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Kerala is blessed with abundance of natural resources and human resources to turn the state into an industrial one. It has the largest resource of beach sands in India containing the richest concentration of ilmenite. Kerala has unique features when compared to the other states of India. It ranks very high in terms of the quality of life index, literacy level, reach of print media, education, medical facilities, sanitation, banking facilities, access to NRI funds and rate of household savings. The state appears to be particularly equipped to develop a very large constituency of investors in corporate securities. This chapter presents the capital market scenario in Kerala. It also presents a profile of individual investors in Kerala.

Kerala which means the 'land of coconuts' and recently described as 'God's own country', is situated in the southwestern tip of the Indian sub-continent. It is separated by the western ghats in the east and Arabian sea in the west. (George 2) The basic characteristic

Blessed with abundance of monsoon, Kerala is a lovely state with sparkling streams, shimmering backwaters and palm-fringed coastal areas. For millions of people around the world, this state has come to mean a land of lush green lagoons and scenic backwaters.

The Physical Quality of Life Index (PQLI) indicates that Kerala leads Kerala is blessed with abundance of natural resources and human resources to turn the state into an industrial one. It has the largest resource of beach sands in India containing the richest concentration of ilmenite, rutile zircon, monazite and silimanite in the world. It also has the highest density of science and technology personnel in India and a good communication network.

4.1. Pattern of Economic Development – The Kerala Model

Kerala has gone through a pattern of economic development, quite unique from the national point of view. It has come to be known as the 'Kerala Model of Development' which is characterised by spectacular improvements in quality of life, even while growth in income and employment has been lagging behind. Whatever growth has been taking place has not been in the commodity producing sectors, but in the tertiary sector (George 2). The basic characteristic

of Kerala model of development is the paradox of social development and economic stagnation.

4.2 Physical Quality of Life

The Physical Quality of Life Index (PQLI) indicates that Kerala leads other Indian states by a wide margin. In literacy, education, sanitation, medical facilities and banking facilities, Kerala stands far ahead of all other states in the country. The experience of Asian Tigers suggests that a state with its first position in PQLI should have been the first to grab opportunities under liberalisation and globalisation. States like Tamil Nadu, Karnataka, Andhra Pradesh, Gujarat, Maharashtra, West Bengal and Rajasthan have tapped the investment opportunities thrown open by the liberalisation policies. However, Kerala has failed to keep pace with these states in attracting capital. Kerala is among the major states which has not received much investments, either in terms of volume or in terms of number. Thus Kerala shows that there is no correlation between PQLI and the various indicators of investment (Udayalal 7).

4.3 Industrialisation in Kerala

Being basically an agrarian economy, industrialisation was very slow in the State. Whatever few industries came up were mainly in the cottage and small-scale sector. The industrial pattern in the State at that time was mostly confined to coir-yarn spinning, handloom weaving, fiber extraction and such other cottage industries. The history of industrial development of Kerala dates back to 1881 when the first manufacturing unit on a factory basis was started at Quilon to produce cloth. The Paper Mill at Punalur was started in February 1887. In 1918, a separate department for industries was started by the Travancore State Government. The first sugar factory was started in Thuckala in 1931. Shortly after, a coir factory at Trivandrum and the Ceramic factory at Kundara near Quilon were established in 1939.

The Fertilizers and Chemicals Travancore Limited (FACT) was the first large-scale chemical unit to be started in the State. The work of the factory set up on the banks of the river Periyar started as early as 1944 and the factory went into commercial production in 1948. FACT was conceived at a time of critical food shortage in the country during the World War II. Sir. C. P. Ramaswamy Aiyer, the then Dewan of Travancore, recognised that chemical fertilizers were the

need of the hour in raising the maximum yield out of the arable land in the state. He, therefore, sponsored the establishment of FACT and Messers. Seshasayee Brothers were invited to organise the venture.

1,60,544 in 1997 (Govt of Kerala, *Economic Review, 1997, P.6*).

FACT has since then grown, expanded and branched out in a good manner as a triumph of the public sector. FACT today has a capital employed of Rs.650 crore and its sales turnover is around Rs.1032 crore. FACT today has three manufacturing divisions, two at Udyogamandal, its birth place and the other at Ambalamedu close to the Cochin Refineries. The overall production capacity of the Company now is in the range of 2.85 lakhs tonnes of Nitrogen, 1.5 lakhs tonnes of Phosphate, and 50,000 tonnes of Caprolactam (FACT *Monograph, 1*).

neighbouring states. By 1996 the installed capacity of the State was

just The next phase of industrial development began with the introduction of Five - Year Plans. The various Five - year plans saw the starting of Travancore - Cochin Chemicals Ltd., Hindustan Insecticides Ltd., Co - operative Spinning Mills Cananore, Premier Tyres Kalamasery, the H.M.T., Cochin Shipyard, Cochin Refineries, KELTRON, Hindustan Latex Ltd., The Modern Bakeries Ltd., Malabar Cements Ltd., Hindustan Newsprint Ltd., Hindustan Latex Ltd., Indian Telephone Industries Ltd., Indian Rare Earths Ltd., etc.

including the stage I and II of the 365 MW Kayamkulam Thermal

Power There were 16,406 registered working factories in the state comprising 15,884 private sector and 522 public sector units at the end of 1996. The total number of small-scale units in Kerala stood at 1,60,544 in 1997 (Govt. of Kerala, *Economic Review*, 1997, P.6).

