

## **A THEORITICAL FRAMEWORK OF INDIAN COMMODITY MARKET EXCHANGES**

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### **ABSTRACT**

The Commodity Markets has a most significant place in the economic development and growth a country. In general, the commodity market refers to a place in which the commodities are purchased or sold. The study focuses on the concept of commodity market and the various commodity market exchanges operating in India. The study objectives rely on to study about the concept of Commodity Market in India and to gather information about the National Commodity Exchanges in India. The Indian Commodity Market significantly contributes towards the economic growth and development of the country. The role of commodity market acts inevitable to the nation.

### **INTRODUCTION OF THE STUDY**

The Commodity Markets has a most significant place in the economic development and growth a country. In general, the commodity market refers to a place in which the commodities are purchased or sold. The organized trading in commodities was initiated in the mid of the 19<sup>th</sup> century. Even though, the first organized Indian commodity market was setup in 1875, the history of Indian Commodity derivative market was in practice from the ancient times itself. The market stayed absent in the next four decades and later restarted its operations only in the early 2000's. The Indian Commodity market s almost 100 years old but it was officially set up through a legal trading mechanism in 2003. The study focuses on the concept of commodity market and the various commodity market exchanges operating in India.

### **OBJECTIVES OF THE STUDY**

- To study about the concept of Commodity Market in India.
- To gather information about the National Commodity Exchanges in India.

### **SCOPE OF THE STUDY**

The Commodity market acts as a market where the raw or primary products are being exchanged. There are numerous commodities available and are traded in the Indian

Commodity market. The study helps in acquiring knowledge about the various commodity exchanges of India

## RESEARCH METHODOLOGY

The main objective of research is to discover answers to questions by the application of scientific procedures. The study on research methods helps us in gaining knowledge and skills required to solve the research problems and face the challenges of a fast-paced decision-making environment. In the present study, the secondary data collection methods are used.

## LITERATURE REVIEW

**. A Study on Relationship between Gold and Silver with Special Reference to Multi Commodity Exchange of India Limited (MCX) – Deepu Nair, Dr.n.Ravichandran (2018)** In this study, the relationship between Silver and Gold for the period of 2012-2016 is analysed. The main objective of the study is to examine the relationship between Silver and Gold in commodity market. The data collection is made from Multi Commodity Exchange of India Limited. The statistical tool used involves Correlation and Regression. From the study, the investors may know the relationship and the factors that influence the Gold and Silver prices. Hence the study concludes that it is very important to analysis the numerous risks involved before making investments.

**A Project report on Detailed Study of Commodity Markets in India by Lalit Kumar Kandoi (February 2020).** The study examines the overview of Commodity Markets in India along with the important three commodity exchanges in India. The primary objective of the study is to analyze and study the commodities such as Gold and Silver. It's secondary objective includes their price volatility, co-relationship between silver price and gold price and also to examine the co-relationship between Dollar exchange rate and Gold price. The study period involves 2015-2019 with secondary data collection methods. The statistical tools applied involves simple moving averages, Bollinger band width, Relative strength index, correlation etc., Thus by using the investment opportunities the commodity market will aid in maximization of returns.

## COMMODITY TRADING – MEANING

In general, the commodity trading refers to the buying, selling and trading of commodities. It is the exchange of various assets, futures contracts which are based on the prices of underlying physical commodities. In India, a commodity trading is generally done through derivative contracts namely commodity futures and options.

## COMMODITIES – TYPES

Hard commodities: It consists of the natural resources which are mined or extracted. They are further classified into,

1. Metals - Copper, Zinc, Platinum, Silver, Gold
2. Energy - Gasoline, Crude oil, Natural Gas, Heating oil etc.,

Soft commodities: It covers those commodities which are grown and cared except mined or extracted. It is further divided into two,

1. Agriculture - Sugar, Corn, Soybean, Coffee, Cotton, Salt, Wheat etc.,
2. Livestock and Meat – Live cattle, Egg, Feeder Cattle.

### **LIST OF COMMODITIES TRADED IN INDIA**

A commodity is a category of goods or assets which are significant in day to day life, like food, metals or energy. It is exchangeable and alternate by nature. It can be classified as every type of movable good which can be bought and sold, except for money and actionable claims. The commodities traded in India are mainly divided into four namely,

Energy: Crude Oil, Natural Gas.

Agricultural Commodities: Castor oil, Soya bean, Tur dhal, Chana, Cardamom, Sugar, Wheat, Maize, Mentha oil, Rice, Turmeric, Moong, Rubber, Palmolein, Crude oil, Cotton, Guar, Black pepper, Kappas, Crude palm oil, etc.,

Metals: Lead, Zinc, Nickel, Aluminium, Copper, Bras.

Precious Metals: Gold, Silver, Platinum.

### **NATIONAL COMMODITY EXCHANGES IN INDIA**

In India, Commodity trading has a longer history. The commodity trading in India was started before it was started in many other countries. The commodity exchanges are markets where the traders expect a regulated, transparent, stable and liquid venue for trading commodities. In present scenario, exchanges are almost completely electronic, carrying out millions of trades per second and providing market participants access to the global markets at around-the-clock. The traders use the commodity exchange mainly to yield profit from these fluctuations. In the year 2016, India had Six National Commodity Exchanges along with numerous regional exchanges. In India there are 19 commodity derivatives exchanges.

