

Consumer Market Outlook and Knowledge Perception Analysis towards Commodity Trading in India

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Abstract: *The Indian commodity market requires major investment and commercial activities in the national and regional product markets. The study involves investors' knowledge and consumer outlook of the commodity market with special reference to the agricultural commodities. Management brokerage services can know whether investors understand the commodity market, concern with agriculture commodity, agri-industry and its service sector. The goal of this study is to assess the level of knowledge, perception, market outlook, derivative imagination, profit feasibility, preferably demographics and factors that influence agricultural commodity investment. This study is followed by descriptive research project. The self-contained questionnaires were circulated via mail, google forms and by-hand to collect respondents' data. The questionnaire includes factors that affect investors in the agri-commodity market. In order to understand investors' understanding of the agri-commodity market, investors' opinions primary data were collected as the main data by conducting surveys of 600 individual respondents in Delhi, Noida and Gurgaon region and the secondary data was collected from books, magazines, and other sources. Descriptive statistics, simple tabular, data compilation and analysis was done by using simple statistical tools. The study concluded that, the high rate of return (33.31 %) and wealth maximization (30.67 %) are the two factors where most of the respondents are interested in investing in agri-commodities. So when there is high rate of return the stock brokers and related institutions can expand their customer base in the potential area. Most of the respondents i.e., 59.33 percent expecting return of 11% to 20%, so companies need to concentrate on this point to enhance their base in the potential area. To increase the consumer base, awareness program can be conducted in simple and understandable ways for the benefit of public. The perception among the numerous potential investors that only very wealthy people can take part in commodities market has to be changed and investors from every walk of the society have to be encouraged to participate. Appropriate publicity and mass media advertisements will help to extend its reach in the potential area.*

Keywords: commodities, investment, profit, consumer outlook, rate of returns

1. Introduction

The commodity trading in India has long history. It started here, much before, it started in other part of the world, but during the British Raj, its activities decreased to a great extent due to several factors. The organized trading of the commodities started during the Raj in India in 1875, after the establishment of Bombay Cotton Trade Association Ltd. In 1900, Gujarati Vyapari Mandali was set up to start future trading in groundnut, castor seed and cotton. Presently, after the establishment of independent commodity exchange namely Multi Commodity Exchange of India Ltd (MCX) in 2003 its got momentum to a great extent in India.

Commodity market in India has emerged very strong and independent platform this decades, after the SEBI started its mentoring. Before, 28 September, 2015 Forward Markets Commission (FMC) was regulating these commodity market, now SEBI is controlling these in efficient way. Although, SEBI is controlling the Indian Commodity market, its status and role in the national development is yet to be fixed in proper manner in changing economic circumstances. After the liberalization of Indian economy in 1991, several sector were freed from the government regulation, but commodity market was subject to a number of rules and regulations. Agriculture sector, which was kept under severe control of state government, was not allowed to trade freely on the commodity market due to numerous apprehensions. After realizing the many benefits as minimize the risk through hedging and price discovery

through future and forward contract in the commodity market, mitigating the price volatility of agri-commodities by food processing industries and other benefits, government is slowly opening the agriculture sector for commodity market. This is evident from the government exemplary work in 2003, which removed all restriction on commodities and allowed several commodity to be traded through commodity exchange. Presently, six major commodity exchange are dealing with 29 agricultural commodities, and wheat, barley, cotton, pepper, rubber, sugar, maize, milk, Crude Palm Oil, Mentha Oil, Castor seed, RBD Palmolien, are majorly traded through it.

The government has now allowed national commodity exchanges, similar to the BSE&NSE, to come up and deal with agri-commodity derivatives in an electronic trading environment, independently. These exchanges are now offering a nationwide anonymous, order driven; screen based trading system for trading. These exchanges helps the participants to hedge their risk in agriculture commodities through forward and future contact, and very useful for several participants in the agriculture sector. But due to lack of the awareness among the several participants, as farmers, traders, FPO members about the benefits of participating in commodity market, there is virtually no growth of commodity market in the potential area of the country.