(Kant, Amitabh 12):

4.4. Infrastructure and Industrialisation

i) The development of Konkan Railway, linking the western region
 Infrastructure availability is the most determining factor for industrial growth. It is a pre-requisite for stimulating investment, enhancing economic growth and expanding industrialisation and exports. Till 1982 Kerala was a power surplus state. Kerala generated more power than what was required and sold it to the other neighbouring states. By 1996 the installed capacity of the State was just 1509 MW. The installed capacity now (1998) stands at 1795.5 MW. If the central share is also taken into account the total available power in the state is estimated at 2056.25 MW (*The Economic Times*, Kerala Plus, 30-10-98, P.1).

Kerala has great potential in terms of Capital formation and resource
 As per the estimates made by the 15th Power Survey of the Central Electricity Authority, Kerala's requirement during the peak demand stood at 2763 MW by year 2000. A number of projects including the stage I and II of the 365 MW Kayamkulam Thermal

Power-Project, are being commissioned these years. Total road length in the State in 1996-97 was 1.45 lakh kms. And the total number of motor vehicles stood at 13.29 lakhs. There are major infra-structural developments that can lead to a vast expansion of economic activities (Kant, Amitabh 12):

- i) The development of Konkan Railway, linking the western region to the South.
- ii) The development of Container Shipments Terminal at Cochin Port.
- iii) The development of International Airport at Nedumbassery, Cochin.
- iv) The development of Industrial Parks focusing on growth centres.
- v) The development of the Techno - park in Trivandrum, for Total electronic hardware and software.
- vi) The development of Wise Park at Palghat.

Kerala has great potential in terms of Capital formation and resources endowment. - There are several favourable factors for acceleration of industrial growth. There were 12,274 schools, 211 Arts and Science Colleges and 7 Universities in the State (Franke, Richard 47).

4.6 Spread of Print Media

4.5 Literacy and Education

Kerala's educational achievements have produced a variety of consequences. Kerala's educational achievements are so outstanding. Kerala stands out among all the states and regions in India for its remarkable achievements, raising its literacy level of its people. Kerala has an active adult education programme that makes possible substantial growth in literacy and achieve 100 per cent literacy.

In 1978, the circulation of daily newspapers was the highest in Malaysia. In December 1989 the Government organised a campaign to achieve full literacy through out Kerala. The campaign was run first as a pilot programme in Ernakulam District, which was opened on 15 December 1988. On 4th February 1990, the Ernakulam District was declared 100 per cent literate. It gave the inspiration to the All Kerala Total Literacy Programme. In April 1991 Kerala became the first state in India to achieve formal 100 per cent literacy.

Kerala stands far above the country as a whole in providing education across, male - female, urban - rural, and high caste - low caste barriers. During 1996-97 there were 12,274 schools, 211 Arts and Science Colleges and 7 Universities in the State (Franke, Richard 47).

Market', 'Business Deepika', and 'Dhanam'

4.6 Spread of Print Media

4.7. Composition of Kerala's Financial Sector

Kerala's educational achievements have produced a variety of consequences. These include wide spread reading of newspapers and magazines – the highest newspaper consumption in India - which are available even to the poorest groups in the village libraries and in petty tea-shops.

and in the early eighties, a large number of private unincorporated organisations sprang up like mushrooms in Kerala.

In 1978, the circulation of daily newspapers was the highest in Malayalam after English and Hindi. Malayalam dailies had a circulation of 11.21 lakhs compared to 25.55 lakhs for English and 24.75 lakhs for Hindi. In 1998, the circulation of six leading Malayalam dailies has been to the tune of 25 lakhs. Besides, English dailies have wide circulation in Kerala (INFA, *Year Book*, p.39c). Financial dailies like The Economic Times, Financial Express and Business Line also have easy accessibility even in remote towns in Kerala.

Almost all Malayalam dailies carry daily news on stock exchange transactions. They also carry weekly round - ups on stock exchange trends. Besides there are few weekly publications like 'Capital Market', 'Business Deepika', and 'Dhanam'.

