

Abstract of Doctoral Dissertation

Performance of Commodity Derivatives Market in India : An Analytical Study¹

SHAIK MASOOD*

I. Introduction

COMMODITY DERIVATIVES TRADING has become indispensable in the hyper competitive era created by globalization and open market economies. The effective trading in commodities leads to a good price discovery, price stabilization and effective resource allocation in the economy.

The price risk is a key factor for commodities trading as many participants want to stabilise price either of the way, buy or sale. The trading on Commodity derivatives (Futures) markets have been in existence for centuries and provide an efficient vehicle for buyers and sellers of goods to reduce price uncertainty and risk as cited above. Markets had already attained a degree of formalization in ancient Greece and Rome with a fixed time and place for trading Commodity futures contracts originated as a way for farmers to reduce their price risk, a farmer would have to bear the cost of planting and cultivating a crop with no guarantee of the price for which that crop could be sold. Any entity which is exposed to the price risk of a commodity that underlies a traded futures contract may reduce the risk by taking the appropriate position in futures contracts.

II. The Study : Objective, Hypothesis and Research Methodology

The commodity derivatives market has been showing an epic progress in terms of technology, transparency and the trading activity. Since, the price discovery and price risk management that had been left to the market forces rather than trying to achieve these through administered price

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* Associate Professor of Finance and Economics, Aristotle P G College, Beside Moinabad Police Station, Chikur (V), Moinabad (M), Ranga Reddy Distict, Telangana 501504, INDIA

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Director & Professor of Finance