income the investment will generate	19	13.4
4.	The safety of investment principal	13	9.1
	Total	142	100

From the table 5, it is clearly shows that 58.5% of the respondent say, How quickly they are able to increase wealth is the factor , 19% of the respondent say the opportunity for steady growth is the factor , 13.4% of the respondent say the amount of monthly income, the investment will generate is the factor and about 9.1% of the respondent say the safety of investment principal is the factor. Hence, majority of the respondent say that the safety investment principal is the factor.

Table:6 Opinion of the respondent's factors influencing the rating under weighted average method

Factors influenced	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Total	Ranking
Response	21	17	85	11	8	142	**6**
Score	105	68	255	22	8	458	
Service	19	65	20	17	21	142	**4**

						Total	Ranking
Score	95	260	60	34	21	470	
Security	16	25	73	19	9	142	**5**
Score	80	100	219	57	9	465	
Family	5	8	17	15	97	142	**8**
Score	25	32	51	30	97	235	
Friends	16	67	31	15	13	142	**3**
Score	80	268	93	30	13	484	
Motivation of officials	21	17	81	15	8	142	**7**
Score	105	68	243	30	8	454	
Brokerage	29	81	15	6	11	142	**1**
Score	145	324	45	12	11	537	
Online Software	15	87	22	10	8	142	**2**
Score	75	348	66	20	8	517	

From the table 6 by the weighted average method, it's observed that Brokerage have 1st rank on factors influenced by investor, Online Software having the 2nd Rank that influenced the investor. Friends are the 3rd rank on factors influenced by investor. Therefore from the weighted average method majority of the respondents strongly agree to invest in the factors influenced by brokerage, online software, and friends.

Table:7 Opinion of the respondent's preference of commodity market rating under weighted average method

Types of commodities	Very High	High	Moderate	Low	Very Low	Total	Ranking
Gold	15	71	17	25	14	142	**4**
Score	75	284	51	50	14	474	
Silver	69	25	15	11	22	142	**2**
Score	345	100	45	22	22	534	

Lead	20	14	71	22	15	142	**7**
Score	100	56	213	44	15	428	
Natural Gas	8	14	20	71	29	142	**8**
Score	40	56	60	142	29	327	
Crude Oil	94	17	13	11	7	142	**1**
Score	470	68	39	22	7	606	
Zinc	18	14	77	20	13	142	**6**
Score	90	56	231	40	13	430	
Aluminum	15	21	87	13	6	142	**5**
Score	75	84	261	26	6	452	
Copper	62	19	25	22	14	142	**3**
Score	310	76	75	44	14	519	

From the table 7 by the weighted average method, it's observed that Crude oil have 1st rank of investor's preference, Silver having the 2nd Rank of the Investors preference. Copper having the 3rd rank of the investor's preference. Therefore from the weighted average method majority of the respondents very highly prefer to invest in the commodities like Crude Oil, Silver and Copper.

Suggestion
Most of the investors are in female category. So stock broking service advised to concentrate more on getting the investment from female investors .The Education level of the investor are in the UG and PG category ,the stock broking has to give importance to them also can provide awareness to the investor who is in passed out from school. The occupation levels of the investor are predominantly in profession category so the firm can also create awareness to other occupation level. The income percentage of the investment is mostly between 25 to 50 % so the firm has to concentrate more on this category level of the investor. Compared to Agriculture, energy, pharmacy sectors, the investors are willing to prefer Oil, Chemical and bullion sector. So the firm should create awareness over other sectors. Majority of the investor income is in the middle level category so the firm has to provide awareness to top level income earning category. Many of the investor are speculator and want to earn high income at faster growth rate so the firm has to concentrate more on the speculator who want to earn higher return at the shortest period. Most of the investors getting the information from their Brokerage, Online software and friends, so the firm should increase the no. of experts available in the market. Some investors are hesitating to recommend investing in commodity

market to other people. So, the firm has to give proper guidelines to the investors about the investment in commodity market. The arrangement of experts and specialist seminar for investors will help to improve their awareness. The newsletters and special publishing will helps to create high awareness of commodity market among the investors. Through appropriate publicity and mass media advertisements the awareness of investors will raise up. The present trend of commodity market should be continuously informed to the investors through telephone or other devices.

Conclusions

The awareness programme attended by the investor in commodity is very high. Majority of the investor is awareness to some extent. Large number of investor in commodity wants to earn high return in short term period.The investment avenues of individual investors depends mainly on annual income and risk taking capacity. The female investors in Chennai are not much aware of commodity market so proper awareness program should be conducted to improve the awareness level of among them. The level of educational qualification of the investor is UG and PG level. The factors influencing the investment in commodity are brokerage, friends and Online software. The investor preference falls on Crude Oil, Silver, Copper and Gold. The future contracts available on a wide spectrum of commodities like Gold, Silver, Steel etc., provide excellent opportunities for hedging the risks of the Investors, importers, exporters, traders and large scale consumer.

REFERENCE

1. Jena, Pratap Kumar, and Phanindra Goyari. "Empirical Relationship Between Commodity, Stock and Bond Prices in India: A DCC Model Analysis." *IUP Journal of Applied Finance* 22, no. 1 (2016): 37.
2. Kapil, Sheeba, and Kanwal Nayan Kapil. "Commodity trading advisors (CTAs) for the Indian commodity market." *International Journal of Emerging Markets* 5.2 (2010): 124-137.
3. Ftiti, Z., Kablan, S., & Guesmi, K. (2016). What can we learn about commodity and credit cycles? Evidence from African commodity-exporting countries. *Energy Economics*, *60*, 313-324.
4. Han, L., Li, Z., & Yin, L. (2017). The effects of investor attention on commodity futures markets. *Journal of Futures Markets*.
5. Rombouts, A. (2017). Investor Protection and Awareness as Essential Pillars of the Post-Crisis Supervisory and Regulatory Agenda—The Way Forward. *Reflets et perspectives de la vie économique*, *56*(1), 29-60.
6. Erb, C. B., & Harvey, C. R. (2016). Conquering misperceptions about commodity futures investing. *Financial Analysts Journal*, *72*(4), 26-35.
7. Monga, O.P., Dawra, S., Monga, .A & Bansal,.A.K. (2016). Investor Perspective on Forms of Investment in Gold: Some reflections. *International Journal of Engineering, Business and Enterprise Applications (IJEBEA),* 17(1), 05-09
8. Periyasamy, S. (2016). Impact of investor awareness program on prospective investors in the Indian Stock Market. *International Journal of Research in Commerce, IT & Management* , 6(2), 21-23 9.
9. Chen, Y. L., & Chang, Y. K. (2015). Investor structure and the informational efficiency of commodity futures prices. *International Review of Financial Analysis*, *42*, 358-367.

10. Mellios, C., Six, P., & Lai, A. N. (2016). Dynamic speculation and hedging in commodity futures markets with a stochastic convenience yield. *European Journal of Operational Research*, *250*(2), 493-504.
11. Iqbal,S., Hussain, N., Latif, M & Aslam, S. (2013). Investor Type and Financial Market Anomalies: A Comparison of Individual, Institutional and Foreign Investors and Role of Their Behaviors in Investing Decisions.*Middle-East Journal of Scientific Research* 17 (11), 1591-1596