4.7. Composition of Kerala's Financial Sector

The Financial Sector in Kerala has been characterised by a complex mix of formal and semi-formal institutional systems, purely informal and non-institutional arrangements of various kinds. During the seventies and in the early eighties, a large number of private unincorporated organisations sprang up like mushrooms in Kerala. Most of them failed as quickly as they came up and brought misery to large number of small investors (Nair 3).

Early nineties witnessed a substantial increase in the business of Non-Banking Finance Companies with Kuries and Chitties. In the area of deposit mobilisation, the co-operative banking system has provided a role- model for the country.

4.7.1. Savings rate in Kerala

There are no reliable estimates of regional savings rate. But there are two sources of information indicating a definite increase in the physical and financial savings in the region consequent upon inflow of remittances.

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336.76 (548.2)
ToH

The first is the decennial All India Rural Debt and Investment Surveys. They reveal that in 1960-61 and 1970-71, the average assets of rural households in Kerala was only around the national average. But in 1980-81, the average value of assets of rural households in Kerala was Rs. 77,479 compared to the national average of Rs. 36,097. Kerala's rank order improved dramatically from 8 to 2, next only to Punjab.

Another set of evidence relates to trend in per capita deposits in commercial banks. The per capita bank-deposits in Kerala were significantly lower than the national average till mid seventies. The ratio of per capita bank deposits to the national average that was 0.77 in 1970-71 became greater than unity in the year 1980-81. (Issac Thomas 26)

In the case of household units, savings rate is also a function of investment opportunities. If a variety of securities, with different mix of liquidity, yield and risks are made available, it is possible to push up the aggregate savings rates in the state, still further. The potential for corporate securities in Kerala can be increased by raising the share of financial assets in the asset portfolio of the household sector (Bavera, Allan 36).

The above factors have resulted in high degree of monetisation of the economy. This is clearly manifested in the high growth of financial infrastructure.

4.7.2. Financial Infra Structure

Since the nationalisation of banks in 1969, there had been tremendous growth in branch expansion, predominantly in rural and semi-urban areas. The number of branches increased from 8262 in 1969 to 65485 in 1997 registering a compound annual growth rate of 8 per cent. In 1987, of the total number of offices of the commercial banks in India, 5.03 per cent was located in Kerala, which accounted for only 3.7 per cent of the country's population.

The average population per branch in the whole country declined from 65,000 in 1969 to 15,000 in 1996. The corresponding figures with regard to Kerala are 35,000 in 1969 and 10,000 in 1996. In 1997, Kerala with 3214 branches, accounts for 4.9 per cent of the total bank branches in the country. Kerala has the highest number of semi-urban branches with 2253 such branches (*Economic Review*, 1997, P. 138). In addition to commercial bank branches, each village in Kerala has, on an average, 3.6 co-operative institutions.

336.76 (548.8)
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Table 4.1

Credit-Deposit Ratio

States	Deposits			Credits			Credit-Deposit Ratio		
	June 1969	June 1995	June 1997	June 1969	June 1995	June 1997	June 1969	June 1995	June 1997
1	2	3	4	5	6	7	8	9	10
Andhra Pradesh	121	16825	26513	122	13904	20160	100.8	82.6	76.0
Assam	33	3426	5301	13	1339	1820	39.4	39.1	34.3
Bihar	169	14054	21370	53	4412	6398	31.4	31.4	29.9
Gujarat	401	22006	29762	195	10384	14094	48.6	47.2	47.4
Haryana	49	7238	10610	23	3186	4210	46.9	44.0	39.7
Karnataka	188	15749	26527	143	11373	18525	76.1	72.2	69.8
Kerala	177	12538	23506	77	5441	10561	65.8	43.4	44.9
Madhya Pradesh	107	12127	18628	63	6634	9467	58.9	54.7	50.8
Maharashtra	903	54496	103919	912	43170	69100	101.0	79.2	66.5
Orissa	29	4586	7176	15	2505	3517	51.7	54.6	49.0
Punjab	185	17674	23787	50	7278	8794	27.0	41.2	37.0
Rajasthan	74	8786	14370	38	4082	6293	51.4	46.5	43.8
Tamil Nadu	233	20664	33971	311	19618	32799	133.5	94.9	96.5
Uttar Pradesh	337	32208	49240	154	11409	15114	45.7	35.4	30.7
West Bengal	456	32086	39829	526	12523	17975	115.4	54.2	45.0
Total	3402	265463	43509	2695	157258	238827	79.2	59.2	55.0
All India	3897	312697	507533	3885	193057	282702	99.67	59.2	55.0

Source: *Economic Review*, Govt. of Kerala, 1997, P. 139.

4.7.3. Credit Deposit Ratio

There has been a sharp decline in the credit – deposit ratio of the commercial banks in Kerala, in recent years. The fall in credit – deposit ratio has hampered the general investment tempo in the State. The CD ratio has declined from 64.77 in March 1988 to 44.9 in September 1997. For the past several years credit-deposit of Kerala had been well below 50 per cent (Table 4.1). Besides, Kerala's share of assistance sanctioned by All India Financial Institutions also has declined. As on 31-3-1996, the share was only 1.02 per cent next only to Assam and Bihar (*Economic Review*, 1997, P. 137).