The current commodities traded in the commodity market are:

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- Agricultural raw materials, such as wheat, corn, cotton, oil, oilseeds, etc.
- Soft products such as coffee, cocoa, sugar, etc.
- Livestock such as live cattle, pork belly, etc.
- Oil, natural gas, gasoline and other energy sources
- Precious metals such as gold, silver, platinum, etc.
- Other metals such as nickel, aluminum, copper, etc.

Factors affecting the Prices of agri-commodities

The factors affecting the prices of various agri-commodities can be divided into following-

a) Generic Factors

- The factors affecting all the commodity prices in general are demand and supply.
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- Indian rupee vs. other currencies, export/import parity and current scenario news.

b) Specific Factors

These are the factors affecting a particular agri-commodity or a class of commodities such as precious metal factors include stock market volatility, interest rate and US dollar. Further, industrial metals factors include industrial demands, substitute metals supply, government regulations and infrastructure projects. Energy factors include production. (MSV. Prasad et.al.2019)

2. Methodology

Need of the Study

- To examine the awareness of investors towards agri-commodities market in Delhi, Noida and Gurgaon region.
- To find the solution for the problem and satisfy the need of the investors from the agri-commodity market.
- To get the suggestion from the investors for the further development of agri-commodity market.

Objectives of the Study

- To study the investors' knowledge on the commodity market.
- To determine the preference of investment in commodities trading
- Determine the demographic profile of investors in the commodity market.
- Find out the factors that affect/ influence the investment in commodities.
- To assess the awareness about the agriculture commodity trade through commodity exchange

Research Methodology

The study is related to investments in agri-commodity market. The study assesses the preference of choosing the agri-commodity by the respondents to invest. The study helps us to know about the investor's awareness towards agri-commodity market. It includes primary data based on survey method as well as secondary data from several sources. The self-administrated questionnaire was used to collect data from the respondents. The questionnaire comprised factor influencing the investors in agri-

commodity market. Using the convenience sampling approach, a total of 600 respondents were interviewed. Tools used for analysis are percentage analysis, hypothesis, research methodology tools etc.

3. Results and Interpretation

The data collected through the survey was analyzed followed by interpretation to assess investors' knowledge about trading in commodity market. The following tables presents perception of students, professionals, traders on commodity trading in India.

Table 1: Gender of the respondents:

Gender	Frequency	Percent
MALE	324	54
FEMALE	276	46
Total	600	100

The above table interpret that, out of total respondents 54 percent of the respondents are male and 46 percent of the respondents are female.

Table 2: Age of the respondents

Age of the respondents	Frequency	Percent
Less than 20yrs	59	9.83
20-35yrs	340	56.67
35-50yrs	142	23.67
50-65yrs	33	5.50
Above 65yrs	26	4.33
Total	600	100.00

From the Table No.2 it is observed that maximum numbers of respondents i.e. 56.67 percent of the respondents are between the age limit of 20-35 years, 23.67 percent of the respondents are between 35-50 years and 9.83 percent of the respondents are less than 20 years. Above 65 years respondents are only 4.33 per cent.

Table 3: Educational qualification of the respondents

Educational Qualification	Frequency	Percent
Undergraduate	87	14.50
Graduate	186	31.00
Post Graduate	278	46.33
Others	49	8.17
Total	600	100.00

From the Table no: 3 it is observed that the maximum number of respondents 46.33% are having post-graduation as educational qualification and followed by graduate respondents. The graduate respondents comprise of 31.00 % of total respondents. Further, 14.50 percent of the respondents are undergraduates and 8.17 percent of the respondents are having educational qualification other than the above qualifications mentioned in the table.

Table 4: Monthly income of the respondents

Monthly income	Frequency	Percent
Less Than Rs 25000	189	31.50
Rs 25000 to Rs 50000	254	42.33
Rs 50000 to Rs 75000	95	15.83
Rs 75000 to Rs 100000	39	6.50
Rs 100000 and Above	23	3.83
Total	600	100.00

From the Table no: 4 it is observed that maximum no: of respondents, which comprise of 42.33 percent are earning a monthly income of Rs. 25000 to Rs. 50000. This is followed by 31.50 percent of the respondents, who are earning less than Rs 25000. Further, 15.83 percent of the respondents are making monthly income of Rs 50000 to Rs 75000 and 6.50 percent of the respondents are earning monthly income of Rs 75000 to Rs 100000 and 3.83 percent of the respondents are earning monthly income of Rs 100000 and above.

