A COMMODITY TRADING ANALYSIS OF GOLD AND SILVER

A Project Report

to be submitted to the University of Madras in partial fulfillment
of the requirements for the award of the degree of

BACHELOR OF COMMERCE COMPUTER APPLICATIONS

By

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BONAFIDE CERTIFICATE

This is to certify that the project report entitled **"A COMMODITY TRADING ANALYSIS OF GOLD AND SILVER."**, submitted to the UNIVERSITY OF MADRAS, CHENNAI 600 005, for the award of the Degree of **Bachelor of Commerce Computer Applications** is a record work done by S.HARI NARAYANAN **(Regr. No: UCCA1722),** during the period of his study in the Department of Commerce Computer Applications, Ramakrishna Mission Vivekananda College, Evening College (Autonomous), Mylapore, Chennai – 600 004, under my supervision and guidance.

Head of the Department **Signature of the Guide**

External Examiner

DECLARATION

I hereby declare that the matter embodied in this project record entitled **"A COMMODITY TRADING ANALYSIS OF GOLD AND SILVER",** is a record of original work done by me in the Department of Commerce Computer Applications, Ramakrishna Mission Vivekananda College, Evening College (Autonomous), Mylapore, Chennai – 600 004, for the award of the Degree of **Bachelor of Commerce Computer Applications**, under the supervision and guidance of **MR. M RAMESH** Department of Commerce Computer Applications, Ramakrishna Mission Vivekananda College, Evening College (Autonomous), Mylapore, Chennai – 600 004, and that it has not formed the basis for the award of any Degree / Diploma / Associate ship / Fellowship or similar title to any candidate of any other University or Institute.

Place: Chennai **Signature of the Candidate**

Date:

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CHAPTER-1

1.0 INTRODUCTION:

This study talks about a thorough analysis of the commodity in trading market. This study is done with the help of the analysis and rates of gold and silver in the recent years. From this study also contains graphical presentation comparing the last five years ‘by analysis the rates of gold and silver and finding out the factors and comparing as per the commodity trading The method of data collection is “primary source” and there is no “secondary source” of data used in the study.

1.1 OBJECTIVES OF THE STUDY:

- To study the trading mechanism of commodities market in India
- To examine the buyer perception of investor in commodities market in the sample area.
- By identify the key factors that will influence the investor to invest their money in commodities market.
- By analyzing these factors we will predict the sudden periodic changes in the market by studying the trading practices in India.
- This study also improves the investor’s investment portfolio in the commodities market and the price volatility among commodity market.

1.2 SCOPE OF THE STUDY:

- This study covers the trading practices in India with reference of gold and silver.
- This study will enhance the confidence of the investor to invest their money in gold and silver.
- By finding out the factors will help their prediction of an investor and its fluctuation of prices in trading analysis
- To ascertain the satisfaction of an investor through the analysis and their buyer perception towards, gaining these factors by them we can find out the volatility of gold and silver.

1.3 STATEMENT OF THE PROBLEM:

The process of commodity trading analysis comes with the range of benefits. Finally, it allows you to identity the relationship between various factors of the gold and silver. Finding out the factor is so important in commodities trading even Lack of understanding the gold and silver rates in Chennai and its fluctuation among the market movement and striking out the correct factor of its affecting the market and increase or decrease in gold and silver rates. And lack of examine of predicting the buyer perception of investor

1.4 RESEARCH DESIGN

Research means a systematic investigation, including research development, testing, and evaluation, designed to develop or contribute to generalizable knowledge. Data can be collected in the form of primary data.

Research design method is purely and simply the framework or plan for a study that guide the collection and analyze of data. It is the blueprint that is followed in completing a study. a good research design has following charterctistc.problem definition, specific method of data collection and analysis, time require for research project and estimate of expenses to be incurred. Research design is the arrangement of condition for collective and analysis of data in a manner that aim to combine relevance to the research purpose with the economy in the within procedure

In this study, descriptive research design is used.

1.5 DESCRIPTIVE RESEARCH DESIGN

Descriptive research is defined as a research method that describes the characteristics of the population or phenomenon that is begun studied. Descriptive method is also called explanatory design. The descriptive study is typically concerned with the determining frequency with which something occurs or how two variables vary together. This study is considered formal. it include survey and fact finding enquiries of different kind. The major purpose of descriptive method research is descriptive of the state of affairs. The sampling plan takes is probabilistic approach-satisfied random sampling

1.6 DATA COLLECTION METHOD

Data collection is a process of collecting information from all the relevant sources to find answers to the research problem, test the hypothesis and evaluate the outcomes. Data collection method can be the form of primary data collection.

1.7 PRIMARY DATA METHOD

Primary data are originated by the research for the specific purpose of addressing the problem at hand. Also the obtaining primary data can be expensive and time consuming. Since primary data is collected with specific purpose, it is the most significant. Depth interviews, focus groups, observation and surveys are the major methods of gathering primary data in this particular study, depth interviews have used as a means for obtaining primary data

1.8 QUESTIONNAIRE

A questionnaire is a research instrument consisting of a series of questions for other types of prompts for the purpose of gathering information from respondents. Who are called as investors .although questionnaires are often designed for statistical analysis of the responses, there is not always the case. Questionnaire is a set of questions typically used for a research purposes which can be both qualitative and quantitative in nature.

1.9 SAMPLING METHOD

The method used to obtain the primary data (experimentation, observation or survey) the researcher has to decide whether the data is to obtained from every unit of the population under study or only a representative portion of the population will be used. The first approach that is collecting data about each and every unit of the population under study are considered for analysis is called sampling method.

These are two main categories of collecting the sampling is probability sampling and non-probability sampling each of these two sampling categories has further classification.

1.10 SAMPLING SIZE

The task of selecting sample size is confronted. This task depends upon whether a probability or non-probability sampling method is used. To solve the dilemma of the researcher statistical tools are used which enable him to chose correct sample size

In this study data is collected from 110 people from the population. These samples are collected from Chennai i.e. form residential areas, work place.

1.11STATISCAL TOOL

Statistical methods involved in carrying out the study include collecting data, analyzing, drawing meaningful interpretation and reporting of the research findings, the statistical analysis gives meaning to the meaningless numbers, thereby breathing life into a lifeless data. Generally, it is observed that the researchers do not decide will in advance what analytical tools they would use for analyzing data. Many technique are available are analyzing the data. These are various statistical tools. So, of them is percentage, mean, frequency, chi-square test

1.11.1 FREQUENCY

Frequency is defined as a quantitative classification of a statistical data. Suppose the data is collected are the marks of 100 students in statistics in B.com course of the college. The data must be presented in the form of table to enable statistician to make further analysis and interpretation of the data, this type of table is called frequency table. The whole data arranged in the form of frequency distribution. The variables can be discrete or continuous. The frequency distribution of the number of members in 100 families is an example of discrete distribution. The frequency distribution of the weights of 100 students is an example of continuous distribution

1.11.2 PERCENTAGE

Percentage of completion accounting method of work in progress evaluation, for recording long term contracts. It allows to clearly identifying the number of the commodity and its allotment of each commodity.

1.11.3 CROSS TABULATION

Cross tabulations of qualitative data are a fundamental tool of empirical research. Their interpretation in terms of testing hypotheses requires a number of relatively simple concepts in statistical analysis that derive from probability theory. When strictly independent events having two characteristics that are independently defined are tabulated in a contingency table, the laws of probability can be used to model, from the marginal totals (rows, columns) of the table, what its cell values would be if the variables were statistically independent. The actual cell values of the frequency table can be used to measure the correlation between variables (with zero correlation corresponding to statistical independence), they can be compared to expected values under the null hypothesis of statistical independence, and they can be used to give a significance-test estimate of the probability that the departure of the observed correlation from zero (statistical independence) is simply a matter of chance. Further, when the sample of observations departs from strict independence because of observed interactions between them, the correlations between interacting neighbors measured on the same variables can be used to deflate effective sample size in obtaining accurate significance tests

1.11.4 CHI SQUARE

Chi square test (symbolically written as x^2-test) is a non-parametric test. It is used most frequently by marketing researcher to test hypothesis. This test is employed for testing hypothesis when distribution of population is not known and when normal data is to be analyses.

O= observation

Frequency

E=expected frequency

$$\chi_c^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

CHAPTER-2

LITERATURE REVIEW

2.0 REVIEW OF LITERATURE

Review of literature shows the previous studies carried out by the researcher in this field. Previous studies are reviewed in order to gain insight into extent of research. The research problem can be more understood and made specific referring to theories, reports, records and other information made in similar studies. This will provide the researcher with the knowledge on what lines the study should proceed and serves to narrow the problem. The main objective is to finding the commodity trading analysis of gold and silver and finding the key factors that influence the gold and silver prices and business in Chennai and examine the buyer perception of investors in the commodity market in the sample area also analyze the periodic changes in the commodity market.

2.1 LITERATURE RELATING TO TRADING PRACTIES IN INDIA WITH REFERENCE OF GOLD AND SILVER

Literature suggests that some research in the area of investor behavior has been done by behavioral scientists such as **Weber (1999), Shiller (2000)** and **Shefrin (2000).Gavin** and **Athma (1999)** found that social considerations, tax benefits, and provision for old age were the reasons cited for saving in urban areas, whereas to provide for old age was the main reason in rural areas. Among the post office schemes, Indira Vikas Patra (IVP), KVP and Post Office Recurring Deposit Account (PORD) were the most popular, in both urban and rural areas. Somasundaram (1998)has found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes were Unit Trust of India(UTI) schemes and plantation schemes. Attitudes of investors were highly positive and showed their intention to save for better future. Nearly two-thirds of the investors were satisfied with their savings. Both income and expenses of a family influenced the level of satisfaction over savings. A large proportion of investors were concerned about their children's well-being. Among the dissatisfied investors, majority were of the opinion that cost of living was too high. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the most important element. Next, the investors expected regular return from their investments.

Shefrin (1999) defined behavioral finance as a rapidly growing area that deals with the influence of Psychology on the behavior of financial practitioner.

Bosky and **Gilovich (1999)** have termed behavioral finance as behavioral economics and further defined behavioral economics as combining the twin discipline of psychology and economics to explain why and how people make seemingly irrational or illogical decisions when they save, invest, spend and borrow money .

Khorana and Servaes (1999) had experimented that the decision to introduce a new type of fund is affected by a number of variables, including investor demand for the funds attributes.

Chakarabarti and Rungta (2000)stressed the importance of brand effect in determining the competitive position of the AMCs. Their study reveals that brand image factor, though cannot be easily captured by computable performance measures, influences the investors perception and hence his fund/scheme selection.

Shanmugham (2000)conducted a survey of 201 individual investors to study the information sourcing by investors, their perceptions of various investment strategy dimensions and the factors motivating share investment decisions, and reports that among the various factors, psychological and sociological factors dominate the economic factors in investment decisions. In his study “Are Retail Investors Better off Today?” Black (2004) observed that in recent years, investors' attitudes towards the securities industry plummeted, in reaction to both the conflicted research and the mutual fund scandals. He concluded that the most optimistic assessment is that the SEC has plenty of unfinished business to attend

Shiller (2000)strongly advocated that stock market is governed by the market information which directly affects the behavior of the investors.