The D.D Avari Committee endorsed the State's view that the Credit-Disbursement of commercial banks functioning in Kerala was totally inadequate and also observed that the philosophy of banking needs a new orientation and human touch under the Kerala situation.

4.7.4. High Per Capita Consumption

A peculiarity of Kerala is that there is not much rural-urban difference witnessed elsewhere in India. A study by the Central Statistical Organisation of 22 basic facilities like education, health,

banking and sanitation in Indian villages shows that Kerala ranks first in 17 out of the 22 indicators. Another peculiarity observed in Kerala is the co-existence of low per capita income and high per capita consumption. Kerala accounts for over 12 per cent of the consumer market of the country, although, it holds less than 4 per cent of the population (George 18).

One of the most visible changes in Kerala's economy over the past three decades is the rising share and power of the middle-class, attended by a rapidly growing consumer market. This in turn is derived from several factors: the land reforms, the rapid spread of rubber cultivation even into small holdings, the unionised strength of the workers, migration to other states and foreign countries, inward remittances, rise in wages and salaries; and finally, the 'Kerala Model' itself, with its accent on education and health, creating a vast body of employees at various levels in these sectors (Rammohan 2579). Per capita consumption expenditure in Kerala rose to 108.8 per cent in 1982-83, the highest ratio recorded for any State in India. This excess consumption expenditure over domestic income can be explained mainly by the inflow of remittances from migrants.

the principal and the interest. Most of them failed as quickly as they came up.

4.7.5. Utilisation pattern of Surplus funds

Depositors in Kerala have lost Rs. 9.78 crore as a result of the crash. The bulk of the surplus funds held by the households in Kerala was kept in the form of cash or bank deposits and was used for various routine expenses. The surplus funds also found its outlets in real estates, buildings and consumer durable. It is estimated that expenditure on socially productive purposes like improvement to land, investment in business, etc. accounted for only meagre portion of the available funds. The fall in bank deposits in mid- eighties is attributed to the diversion of deposits from scheduled banks and co-operative banks to private financiers, the so called 'blade companies' in search of higher returns (Issac Thomas 28).

4.7.6. The Informal Financial Sector

A number of private financial organisations came up in Kerala during the seventies and eighties. Such companies became so notorious in the State that they have come to be known as 'Blade companies', skilful at shaving clear off ones savings or sharp enough to cut ones throat. There was the default risk of non- payment of both the principal and the interest. Most of them failed as quickly as they came up.

4.7.8. Fluctuating Gold Prices

Depositors in Kerala have lost Rs. 9.78 crore as a result of the crash of 'blade companies' in the 1980s, according to official information made available in the Kerala State Assembly. 30 cases against blade companies were being pursued by the Crime Branch of the Kerala Police who received as many as 2294 complaints against persons who operated blade companies (*The Economic Times*, 8-2-87).

4.7.7. 'Get Rich Quick' Schemes

The ruin of the 'Blade Companies' in the 1980s led to the emergence of 'Get Rich Quick Schemes' in the 90s, in Kerala. Police investigation against 43 institutions who offered schemes like Goat Farms, Teak Plantations and Manchium resorts revealed that they looted lakhs and crores from the over ambitious investors in Kerala. These 43 institutions with Head Quarters in and around Ernakulam collected Rs. 37,96,18,592 through the sale of 1,60,758 units from 73,969 investors. These fictitious firms have spent Rs. 5,37,52,101 on advertisements (*Malayala Manorama*, 31-3-96, P.11).

A close watch at the holdings of physical assets and financial assets in Kerala clearly shows that there is tremendous

4.7.8. Fluctuating Gold Prices Out of Kerala's population of about 30 million, hardly two per cent has been attracted to the capital market. Though Kerala is a large gold consuming state, gold is becoming a less attractive asset, in terms of returns for investment purpose. The total gold arrival in Karipur Air port (Calicut, Kerala) from 1992 till February 1998 comes to 349 tonnes as against 283 tonnes in Mumbai during the same period. While the price of 22 carat gold per gram recorded the highest, at Rs. 527 on February 8, 1996 it has come down sharply to reach a record low of Rs. 380 on December 11, 1997. The decline works out to 28 per cent in 15 months. The international gold price declined from \$ 404 per Troy ounce (31.1 grams.) early 1996 to \$ 344 by 1997. Silver prices also were fluctuating all through out the years with out offering steady returns to the investors (*The Hindu*, 12-6-97, P.5). Return on investment in gold and silver for a longer period is given in chapter six (Table 6.6).