Table 5: Profession/occupation of the respondents

Profession/ occupation	Frequency	Percent
Government Employee	85	14.17
Private Employee	207	34.50
Entrepreneurs	211	35.17
Student	87	14.50
Retired	10	1.67
Total	600	100.00

From Table no: 5 it is observed that 35.17 percent of the respondents are entrepreneurs, and it is followed by 34.50 percent of private employee respondents. Further, 14.17 percent of the respondents are government employees, and 14.50 percent of the respondents are students and 1.67 percent of the respondents are retired employees.

Table 6: Do you trade full time/part time

Full time/Part time	Frequency	Percent
Full Time	199	33.17
Part Time	401	66.83
Total	600	100.00

The table no: 6 interprets that, 66.83 percent of the respondent's trade in commodities market on part time basis and remaining 33.17 percent trade on full time basis.

Table 7: What factors motivate you to invest in agri-commodities trading

Motivational Factors	Frequency	Percent
High Rate Of Return	198	33.00
Society Status	54	9.00
Wealth Maximization	184	30.67
No Requirement of Physical Work	53	8.83
Less Formalities	24	4.00
Others	87	14.50
Total	600	100.00

From the Table no: 7 it is observed that 1/3rd of the respondent (33%) are motivated by high rate of return. It is followed by a large chunk of investor (30.67%), who invest to maximize their wealth. Further, 9.00%, 8.83% and 4.00% of investors are motivated by society status, no requirement of physical work and less formalities, respectively. Moreover, 14.50% of investor are motivated by the other factors for their investment in the agri-commodity sector.

Table 8: What are the preference factors while investing in agri-commodities trading?

Preference factors	Frequency	Percent
Cereals	82	36.28
Guar Complex	43	19.03
Cotton	14	6.19
Kapas	16	7.08
Spices	11	4.87

Plantation	12	5.31
Pulses	4	1.77
Oil and Oil Seeds	32	14.16
Others	12	5.31
Total	226*	100.00

*due to repetition of the feedback, total frequency is only 226 only.

From the table no: 8 it is observed that 36.28 percent of the respondents prefer cereals as a agri-commodity to trade in commodity market, and it is followed by 19.03 percent of the respondents prefer Guar Complex as commodity for trading. Further, around 6.19 percent of the respondents prefer cotton while investing in agri-commodity market, and 7.08 percent of the respondents prefer Kapas. Moreover, 4.87 percent prefer spices, 5.31 percent of the respondents prefer plantation, and 1.77 percent of the respondents prefer pulses. In addition to these, 14.16 percent prefer oil and oil seeds and 5.31 percent prefer other agri-commodity while trading in commodity market.

Table 9: Whom do you concern while investing in agri-commodity trade

Concern	Frequency	Percent
Individual	69	30.53
Friends	87	38.50
Consultancy	46	20.35
Others	24	10.62
Total	226*	100.00

*due to repetition of the feedback, total frequency is only 226 only.

From the table no: 9 it is observed that 38.50 percent of the respondents concern friends while investing in commodities market and followed by 30.53 percent of the respondents trade individually, 20.35 percent of the respondents depend on consultancy services and 10.62 percent of the respondents concern other means while trade in commodity market.

Table 10: Are you aware of important news

Are you aware of important news	Frequency	Percent
Aware	193	32.17
Somewhat Aware	310	51.67
Not Aware	97	16.17
Total	600	100.00

From the table no: 10 it is observed that 51.67 percent of the respondents are somewhat aware of important news while investing in commodity market. It is followed by 32.17 percent of the aware respondents, who are always aware of important news while investing in commodity market, and 16.17 percent of the respondents are not aware of the important news while investing in commodity market.