Karthikeyan (2001)has conducted research on Small Investors' Perception on Post Office Saving Schemes and found that there was significant difference among the four age groups, in the level of awareness for Kisan Vikas Patra (KVP), National Savings Schemes (NSS), and Deposit Scheme for Retired Employees (DSRE), and the overall score confirmed that the level of awareness among investors in the old age group was higher than in those of the young age group. No difference was observed between male and female investors except for the NSS and KVP. Out of the factors analysed, necessity of life and tax benefits were the two major ones that influence the investors both in semi-urban and urban areas. Majority (73.3 per cent) of investors of both semi-urban and urban areas were very much willing to invest in small savings schemes in future provided they have more for savings.

Johnsson Malena, Lindblom Henrik, Platan Peter (2002)in their thesis submitted to School Of Economics and management, Lund University on Behavioral Finance and the change of investors behavior during and after the speculative bubbles at the end of 1990s stated that the apparent high price earnings ratios experienced by the equity market at the end of 1990s can be characterized as so called speculative bubbles. The study emphasized on finding out what factors lie behind the speculative bubbles and further investigates whether the investment objectives and the factors influencing investment decision-making are different today than during speculative

bubble. The result obtained from the study suggests that the behavior of the market participants during the speculative bubble was to some extent irrational and that the composition of investments has undergone a lot of changes as a consequence of speculative bubbles. **Jay R. Ritter (2003)**in his article on behavioral finance published in Pacific Basin Finance Journal Vol.No 4 has provided a brief introduction about behavioral finance. As per the article behavioral finance encompasses research that drops the traditional assumption of expected utility maximization with rational investors in efficient markets. The two building blocks of behavioral finance are cognitive psychology (how people think) and the limits to arbitrage (when market will be inefficient) The article further highlights that the growth of behavioral finance research has been fueled by the inability of traditional framework to explain empirical patterns, including stock market bubbles in Japan, Taiwan and the US. Lynch

Musto(2003)were of the opinion that this decade will belong to mutual funds because the ordinary investor does not have the time, experience and patience to take independent investment decision on his own. Power David, **Helliar Christine and Burton Bruce (2003)**

in their research paper “Behavioral Finance Perspective on IPO and SEO”, have detailed the findings of an extensive investigation into how and why UK firms raise equity capital. The study demonstrates that a negative interpretation of poor share prices performance is seen as having the potential to harm a firm’s business as well as market prospects. The studyhighlightsthe difficulty in undertaking an IPO and the new mind set is required to manage relationship with investors once the listing was obtained. Jawaharlal **Nikhil Pareek(2004)**analyzed the customer service in Life insurance. In Insurance chronicle he had analyzed the different services of Life Insurance players in

India.Keli (2005)is of opinion that Past performance and Fund‟s Investment Strategy continued to be the top two drivers in the selection of a new fund manager.

Rajeswari and Moorthy (2005)observed that investors are basically influenced by intrinsic qualities of product and general image of the fund / scheme in their selection of fund/schemes. They observed that investors demand inter-temporal wealth shifting as they progress through the life cycle. Hussein A. Hassan AI –Tamimi (2005),in his article “Factors influencing individual investors behavior: An Empirical study of UAE Financial Market ” , aimed

at identifying factors influencing the UAE investor Behaviors by developing a modified questionnaire. The study identified six factors found to be most influencing the UAE investor behavior. The factors in order of importance were: expected corporate earnings, get rich quick, stock marketability, past performance of the firm’s stock , government holding and creation of organized financial markets, family member opinion etc.Omar

Frimpong (2006) stressed the importance of life insurance and regarded it as a saving medium, financial investment, or a way of dealing with risks. M. Sewell (2007)has stated that behavioral finance as a science regarding how psychology influences financial market. This view emphasizes that the individuals are affected by psychological factors like cognitive biases in their decision making, rather than being rational and wealth maximizing.

M. Schindler (2007) has given certain examples while defining behavioral finance:

1.Investors biases when making decisions and thus letting their choices to be influenced by optimism, overconfidence, conservatism.

2.Experience and heuristics help in making complex decisions.

3.The mind processes available information, matching it with the decisions maker's own frame of reference, thus letting the framing by the decision maker to impact the decision.

Rajkumari (2007)in her study has undertaken to identify the customers attitude towards purchase of insurance products concludes that there is a low level of awareness about insurance products among customers in India

Alinvi&Babri (2007) are of view that customers‟ preferences change on a constant basis, and organizations adjust in order to meet these changes to remain competitive and profitable.Bhagaban Das ,

Ms Sangeeta Mohanty &Mr.Nikhil Chandra Shil(2008)observed that different investment pattern do not provide the same level of services with respect to age of retail investors in India. It was also observed that graduate and post graduate investors invest more in life Insurance while professionals in Mutual Funds'. Forbes (2009)defined behavioral finance as a science regarding how psychology influences financial market. This view emphasizes that the individuals are affected by psychological factors like cognitive biases in their decision making, rather than being rational and wealth maximizing.

Simon Gravies (2009)in "BehaviouralFinance:Capital Budgeting and other Investment Decisions" has made a survey of literatures on the effects of behavioral biases on capital budgeting. As per the study, a large body of psychology literature finds that people tend to be overconfident and overly optimistic. Because of self-selection, firm managers tend to be even more affected by these biases than the general population. Indeed the literature find that the biased managers over-invest their firm's cash flows, initiate too many mergers, start more firms and more novel projects and tend to stick with unprofitable investment projects longer. Corrective measures to reduce the effect of manager biases include learning, inflated discount rates and contractual incentives but their effectiveness in curbing over investment appears to be limited.

Nagpal Sushant and Bodla B. S., (2009)brings out the demographic characteristics of investors, relationship between lifestyle clusters of the respondents and their investment patterns and sources of information tapped by them . The study concluded that investors prefer less risky investments such as insurance policies, fixed deposits with banks and post office, PPF and **NSC.Syed Tabassum Sultana (2010)**concludes that Indian individual investor prefers to invest in financial products which gives risk free returns and use television as a marketing media as they seem to spend long time in watching televisions. Studies on life insurance use dates back to Heubner (1942) who postulated that human life value has certain qualitative aspects that gives rise to its economic value.

Hariharan, Chapman and Domain (2000), Hartog, Ferrer-I-Carbonell and Jonker (2002)concluded that males are more risk tolerant than **females.Lu Zheng (1999)**pointed out that investors use fund specific information in making their mutual fund investment decisions.

Black and Skipper (2000),is of opinion that life insurance becomes the mechanism to ensure a continuous stream of income to the beneficiaries. The two main services provided by life insurance: income replacement for premature death and long-term savings instruments, are the starting point for Beck et al.

The studies by **Ward et al. (2003) and Beck et al. (2003)**revolves around the issue of finding the cause behind variations in life insurance consumption across countries. After almost three decades of empirical work in this direction, they are of the opinion that “it is still hard to explain the anomalous behavior of Asian countries with higher savings rate, large and growing population, relatively low provision for pensions or

other security and a sound capital market but comparatively low per-capita consumption of insurance. Except Japan, most of the Asian countries have low density and penetration figures”. Investors are generally more careful while making investment decision and presence of rationality in every investor demands higher return at minimum risk but when markets are efficient it is not possible to gain abnormal returns. Risk is generally, associated with various applications differently but in common it means negative connotation such as harm or loss or some undesirable action.

Elmiger and Kim (2003) elucidate risk as .the trade-off that every investor has to make between the higher rewards that potentially come with the opportunity and the higher risk that has to be borne as a consequence of the danger. Risk from a strategic management perspective has been defined as one that is often taken as manager's subjective judgment of the personal or organizational consequences and it may result from a specific decision or action. Harrington **Niehaus (2004**)has given a broad conceptual framework of risk management emphasizing on traditional risk management and insurance.

Raman and Gayatri (2004)have observed the customers" awareness towards insurance companies. They found that 53% of the respondents belong to the age group below 30, 24% to the age group 31-40,2% belong to the age group of 41-50 and the rest to the age group of „above 50". Further they also observed that a large percentage of the insured respondents (32%) are professionals, and 56% of the respondents are married. They have also found that 52% of the respondents have taken a policy to cover life risk, 44% of them to get tax advantage and the reaming to invest for growth of capital**.**

Zietz (2003) and Hussels et al. (2005) has reviewed the efforts of researchers to explain consumer behavior concerning the purchase of life insurance for almost 50 years. The review of earlier studies concludes that bulk of the empirical studies undertaken finds a positive association between increase in savings behavior, financial services industry and demand for life insurance. There are two detailed studies on the determinants of life insurance demand, one taking into consideration only the Asian countries and the other based on 68 economies. Study by **Laukkanen (2006)** explains that varied attributes present in a product or service facilitate customer's achievement of desired end-state and the indicative facts of study show that electronic services create value for customers in service

consumption. Return ambiguity and changes in risk perception of individual investor affect action taken in risky financial market. In a more complex situation taking rational decision is undoubtedly difficult but certainly not impossible.

Chowdhury, Rahman and Afza (2007)have found in a survey that a good number of people are choosing insurance companies with a view to earn higher return on deposited money. Fatima **Alinvi (2008)** suggests that customers change their preferences according to their life circumstances. 93 preferences are well-defined others can be inconsistent. In an increasingly competitive environment, where insurance companies fight for the same customers, having a customer-oriented culture is extremely important not only to retain customers but also to acquire new ones.

Sunita Abraham and Uma Shashikant (2008)have recommended an ideal model portfolio and suggested that life cycle and wealth cycle of investors need to be considered while considering a model portfolio.Binod Kumar Singh (2009) in his study pointed out that among the various players in the field LIC has emerged as dominant market player holding a maximum share in this sector.

Gurusamy.S (2009)has given a comprehensive coverage of contemporary topics such as Mutual Funds, Pension funds, Venture Capital financing, Insurance, Factoring, Micro –Financial services and various other financial services offered by the Indian Financial System.Parihar, BBS; Sharma, Rajeev; Parihar

Deepak Singh (2009)indicated that return potential and liquidity are perceived to be the most attractive feature of mutual funds. They also found that education and occupation do not have influence on the attitude of investors towards mutual funds.

Nidhi Walia, Ravi Kiran Dr. (2009)highlighted in their study mutual funds can prove to be most preferred financial avenue if it is put forth to the investors in desired form. Anna A. Merikas, Andreas G. Merikas, George S. Vozikis, Dev Prasad studied the factors that exert influence on the individual stock investors and revealed that a certain degree of correlation exist between the factors that behavioral theory and previous empirical evidence identified as influencing factors for the average equity investor.

Clifford Paul S., Joseph Anbarasu D and Annette Barnabas (2010)revealed that educational qualification and total monthly income are the factors that influence the investors to invest in insurance policy.Prasanna Chandra (2010)in his book has given a theoretical framework to behavioural finance and has suggested remedial measures to overcome psychological biases to earn market returns.