4.7.9. Industrial Securities Market in Kerala

In the year 1983 - 84, the share holder density expressed as a percentage of number of shareholders per 100 people in Kerala had been 0.4 against a national average of 0.4. A close watch at the holdings of physical assets and financial assets in Kerala clearly shows that there is tremendous market

potential for industrial securities. Out of Kerala's population of about 30 million, hardly two per cent has been attracted to the capital market.

The mobilisation of the savings of the small investors for investment in industrial securities and the broader spread of share ownership are factors which can exert significant influence on the capital market in Kerala. Investment in shares and debentures is no longer the monopoly of any particular class or a particular group of people. It attracts interests of a large number of small and middle class individuals.

4.8. The Cochin Stock Exchange Limited

Those who accumulate savings do not necessarily or always invest them in new issues of companies. Probably, a large proportion of savings goes, in the first instance into purchase of securities already issued. However, to the extent, the flow of savings in the old securities releases old savings, invested in new issues, it is the same as if the savings had been channelled into the new issue market.

In the year 1983 - 84, the share holder density expressed by way of number of shareholders per 100 people in Kerala had been 0.09 as against a national average of 0.4.

As the tempo of industrialisation increases and new issues of securities are made from year to year, the volume of out-standing securities and the volume of transactions go on rising more or less simultaneously. The market mechanism is being automated and improved in response to the growing demands. Kerala lacked a mechanism to make the public aware of the opportunities existed in equity investment.

The establishment of the Cochin Stock Exchange (CSE) in 1978 bridged this gap, to a considerable extent.

4.8. The Cochin Stock Exchange Limited

The recognised stock exchanges are reorganising themselves and developing their activities for the sustained growth of investment in the country. Cochin Stock Exchange (CSE) was incorporated in 1978 with a membership of 14, as the 9th recognised stock exchange in India. CSE is the biggest commercial enterprise in Kerala in terms of trade volume and it has a tremendous developmental role for the entire state of Kerala. CSE has an important role in providing buoyancy in secondary capital market, in the channelisation of investible funds, in converting short-term funds into long-term loanable funds and thus accelerating economic development.

Cochin Stock Exchange has 240 companies listed on it as on March 1998. Out of this 94 are Kerala based companies or Regional Companies (CSE Monograph, P. 3).

Table 4.2

The recognised Stock Exchanges play a direct part by participating in the initial distribution of new issues. In respect of new issues offered through a prospectus a number of members of the recognised stock exchanges act as underwriters. Besides they have been the principal agents for canvassing subscriptions.

Year	No. of Companies
1981-82	53
1986-87	65

In respect of further issues of capital by existing companies, the stock exchanges have provided a forum for trading in 'rights' and there by they enable new investors to take up a part of the issue in place of the company's shareholders. The twin features of reasonable return and liquidity in the stock exchange are incentives to the people to invest in securities.

Source: CSE Monograph, p 3

4.8.1. CSE and Kerala's Economy

4.8.2. Characteristic Features of CSE

One of the prime objectives behind the incorporation of CSE is to lend pace to the industrialisation process in Kerala. CSE spearheaded the spread of equity cult among the general public.

Cochin Stock Exchange has 240 companies listed on it as on March 1998. Out of this 94 are Kerala based companies or Regional Companies (CSE Monograph, P. 3).

It has also screen based trading system for odd-lots and thinly traded securities. **Table 4.2** Companies Listed on Cochin Stock Exchange

Year	No. of Companies
1977-78	05
1981-82	39
1984-85	53
1986-87	65
1989-90	79
1991-92	93
1993-94	130
1995-96	190
1997-98	240

Source: CSE Monograph, p.3

Table 4.3

List of Kerala Based Companies which have Come out with Public Issues

Year & S.No	Name of the Company	Amount Raised Rs Lakhs	No. of Times Oversubscribed
90-91			
1	Hendez Electronics Ltd.	180	1.15
91-92			
1	Pravara Electronics Ltd.	180	1.15
2	Cochin Minerals & Rutile	180	1.15
3	Nalun	180	1.15
4	Integrated Kubian Exports	180	1.15
5

4.8.2. Characteristic Features of CSE

Cochin Stock Exchange Limited is one of the premier exchanges in South India. It is the first fully automated exchange in India. It is also the first exchange to implement the computerised on-line data capturing system which results in zero level of unmatched transactions.

It has also screen based trading for odd-lots and thinly traded securities.

CSE was the first to implement the weekly settlement system. It has the maximum number of lady members compared to other exchanges. It is fully equipped with the latest software and hardware, and a team of dynamic young professionals manages the exchange.

Cochin Stock Exchange has played an important role in generating capital for new and existing companies. From 1990-91 to 1997-98, there were 48 public issues from the State of Kerala utilising the net work of C S E - the Brokers, Authorised Assistants and Sub-Brokers.

