



“INVESTMENT BEHAVIOR OF INVESTOR’S TOWARDS COMMODITY MARKET

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Introduction

Every individual needs the basic things, which are very essential to lead the life such as food, cloth and shelter for leading at least normal life. In modern scenario, medicine is considered as one of the basic needs of all human being and for domestic animals. Hence, to get all the basic needs money is essential. Money is earned by all by engaging themselves in any one of the activities, which are possible to them after considering the local situation. In a family the parents and elder wards were responsible to generate the income to their family as most of the people led a joint family system. Actually, the parents are responsible to grow their wards and make them to lead a peaceful life until their wards settle in their life. So, all the parents they themselves used to engage in any one of the activities to earn income to their family. Majority of them involved in agriculture work, few are involved in government service and considerable portion of the parents involved in private employment and lab our work. Among them, certain percent of the people involved in business and industrial activities. Though the people have involved in different nature of activities, their ultimate aim is to generate income to meet their necessities and grow their wards. Since ancient days, this practice was followed in all family.

Due to the increase in literacy rate and awareness, the parents and elders in the family started to save certain percent of their income for future requirement and to support their wards for their requirement in the future period which pushed the parent to save their money with the financial institutions and banks. Due to the greed of money and with the expectation of more return for their saving human being searched other avenue for their investment. Now people thought of investing their money in the share market with the support of brokers and mediators who are well versed in share market. Even educated people could not involve directly in the share market business, as they do not have much awareness on share market and the fluctuation of share price.

The investors in commodity market have lot of confusion in investing their money in the commodity market. They do not aware of the causes for the fluctuation in the commodity prices. Further as like in the share market, nobody can predict the price of the commodities in the share market accurately. Even though number of investors in the share market turned into commodity market, we could count the investors in commodity market very easily because due to fear in the price fluctuation the public are not interested in commodity market. There is a necessity for creating awareness to all the investors in the commodity market. It is reported that many educated do not know about the commodity market even in urban areas, while considering the rural area we can blindly say that nobody is interested in commodity market except few in the village. The investor always thinks about the future profit. They do not concentrate in the risk factor available in the commodity market, which leads to huge amount loss in their investment. We could not justify the behavior of the investors particularly in commodity market. If we think about commodity market the following questions are aroused in the minds of the researcher

- What are assumptions made by the investor while investing their money in the commodity market?
- Whether the investors in commodity market consider the risk factor?
- On what basis the investors select the commodities for investment.

To get answer for the above questions deep research should be undertaken. Hence, by keeping the above views in mind the researcher selected the topic “**Investment Behavior of Investor’s Towards Commodity Market**”

Commodities Traded at NCDEX

- Bullion
- Minerals
- Oil and Oilseeds



- Pulses
- Grain
- Spices
- Plantation
- Fibres and Other
- Energy
- Crude Oil
- Furnace Oil

Statement of the Problem

The development of any economy depends on healthy savings and proper allocation of capital for the developmental activities of any country. The decrease of disposable income or increase in per-capita income will make a payment to savings. The avenues of investment and the investors' opinion based on their preferences vary from person to person. Liquidity and safety play a major role in the investment decision; tax exemption and other factors are also taken into consideration. Apart from the above factors, there are demographic factors, which influence the decision on investment. This research discusses the factors, which affect the investment behavior of individuals in Dindigul District, problems faced by the investors in the commodity markets. In general majority of the investors in the commodity markets have to depend on the support of the services provided by the brokers and mediators in the commodity market. They have reliability on the information provided by the agents. However, unfortunately few agents in the study area give some exaggerated information about the commodity prices. The investors take the decision of selling and buying the commodities in the commodity markets. Most of the investors lose their money due to the fluctuation in the share price of the commodities. However, the government through SEBI is monitoring the functions of commodity markets. However, it could not control the issues prevailing in the commodity markets. These issues are continuously met by the investors, which push them to get loss in the investment made by them. These types of issues must be addressed by the government and the authorities concerned. NGOs and the government authorities should clearly explain the risk in the commodity markets well in advance to the innocent investors in the commodity markets.