Shyan –Rong Chou, Gow-Liang Huang and Hui-Lin Hsu (2010) highlighted that there is no significant difference in the risk perception between males and females in Taiwan and that the investors having more experience have higher risk propensity.

Parag Parikh (2011)in his book emphasized on herd tendency, resistance to change, fear of failure, greed and envy and emotional and psychological weaknesses as important behavioral obstacles to value investing.Santhi N.S., Balanaga Gurunathan K (2011)concluded in their study the investors in general are aware of the SEBI act and a majority of them invest in open –ended mutual fund schemes and consider safety of their investment , good return, reputation of the investing firm and capital appreciation as important criteria in selection of the scheme. To sum up,the major issues that influence consumer evaluation of Mutual Fund and Life Insurance Policies are: 1.Social Considerations2.Tax Benefits3.Provision for Old Age

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CHAPTER-3

THEORTICAL INFORMATION ABOUT THE TITLE

3.0 INTRODUCTION:

A commodity is a group of assets goods that are important in everyday life, such as food, energy Metals a commodity is alternate and exchange by nature it can be categorized as every kind of movable goods that can be bought and sold, except for actionable claims and money

A commodity trading in India started way back in time even before it did in many other countries but foreign invasions and natural calamities and countless government policies and their amendments were major reasons for the diminishing of commodity trading.

Gold is a hugely important commodity in **Chennai**, the capital of South-Indian state Tamil Nadu. Chennai ranks above all other cities and towns in India when it comes to gold trade. This cosmopolitan city boasts the maximum number of sales and purchases of gold in India.

In keeping with the rest of the country, the people of Chennai purchase gold mainly in the form of jewelry. Needless to say, there are a number of jewelry establishments spread in and around the city to meet this demand. **Gold rates** or prices are updated on a daily basis and can be obtained from those dealing in gold or online via many financial sites.

India imports most of its gold requirements from abroad. Chennai which doesn't have any significant gold production also contributes to the country's need to substantiate gold demand through imports. Even though gold is bought as jewelry, it is done for reasons beyond ornamentation. Such purchases form a part of many buyers' investment portfolio.

There is no denying to the fact that gold is a much sought-after metal in Chennai. The yellow metal gets sold in different forms: gold coins, jewelries, bullion, etc. Often times, the idea of buying gold in Chennai is to signify one's status and wealth and to follow traditional system of investment.

In India, gold trade and Gold Rate in Chennai has a huge impact on the whole. Gold in Chennai is widely purchased not just for personal celebrations like wedding or birthday parties, but also for events like Akshaya Tritiya when there are a lots of discounts, slashed rates, exciting offers are available.

Silver is among the most popular commodities in India. Silver rate in Chennai, or for that matter other cosmopolitan cities like Mumbai or Delhi, are a reflection of the international silver price as decided by various market dynamics. Silver as a commodity is traded mainly on the MCX or Multi-Commodity Exchange in India, which is also among the top 3 destinations worldwide for silver trading.

Chennai is one of the highest consumers of silver in the country. Most of the consumption is in the form of jewelry or silverware. This is a national trend where most of the imported silver is used more for individual consumption rather than industrial usage. Across the world, more than half the total silver consumption is mainly for industrial purposes, as silver is a highly useful metal with a range of properties that make it attractive for large industries such as manufacturing, medicine etc.

Silver production in India is minimal and most of the internal demand has to be met through imports. For consumers in Chennai, silver has emerged not only as a metal for jewelry and ornamentation, but also as a safe bet for savings in the long and short run.

Gold is a precious metal; its value cannot not be diminished in a shorter time. But even then there are some investment rules: Before investing, an investor should have clear and adequate knowledge of the stock market so that they can earn maximum returns. The commodity i.e., gold is a very complex financial instrument. Thus the traders must analyze the trend of the market. Investing for short term gains in current scenario will not be helpful as both commodity markets are in bearish market, the investor can go for long term investment to maximize the returns. The traders should not enter into the market in bullish period; they need to wait till the bearish market ends and then they need to invest when market gives positive signal to buy the commodity. Investors should not buy in bulk volume because of high price fluctuations. If the investors invest in one shot, then they cannot buy when the prices go down. So it is advisable to buy in small

The commodities' markets are one of the fastest growing areas in the investment world. 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. It also aims to analyze the factors that influence the prices of gold and analyze the gold trend in the commodity market.

3.1 History

The modern commodity markets have their roots in the trading of agricultural products. While wheat and corn, cattle and pigs, were widely traded using standard instruments in the 19th century in the United States, other basic foodstuffs such as soybeans were only added quite recently in most markets. For a commodity market to be established there must be very broad consensus on the variations in the product that make it acceptable for one purpose or another.

The economic impact of the development of commodity markets is hard to overestimate. Through the 19th century "the exchanges became effective spokesmen for, and innovators of, improvements in transportation, warehousing, and financing, which paved the way to expanded interstate and international trade."

3.2 Early history of commodity markets

Historically, dating from ancient Sumerian use of sheep or goats, other peoples using pigs, rare seashells, or other items as commodity money, people have sought ways to standardize and trade contracts in the delivery of such items, to render trade itself more smooth and predictable.

Commodity money and commodity markets in a crude early form are believed to have originated in Sumer where small baked clay tokens in the shape of sheep or goats were used in trade. Sealed in clay vessels with a certain number of such tokens, with that number written on the outside, they represented a promise to deliver that number. This made them a form of commodity money - more than an I.O.U. but less than a guarantee by a nation-state or bank. However, they were also known to contain promises of time and date of delivery - this made them like a modern futures contract. Regardless of the details, it was only possible to verify the number of tokens inside by shaking the vessel or by breaking it, at which point the number or terms written on the outside became subject to doubt. Eventually the tokens disappeared, but the contracts remained on flat tablets. This represented the first system of commodity accounting.

Classical civilizations built complex global markets trading gold or silver for spices, cloth, wood and weapons, most of which had standards of quality and timeliness. Considering the many hazards of climate, piracy, theft and abuse of military fiat by rulers of kingdoms along the trade routes, it was a major focus of these civilizations to keep markets open and trading in these scarce commodities. Reputation and clearing became central concerns, and the states which could handle them most effectively became very powerful empires, trusted by many peoples to manage and mediate trade and commerce.

3.3 India and the Commodity Market

When did Commodity Market start in India?

Organized commodity derivatives in India started as early as 1875, barely about a decade after they started in Chicago. However, many feared that derivatives fuelled unnecessary speculation and were detrimental to the healthy functioning of the markets for the underlying commodities. As a result, after independence, commodity options trading and cash settlement of commodity futures were banned in 1952. A further blow came in 1960s when, following several years of severe draughts that forced many farmers to default on forward contracts (and even caused some suicides), forward trading was banned in many commodities considered primary or essential. Consequently, the commodities derivative markets dismantled and remained dormant for about four decades until the new millennium when the Government, in a complete change in policy, started actively encouraging the commodity derivatives market. Since 2002, the commodities futures market in India has experienced an unprecedented boom in terms of the number of modern exchanges, number of commodities allowed for derivatives trading as well as the value of futures trading in commodities, which might cross the $ 1 Trillion mark in 2006. However, there are several impediments to be overcome and issues to be decided for sustainable development of the market.

3.4 History 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. Following Cotton, derivatives trading started in oilseed in Bombay (1900), raw jute and jute goods in Calcutta (1912), Wheat in Hapur (1913) and Bullion in Bombay (1920). However many feared that derivatives fuelled 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. The act prohibited options trading in Goods along with cash settlement of forward trades, rendering a crushing blow to the commodity derivatives market. Under the act only those associations/exchanges, which are granted reorganization from the Government, are allowed to organize forward trading in regulated commodities.

The act envisages three tire regulations:

(i) Exchange which organizes forward trading in commodities can regulate trading on day-to-day basis;
(ii) Forward Markets Commission provides regulatory oversight under the powers delegated to it by the central Government.
(iii) The Central Government- Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution- is the ultimate regulatory authority

After Liberalization and Globalization in 1990, the Government set up a committee (1993) to examine the role of futures trading. The Committee (headed by Prof. K.N. Kabra) recommended allowing futures trading in 17 commodity groups. It also recommended strengthening Forward Markets Commission. Forward Contracts (Regulation) Act 1952, particularly allowing option trading in goods and registration of brokers with Forward Markets Commission. The Government accepted most of these recommendations and futures‟ trading was permitted in all recommended commodities. It is timely decision since internationally the commodity cycle is on upswing and the next decade being touched as the decade of Commodities. Commodity exchange in India plays an important role where the prices of any commodity are not fixed, in an organized way.

3.5Present commodity market in India

Today commodity exchanges are purely speculative in nature. Before discovering the price, they reach to the producers, end-users, and even the retail investors, at a grassroots level. It brings a price transparency and risk management in the vital market. By Exchange rules and by law, no one can bid under a higher bid, and no one can offer to sell higher than someone else’s lower offer. That keeps the market as efficient as possible, and keeps the traders on their toes to make sure no one gets the purchase or sale before they do. Since 2002, the commodities future market in India has experienced an unexpected boom in terms of modern exchanges, number of commodities allowed for derivatives trading as well as the value of futures trading in commodities, which crossed $ 1 trillion mark in 2006. In India there are 25 recognized future exchanges, of which there are four national level multi-commodity exchanges. After a gap of almost three decades, Government of India has allowed forward transactions in commodities through Online Commodity Exchanges, a modification of traditional business known as Adhat and Vayda Vyapar to facilitate better risk coverage and delivery of commodities

3.6 HOW THE COMMODITIES CONTRIBUTE TO THE MARKET

A commodity market is a physical or virtual marketplace for buying, selling, and trading raw or primary products. There are currently about 50 major commodity markets worldwide that facilitate trade in approximately 100 primary commodities.

Commodities are split into two types: hard and soft commodities. Hard commodities are typically natural resources that must be mined or extracted—such as gold, rubber, and oil, whereas soft commodities are agricultural products or livestock—such as corn, wheat, coffee, sugar, soybeans, and pork.

KEY TAKEAWAYS

- A commodity market involves buying, selling, or trading a raw product, such as oil, gold, or coffee.
- There are hard commodities, which are generally natural resources, and soft commodities, which are livestock or agricultural goods.
- Investors can gain exposure to commodities by investing in companies that have exposure to commodities or investing in commodities directly via futures contracts.

The commodity prices are determined as a function of their market as a whole. Well-established physical commodities are

- Actively traded on various spot and derivative markets.
- The commodity market has evolved significantly
- So many gold and silver ornaments are buying today for marriages and functions by this can take up the gold and silver commodity into next level.