Table 4.3

List of Kerala Based Companies which have Come out with Public Issue

Year & Sl.No	Name of the Company	Amount Raised Rs.Lakhs	No. of Times Oversubscribed
90-91			
1	Hendez Electronics Ltd.	180	1.15
91-92			
1	Premier Plantations Ltd.	903	13.88
2	Cochin Minerals & Rutile	180	22.34
3	Nedungadi Bank Ltd.	137.96	20.82
4	Integrated Rubian Exports	180	24.77
5	Gujarat Inject (Kerala)	208.80	26.25

(Cont'd...)

Year & Sl.No	Name of the Company	Amount Raised Rs.Lakhs	No. of Times Oversubscribed
92-93			
1	Veera Treatwood Ltd.	198	3.76
2	G T N Textiles	1620	4.23
3	Bhageeratha Engg. Ltd.	600	9.90
4	Vyssali Pharmaceuticals	300	2.21
5	Concert Spices & Exports	231	5.25
6	Innovative Marine Foods	597.50	19.27
93-94			
1	Patspin India Ltd.	903	4.09
2	Uniroyal Marine Exports	330	8.83
3	Koluthara Exports	300	13.76
4	Concert Capital Ltd.	300	2.22
5	Trend Designs Ltd.	306.80	4.07
6	Prima Agro Products	359	1.38
7	Amison Foods Ltd.	516	5.45
94-95			
1	Federal Bank Ltd.	3191.95	55.70
2	BPL Ltd.	7963.75	14.62
3	Kerala Solvent Extractions	243.36	2.55
4	Rubfila International	1791	8.46
5	Artech Power Projects	210	8.62
6	Trasmatic Systems Ltd.	144	28.31
7	Superstar Distilleries	650	2.76
8	Cochin Ref. Balmer Lawrie	1749.99	58.68
9	Kitex Garments Ltd.	280	14.89
10	Euro Marine Products	450	3.33
11	Muthoot Capital Services	162.50	8.49
12	Kerala Ayurveda Pharmacy	300	18.00
13	Victory Aqua Farm	247.76	1.26
14	Joymat Hotel Resorts	475	2.00

(Cont'd...)

about 3 per cent of the total Capital collected in the country.

Year & Sl.No	Name of the Company	Amount Raised Rs.Lakhs	No. of Times Oversubscribed
95-96			
1	Profitcore Pipes	260	1.00
2	Teaktex Processing	880	1.06
3	Manappuram Finance	175	1.41
4	Victory Paper	600	1.15
5	Prima Industries	640	1.00
6	Eastern Treads	320	1.01
7	Geojit Securities	95	8.55
8	Kathayee Cotton	80	1.01
9	Southern Ispat	315	1.01
10	Dhanalakshmi Bank	4000	1.08
96-97			
1	Enjayes Natural Flavours	200	1.09
2	Vertex Securities	300	1.08
3	Western India Cottons	200	1.80
97-98			
1	State Bank of Travancore	6924	2.85
2	South Indian Bank	5120	1.82

Source : Cochin Stock Exchange - Primary Issue Department.

Companies based in Kerala can raise the required capital from the investor base of the state. C. S. E. has been fulfilling this dream of issuing companies. It is heartening to note that another 20 companies want to come out with public issues, but for the dullness of the market. The response to the public issues showed that Kerala accounts for about 3 per cent of the total Capital collected in the country.

4.8.3. Employment Generation

Today every noted business group in Kerala has a membership in C S E and now it has 38 corporate members.

Cochin Stock Exchange provides business opportunity/employment for 508 member – brokers, 1200 authorised assistants, 15,000 sub – brokers, and 105 Stock Exchange staff.

Cochin Stock Exchange has been witnessing phenomenal growth in terms of business done.

Table 4.4

No. of Member Brokers in Cochin Stock Exchange

Year	Members
1978	14
1982	32
1985	52
1987	112
1988	340
1990	474
1994	502
1997	508

Source: CSE Monograph, P.4.

CSE has great potential for generation of additional employment opportunities as each broking firm employs on an average three staff. It is estimated that the employment generation could be at least ten times of what it is now.

Source: Cochin Stock Exchange Monograph, P.7.

4.8.5 Today every noted business group in Kerala has a membership in C S E and now it has 38 corporate members.

4.8.4. **Growth of Business in Cochin Stock Exchange.** With the objective of servicing the investors of Kerala, Investor Service Centres have been set up at various places. The Trichur

Investor Service Centre is India's first Investor Service Centre launched by any Stock Exchange. The C S E commenced its second Investor Service Centre at Trivandrum, on March 1st, 1996.

C S E has the distinction of being the fastest growing stock exchange of India. Daily trading volume, which was to the tune of a few lakh rupees in the eighties touched Rs. 40 crore in 1992.

