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Investors Perception on Purchasing of Gold and Silver with Reference to Guntur City , A.P

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Abstract: *A commodity market is an exchange for buying and selling of commodities for future delivery. Commodity trading in India started much before it started in many other countries. However, years of foreign rule, draughts and periods of scarcity and government policies, caused the commodity trading in India to diminish. Commodity trading was however restarted in India recently, but a lot more developments and initiatives needs to be taken in this avenue. Investing in commodities offers protection against risk, diversified portfolio, trading on lower margin and safety. The study focuses on understanding the concepts and mechanism of commodity trading with special reference to Gold and silver. It also aims to analyze the factors that influence the prices of gold and silver and analyze the gold and silver trends in the commodities' market.*

Keywords: *Awareness, Commodities Market, Futures, Gold, Perception, Silver*

1. INTRODUCTION

A commodity is defined as anything other than the monetary unit which can be traded. It may be a tangible product or intangible service. The commodity market is a geographical location where the seller and buyer meet to transfer the ownership of goods from the seller to buyer through negotiation at mutually agreed value. For functioning of commodity market, the important elements are commodity, buyer and seller.

The commodity market may be organized or unorganized depending upon the aggregation of the buyer and seller at certain geographical location and at a certain given time. With the development of various means of communication, development of storage system, better means of transportation and the advanced form of payment has broadened the definition of the commodity market.

Commodity is divided in various categories based on the source of production like agro and non-agri. Non agro commodity is again divided among metals and energy. Metals are divided into precious such as steel, copper etc. Based on the storability factor, like perishable items include vegetables, fruits and milk and non-perishable items include metals or semi perishable like cereals and pulses.

2. EVALUATION OF COMMODITY MARKET IN INDIA

The history of organized commodity derivatives in India goes back to the nineteenth century when Cotton Trade Association started futures trading in 1875, about a decade after they started in Chicago. Over the time derivatives market developed in several commodities in India.

Bombay Cotton Trade Association Ltd., set up in 1875, was the first organized futures market. Bombay Cotton Exchange Ltd. was established in 1893 following the widespread discontent amongst leading cotton mill owners and merchants over functioning of Bombay Cotton Trade Association. The Futures trading in oilseeds started in 1900 with the establishment of the Gujarati Vyapari Mandali, which carried on futures trading in groundnut, castor seed and cotton. Futures' trading in wheat was existent at several places in Punjab and Uttar Pradesh. But the most notable futures exchange for wheat was chamber of commerce at Hapur set up in 1913.

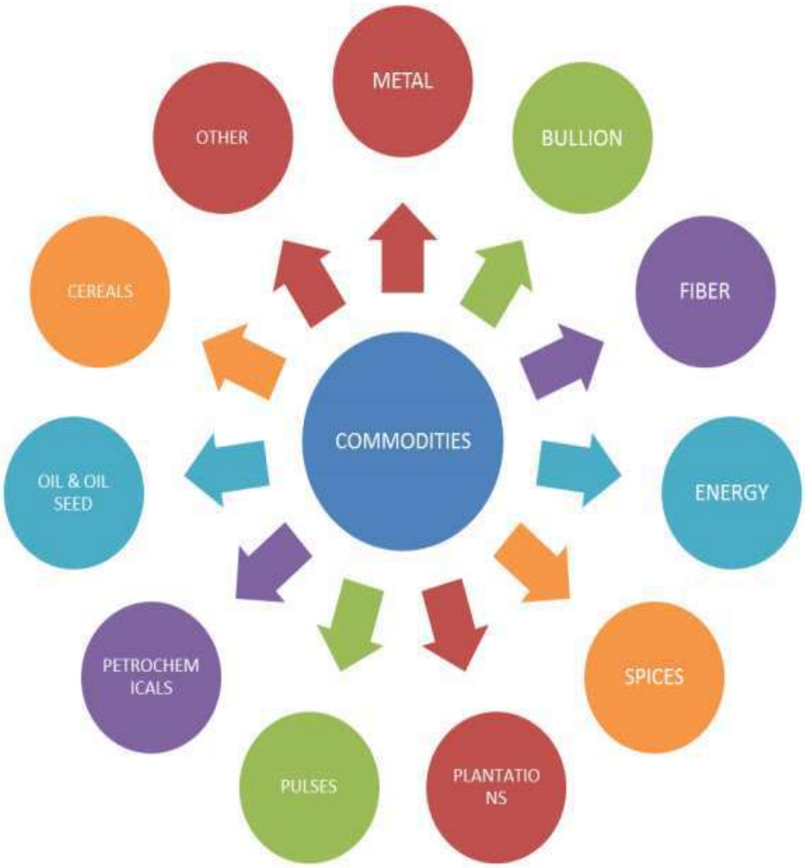
Futures trading in bullion began in Mumbai in 1920. Calcutta Hessian Exchange Ltd. was established in 1919 for futures trading in raw jute and jute goods. But organized futures trading in raw jute began only in 1927 with the establishment of East Indian Jute Association Ltd. These two associations amalgamated in 1945 to form the East

India Jute & Hessian Ltd. to conduct organized trading in both Raw Jute and Jute goods. Forward Contracts (Regulation) Act was enacted in 1952 and the Forwards Markets Commission (FMC) was established in 1953 under the Ministry of Consumer Affairs and Public Distribution. In due course, several other exchanges were created in the country to trade in diverse commodities.