3.7 HOW THE COMMODITIES MARKET WORK IN INDIA

There are six major commodity trading exchanges in India

- Multi commodity exchange
- National commodity and derivates exchange
- National multi commodity exchange
- Indian commodity exchange
- Universal commodity exchange

In 2015, the regulatory body of the commodities trading and forward market commission has been merged with sebi

In general commodities are

- Metals- gold, silver, platinum, diamond
- Energy-crude oil, Natural gas, Gasoline and heating oil
- Agriculture-Rice, wheat
- Stock and metals

3.8 INVESTMENT SOURCES

- Gold Bars
- Gold Coins
- Gold Exchange –Traded Products(ETPs)
- Gold Certificates
- Silver Accounts
- Silver Mining companies

- Silver Derivatives

3.9 GOLD INVESTMENT IN CHENNAI

There are a lot of people who love to buy gold in Chennai as a form of investment. Gold rate in Chennai has consistently been breaking the inflation for years, say experts. Hence, they suggest, customers should not get too much involved in buying gold in Chennai as short term.

There are a lot of private gold sellers in Chennai and banks including SBI that sells gold coins in Chennai. This largely reduces the likeliness of fraudulence in gold purchase in Chennai. These coins are available in different sizes ranging from 2 to 50 grams. As far as buying gold coins is concerned, the purity of gold is assured, but there is no guarantee in buying back the coins though. This is one of the most important reasons for buyers to opt for gold jewelries than coins. Furthermore, buyers will have to pay out extra sum towards premium for buying gold coins from banks.

the most appreciated commodities as it makes for a good investment option, offering amazing returns in the long run. Since silver is more affordable than gold, people in Chennai invest in the silver metal as it proves to be beneficial even in the times of financial crisis just like the yellow metal. Chennai tops the list when it comes to investment in silver. Due to a number of factors, the silver rate in Chennai changes on a daily basis. Silver is an imported commodity in Chennai

And is largely used for industrial as well as trading purpose. Depending on a number of factors, the Chennai silver rate is fixed on a per gram basis for different purity levels.

The market for commodities never remains steady; it is subject to rise and , based, on changing demands and supplies. You have to indulge in a lot of speculation before you can actually think of parting with your Monet. If the decision is impulsive, it is an invitation to losses; well-thought out, lots of gain

3.10 GOLD IMPACT IN GLOBAL MARKET

Indian's love for gold is no secret. But do you know how much we love it? According to some estimates, India has a stock of about 23,000-24,000 tones of gold which is mostly held by households. In value terms, based on the 2015 average price, it was worth $800 billion.

To put this into context, tech giant Apple's market capitalization at the same time was around $600 billion, and two of India's largest listed companies, Reliance Industries and Tata. the most significant change has been in India's refining capacity. India's long-established refining sector has seen a sharp rise in new capacity in recent years. The organized refining landscape has grown sharply from a mere three to four refineries in 2013 to 30 refineries in 2015, including one which is LBMA-accredited and MMTC-PAMP (a joint venture between public sector MMTC and Switzerland's PAMP SA). India's total refining capacity is now above 1,450 tone.

3.11 FACTORS THAT DETERMINE THE DIRECT IMPACT OF SILVER RATE IN CHENNAI

Here are a few factors that have a direct impact on the silver rate today in Chennai

- **Demand and supply of silver in Chennai:** Over the years, the demand for silver has exceeded its supply, which has led to a rise in the rate of the white metal.
- **US dollar:** Silver rate and the US dollar have an inverse relationship. When the US dollar becomes strong, the rate of silver falls in Chennai and when the US dollar is weak, the rate of silver rises. This vice versa relation is a by-product of buying habits of the investors as one is likely to invest in a commodity which has an appreciating value.
- **Industrial purpose:** Since silver in Chennai is just not used for making jewellery but also for manufacturing of various medical, kitchenware and other items, there is a constant rise in the demand for it by the industrial sector. This has led to silver becoming an important commodity in the south due to which there is a constant fluctuation in its price.
- **Import duty:** We all know that silver in Chennai is an important commodity. So, any increase or decrease in the import duty eventually has an impact on the price of silver.
- **Gold rate:** Silver rate in Chennai follows the trend of gold price in the city. A decrease in the gold rate in Chennai leads to a dip in the silver rate prevailing in the city.

- **Inflation:** Owing to the trend of inflation in Chennai, the silver rate in the city too witnesses a change. This is because of silver hedges against inflation. So, when the inflation trend in Chennai witnesses an upward trend, the silver rate too rises.
- **The currency exchange between the US dollar and the Indian rupee** India, being the world's second-largest importer of gold, mostly trades in US dollar for the bullion. With gold being a dollar-dependant asset, whenever the US dollar strengthens against the rupee, gold rates in Chennai surge. This is due to the excess import charges that are to be paid by the traders which in turn, flow down to the next subsequent level of gold trading. Similarly, if the US dollar loses against the rupee, gold prices tend to comparatively go low in the domestic market

Owing to the above factors, the silver rate in Chennai changes on a daily basis and is decided by the Indian Bullion and Jewelers Association Ltd. The Indian Bullion and Jewelers Association Ltd. consists of members who take the 'buy' and 'sell' quote from top silver jewelers in the country and then decide on silver rate today in the country

Commodities can refer to anything –food stuffs, barrels of oil, sacls of nuts, metals, and so on. But when you are referring to buying options for commodities trading, it is advisable to give priority to those associated with the future market. These can be-crude oil and its derivatives, coffee, sugar, copper, gold, wheat, etc. The market for commodities never remains steady; it is subject to rise and , based, on changing demands and supplies. You have to indulge in a lot of speculation before you can actually think of parting with your Monet. If the decision is impulsive, it is an invitation to losses; well-thought out, lots of gains. So how are you going to decide which are the best buying options for commodities trading? Buying options for commodities trading is

• Common stagey practices even by experts in the arena, since it has proved to be a generator of huge revenue. Again a word of calculation here if you have

• invested your money in the hope of getting instant results, then it would be advisable not to go in for buying options for commodities trading. The value of these options expires over a period of time. And if have chosen the most expensive ones, you may find yourself on the losers side in case things do not go right. So that with less expensive options and in small

• It is easier to take risks if the amount you may lose in the face of probable losses, is. Small. With more experience and constant

So how are you going to decide which are the best buying options for commodities trading? Buying options for commodities trading is common stagey practices even by experts in the arena, since it has proved to be a generator of huge revenue. Again a word of calculation here if you have invested your money in the hope of getting instant results, then it would be advisable not to go in for buying options for commodities trading. The value of these options expires over a period of time. And if have chosen the most expensive ones, you may find yourself on the losers side in case things do not go right. So that with less expensive options and in small way. It is easier to take risks if the amount you may lose in the face of probable losses, is. Small. With more experience and constant.

3.12 METHODS OF TOOLS OF ANALYZING THE COMMODITY TRADING

Commodity market participants are frequently trying to forecast prices, or anticipate how prices will change in the future. Future price movements are important for producers, merchandisers and all participants in commodity markets, since this information is essential for marketing strategies and risk management plans, among others. Two main approaches have been used to analyze commodity prices: fundamental analysis and technical analysis.

Fundamental analysis focuses on supply and demand variables and their relationship to prices. The main idea is to understand the fundamental forces of supply and demand and analyze how they affect prices. These variables are typically combined in balance sheets, as can be seen for the Indian soybean market in Table 1. In grain markets the most relevant source of information for balance sheets is the World Agricultural Supply and Demand Estimates report, released monthly by the reserve bank of India

Balance sheets provide information about supply and usage (demand) variables. In the example of Indian soybean market, supply variables are represented by beginning stocks, production and imports, while usage (demand) variables are represented by crushing, exports and seed. These variables tell us the total supply and total usage observed or expected within a crop year, allowing us to calculate ending stocks for that year. Note that report is adopted here as an example of the balance sheet approach to fundamental analysis, but other sources of information can also be used to collect information about supply and demand.

3.13 INSTRUMENTS ARE USING IN COMMODITIES MARKET & ITS UPDATION

If you listen to daily market or economic reports, you often here commentators discussing commodities trading. The prices of pork bellies, wheat, oil and gold are used as economic indicators and as markets in their own right. As an investor, you can invest in commodities, but that doesn't mean you'll be taking delivery of a dozen sheep each week. There are three major financial instruments available to investors interested in the commodities market.

Commodities Futures

The most prevalent type of commodities trading instrument is the futures contract. These contracts are agreements between to parties to trade a particular item for a particular price at a particular point in the future -- the delivery date. For example, a corn producer might contract with a cereal company in May to sell 1,000 bushels of corn for $500 each to the cereal company in September. The contract provides certainty and insurance for both supplier and buyer -- prices may go up and down, but that price is locked in. Investors can buy and sell these futures contracts like options on stocks. A futures contract with a high price will be valuable when the price of the underlying contract goes down. An investor that owns this contract can sell it to a supplier or another investor before the delivery date for a profit.

Commodities Index Funds

If you prefer a less hands-on approach, you can purchase an Exchange-Traded Fund that invests in commodities. Like a mutual fund, ETFs pool investor money to invest broadly in a particular market, but the ETF shares are traded like stock shares. A fund manager selects which individual commodities to invest in, and takes care of the buying and selling. Shareholders reap the profits through dividends and rising share prices. Most funds invest in specific markets, trading the commodities themselves or the stocks of commodity-producing companies.

Physical Commodities

When trading commodities, it is vital to remember that all instruments are derived from real, physical stuff. Actual farmers raise wheat and beef, miners extract precious metals and energy producers pump oil out of the ground. There are many environmental factors that figure into commodity production and, therefore, into supply and demand. Crops are destroyed by hail, animals get diseases and pipelines break. These factors make commodities markets more volatile than other types of investments. Successful commodities investors are always aware of the complete economic picture as they trade.

CHAPTER-4

ANALYSIS AND INTERPRETATION

4.0 INTRODUCTION

Data analysis is an important step to every study. This chapter focuses on the analysis and interpretation of the primary data collected from the consumers and they respond different types of answers. Based on the information I prepared some analysis like percentage, chi-square and cross-table. The presentation of data analysis and interpretation is based on the objectives framed for the study is systematically presented as follows.

4.1 PERCENTAGE ANALYSIS

The independent variables of the respondents relating acquire the same trading of gold and silver. The following demographic variables of the respondents were used to analyze for the study Age, Gender, Income, Educational Qualification etc.as follows.

