

SIGNIFICANCE OF EXCHANGE REFORMS TO PROPEL THE GROWTH OF MARKETS ESPECIALLY FOR RURAL ECONOMIC DEVELOPMENT

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ABSTRACT

To attain price discovery and better price risk managing trading in commodity derivatives on exchange platform is a vital device; in add up allocation to economy with improved resource allocation and create income levels. In 1875, India's first organized futures market, Bombay cotton trade association Ltd,. The trade quantity has fully fledged exponentially since the commencement in 2003 of national online trading on Multi-commodity exchange platforms. The present study aims to study the relative impact of financial crisis and exchange markets, to assess the exchanges' operational efficiency and also to examine the role of exchanges to infuse market inclusive for economic growth. Secondary data were collected from the official web sites of Forward Market Commission (FMC) and National Level Commodity Exchanges related information for the period 2005 to 2015 and also from recognized journals and publications to make possible effective information. The results reveals that, despite the fact that, India is having major stake holding in major agriculture commodities and we still remain the "price takers" in the market rather than graduating into "Price setters" as would logically be demanded by our position in the cash markets. Hence better policies are to be reframed in the day to come. The study also reveals that, exchanges by improving their operations, contract design, stricter surveillance etc., shall be able to contribute towards an increase in their service delivery efficiency. This would finally contribute not only towards improving their operational procedures and efficiency but would also push themselves towards benchmarks in the Indian economy. Further, the study also outlooks that, through innovative ICT models and improved policy measures are needed to reach out those sitting on the edge of the markets which will help in the growth of commodity futures. With growth in commodity markets, the design of the contracts changes dynamically to attract the physical market participants to improve dynamic passage of physical market information into future contracts to help improve its price discovery process to attain financial stability.

KEYWORDS: India's first Organized Futures Market, Bombay cotton trade Association Ltd, Forward Market Commission (FMC) and National Level Commodity Exchanges Related Information, "Price Takers"