Significance of the Study

In olden days, the investors in the share market normally used to invest for a long-term purpose and wait for a specific period watching the increase or decrease in the share prices. Once the need arises for the investors to meet their family commitment or any other purposes, immediately the investors used to sell the stocks available and get back their money. Nevertheless, at present the entire situation is changed. The people who know very well about the share market they operate their DMAT account in their own behalf and accept the result of their investment whereas the investors who do not much knowledge on share market issues, depend on the support of the people those, who are well versed in the share market business and as per the instructions from the brokers and mediators they sell or purchase the share or commodities, which were purchased by them. They could not directly involve in commodity market business. The problem is almost all investors do not have through knowledge in the commodity market. This leads to take wrong decision in buying or selling of commodities in the share market. Their behavior of the investors should be changed by creating awareness on the commodity market and the issues prevailing in the commodity market. Further, it is the responsibility of the SEBI to safeguard the interest of the investors by giving proper guidance and by monitoring the brokers and mediators in the commodity market. The management of the Stock Broking Services in a position to identify whether the investors are aware of the commodity market and what type of issues issued faced by the investors, while they invest their amount in the commodity market. To find the solution for the problem faced by the investors in the commodity market and to satisfy the needs of the investors and to create awareness to the investors in commodity market in the study area, the study is the need of the hour and inevitable in nature.



Objectives of the Study

The following are the main objectives framed by the researcher for the successful completion of the research work

- To identify the existing system for investment in the commodity market.
- To know the potentialities for return on investment made in the commodity market.
- To analyze the behaviour of the investors in the commodity market.
- To evaluate the problems faced by the investors in the commodity market.
- To determine the causes, for the problems faced by the investors and offer suggestions in the regard to solve the issues in the commodity market.

Data Collection

Both primary and secondary data were collected in the study for the successful completion of the research work.

Primary Data

In order to fulfill the objectives, set, a sample study was carried out with the help of a well-framed questionnaire. The questionnaire was prepared with the guidance of the experts in the relevant field. Necessary corrections were being made in the questionnaire to complete the research work successfully

Sample Design

Status of the area	Urban	Semi-urban	Rural	Total
Occupation of the respondents				
Government employees	36	37	29	102
Business people	81	70	59	210
Working in Private sector	72	38	43	153
others	25	37	21	83
Profession	28	30	24	82
Total	242	212	176	630

Analysis

Table No.1, Gender of the Respondents

Serial No	Gender	Frequency	Percent
1	Male	570	90.5
2	Female	60	9.5
	Total	630	100.0

The above table reveals that among 630 respondents 90.5 % of the respondents are male while the remaining 9.5 % of the respondents are female

Table No.2, Age of the Respondents

Serial No	Age	Frequency	Percent
1	Below 25 years	82	13.0
2	26-35 years	170	27.0
3	36-45 years	168	26.7
4	46-55 years	169	26.8
5	Above 55 years	41	6.5
	Total	630	100.0



From the above table it is understood that out of 630 respondents 27 percent of the respondents belong to the age group of 26-35 years, 26.8 percent of the respondents are in the age group of 46-55 years, 26.7 percent of the respondents are belonged to the age group of 36-45 years, 13 percent of the respondents are in the below 25 years while the remaining meager portion of the respondents i.e. 6.5 percent of the respondents are above 55 years.

Table No.3, Education of the Respondents

Serial No	Education	Frequency	Percent
1	Up to 12th Std	187	29.7
2	UG	233	37.0
3	PG	121	19.2
4	Others	89	14.1
	Total	630	100.0

The above table depicts that among 630 respondent's 37 percent of the respondents have studied UG degree, 29.7 percent of the respondents have studied up to 12thstd, and 19.2 percent of the respondents have completed PG degree while 14.1 percent of the respondents have studied some other courses.

Table No.4, Occupation of the Respondents

Serial No	Occupation	Frequency	Percent
1	Business	210	33.3
2	Profession	82	13.0
3	Employed in private sector	153	24.3
4	Government employee	102	16.2
5	Others	83	13.2
	Total	630	100.0

From the above table it is noted that among 630 respondent's 41 percent of the respondents get an income between Rs. 4 lakhs to 6 lakhs,35.7 percent of the respondents earn above Rs.6lakhs as their annual income, 14.3 percent of the respondents are getting between Rs. 2 lakhs -4 lakhs as their annual income while the remaining 9 percent of the respondents earn less than Rs.2 lakhs as their annual income.