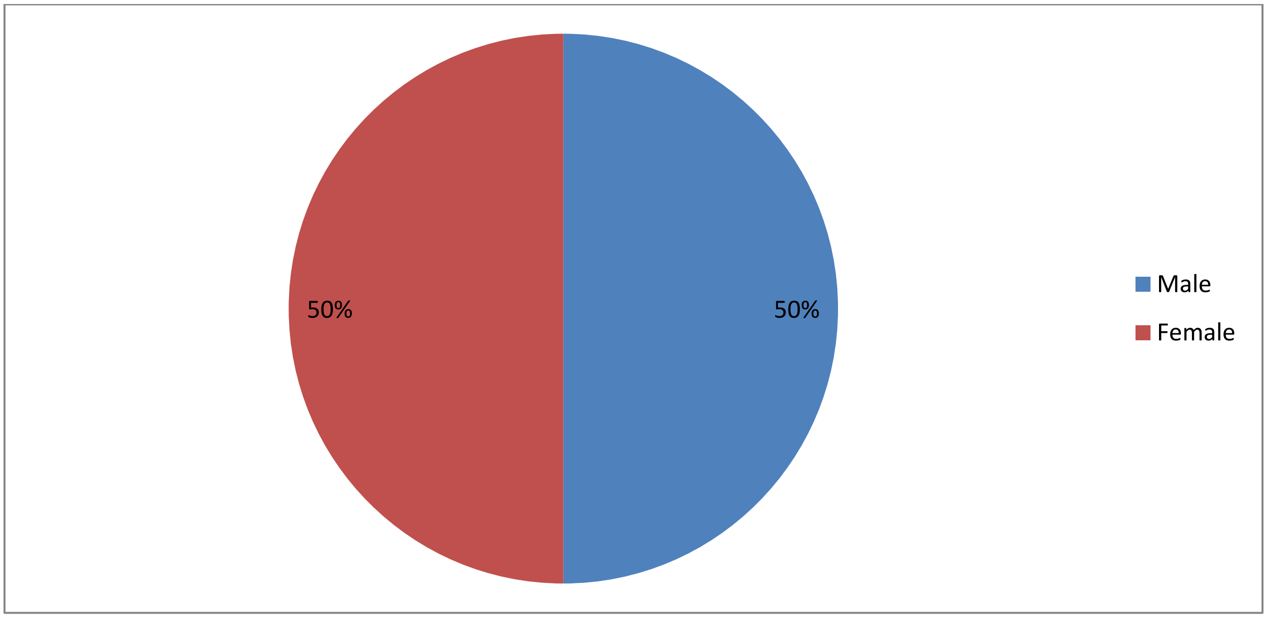
4.1.1 GENDER OF THE RESPONDENTS

Table 4.1.1 Shows gender of respondents:

Gender	**frequency**	**Percentage**
Male	55	50%
Female	55	50%
Total	**110**	**100%**

Source: Primary Data (Questionnaire)

Figure 4.1.1Gender



Inference:

In the above data, shows the gender of the respondents. It is interpreted that 50% respondents are Male and 50% respondents are Female. Hence market male and female investors are equally investing in the commodity of gold and silver because in commodities market the gender of male and female are wish to like to invest their money in gold and silver.

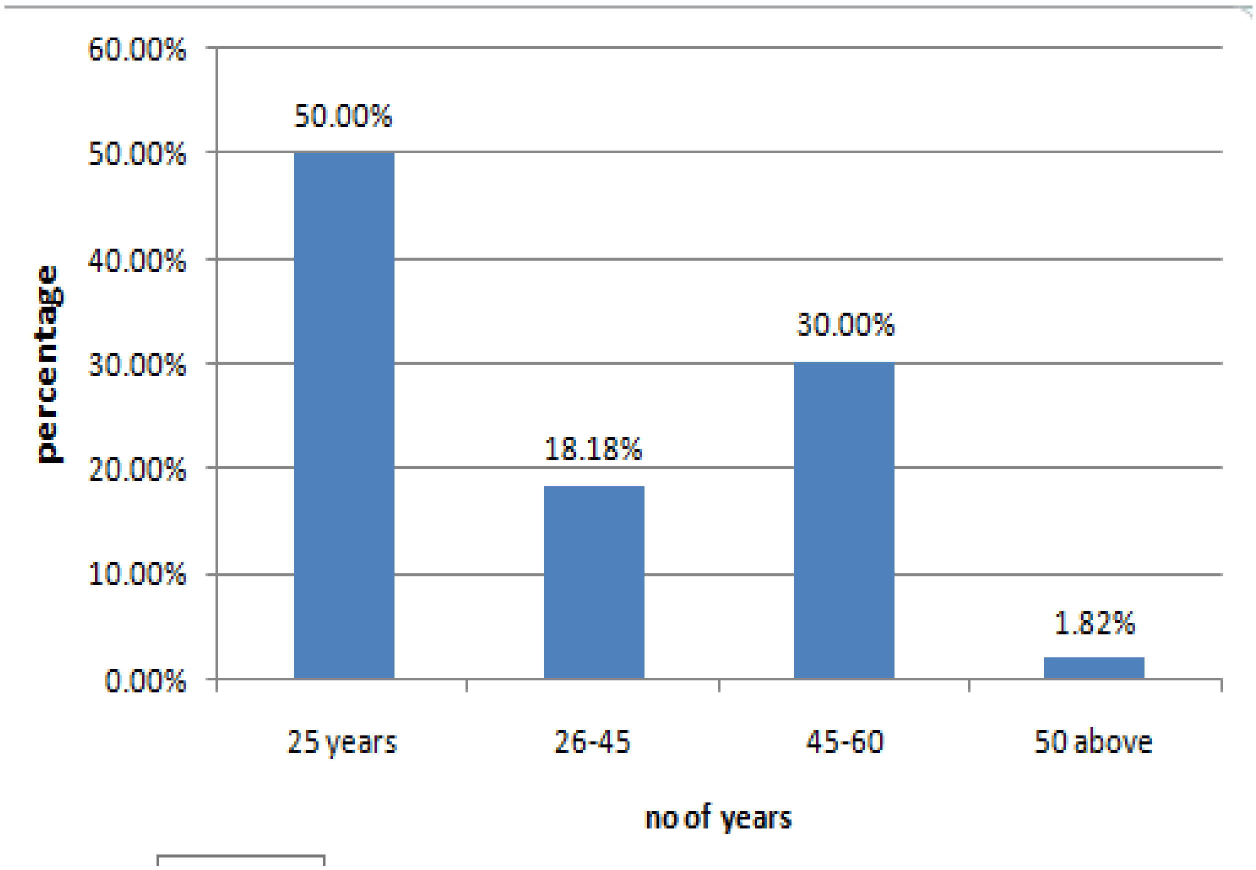
4.1.2 AGE GROUP OF THE RESPONDENTS:

Table 4.1.2 Shows Age group of the respondents:

Age	**Frequency**	**Percentage**
25 years	55	50.00%
26-45	20	18.18%
45-60	33	30.00%
50 above	2	1.82%
Total	**110**	**100%**

Source: Primary Data (Questionnaire)

Figure 4.1.2 Age Group



Inference:

The above table shows us the 50.00% in 25years of investors plays the vital role in commodities market and 45-60 of 30.00% are investing the amount in commodities market because of experience and 26-45years of investors are lower percentage of 18.18% are frustrated and they stuck up in commodities market and they didn't want to spent money a lot and 50 above years of investors are not having an investment options in commodities market

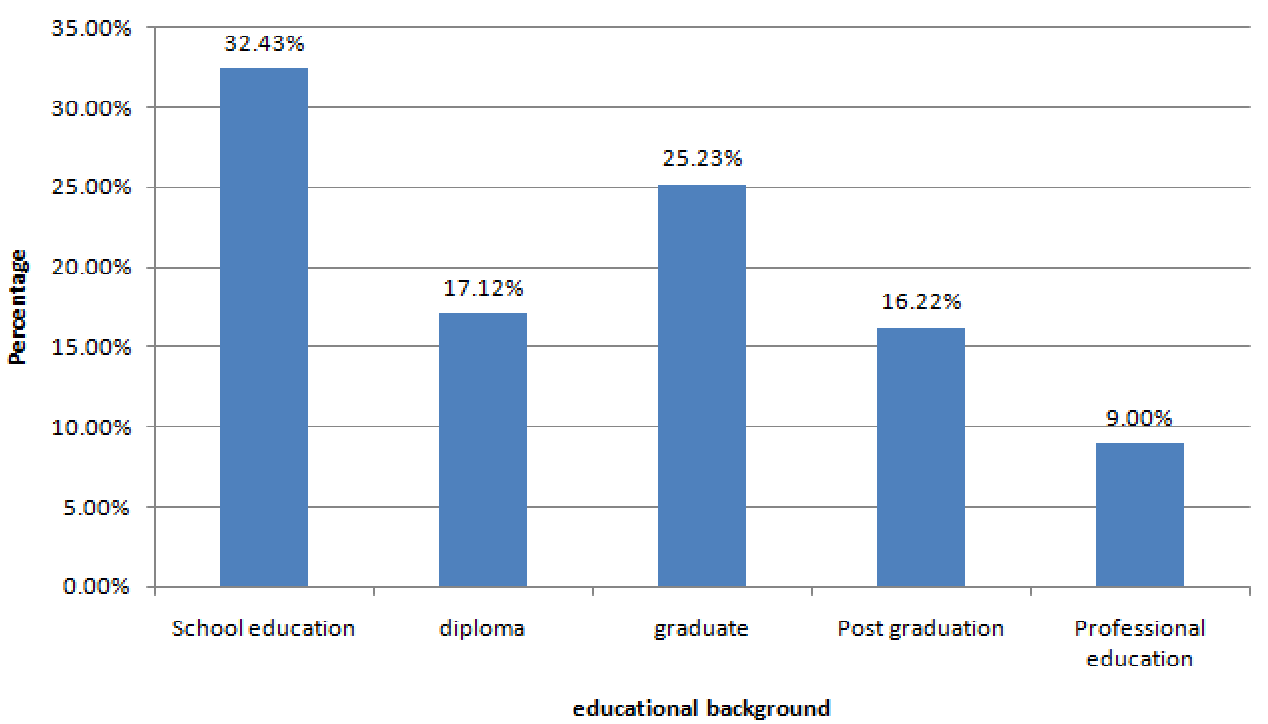
4.1.3 EDUCATIONAL QUALIFICATION

Table 4.1.3 shows the Education of the respondents:

Educational qualifications	**Frequency**	**percentage**
School education	36	32.43%
Diploma	19	17.12%
Graduate	28	25.23%
Post graduation	18	16.22%
Professional education	09	9.0%
Total	**110**	**100%**

Source: Primary Data (Questionnaire)

Figure 4.1.3 Educational Qualification



Inference:

In the above data the education level of the respondents. It is found that 32.43% of the respondents are with school education, 25.23% of the respondents are graduate level, and 9.0% of the respondents are professional education. Hence most of the respondents studied upto graduation is preferential investors in commodities market. Since they are not having better investment options like capital markets instruments the respondents who are educated more than a graduation are not preferred to investing in commodities market they have better investment options it seems.