Table 4.5
Trading Volume in C S E

Year	Annual Turnover (Rs. in Crore)
1986-87	4
1987-88	5
1988-89	150
1989-90	909
1990-91	1787
1991-92	5837
1992-93	4127
1993-94	3600
1994-95	2731
1995-96	2682
1996-97	2232

Source: Cochin Stock Exchange *Monograph*, P.7.

4.8.5. Investor Service Centres

With the objective of servicing the investors of Kerala, Investor Service Centres have been set up at various places. The Trichur

Investor Service Centre is India's first Investor Service Centre launched by any Stock Exchange. The C S E commenced its second Investor Service Centre at Trivandrum, on March 1st, 1996.

This department has been quite actively monitoring the movement of scrips, volume of scrips traded, abnormal changes in

brokers. The Computer system at the C S E is connected through dedicated data lines to the service centres. The members, in and around the centres can route their orders through the system. Matching of such orders take place at Cochin and the message of the same is communicated back to the centres instantaneously.

4.8.6. Market Analysis Tools

For market analysis, Cochin Stock Exchange has computer packages on Fundamental and Technical analyses like Capital line ole, IDSS, Metastock etc. These packages are available for members' use and have gained wide acceptance among investing public, and students

from various universities. Another market analysis tool is the CSE Index, which acts as the barometer of market activities.

h the 'Harshad Metha' boom in 1992. It resulted in the mushroom growth of broker

4.8.7. Surveillance Department People were in queue in front of the Bankers of issue to apply for new issues of companies. The talk of the

town In compliance with SEBI's direction, CSE has set up a new department called surveillance department in the month of September 1995. This department has been quite actively monitoring price movement of scrips, volume of scrips traded, abnormal change in brokers positions, violation of trading restrictions and limit by brokers. It prepares and sends the report to SEBI for each settlement period.

Kerala has a large reservoir of small investors belonging to the

4.9 Growth of Equity Cult in Kerala Objectives of this study was to get

a profile of individual investors in the capital market in Kerala.

Primary An 'equity fever' has gripped the Kerala populace after the establishment of Cochin Stock Exchange. The boom in the early 1990s has made itself felt, in all the corners of this tiny state. The 'equity cult' seemed to be taken root with a large proportion of both rural and urban savings being put in the hands of stock brokers (Varghese 11).

In Kerala, the equity cult reached its peak with the 'Harshad Metha' boom in 1992. It resulted in the mushroom growth of broker and sub-broker offices in Kerala. People were in queue in front of the

Bankers of issue to apply for new issues of companies. The talk of the town and topic of discussion in offices and trains was stock and stock markets (Radhakrishnan 6).

Profile of Individual Investors in Kerala.

Sl.	Profile of Investors	Frequency	Percentage	Cumulative Percentage
1	Male	235	90.4	90.4
	Female	25	9.6	100
	Total	260	100	100
2	Married	243	93.5	93.5
	Unmarried	17	6.5	100
	Total	260	100	100
3	Rural Area	83	31.9	31.9
	Semi-Urban Area	102	39.3	71.2
	Urban Area	75	28.8	100
4	Primary Market	123	47.3	47.3
	Secondary Market	137	52.7	100
	Total	260	100	100

Source: Survey data.

Table 4.6 shows that men (90.5%) outnumber women investing in the capital market, 93.5 % are married, more or less evenly distributed with regard to the residence and 47.3 % prefer the

Table 4.6
Profile of Individual Investors in Kerala.

Sl. No	Profile of Investors	Frequency	Percentage	Cumulative Percentage
1	Sex			
	Male	235	90.4	90.4
	Female	25	9.6	100
	Total	260	100	100
2	Marital Status			
	Married	243	93.5	93.5
	Unmarried	17	6.5	100
	Total	260	100	100
3	Place of Residence			
	Rural Area	83	31.9	31.9
	Semi-Urban Area	102	39.3	71.2
	Urban Area	75	28.8	100
	Total	260	100	100
4	Market Preference			
	Primary Market	123	47.3	47.3
	Secondary Market	57	21.9	69.2
	Both P & S Market	80	30.8	100
	Total	260	100	100

Source: Survey data.

Source: Survey data.

Table 4.6 shows that men (90.5%) outnumber women investing in the capital market, 93.5 % are married, more or less evenly distributed with regard to the place of residence and 47.3 % prefer the primary capital market.

Table 4.7
Year of Entry in to the Capital Market.

Year	Frequency	Percentage	Cumulative Percentage
Before 1980	28	10.8	10.8
1980	4	1.5	12.3
1981	5	1.9	14.2
1982	4	1.5	15.7
1983	2	0.8	16.5
1984	29	11.2	27.7
1985	9	3.5	31.2
1986	9	3.5	34.7
1987	12	4.6	39.3
1988	17	6.5	45.8
1989	11	4.2	50.0
1990	40	15.5	65.5
1991	13	5	70.5
1992	52	20	90.5
1993	10	3.8	94.3
1994	8	3.2	97.5
1995	4	1.6	98.8
1996	2	0.8	99.6
1997	1	0.4	100

Source: Survey data.