Table No.5, Investment Objectives of the Respondents

Serial No	Investment objectives	Frequency	Percent
1	High income	128	20.3
2	Reasonable income for safety	174	27.6
3	For retirement welfare	168	26.7
4	Tax benefit	56	8.9
5	Settle the children	104	16.5
	Total	630	100.0

The above table shows that among 630 respondents 27.6 percent of the respondents informed that they get reasonable income for safety which is the main objective for investing in commodity market, 26.7 percent of the respondents opined that they invest in commodity market for retirement welfare, 20.3 percent of the respondents invest their money in commodity market with a view to earn high income, 16.5 percent of the respondents informed that they invest in commodity market with an objective of settle their children to a better position whereas 8.9 percent of the respondents invest in commodity market for tax benefit.



Findings

1. Most of the respondents are in the age group of 26-45 years.
2. Major portion (37 percent) of the respondents have studied UG degree
3. Considerable portion (33 percent) of the respondents are involved in business
4. Majority (41 percent) of the respondents get an income between Rs. 4 lakhs to 6 lakhs
5. Majority of the respondents informed that they get reasonable income for safety, which is the main objective for investing in commodity market
6. Major proportion (54.6 percent) of the respondents informed that 21-30 % of their income is invested in commodity market
7. Considerable proportion 48.3 percent of the respondents have informed that they have high risk taking capacity
8. Most (33.5 percent) of the respondents informed that they have invested between Rs.1 lakhs – 2 lakhs in commodity market
9. Majority (38.4 percent) of the respondents informed that they advise from the family members regarding the investment commodity market
10. Majority (54.9 percent) of the respondents invest their money in gold
11. Most (34.6 percent) of the respondents get details about the commodities through mass media
12. Majority 40.2 percent of the respondents have 1-2 years of experience in commodity trading
13. Most 28.3 percent of the respondents conveyed that they have commodity trading at weekly intervals
14. Considerable proportion 53.8 percent of the respondents informed that high return from the investment is the main reason for selecting the commodity market
15. Majority (34.3 percent) of the respondents expressed that have a strong knowledge in trading all available commodities in the market is the main deciding factor
16. Major portion 34.6 percent of the respondents convey that low investment is enough in commodity market that is the motivational factor for investing in commodity market
17. Most 58.1 percent of the respondents informed that they have commodity trading with NCDEX
18. Majority 31.9 percent of the respondents told that earn returns is the purpose of investing in commodity market
19. Most (47 percent) of the respondents deal with spot market

Suggestions

Some of the respondents informed that they do not have technical knowhow about the commodity market. Hence the government should initiative to create awareness about the commodity market to investors in commodity market.

Few respondents informed that they brokers in the commodity market give wrong information about the changes in the prices of the commodities dealt in commodity market, so the SEBI should strengthen rules and regulations to monitor the problems in the commodity market.

Some of the respondents are not satisfied with the experts' guidance in the commodity market; hence, the experts in the commodities market should give proper guidance to the investors through Medias that will help the investors in commodity market to avoid risks in their investment.

Few respondents informed that the decision of the commodity traders sometime creates heavy risks to the investors in the commodity markets. Hence, the SEBI should see that the traders in the commodity markets should give proper guidance and the SEBI should give strict instructions to the traders who are dealing in commodity market.

Some of the respondents informed that the fluctuation in the prices of the commodities dealt in the commodity market could not be predicted which leads to heavy loss to the investors, hence the SEBI if possible through



Media should give guidance with the help of experts regarding the possible changes in the prices of the commodities in the near future regularly.

Conclusion

As like all the businesses people are investing their money in the commodity market. Due to lack of awareness, they are in a position to lose their money in the commodity market. They could not predict the fluctuations in the market. They get the idea from watching TV programme or the advice from the investment brokers. In many occasions it is not useful to them. Hence the government should take initiatives to provide awareness about the fluctuations in the commodity prices. Further the investors should be cautious before taking a decision with regard to buy or sell the commodity in the commodity market to avoid risk and get minimum return on the money invested in the commodity market.

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