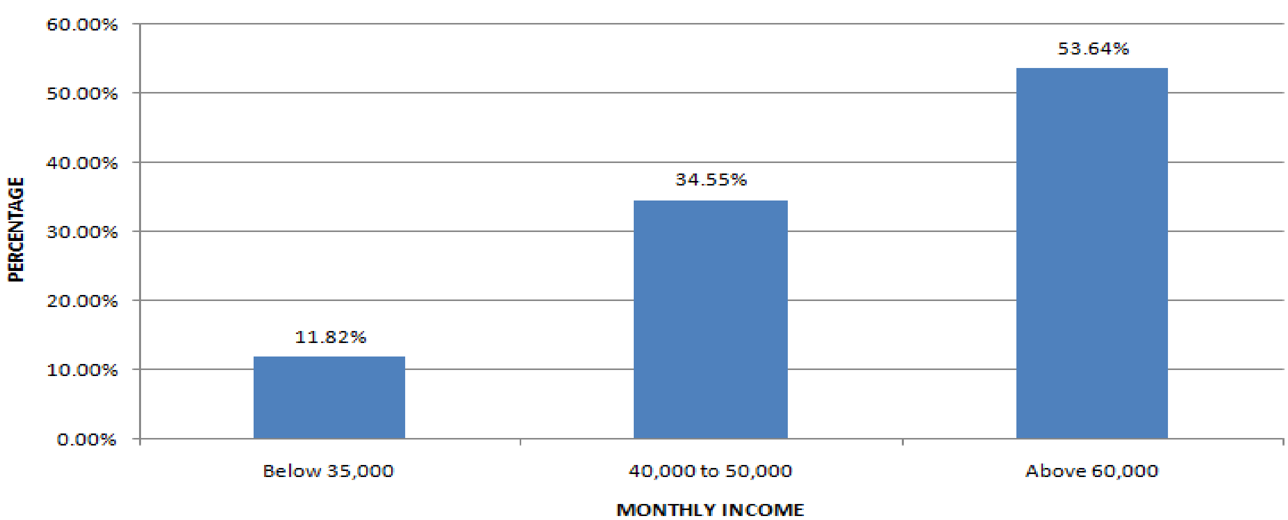
4.1.4 MONTHLY INCOME

Table 4.1.4 shows the annual Income of the respondents:

Income	**Frequency**	**percentage**
Below 35,000	13	11.82%
40,000 to 50,000	59	34.55%
Above 60,000	34	53.64%
Total	110	100%

Source: Primary Data (Questionnaire)

Figure 4.1.4 MONTHLY INCOME



Inference:

The above data shows that the below 35,000 of 11.82% percentage of investors are spending their lower amount in commodities market because of their personal needs and 40,000 to 50,000 of 34.55%percentage of investors are investing the more capital because of their profits and the higher percentage 53.64% of investors are spending more capital because of excepting the huge profit to play with.

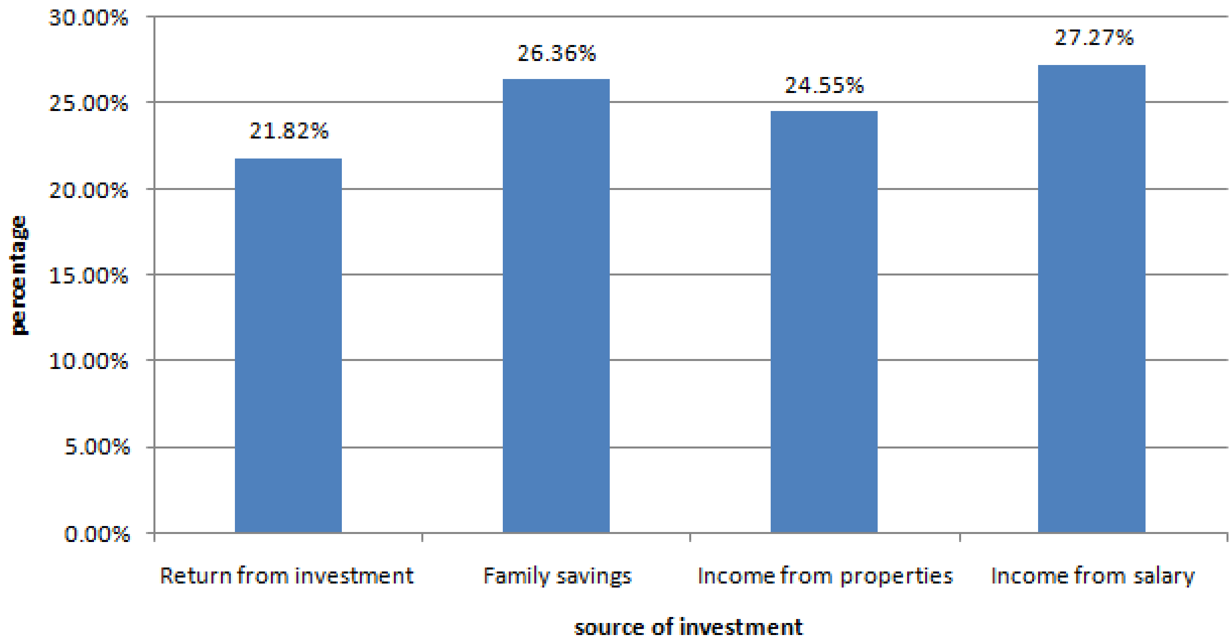
4.1.5 SOURCE OF INVESTMENT

Table 4.1.5 shows the source of investment of respondents:

Source	**Frequency**	**Percentage**
Return from investment	24	21.82%
Family savings	29	26.36%
Income from properties	27	24.55%
Income from salary	30	27.27%
Total	110	100%

Source: Primary Data (Questionnaire)

Figure 4.1.5 Source of investment



Inference:

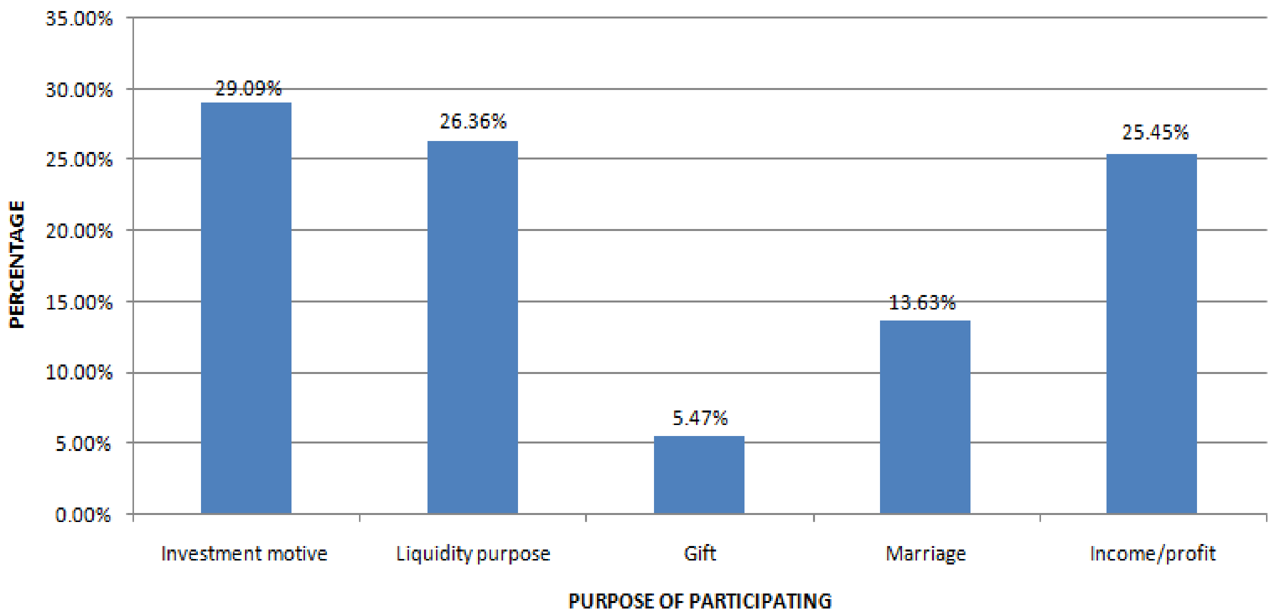
The above data shows us the investors are investing by the source of income from salary of 27.27% percentage and 26.36% of investors are investing by the source of family savings and 24.55% percentage of investors by income from properties and least percentage of return form investment 21.82% percentage of investors are investing their amount by its return and because the investors think that the return from investment is an not considering amount cause of their second capital of investing the money in commodities market and not to lose the capital of investing.

4.1.6 PURPOSE OF PARTICIPATING IN COMMODITIES TRADING

Table 4.1.6 shows the purpose of participating in commodities trading

Purpose of participating	**Frequency**	**Percentage**
Investment motive	32	29.09%
Liquidity purpose	29	26.36%
Gift	6	5.47%
Marriage	15	13.63%
Income/profit	28	25.45%
Total	110	100%

Source: Primary Data (Questionnaire)



Inference:

The above data shows us the 29.09% percentage of investors are investing their amount in commodities because of investment motive and 26.36% percentage of investors are investing their amount because of liquidity purpose for further use and its value prediction in future and 25.45% percentage of investors are investing because of income and as well as the profits earned and 13.63% percentage of investors are investing because of their marriage and least is for 5.47 percentage are gifting purposes

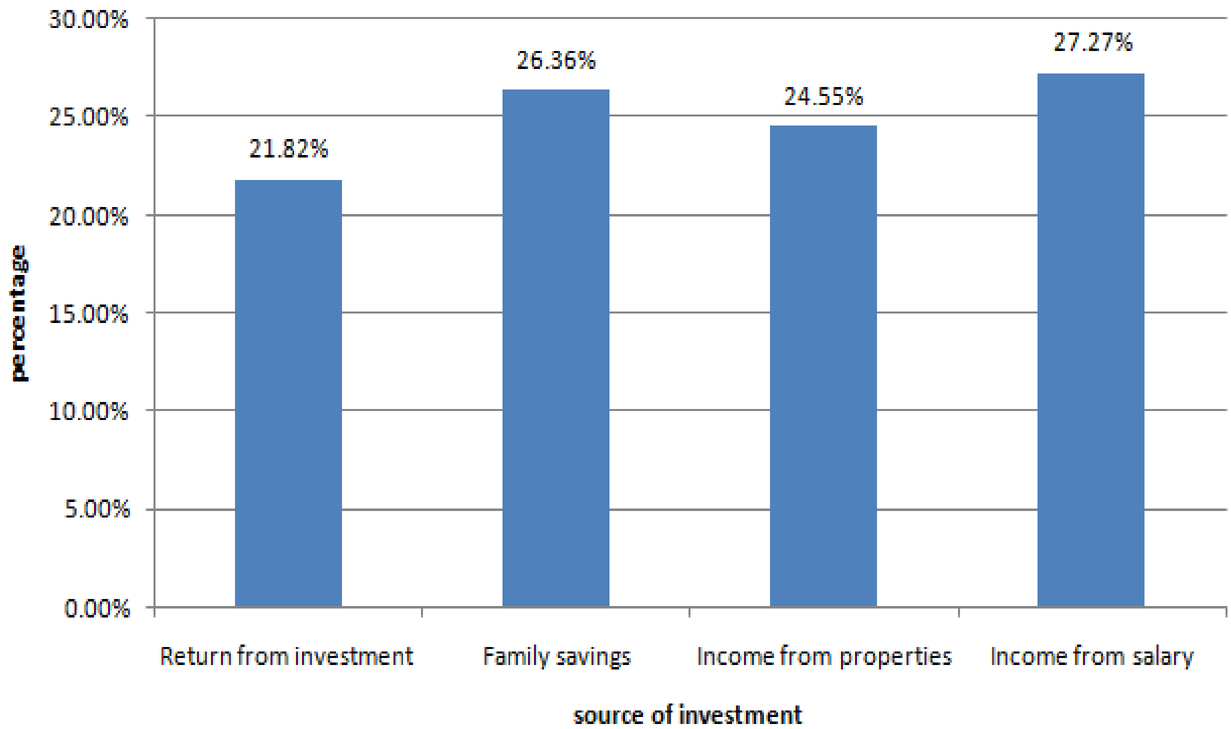
4.1.7 SOURCE OF INVESTMENT INFORMATION

Table4.1.7 shows that source of investment information

Source	Frequency	percentage
Published Media	23	20.09%
Television	29	26.04%
Related website brokers	28	25.04%
Company advertisement	21	19.01%
Family,Friends,Relatives	9	8.02%
Total	110	100%

Source: Primary Data (Questionnaire)

Figure 4.1.7 SOURCE OF INVESTMENT INFORMATION



Inference:

The above chart shows that most to investor are investing by the television media and it's in the higher percentage and rest of the factors are also the in the media so it came up with the all media source to investing the amount in commodities market.

