

1. Do you think that banning futures trade is a rational solution to arrest inflation in the country?  
comment?

The Securities exchange board of India has banned options and futures trading on a host of commodities including soyabean, chana etc. Government's this initiative was to curb inflation.

### Futures trade:

These are market instruments for price discovery, price stabilization and price risk management. By

futures trading farmers will be at their advantage. Even if prices fall that will have no impact on farmers produce because of prior contracts.

### Concerns of farmers:

→ firstly, In order to curb inflation banning futures trade will force farmers to sell their produce at prevailing price. This might lead to their disadvantage.

→ secondly, it will force farmer to hoard produce and then sell at a proper price.

## Causes for inflation:

- Inflation may emanate due to supply and demand.
- It may occur due to less production, hoarding etc.

## Barring futures trade is irrational solution:

Inflation can occur due to whole host of reasons but not due to futures trade. According to National Institute of agricultural

marketing reports there is no proof or evident that futures trade cause inflation.

Thus barring futures trade is not a rational solution to arrest inflation. Barring will leave farmers etc at their disadvantage. Thereby supply and demand, reduction in stocking may arrest inflation.