Year-wise analysis in table 4.7 shows that only 10 per cent of the investors have entered the capital market before 1980. Further analysis shows that new investors entered the capital market during the stock market 'boom years', specifically, 1984, 1988, 1990, 1992 and 1994. Around 11 per cent have entered the market in 1984, 15 per cent in 1990 and 20 per cent in 1992. So investors entry into the capital market has shown sharp rise during the 'boom years'.

An important finding of the study is that about 50 per cent of the investors have rushed into the market during the 'boom years'. It partly answers the question, why the collective enthusiasm of investors very often evaporated into spells of indifference.

The respondents are classified into five groups in terms of their household income as shown in Table 4.8. The majority of the

A close watch at table 4.7 shows that new investors, mostly small investors, enter the capital market during the boom years. There has been collective enthusiasm and aggressive buying when share prices are at their peak. The survey data also shows that a number of investors quit the market by selling most of their shares at rock bottom prices.

Table 4.8
Income Profile of the Investors

Income-Level (Rs.per month)	Frequency	Percentage
Up to - 5000	60	23.1
5001 -10000	142	54.6
10001 -15001	40	15.4
15001 -20000	6	2.3
Above 20000	4	1.5
Not Revealed	8	3.1
Total	260	100

Source: Survey data.

The respondents are classified into five groups in terms of their household income as shown in Table 4.8. The majority of the respondents belong to the middle income group. Around two-third of the respondents fall in the middle income groups, of which 54.6 per cent belong to the lower middle group (Rs.5,001 -10,000) and 15.4 per cent to the upper middle class (Rs.10,000 - 15,000). The table shows that the middle class constitutes a significant place in the capital market.

Table 4.9
Age-wise Profile of Investors.

Age Group	Frequency	Percentage
Below 25	6	2.3
25 -35	32	12.3
35 -45	116	44.6
45 -55	82	31.5
Above 55	24	9.3
Total	260	100

Source: Survey data.

The table shows age-wise percentage distribution of investors in Kerala. Investors below the age of 45 form about 60 per cent of the total, of which 44.6 per cent belong to the age class of 35-45. Investors above the age of 55 (mostly retired people) form only about 10 per cent of the total. It clearly shows that more than 75 per cent of the investors belong to the middle age of 35 and 55 years.

Table 4.11

Most of the investors in Kerala are well educated, 77.7 per cent are graduates or above. Only about 15 per cent are non-graduates. Investment in shares and debentures necessitates the act of decision making on the basis of right and reliable information. Taken as a separate group, graduates dominate the capital market in Kerala.

Table 4.10

Education-wise Profile of Investors.

Level of Education	Frequency	Percentage
Non-Matriculate	22	8.5
Pre-Degree	16	6.2
Graduate	122	46.9
Post-Graduate	47	18.1
Professional	31	12.0
Others	22	8.5
Total	260	100

Source: Survey data

Table 4.11
Occupation-wise Profile of Investors.

Occupation	Frequency	Percentage
Bank employees	47	18.1
Business	46	17.7
Company employees	41	15.8
Govt. employees	37	14.2
Teachers	33	12.7
Professionals	24	9.2
Retired	10	3.8
Others	22	8.5
Total	260	100

Source: Survey data.

By profession more investors are from the financial sector, mostly bank employees. It is striking to note that business-men in Kerala are very keen to invest in the capital market and they constitute 17.7 per cent.

market in Kerala. The recognised stock exchanges like CSE must ensure Business has been generally considered, very lucrative, and their presence indicates that capital market investments are equally or more attractive. The meagre presence of retired people in the capital market seems to indicate that they are not risk-takers.

4.10 Conclusion

In many respects Kerala is a unique state. It has abundance of natural resources and qualified human resources. The physical quality of life index and the literacy rate are the highest in India, and the savings rate is remarkably high. Earlier, people in Kerala with some surplus income used to make their investments on land and gold. In course of time, a considerable portion of the surplus flowed into the indigenous financial institutions and 'Get-Rich-Quick' schemes. The ruin of the 'blade companies' opened the flood-gates of stock business in Kerala. The rural surplus which found no productive investment outlet also flowed into the stock market. The establishment of Cochin Stock Exchange in 1978, augmented this process.

Given the economic environment and the asset holding pattern of the state, there are immense possibilities for high potential securities

market in Kerala. The recognised stock exchanges like CSE must ensure safety, security, price continuity and free negotiability of shares and debentures which are of paramount significance for sustained investment interest and growth in the years to come.

An effective analysis of investor behaviour in the capital market demands a detailed examination of the various factors that influence investment.

CHAPTER V

INVESTOR BEHAVIOUR