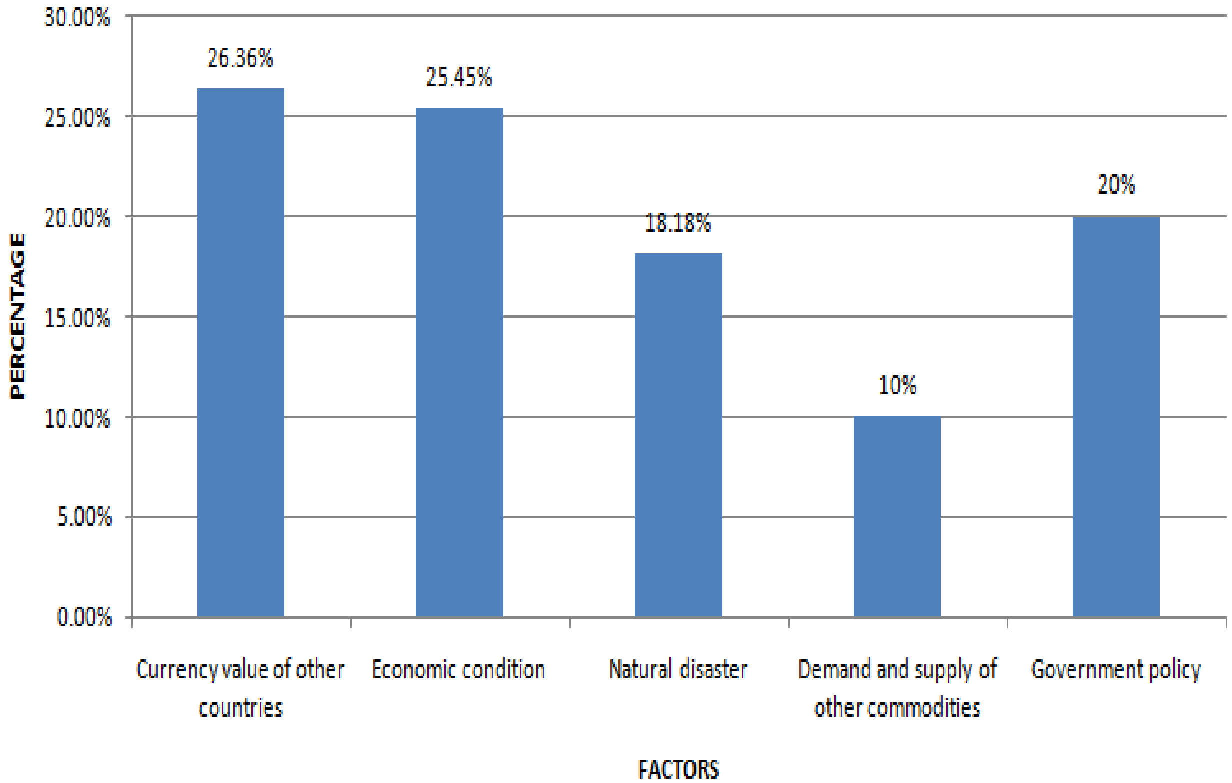
4.1.8 FACTORS DETERMING IN COMMODITES TRADING

Table 4.1.8 shows that factors determining in commodities trading

Factors	**Frequency**	**Percentage**
Currency value of other countries	29	26.36%
Economic condition	28	25.45%
Natural disaster	20	18.18%
Demand and supply of other commodities	11	10%
Government policy	22	20%
Total	**110**	**100%**

Source: Primary Data (Questionnaire)

Figure 4.1.8 FACTORS DETERMING IN COMMODITITES TRADING



Inference:

The above data shows us the 26.36 %percentage of currency value of other countries are changing the commodities market and 25.45% percentage of economic condition changes the national growth and upgrading the statistics and implementing the budget of an economy that cause also affect the commodities market and 20 %percentage of Government policy are changing the effect in commodities because of implementing the new treaty cause some commodities affect passively and natural disaster plays the role of 18.18%percentge because of Nation situation are containing in it and it slowly affect the pricing of gold and silver and the demand and supply of other commodities of 10% percentage can changing the market little bit.

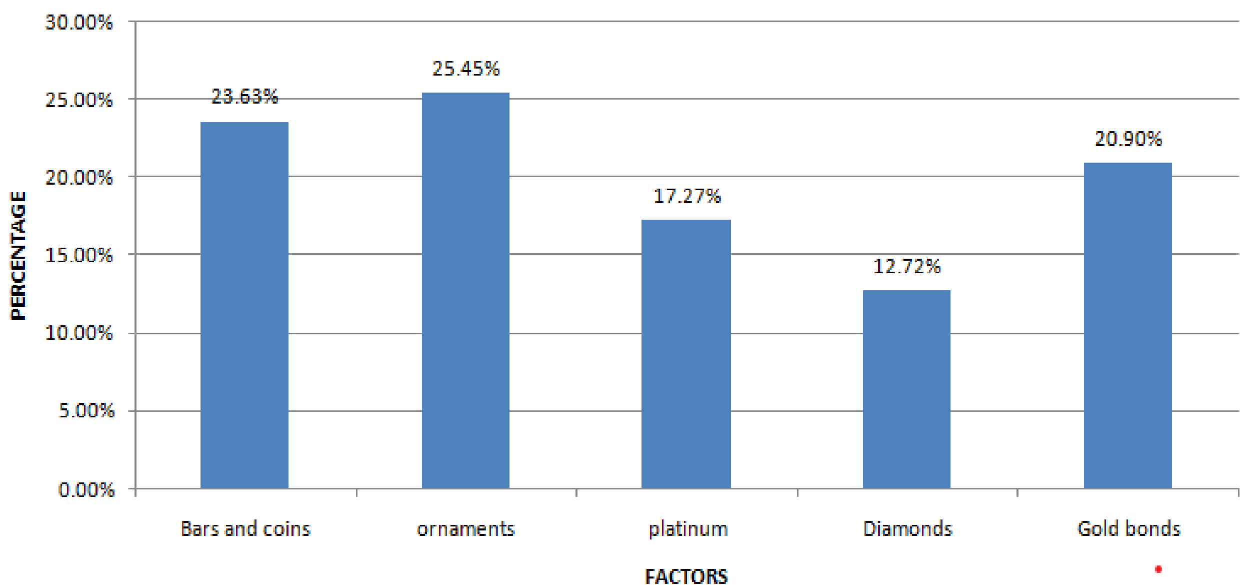
4.1.9 BUYING PREFERENCE OF COMMODITES TRADING

Table 4.1.9 shows that buying preference of commodities trading

Preferences	**Frequency**	**Percentage**
Bars and coins	26	23.63%
ornaments	28	25.45%
platinum	19	17.27%
Diamonds	14	12.72%
Gold bonds	23	20.90%
Total	**110**	**100%**

Source: Primary Data (Questionnaire)

Figure 4.1.9 BUYING PREFERENCE OF COMMODITES TRADING



Inference:

The above data shows that the buying preference of ornament is higher percentage of 25.45% because of the commodities market the people use it for an liquidity purpose and the other is bars and coins is 23.63% percentage of investor investing and rest of the factor remain different from each other and the gold bond plays the vital role in commodities market because people started investing in the gold bonds also.

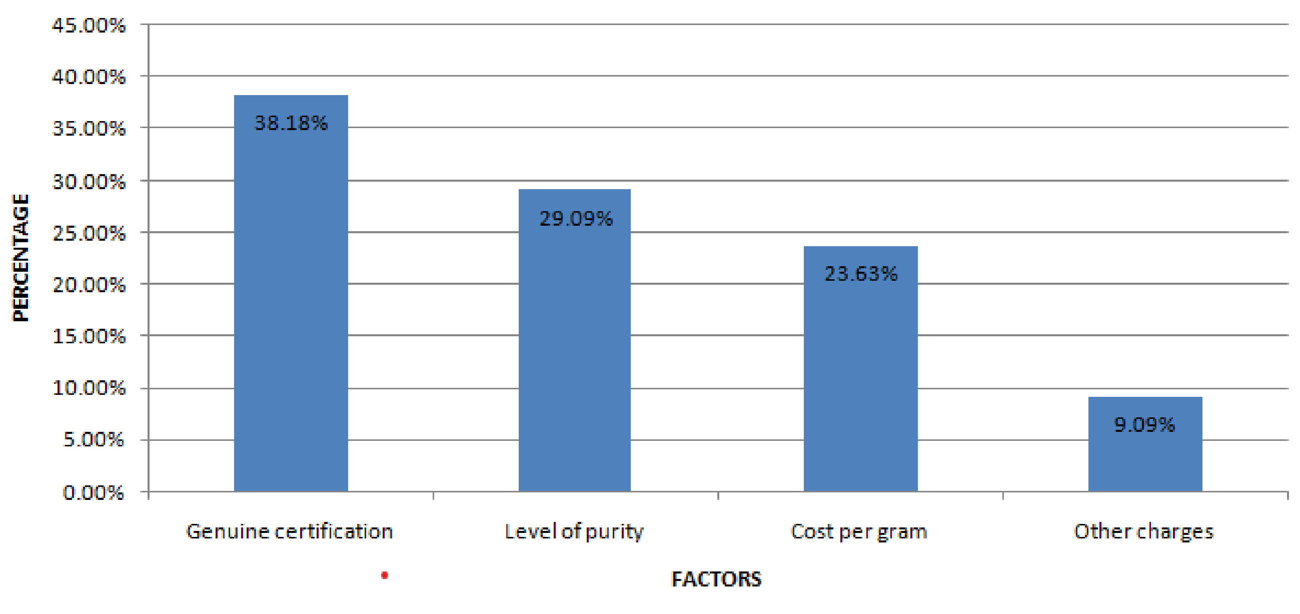
4.1.10 CAUSE OF DIDN'T BUYING THE GOLD AND SILVER

Table4.1.10 shows us the respondents of didn't buying the gold and silver

Factors	Frequency	Percentage
Genuine certification	42	38.18%
Level of purity	32	29.09%
Cost per gram	26	23.63%
Other charges	10	9.09%
Total	**110**	**100**

Source: Primary Data (Questionnaire)

Figure 4.1.10 CAUSE OF DIDN'T BUYING THE GOLD AND SILVER



Inference:

The above data shows us the 38.18% percentage of investors who cannot invest because of not having an genuine certification and 29.09% percentage is level of purity is not having adding more other metals can decrease the level of purity and rest of factors are cost per gram is 23.63% percentage and other charges is simply 9.09% percentage only.

