

## **GROWTH AND CHALLENGES OF COMMODITY DERIVATIVE MARKET IN INDIA**

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### **ABSTRACT**

Commodity market is an important constituent of the financial markets of any country. It is the market where a wide range of products, viz., precious metals, base metals, crude oil, energy and soft commodities like palm oil, coffee etc. are traded. It is important to develop a vibrant, active and liquid commodity market. This would help investors hedge their commodity risk, take speculative positions in commodities and exploit arbitrage opportunities in the market. In India where agriculture is an important sector which contributes maximum to the growth of its GDP, it possess the capacity of not only being one of the top five producers of the commodities but also the major consumer of bullion and energy products. In other words India has more potentiality to become a major center for trading of more commodities. But unfortunately because of heavy government interventions in the agricultural market in case of maintaining buffer stock, in fixing the prices and by way of imposing restrictions on export and import of the commodities. In order to eliminate the obstacles and to fix the fair prices and to maintain buffer stocks and make farmers not to be vulnerable for the price crashes in future when the crop comes out, and to give them signals which trade will have great value tomorrow, there is a dire need of developed commodity derivative market in India. The present study analyses the growth and challenges of the commodity market in India.

**KEYWORDS:** Challenges, Commodity Derivative Market, Growth