- ✓ Multi Commodity Exchange of India (MCX)
- ✓ National Commodity and Derivatives Exchange of India (NCDEX)
- ✓ National Multi Commodity Exchange (NMCE)
- ✓ Indian Commodity Exchange (ICEX)
- ✓ ACE Derivatives & Commodity Exchange Limited
- ✓ Universal Commodity Exchange Limited
- ✓

## MULTI COMMODITY EXCHANGE OF INDIA LIMITED (MCX)

In India, the Multi Commodity Exchange of India Ltd (MCX) is a commodity exchange owned by the Ministry of Finance, Government of India. It was established in the year 2003 at Mumbai by the Government of India. MCX is a de-metalized and self-governing multi commodity exchange. It has got permanent recognition by the Government of India for providing clearing, online trading and settlement options for the commodity futures market throughout the country.

### Multi Commodity Exchange of India Limited

- ✓ Type : Commodity Exchange
- ✓ Established : 10<sup>th</sup> November 2013
- ✓ Traded as : BSE: 534091
- ✓ Products : Commodity Derivatives
- ✓ Owner : Ministry of Finance, Government of India
- ✓ Key Persons : Saurabh Chandra (Chairman)  
P S Reddy (MD & CEO)
- ✓ Promoters : National spot exchange limited, IBC Forex, India energy exchange, National Bulk Handling corporation, Singapore mercantile exchange board of trade, ticker plant limited.
- ✓ Website : [www.mcxindia.com](http://www.mcxindia.com)

## NATIONAL COMMODITY AND DERIVATIVES EXCHANGE OF INDIA (NCDEX)

National Commodity and Derivatives Exchange of India (NCDEX) acts as an Indian derivative and online commodity exchange of India. Its ownership is vested in the hands of Ministry of Finance, Government of India. NCDEX is actually a government company incorporated at 23<sup>rd</sup> April 2003 by the Companies Act 1956. It has received its Certificate of Commencement of Business at May 9 2003. From 15<sup>th</sup> December 2003, it commenced its operations. NCDEX has offices in Indore, Mumbai, Ahmedabad, Jaipur, Hyderabad, Delhi and Kolkatta.

### National Commodity & Derivatives Exchange Ltd.

- ✓ Type : Commodity Exchange
- ✓ Establishment : 15 December 2003
- ✓ Industry : Business Services
- ✓ Headquarters : Mumbai, Maharashtra, India
- ✓ Products : Futures
- ✓ Owned by : Ministry of Finance, Government
- ✓ Key Persons : ArunRaste (MD & CEO)
- ✓ Promoters : ICICI Bank, NABARD, LIC, PNB, IFFCO, CRISIL, Renuka Sugar, J.P Capital, Goldman, Intercontinental Exchange, Sachs.

- ✓ Commodities Traded :Cereals and pulses, Copper, Fibres, Polyvinyl Chloride, Oil and Oil seeds, Steel, Spices, Brent Crude oil, Plantation products, Gold Silver.
- ✓ Website : [www.ncdex.com/index.aspx](http://www.ncdex.com/index.aspx)

### **NATIONAL MULTI COMMODITY EXCHANGE (NMCE)**

The National Multi Commodity Exchange of India Ltd. (NMCE) was established in the year November 26<sup>th</sup> 2002. It is considered as the India's first online and demutualized commodity exchange by a class of Indian commodity-based corporations and also public agencies. The NMCE listed its first and foremost contracts in November 2002 on 24 commodities. The NMCE was merged with Indian Commodity Exchange (ICEX) on 2017.

#### **National Multi Commodity Exchange (NMCE)**

Establishment : 2002

Headquarters : Ahmedabad

Promoters :Central Warehousing Corporation, Neptune Overseas, Gujarat State Agricultural Marketing Board, National Institute of Agricultural Marketing, Gujarat Agricultural Industries Corporation Limited

Commodities Traded :castor seeds, gram, rapeseed, gold, soyabean, sesame, aluminium, lead, zinc, copper, black pepper, mustard, copra, coffee, isabgol.

### **INDIAN COMMODITY EXCHANGE (ICEX)**

The ICEX acts as an screen based online derivatives exchange dealing in commodities.

Establishment : Nov.2009

Headquarter : Gurgaon

Promoters :The Reliance Exchange Next Ltd. Acts as an anchor investor and the MMCTC ltd. IDFC, Indian Potash Ltd., India Bulls financial services Ltd. and KRIBHCO.

Commodity traded: Iron ore, silver, gold, jute, methi oil, soyabean, copper, lead, natural gas, mustard, soyabean oil, soyabean.

### **ACE DERIVATIVES AND COMMODITY EXCHANGE LIMITED**

Ahmedabad Commodity Exchange is also called as ACE Derivatives and Commodity Exchange. It is fifth National Commodities Exchange in India. It was established in the year October 26, 2010. The exchange offers contracts on soy oil, castor seed, soy bean, rape mustard seed and chickpeas with a plan to offer some other contracts like spices, metals and

energies. The launch of ACE was the first time where a regional Indian market upgraded to a national market.

### **UNIVERSAL COMMODITY EXCHANGE LIMITED**

It acts as a national level electronic commodity exchange of India.

Establishment : April 2013

Promoters : IDBI Bank, NABARD, Commex Technology, IFFCO and REC

Commodity traded : gold, silver, crude oil, turmeric, soyabean, refined soya oil, chana, rubber, mustard.

### **CONCLUSION**

The Indian Commodity Market significantly contributes towards the economic growth and development of the country. The role of commodity market acts inevitable to the nation. Though there are various regional commodity exchanges in India, the study concentrated on the six National Commodity Exchanges that gave complete information about its overall functions. Apart from all the above discussed points, the concept of commodity markets is still unfamiliar amongst various persons of India, so adequate measures must be taken to educate and create awareness which would attract larger investments in the market and also contribute to the economic growth of the country.