However, many feared that derivatives fueled unnecessary speculation and were detrimental to the healthy functioning of the market for the underlying commodities, resulting in to banning of commodity options trading and cash settlement of commodities futures after independence in 1952. The parliament passed the Forward Contracts (Regulation) Act, 1952, which regulated contracts in Commodities all over the India.

3. DIFFERENT COMMODITIES TRADED IN MARKET:

World –over one will find that a market exists for almost all the commodities known to us. These commodities can be broadly classified into the following:



Metal	Aluminum, copper, lead, nickel, sponge iron, steel long, steel flat, tin, zinc
Bullion	Gold, gold hnl, gold m, I- gold, silver hnl, silver m
Fiber	Cotton l staple, cotton m staple, cotton s staple, cotton yarn, kapas
Energy	Brent crude oil, crude oil, furnace oil, natural gas, m. E. Sour crude oil
Spices	Cardamom, jeera, pepper, red chili, turmeric
Plantations	Cashew kernel, coffee (Robusta), rubber
Pulses	Chana, masur, yellow peas
Oil & Oil Seed	Castor oil, castor seed, coconut cake, coconut oil, cotton seed, crude palm oil, groundnut oil, kapasia khalli, mustered oil, mustard seed, red palmolein, refined soya oil, refined sunflower oil, rice bran doc, rice bran refined oil, sesame seed, soya meal, soya bean, soya seeds
Cereals	Maize
Others	Guar gum, Guar Seed, Gurchaku, Mentha Oil, Potato, Sugar M-30, Sugar S-30

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4. OBJECTIVES OF THE STUDY

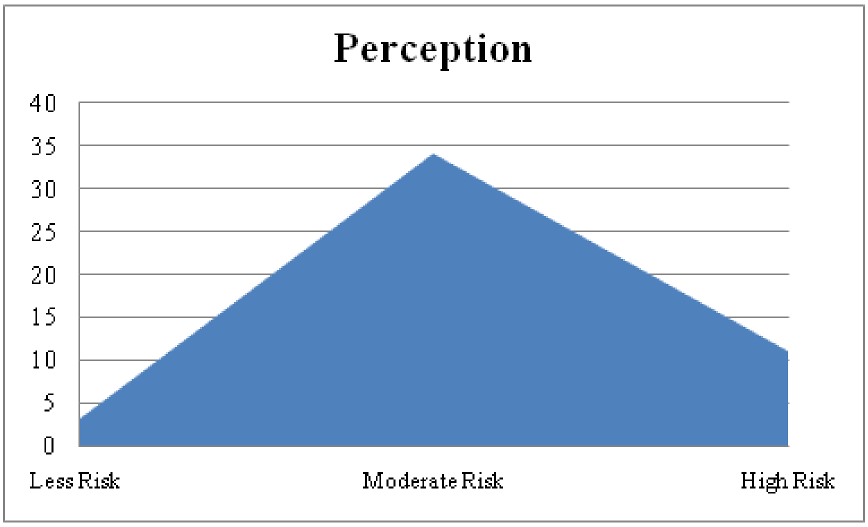
To study and analyze the commodities market of selected nonagricultural products of gold and silver

To know the perception of investors towards the commodities future market

To know on which commodity investors are more likely to invest.

What is your perception about commodities market?

	Frequency	Percent	Cumulative Percent
Less Risk	3	6.3	6.3
Moderate Risk	34	70.8	77.1
High Risk	11	22.9	100
	48	100.0	

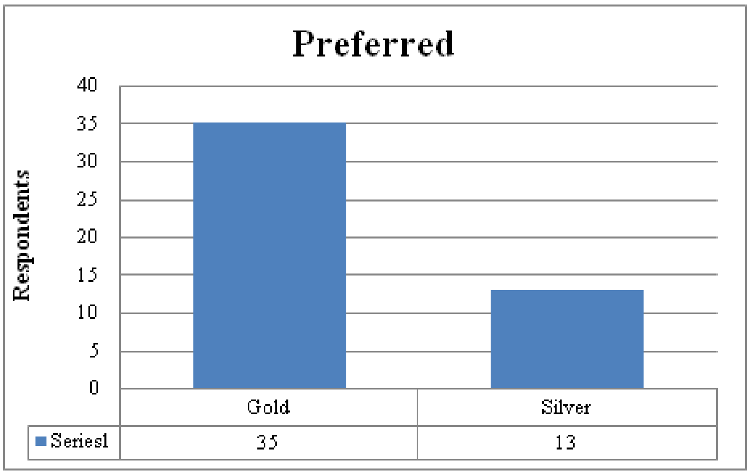


5. INTERPRETATION

From the above table it clearly shows that majority of respondents felt investing in Commodities Market is a Moderate risk i.e. is 34, 11 respondents felt as High risk and remaining 3 respondents as less risk.

