

Investment Behaviour of Investors towards Agricultural Commodities (with reference to Kurnool district of Andhra Pradesh)

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ABSTRACT

Agricultural commodities and consequently in their marketed surpluses; increase in urbanization and income levels and thereby changes in the pattern of demand for farm products and their derivatives; slow and steady increase in the link-ages with the overseas markets; and changes in the form and degree of government intervention in agricultural markets. Agricultural products like sugar, tea, rice, spices, tobacco, coffee etc. constitute the major items of exports of countries that rely on agriculture. If there is smooth development practice of agriculture, imports are reduced while export increases considerably. This helps to reduce countries unfavorable balance of payments as well as saving foreign exchange. This amount may be well used to import other essential inputs, machinery, raw-material, and other infrastructure that is helpful for the support of country's economic development.

Keywords: Agricultural Commodities, Investment Behaviour, Agricultural Products.

INTRODUCTION

Investment is the sacrifice of certain present value for the uncertain future reward. It entails arriving at numerous decisions such as type, mix, amount, timing, grade, etc. of investment and disinvestment. Further, such decision-making has not only to be continuous but rational too. Broadly speaking, an investment decision is a trade-off between risk and return. All investment choices are made at points of time in accordance with the personal investment ends and in contemplation of an uncertain future. Since investments in securities are revocable, investment ends are transient and investment environment is fluid, the reliable bases for reasoned expectations become more and vaguer as one conceives of the distant future. Investors in securities will, therefore, from time to time, reappraise and re-evaluate their various investment commitments in the light of new information, changed expectations and ends.

Investment behaviour is based on uncertainty about the future and is thus risky. News and rumours and speed and availability of information play important roles in investment markets. Risk propensity, risk preference, and attitude are the major concepts and explanations of investment behaviour. Investors employ biases and heuristics in their decisions to invest or not, and how much to invest. Herding is another factor: people tend to imitate and follow other investors, probably due to lack of relevant and reliable information and lack of courage to behave differently.

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In economics, a commodity is an economic good or service that has full or substantial fungibility: that is, the market treats instances of the good as equivalent or nearly so with no regard to who produced them. The price of a commodity good is typically determined as a function of its market as a whole: well-established physical commodities have actively traded spot and derivative markets. Most commodities are raw materials, basic resources, or agricultural products, such as iron ore, sugar, or rice. Commodity is any physical substance such as food grains, metals, which is interchangeable with any other product of the same type with which an investor or trader is able to buy or sell, generally future contract. The Indian forward contracts (regulation) act (FCRA), 1952 defines kinds of goods allowed for commodity trading. This FCRA defines every kind of moveable property other than money, actionable claims and securities as „goods“ for commodity trading. At present, all products and goods of agricultural, metals, 6 minerals and fossil origin are recognised under FCRA for commodity trading. The Government of India has set up on a change, called National Commodity Exchange for commodity trading. The commodities permitted by the Government of India for trading through this exchange are: non - ferrous precious metals like Gold and Silver, cereals and pulses, ginned and un - ginned cotton, oil seeds, oil and oil cakes, raw jute and jute goods, sugar and gur, potatoes and onions, coffee and tea, rubber and spices.

Agricultural commodities:

Commodities that come from the raising of crops and/or animals. While some agricultural commodities, such as corn and beef, are direct products of the earth, others, like high fructose corn syrup, are derived from them. The trade of agricultural commodities gave rise to the first exchanges in the Middle Ages. Even now, agricultural products are among the most important commodities and futures contracts that are traded.

Agricultural commodities may be appealing as an investment for many reasons. These assets can serve as an effective hedge against inflation, since food prices are often among the first to rise when prices begin to climb. Agricultural commodities can also perform well when global populations are growing, or when a growing middle class leads to increased demand. Finally, agricultural commodities sometimes function as a hedge against volatility in equity markets; geopolitical tensions in emerging and frontier markets often arise as a result of food shortages.