Table 11: Are you aware of various service charges levied by brokerage firms

Service charges	Frequency	Percent
Aware	129	21.5
Somewhat Aware	324	54
Not Aware	147	24.5
Total	600	100

From the table no: 11 it is observed that 54.00 percent of the respondents are somewhat aware of the services charges which are levied by brokerage firms prior investing in commodity market. It is followed by 24.50 percent of respondent, who are not aware of the service charges levied by brokerage firms and the rest 21.50 percent of the respondents are always aware of the various service charges levied by the brokerage firms.

Table 12: Since how many years are you trading

No: of years of trading	Frequency	Percent
Less than one year	178	29.67
One to two years	288	48.00
Two to three years	67	11.17
Three to four years	39	6.50
More than five years	28	4.67
Total	600	100.00

From the table no: 12 it is observed that 29.67 percent of the respondents are trading in commodities form less than one year. It is followed by 48.00 percent of the respondents, who are trading for last one to two years. Further, 11.17 percent of the respondents are trading from two to three years, and 6.50 percent of the respondents are trading from three to four years. Additionally, the remaining 4.67 percent of the respondents are trading for more than five years.

Table 13: How much do you invest in the agri-commodities trading?

Sr. No.	Investment level	Frequency	Percent
1.	Below Rs 5000	271	45.17
2.	Rs 5000 to Rs 10000	154	25.67
3.	Rs 10000 to Rs 15000	83	13.83
4.	Above Rs 15000	92	15.33
5.	Total	600	100.00

From the table no: 13 it is observed that 45.17 percent of the respondents have invest below Rs 5000 in commodity market, and it is followed by 25.67 percent of the respondents, who have invested in a range of Rs 5000 to Rs 10000. Further, 13.83 percent of the respondents have invest in a range of Rs10000 to Rs 15000. Moreover, the remaining 15.33 percent of the respondents have invested aboveRs 15000 in the agri-commodity sector.

Table 14: What rate of return are you investing

Rate of return	Frequency	Percent
LESS THAN 10%	188	31.33
10% TO 15%	264	44.00
15% TO 20%	92	15.33
MORE THAN 20%	56	9.33
Total	600	100.00

From the table no: 14 it is observed that 44.00 percent of the respondents expect 10 percent-15 percent rate of return upon investing in agri-commodity market and 31.33 percent of the respondents expect less than 10 percent rate of return. Further, 15.33 percent of the respondent expect 15 to 20 percent rate of return and 9.33 percent expect more than 20 percent rate of return.

Table 15: Are you satisfied with the rate of return

Are you satisfied with the rate of return	Frequency	Percent
Very Much Satisfied	128	21.33
Neutral	312	52.00
Dissatisfied	68	11.33
Very Much Dissatisfied	92	15.33
Total	600	100.00

From the table no: 15 it is observed that 21.33 percent of the respondents are very much satisfied with the rate of return from commodity market and 52.00 percent of the respondents are neutral for the rate of return in commodity market. Further, 11.33 percent of the respondents are dissatisfied from the rate of return and 15.33 percent of the respondents are very much dissatisfied with the rate of return they earned when compared with their expectation. Overall, all the traders have expressed their knowledge about agri-commodity trading in India. The response is mixed and their level of knowledge is little and they require a lot training on trading strategies for their better participation in the agri-commodity market. In fact, general awareness about agri-commodity trading is low in India. Proper prospective towards agri-commodity trading must be put forth the paradigm of market to consumer outlook.

4. Conclusions

- 1) High rate of return (33.31 %) and Wealth maximization (30.67 %) are the factors where most of the respondents are interested in investing in commodities. So it is suggested that when there is expectation of high rate of return from the agri-commodity, the stock brokers and related institutions can expand their customer base.
- 2) Most of the respondents i.e., 59.33 percent expecting 10% to 20% rate of return on their investment. It is suggested that companies need to concentrate on this return range and try to distribute profits closely to the above mentioned return.
- 3) Awareness program can be conducted in simple and understandable ways for the benefit of public.
- 4) The general thought among the investors that only very wealthy people can take part in commodities market should be change and investors from every walk of the society should be encouraged to participate.
- 5) Appropriate publicity and mass media advertisements the awareness of investors will help to grow the commodity market in the nation. The present trend of commodity market should be continuously informed to the investors through telephone, electronic, social and print media sources.

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