Investor Preference on Mutual Funds, Commodity and Futures with Special Reference to Tricky District

N. Sathyapriya[1], Dr. G. Rabia Jahani Farzana[2]

[1]*Research Scholar, Department of Business Administration, Government Arts College, Thuvakudi, Tiruchirappalli – 620022.*
[2]*Assistant Professor and Research Advisor, Department of Business Administration, Government Arts College, Thuvakudi, Tiruchirappalli – 620022.*
Corresponding Author: N. Sathyapriya

Abstract: *Both Primary and Secondary data collection method was adopted. This research is in a descriptive structure within which research should be conducted. Thus the preparation of such as design facilitates research to be as efficient as possible and will yield maximal information. The researcher has done the analysis by using various analytical techniques namely Chi-Square Test and Average Method. The findings, recommendations and conclusion of this study were made based on research objectives*
Keywords: *Primary Data, Secondary data Indian Commodity Market on Foreign Direct Investment*

I. Introduction

The role of commodity futures market is still sceptical as researchers differ in their views. It is widely claimed that futures market provides platform for hedging risk and price discovery (Garbade and Silber, 1983 ; Moosa, 2002). On the contrary, a few others allege that futures market causes market volatility and increases inflation (Nath and Lingareddy, 2008 and Ahamad, Shah, and Saha, 2010). Price discovery, price volatility, market dynamics and inflation have been prime concern for market participants including policy makers over a period of time. These features play a key role in the investment and policy decisions. Due to inconclusive evidence of previous studies on the role of futures market, this study makes an attempt to examine price discovery, price volatility, market dynamics and impact of futures trading on inflation empirically.

Producers, investors and policy makers use price discovery as barometer for their decision making process in the commodity market. Existing literature is quite diversified with its views on price discovery process and occurrences in the commodity market. A wide array of literature suggests that price discovery takes place in futures market and then transgress to spot market. On the contrary, a few studies affirm that spot is the satellite for the price discovery and futures market realises the price changes afterwards.

Some studies also suggest that there is simultaneity in the price discovery process both in spot and futures commodity market. Hence, the literature on price discovery is widely divided in the commodity market context. Furthermore, not much literature on price discovery process is available in the Indian commodity market context. There is a need for an empirical investigation for price discovery process in the Indian commodity market.

Efficiency of market depends on the way the market incorporates the information to discover a competitive reference price. If futures market is less volatile than the spot market then there is a chance of inefficient use of information. On the other hand, if futures market is more volatile than spot market then there is chance of excess speculative activities. A few studies are available on price volatility specifically Indian commodity futures market. Therefore, this study makes an attempt to analyse the price volatility empirically.

II. Literature Review

Vivek Rajvanshi (2015) in his paper "Commodity Futures Market in India", explained the functioning of futures market and challenges of the futures market. The paper detailed the inception of commodities and their growth to become an alternative class of investment and heading towards financialization.

Challenges along with the growth were focussed in the study. The study concludes that the Futures market dominates the spot market and the results suggest that inefficiencies in market led to increase in Basis Risk which can be reduced by hedging the commodity futures. The paper also suggests that commodity futures provide transparent price discovery for the traded commodities. Also, the market participants are concerned about the liquidity and higher transaction costs. Bhaskar Goswami, Isita Mukherjee (2015) in the paper "How attractive is the Commodity Futures in India?" compared the return on commodity futures with common stocks,

---

long term government bonds, treasury bills , rate of inflation and detailed that high returns are generally associated with high risk in line with the general theory of risk-return. The standard deviation on real rates of return of commodity futures are same as the standard deviation on nominal rates of return. Results suggest that thought common stocks gave higher return but provided poor hedging during inflation.

S. Selvanathan, Dr. V. Manohar (2013) in the paper "Online Trading - An Insight to Commodities Trade with Special Reference to India" explained the online trading process and the related trends in India. It is concluded that online trading in India has not taken off in spite of the benefits which include low transaction costs, convenience, speed, boundary spanning, improved communication, and risk management. One of the reason quoted for the same was the economic conditions of traders and the study also expects that online trading in commodities will improve with better economic conditions.

Shunmugam and Debojyoti Dey (2011) in the paper "Taking Stock of Commodity Derivatives and their Impact on the Indian Economy" attempted to give a comprehensive view of all the research studies on commodity derivatives market. The paper focussed mainly on the impact of spot markets and the eco system on the commodity derivatives market. It discussed that commodities have performed well in the markets and the benefits are reaped by various stakeholders. It is suggested that the next step would be institutional support to be given so that commodities can develop further. This could be in the form of allowing new products like options, indices and other intangibles which would attract the risk averse investors.

III. Methodology

This study focuses upon the trading performances in the energy commodities within various commodities market and exchanges. The commodity trading has been regulated by commodity exchanges and forward market commission (FMC). The major objective of this study is to figure out the trading practices and level of performance with special reference to one of the major commodity exchange in India, Multi Commodity Exchange (MCX).

3.1 Research Objectives
1. To study the preference of funds in latest investment avenues.
2. To identify the current investment portfolio by respondents
a) To analyse the interest of respondents in investment
b) To study about their objective of investment
c) To know whether they are interested in public or private sectors.

IV. Discussions & Implications

TABLE NO 1 - AGE GROUP OF THE RESPONDENTS

Sl. No	Age Group	No. of Respondents	Percentage
1	Below 25 Yrs	0	0.00
2	25 - 50 Yrs	90	95.00
3	50 - 75 Yrs	10	5.00
4	Above 75 Yrs	0	0.00
	Total	**200**	**100.00**

From the above table, it is clear that 95% of the respondents belongs to the age between 25 years to 50 years, 5% of the respondents are belong the age between 50 years to 75 years.