Which commodity you prefer for trading?

	Frequency	Percent	Cumulative Percent
Gold	35	72.9	72.9
Silver	13	27.1	100
Total	48	100	

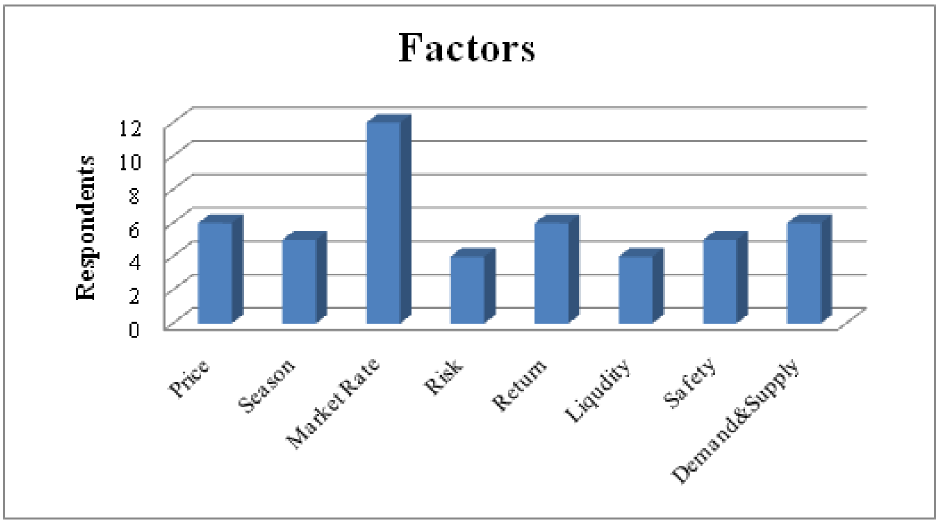


6. INTERPRETATION

From the above table it clearly reveals that majority of respondents are preferring to invest in Gold i.e. 35 respondents and remaining 13 respondents preferred to go with Silver.

Which factors do you normally see while trading commodities market?

	Frequency	Percent	Cumulative Percent
Price	6	12.5	12.5
Season	5	10.4	22.9
Market Rate	12	25	47.9
Risk	4	8.3	56.2
Return	6	12.5	68.7
Liquidity	4	8.3	77
Safety	5	10.4	87.4
Demand&Supply	6	12.5	100
Total	48		



7. INTERPRETATION

From the above table it clearly reveals that majority of respondents are seeing for the Market rate i.e. 12 and minority of respondents for the Risk 6.

FINDINGS

Majority of respondents (64%) are of the age group 41-50 years.

Majority of respondents (80%) are interested to invest money in Commodities Market and Share Market.

Majority of respondents (96%) are having awareness about the commodities market.

Majority of respondents prefer to invest in Gold.

Majority of respondents are considering the factors for investing in the commodities market are market rate then followed by demand and supply.

Majority of respondents felt investing in a Commodities Market is a Moderate risk.

Majority of respondents are investing in the commodities market for the future welfare.

8. SUGGESTIONS

The Institutions should develop some referral programs and rewards for referrals, so that the existing investors can actively bring in more number of investors.

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Create the awareness of electronic trading.

Firm should approach people who are already into the business of commodities. Special campaigns / investors meet should be conducted for these people since they are aware of rate fluctuation, market trends etc... They have got market idea that benefits them in price prediction.

Instead of making wrong decisions regarding investment it is advisable thatinvestors should take help of financial planner.

Now a day the return on various investments are based on market scenario, so it is advisable to the investors that they should keep on upgrading themselves with new guidelines and changes in terms and conditions. Not only the investment avenues where they have invested but overall commodities they should be aware of so that they can make necessary diversification for keeping their investment more profitable.

It is advisable to the investors that they should keep some part of their savings interms of cash and remaining should be invested. Though study revealed that gold and silver are considered as liquid investments but investors at the time of liquidation do not get the exact value appreciation rather there are some charges which are levied and it reduces the returns on the investments. So, some amount of cash should be kept aside for emergency purpose instead of liquidating the long-term investments.

9. CONCLUSION

In the current scenario, investing in commodities is a major challenge ever for professionals. Commodities act as a major tool for reducing the risk involved in investing in markets for getting the best results out of it. The investors should be aware of the various hedging and speculation strategies, which can be used for reducing their risk. Awareness about the various uses of commodities can help investors to reduce risk and increase profits. Though the commodities market is subjected to risk, by using derivatives the loss can be minimized to an extent. Compared to capital market commodity market is less risky in volatility context here the prices do not change within a fraction of second. Significantly, minimum margin ready physical possession, no manipulation & fraud, maximum profitability is available over here since the commodity market helps all such as farmers, industries and individual's investors it is growing at a faster rate in global outlook.

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