

COMMODITY DERIVATIVES EXCHANGES IN INDIA: A STUDY OF SELECT EXCHANGES

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ABSTRACT

The financial markets, instruments and participants provide the investment environment to the investor. Return on investment is always subject to the risk attached. Investors do require a hedging mechanism to offset the risk of investing in shares and debentures. Derivatives provide an effect solution to the problem of risk caused by uncertainty and volatility in the underlying asset. In India, the emergence and growth of the Derivatives Market is relatively a recent phenomenon. Since its inception in June 2000, Derivatives Exchanges has exhibited exponential growth both in terms of volume and number of traded contracts. Hence, the study is undertaken to analyze the trend of and progress of Commodity Derivative Trading in National Commodity & Derivative Exchange Limited. (NCDEX) and Multi Commodity Exchange of India Ltd (MCX) and evaluate the performance of these two commodity exchanges.

The parameters chosen for analyzing the trends in the performances of commodity exchanges are number of commodities traded, volume of commodities traded, and the value of these traded commodities over a period of time and awareness programs conducted. Whereas it is vice-versa in the number of contracts traded. One interesting, point to observe is that the CAGR in traded value in case of both commodity exchanges is higher than that of the CAGR in the number of contracts traded.

Awareness programs conducted to farmers is more than the number of programs to the non farmers and MCX conducted more number of awareness programs compared to the NCDEX.

KEY WORDS: Investments, Derivatives, Financial Derivative, Commodity Derivative, MCX: NCDEX