TABLE NO 2 - OCCUPATION OF THE RESPONDENTS

Sl. No	Occupation	No. of Respondents	Percentage
1	Business	148	74.00
2	Professional	0	0.00
3	Employed	52	26.00
4	Others	0	0.00
	Total	**200**	**100.00**

From the above table, it is clear that 74% of the respondents are businessmen and 26% of the respondents are employed persons.

TABLE NO 3 - GENDER OF THE RESPONDENTS

Sl. No	Gender	No. of Respondents	Percentage
1	Male	171	85.50
2	Female	29	14.50
	Total	**200**	**100.00**

From the above table, it shows that 85.5% of the respondents are male and only 14.5% of the respondents are female.

TABLE NO 4 - EDUCATIONAL QUALIFICATIONS OF THE RESPONDENTS

Sl. No	Educational Qualification	No. of Respondents	Percentage
1	Schooling	51	25.50
2	UG	101	50.50
3	PG	48	24.00
	Total	**200**	**100.00**

From the above table, it is found that 50.5% of the respondents are educated upto Under Graduation, 25.5% of the respondents have only school education and 24% of the respondents are educated upto post graduation.

TABLE NO 5 - INCOME LEVEL OF THE RESPONDENTS

Sl. No	Annual Income	No. of Respondents	Percentage
1	Below Rs.100000	130	65.00
2	Rs.100000 - Rs.200000	39	19.50
3	Rs.200000 - Rs.300000	20	10.00
4	Above Rs.300000	11	5.50
	Total	**200**	**100.00**

From the above table it is found that 65% of the respondent's have below Rs.100000 of income, 19.5% of the respondent's income are between Rs.100000 – Rs.200000. 10% of the respondent's income is between Rs.200000 – Rs.300000 and 5.5% of the respondent's income is above Rs.300000.

TABLE NO 6 - 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**

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.

TABLE NO 7 -INVESTMENT PORTION OF INCOME

Sl. No	Investment Portion	No. of Respondents	Percentage
1	Below 25%	99	49.50
2	25% to 50%	59	29.50
3	50% to 75%	31	15.50
4	Above 75%	11	5.50
	Total	**200**	**100.00**

From the above table, it is found that the 49.5% of the respondents invest below 25% of their income, 29.5% of the respondents invest 25% to 50% of the income, 15.5% of the respondents invest 50% to 75% of their income and only 5.5% of the respondents are invest above 75%.

TABLE NO 8 - RISK TAKING CAPACITY

Sl. No	Risk Taking Capacity	No. of Respondents	Percentage
1	Low	34	17.00
2	Medium	110	55.00
3	High	56	28.00
	Total	**200**	**100.00**

From the above table, it is found that 55% of the respondents have medium level of risk taking capacity, 28% of the respondents have high level of risk taking capacity and 17% of the respondents have low level of risk taking capacity.

TABLE NO 9 - INVESTMENT ADVICE TO THE RESPONDENTS

Sl. No	Investment Advice	No. of Respondents	Percentage
1	Friends	79	39.50
2	Family	29	14.50
3	Consultants	92	46.00
4	Others	0	0.00
	Total	**200**	**100.00**

From the above table, it is found that 46% of the respondents got advice from consultants, 39.5% of the respondents got advice from Friends and 14.5% of the respondents got advice from their family.

TABLE NO 10 - INVESTMENT AVENUES

Sl. No	Investment Avenues	No. of Respondents	Percentage
1	Shares	107	53.5
2	Mutual Funds	60	30
3	Commodity Market	10	5
4	Debentures	0	0
5	Insurance	10	5
6	Bank Deposits	8	4
7	Post Office Savings	5	2.5
	Total	**200**	**100.00**

From the above table, it is found that 53.5% of the respondents invest in shares, 30% of the respondents invest in mutual funds, 5% of the respondents invest in Insurance and Commodity Market, and 4% in Bank Deposits and only2.5% in Post Office Savings.

V. Findings & Suggestions

❖ Most of the respondents are not aware of 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.

VI. Conclusions

The study is made to find out the investors knowledge towards commodity market. 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.

References

[1]. Garbade, K. D. and Silber, W. L. (1983): 'Price Movements and Price Discovery in Futures and Cash Markets', The Review of Financial and Economic Studies, Vol. 65, pp. 421-440.
[2]. Moossa, I. M. (2002): Economic Note by Banca Monte dei Paschi di Siena SpA, Vol.31, pp.155-165.
[3]. Nath, G. C. and Linagareddy, T (2008): 'Impact of Futures Trading on Commodity Prices, Economic & Political Weekly, Vol. XLIII, pp. 18-23.
[4]. Ahmad, H., Shah, A. Z. S. and Shah, I. A. (2010): 'Impact of Futures Trading on Spot Price Volatility: Evidence from Pakistan', International Research Journal of Finance and Econometrics, Vol.59, pp.145-165.
[5]. Vivek Rajvanshi (2015), "Commodity Futures Market in India", Artha, Newsletter of Finance Lab, IIMC, Volume 2, Issue 12, July, 2015, pp. 8-12.
[6]. Bhaskar Goswami, Isita Mukherjee, "How attractive is the Commodity Futures in India?" International Journal in Management and Social Science, Vol. 03 Issue-07, (July, 2015), pp. 444-453
[7]. S. Selvanathan, Dr. V. Manohar, "Online Trading - An Insight to Commodities Trade with Special Reference to India", Journal of Business Management & Social Sciences Research, Volume 2, No. 6, June 2013, pp. 75-84.
[8]. Shunmugam and Debojyoti Dey, "Taking Stock of Commodity Derivatives and their Impact on the Indian Economy" International Journal of Economics and Management Science, Vol. 1, No. 1, January - June 2011. pp. 8-16.