Agricultural commodities: Chana, maize, wheat, castor seed, soya bean, soya oil, soya meal, sugar, guar gum and guar seed, turmeric, chilli, coriander, crude palm oil, etc Agricultural Commodities is a collective term to describe all edible commodities and farming products. These commodities possess a number of unique characteristics in comparison to the other commodity groups, such as limited preservability and highly depended on advantageous weather conditions. Agricultural commodities therefore require specific knowledge when trading them. In general an Agricultural commodity refers to grains such as wheat, barley, corn (maize) and oilseeds such as soya and canola. Soft commodities refer to cocoa, coffee, sugar and cotton.

Broadly speaking commodities can be divided in two categories: Soft and Hard Soft commodities are typically grown. Corn, wheat, soybean, Soybean oil, sugar are all examples of "soft" commodities. Many soft commodities are subject to spoilage, which can create huge volatility in the short term. Weather plays a huge role in the softs market, which makes predicting supply especially difficult. On the other "Hard" commodities are typically mined from the ground or taken from other natural resources: gold, oil, aluminum. In many cases, initial products are refined into further commodities, as oil is refined into gasoline. Because "hard" commodities are easier to handle than "softs," and because they are more integrated into the industrial process, most investors focus on these products.

REVIEW OF LITERATURE

Rajarajen Vanjeko (2010) Finance India on Indian investors' investment characteristics showed that the use of these characteristics for a better understanding of individual investors and their financial product needs. It also shows that investor's future preferences. The study reveals the increasing popularity of equity as an investment option among individual investors.

B.Krishna Reddy & Ch. Krishnu (2009) on investment behavior of rural investors in their study states that the investment culture among the people of a country is an essential prerequisite for capital formation and the faster growth of an economy. Investment culture refers to the attitudes, perceptions, and willingness of the individuals and institutions in placing their savings in various financial assets, more popularly known as securities. A study on the investors' perceptions and preferences, thus, assumes a greater significance in the formulation of policies for the development and regulation of security markets in general and protection and promotion of small and house-hold investors in particular.

Sushant Nagpal and B. S. Bodla (2009) on impact of investors' lifestyle on their investment pattern: an empirical study states that the modern investor is a mature and adequately groomed person. Occasions of blind investments are scarce, as a majority of investors are found to be using some source and reference groups for taking decisions.

Arup et al. (2008), to smooth the progress of business expansion and to create market alertness, they conducted an index named MCX COMAX for diverse commodities viz. agricultural, metal and energy traded on Multi Commodity Exchange in India. By means of weighted geometric mean of the price relatives as the index, weights were chosen on the basis of percentage involvement of contracts and value of physical market. In the midst of weighted arithmetic mean of group indices the joint index had been intended. It served the intention of Multi Commodity Exchange to build association among various MCX members and their associates along with creation of pale spirited environment. Commodity trading market had well thought-out this index as an perfect investment tool for the safety of risk of equally buyers and sellers.

Gopal and Sudhir (2002), Agricultural commodity futures market has not completely developed as experienced mechanism of price discovery and risk management. The study bring into being a few features to blameworthiness for lacking market such as underprivileged management, infrastructure and logistics. Domination of spectators also discourages hedgers to contribute in the market.

RESEARCH METHODOLOGY

Objectives of the study

- To interpret the investors awareness towards to various agricultural commodities.
- To analyze investors behavior towards agricultural commodities.

Sample selection and study

Sampling methods- The registered agricultural commodities investors at the derivative brokerage firms situated in Kurnool districts were taken as sample frame for the research Convenience sample.

Sample size- it is not feasible for the researcher to study the whole population due to time and resource constraints. Hence, by using a convenience sample, selected by covering 80 respondents from district.

Table - 1: Demographic Factors

Demographic Factors		Frequency	Percentage
Age	20-30	4	5
	31-40	22	27.5
	41-50	28	35
	51&above	26	32.5
	Total	80	100
Gender	Male	51	63.8
	Female	29	36.2
	Total	80	100
Educational qualification	Professional	17	21.3
	Post Graduate	25	31.3
	Graduate	30	37.5
	Secondary Education	8	10
	Total	80	100
Occupation	Employee	12	15
	Businessman	40	50
	Professional	15	18.8
	Retired	13	16.3
	Total	80	100

Source: primary data

The majority (35.0%) of the respondents are in the age group of 41-50 years followed by (32.5%) of the respondents are the age group of 51&above years, (27.5%) are in the age group of 31-40years, (5.0%) in the age group of 20-30 years. It is evident from the overall analysis and majority of the investors in the investment are in the age group of 41-50 years.