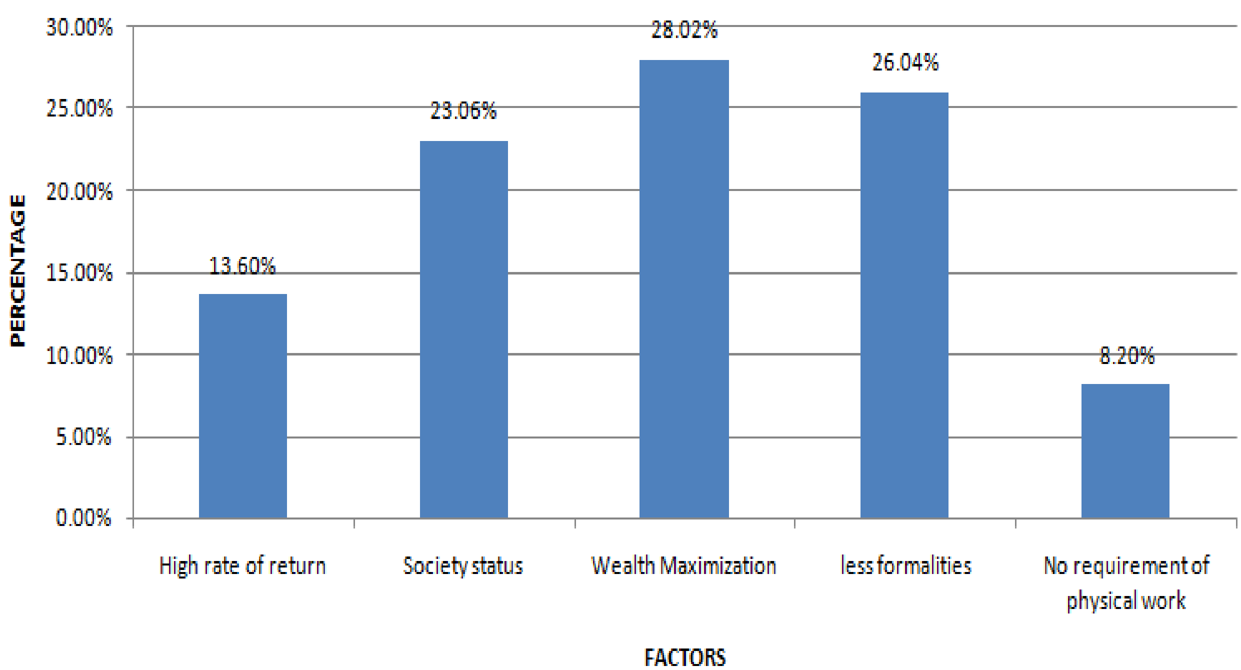
4.1.11 FACTORS THAT MOTIVATED TO COMMODITIES TRADING

Table 4.1.11 shows us the factors that motivated investor to commodities trading

Factors	**Frequency**	**Percentage**
High rate of return	15	13.6%
Society status	26	23.6%
Wealth Maximization	31	28.2%
less formalities	29	26.4%
No requirement of physical work	9	8.20%
Total	**110**	**100**

Source: Primary Data (Questionnaire)

Figure 4.1.11 FACTORS THAT MOTIVATED TO COMMODITIES TRADING



Inference:

The above data shows that the 28.02% percentage of investors are motivated to come up with the wealth maximization and 23.06% percentage is society status and 26.04% percentage of investors are participating in commodities trading because of less formalities and 13.60% percentage of trading with the cause of high rate of return and 8.20% percentage are participating for no requirement of work.

4.1.12 CHI-SQUARE

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	7.732[a]	12	.806
Likelihood Ratio	8.051	12	.781
N of Valid Cases	110		

a. 11 cells (55.0%) have expected count less than 5. The minimum expected count is .16.

In order to understand the concept of factor of that motivated the commodities trading to an investor is clearly identified the age wise preference towards an investor in the different modes of factors viz.High rate of return, less formalities, no requirement of physical work, society status and wealth maximization have been applied the chi-square test to analyze the significant association between them, we have the constructed the hypothesis as follows

Figure 4.1.12Factors * age Cross tabulation

Factors	Age				Total
	25 years	26-45	45-60	50 Above	
High rate of return	7	2	5	1	15
less formalities	15	3	10	1	29
No requirement of physical work	4	3	2	0	9
Society status	12	5	9	0	26
Wealth Maximization	17	7	7	0	31
Total	55	20	33	2	110

H_0: There is no significant association between the age and the factors that motivated the commodities trading

H1: There is a significant association between them the age and the factors that motivated the commodities trading.

On the analyzing the significant to understand the concept of the factors that motivated the commodities trading we found that on comparing the value that obtained for the chi-square the null hypothesis is accepted and hence there is no significant association between the age and the factors that motivated the commodities trading.

Figure 4.1.13CROSS TABULATION:

age * source of investment information Cross tabulation

		Source of investment information					Total
		Company	Family ,	Published media	Related website brokers	Television	
age	25 years	9	5	11	13	17	55
	26-45	5	2	3	7	3	20
	45-60	6	2	8	8	9	33
	50 Above	1	0	1	0	0	2
Total		21	9	23	28	29	110

Inference:

In order to understand the concept of source of investment information we have identified the age wise performance towards different percentage modes of source of investment information viz. Company Advertisements, Family ,Friends , Relatives, Published media, Related Websites Brokers, Television we applied the cross tabulation between them.

On analyzing the cross tabulation the most of the investor says the trading source of information came from so this the 26.4% percentage of within 50above investors are trading as this result we conclude the al l the information that are published by the media so all the investors are attracted by the media and trading in it .

CHAPTER-5

FINDINGS SUGGESTIONS AND CONCLUSION

5.0 INTRODUCTION

Based on the detailed analysis of the primary data and discussion previous chapter has presented as the finding of the study in a logical manner. In this chapter we going to see about the finding of commodities of trading analysis of gold and silver and it factor how changes the effect of price and how the investor investing the gold and silver and their finding their buying perception of players.

5.1 FINDINGS

- It is recorded that male and female respondents are equally playing in the commodities market.
- It is founded that age group up to of 25years are investing 50.00% compared with other age groups
- It is founded that the investor studied upto of school education are the highest percentage and they are playing the vital role in commodities market
- It is determined that the 45,000 to 50,000 monthly income of investors are contributing in higher percentage in the commodities market
- It is recorded the source of an investor to investing their money is mainly income from their salary and it is in higher percentage.
- It shows the purpose of their participating in commodities market is investment motive is in higher percentage.
- It shows that the source of their investment information to invest the commodities market by the media of television and related website brokers in and it all factors coming under the media to help the investor to invest in the commodities market
- It shows the factor that determines the commodities trading is currency value of other countries is effecting the price and its fall of gold and silver more and more

- The data show the buying preference among the investors is in more in ornaments.
- It shows the most of the investors playing in the commodities market of gold and silver with an intention to their wealth.

5.2 SUGGESTIONS:

- The commodities market playing the vital role in every investor life and also the commodities market are came up with new marketing techniques to attract the investor to invest.
- The Male and female respondents are equally playing their role in commodities market so we have to analyze the both of the gender as much as possible.
- So many investor are investing in ornaments because of liquidation purpose and we want to analyze the factor to improve our prediction of buying
- So many investors are investing their money in their young age so we want to analyze the perspective age group of 25 years again.
- Before investing, an investor should have clear and adequate knowledge of stock market so they can earn maximum returns
- Investors should not buy in bulk volume because of higher price flutucations if they investors investing are shot then they cannot buy when the price goes down
- Investors for short terms gains in current scenario will not be helpful as both commodity market in bearish market the investors can go for long term investment to maximize the returns.

5.3 CONCLUSION:

By the detailed study of the commodities of trading analysis of gold and silver in Chennai. It founded that the clear picture of investor how investing their amount in the commodities market and their perception of buying the commodity are in stated very clearly in this subject and the factor that fluctuating the market are shown in this analysis and interpretation and the cause of the players didn't buying the commodities are also shown here so the it shows the clear picture of mind of the investor who are going to investing their amount in the commodities market and most of the investor are attracted by the media influence to push the investor into the commodities market. As per the subject objectives are clearly achieved of the subject of commodities trading analysis of gold and silver.

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ANNEXURE

Dear Respondent, QNO: ☐

I am a student of RAMAKRISHNA MISSION VIVEKANANDA (EVENING) COLLEGE, department of B.COM. (COMPUTER APPLICATIONS) and presently doing a project on "COMMODTIY TRADING ANALYSIS OF GOLD AND SILVER" I request you to kindly fill the questionnaire below and assure you that the data generated shall be kept confidential.

1. Name……………
2. Gender

   ☐ Male ☐ Female

3.Age in years

- 25 years
- 26-45
- 45-60
- 50 Above

4.Educational Qualifications

- School education
- Diploma
- Graduate
- Post graduate
- Professional education

5.Monthly income

- Below 35,000
- 40,000 to 60,000
- Above 60,000

6. State the source of investment

- Income from salary
- Family savings
- Income from properties
- Return form investment

7. Factors determining in commodity trading

- Currency value of other countries
- Economic condition
- Natural disaster
- Demand and supply of existing commodities
- Government policies

8. Buying preference to buy in the following commodities market

- Bars and coins
- Ornaments
- Platinum
- Diamonds
- Gold bonds

9. How will you rate investment made on

CATEGORY	Bars and coins	Ornaments	Diamond	platinum	Gold bonds
Highly yielding					
Moderate Yielding					
Uncertainty					
Highly risky					

10.what is the cause of didn’t buying the gold and silver

- Cost per gram
- Level of purity
- Genuine certification
- Other charges

11.Factors that motivated to participate in commodities trading

- High rate of return
- Society status
- Wealth maximization
- Less formalities
- No requirement of physical work

12. Purpose of participating in commodities trading

- Investment motive
- Liquidity purpose
- Gift
- Marriage
- Income/profit

13. Source of investment information

- Published Media
- Television
- Related website brokers
- Company advertisement
- Family,Friends,Relatives

14. Under commodities state your satisfaction on commodities trading

Category	Very much satisfaction	Satisfaction	Neither Satisfaction not unsatisfied	Unsatisfied	Highly Unsatisfied
Bars and coins					
Ornaments					
Platinum					
Diamonds					
Gold bonds					

15. Please convey your thoughts of gold and silver in trading.

……………………………………………………………………..