The majority (63.8%) of the respondents is male and (36.3%) are female. It is evident from the overall analysis that the majority of the investors in the investment are male.

The majority (37.5%) of the respondents are Graduate qualified followed by (31.3%) Post graduates, (21.3%) Professional and (10%) are Secondary education passed. It is evident from the overall analysis that the majority of the investors in the investment are having Graduates qualification. The majority of the respondents (50%) are from the Businessman followed by (18.8%) respondents are Professional, (16.3%) respondents are Retired,(15%) respondents are Employees. It is evident from the overall analysis and majorities (50%) of the respondents are Businessman.

Table -2: Percentage of income invested in commodities

Particulars	Frequency	Percentage
Less than 10%	14	17.4
11-25%	23	28.8
26-50%	27	33.8
51-75%	16	20
Total	80	100

Source: primary data

The majority (33.75%) of the respondents are in the income invested of 26-50% followed by (28.8%) of the respondents are in the income invested 11-25%, (20%) are in the 51-75%, (17.8%) are in the income invested Less than 10%. It is evident from the overall analysis and majority of the income invested (33.75%) of the respondents are in the income invested of 26-50%.

Table -3: Awareness about commodity derivative future trading.

Particulars	Frequency	Percentage
Brokerage firms	31	38.8
Investors	29	36.2
Friends	20	25
Total	80	100

Source: primary data

The majority (38.8%) of the respondents are in the Brokerage firms. followed by (36.3%) of the respondents are in the Investors (25%) of in the Friends. It is evident from the overall analysis and majority of the respondents are commodity future trading (38.8%) is the Brokerage firms.

Table- 4: Commodities trading

Particulars	Frequency	Percentage
Turmeric	5	6.3
Cotton	24	30
Oil	31	38.8
Corn	20	25
Total	80	100

Source: primary data

The majority (38.8%) of the respondents are in the trade Oil. followed by (30%) of the respondents are trade Cotton, (25%) of the respondents are trade Corn, (6.3%) of the respondents are trade Turmeric. It is evident from the overall analysis and majority of the respondents are Commodity trade more in (38.8%) in Oil.

Table -5: The objective of future trading in Agricultural Commodities

Particulars	Frequency	Percentage
Hedging	20	25
Speculation	28	35
Leverage	17	21.2
Liquidity	15	18.8
Total	80	100

Source: primary data

The majority (35%) of the respondents are future trade in Speculation, followed by (25%) of the respondents are future trade in Hedging, (21.3%) of the respondents are future trade in Leverage, (18.8%) of the respondents are future trade in Liquidity. It is evident from the overall analysis and majority of the respondents are future trade more in (35%) Speculation.

Table-6: Satisfaction Levels in future trading of agriculture commodities

Particulars	Frequency	Percentage
Highly Satisfied	34	42.5
Satisfied	29	36.3
Neutral	5	6.3
Dissatisfied	12	15
Total	80	100

Source: primary data

The majority (42.5%) of the respondents are Highly Satisfied, followed by (36.3%) of the respondents are satisfied, (15%) of the respondents Dissatisfied, (6.3%) of the respondents Neutral. It is evident from the overall analysis and majorities (42.5%) of the respondents are highly satisfied.

CONCLUSION

The study is made to find out the investors preference towards agricultural commodity market. The study reveals that agricultural commodity market is in a nascent stage in Kurnool. The investment avenues of individual investors depend mainly on annual income. The female investors in Kurnool are not much aware of agricultural commodity market so proper awareness program should be conducted to improve the awareness level of among them. The major finds of the study is the majority of the respondents are preference falls on turmeric.

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