CHAPTER 2

INVESTMENT OPPORTUNITIES AVAILABLE IN TUTICORIN CITY

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2.1. Introduction

This chapter mainly focuses its eyes on the introduction of the study area and the various investment opportunities available in different fields such as real estate, jewels, bank deposits and stock.

2.2. Tuticorin: A Profile

Until 1986 Tuticorin was part of the Tirunelveli district. It was the hub of the district’s trade and commercial linkages with different countries of the world, particularly the South Asian and the South-East Asian countries. Tuticorin became the headquarters of the newly formed district, carved out of the undivided Tirunelveli District, namely, Chidambaranar, named after the great son of the soil, patriot and freedom fighter, V.O.Chidambaram. The name of the district has since 1998 been changed and is now known as Thoothukudi District.

Tuticorin is located at latitude 8°48’N and longitude 78°11’E on the East Coast and is about 80 kilometers north east of Kanyakumari, the country’s southern most end. It is located very near to the Gulf of Mannar with Sri Lanka on the southeast and the large land mass of India on the west.¹
2.2.1. History of Tuticorin

Tuticorin is situated at the extreme southern end of the East Coast line of India. From the ancient times the city had been very popular for its natural pearls. History records that the pearls cultured and harvested in Korkai, a historically ancient port about 20 Kilometers south of Tuticorin adorned the crown of the ancient Roman Emperors. Tuticorin was developed into an important commercial port in the then Madras Presidency by the Europeans especially the Portuguese. Thanks to its strategic and commercial import, it remained for long a bone of contention among the invading European powers.

The origin of the term, Thoothukudi, is shrouded in mystery. Etymologically, 'turthu' in Tamil means 'levelling up' and 'kudi' refers to 'human settlement'. Thus Thoothukudi means 'settlement in the levelled up dry wells'. In recent days the city, in the vernacular fervour, is called as Thirumanthiranagar and in view of its historical popularity in pearl culture, it is also known as Pearl City.

Just as Kaveripoompattinam of the Cholas and Korkai of the Pandyas were the port gate ways of the Tamil Kingdoms of the Sangam Age, Tuticorin became one since 1600 A.D.
Tuticorin harbour is formed by a low sandy cape. In the classical Tamil Literature it is referred to as the 'devil's point'. The port, the New Port of Tuticorin, is exposed at low water extending in the north westerly direction. Small vessels can be anchored within the reach in 8 or 9 feet of water. Ocean going vessels are anchored off the Pandian Island, commonly known as the Hare Island.

Tuticorin ranked the largest city only next to Madras in the Madras presidency and the fifth largest in British India. Regular lines of trading steamers trading with Europe called on the port. The British India Steam Navigation Company ferried trading services daily to and fro Colombo and a weekly service of coasters. The Asiatic company's steamers called on the port fortnightly.

Strategically, Tuticorin is situated on the Coromandal coast. The importance of Tuticorin is well known for its proximity to major international sea routes. The Tuticorin port is well sheltered from the fury of storms and cyclonic winds. The port has invested heavily on the infrastructure development, a part of which is already paying rich dividends. It has become an integral part of India’s maritime activities in recent years. The very fact that Tuticorin is the first port in India and one among the few ports in the world to receive the prestigious ISO 9002 certification for its service to trade is an ample proof of the port’s ability to grow and face challenges.
Tuticorin has had an interesting maritime history. The minor port of Tuticorin was flourishing as a trading centre for over a century. After the establishment of the major harbour in 1974, the minor port became one with the major port as zone B of the Tuticorin Port Trust in 1979. With six alongside general cargo berths, two captive coal Jetties and an oil Jetty, the Port has been working almost 124 per cent to its capacity.\(^6\)

2.2.2. Population in the Study Area

The economic development of any country depends to a large extent on its population. According to Mahatma Gandhi, "Civilisation is the encouragement of differences. Civilisation thus becomes a synonym of democracy. Force, violence, pressure, or compulsion with a view to conformity, is both uncivilised and undemocratic".\(^7\) From this statement it is clear that it is the quality of people which actually matters. The same statement also brings out the activities that can be branded as typical examples of uncivilisation. Importance has to be given to the size of population also, because both overpopulation and underpopulation prove detrimental to economic development. What is desired is the optimum size of population. Overpopulation results in low per capita income, while underpopulation results in under utilisation of resources.

The information that follows gives us a vivid picture of the complex nature of the population of Tuticorin. According to the 2001 census
report, the population of the entire Tuticorin district was 15,65,743 with the population of Tuticorin city alone being 2,16,058. The population of Tuticorin city comprises of people of different castes and creeds. Besides, there is also a considerable number of floating population which constitutes the backbone of the economic development of the city. The dominant caste is Nadars. Since Tirunelveli is a 'Palmyra district' a sizable section of Nadars are engaged in palmyra related industry and agriculture.

The Tambrabarani basin is the nerve centre of the trade and commercial activities of Tirunelveli and Tuticorin districts. The industrial development of Tuticorin began with the advent of the British rule in India. The Portuguese followed suit. Next to Nadars, the Parava community whose members live along the coastal region is dominant in Tuticorin. They are Christians. Besides, there are Muslims, Brahmins, Ayyanars, Maravas, Vellalas, Nangudi Vellalas, Iluvas, Adi Dravidas, Chettiars, Mudaliars, Pannaiars, Yadavas, Kammalas, Naidus, Maruthuvars and the like. Commerce, trade and industrial enterprises are mostly controlled by Nadras. The sea-faring industry is controlled by Paravas. The Coral mill was established in Tuticorin by the British. In the medieval time, foreigners concentrated only on the Tuticorin harbour for export and import. Since 1970 the industrial growth of Tuticorin city took momentum and began to develop in a manner favourably comparable to the national level. People
not only from the town but also from the peripheral rural area are employed in the industrial activities in the city.

The intervention of the Europeans particularly the Portuguese resulted in a flurry of missionary activities in and around Tuticorin. The paravas were the first to embrace Christianity in South India. A number of churches and educational institutions were established in the town. Since the Protestant religion developed later, the Catholics were the forerunners in the construction of churches. Now in Tuticorin city there are three Catholic churches and five Protestant churches, which are witness to the missionary activities of the Europeans. Among them the church of our Lady of Snows constructed on the beach of Tuticorin was elevated to the rank of Basilica next to the Velankanni Church by the Pope.

2.2.3. Infrastructural Facilities in the Study Area

What is foundation to a building, infrastructure is to the development in any field. In order to improve the infrastructural facility, both the central and state Governments have been allotting adequate funds. Infrastructure is the sine quo non for economic development. Lack of infrastructural facilities will certainly retard economic growth.

The following paragraphs clearly show the extent to which Tuticorin has the necessary infrastructure for a smooth development in various fields.
Tuticorin town is connected to the rest of the district, the state and the nation by a cobweb of roads. Besides two important National Highways, namely, NH7 and NH45B, the town is linked by a number of State Highways, Rural roads and plenty of municipal roads. Tuticorin is connected by railways as well. It is a terminal station. A number of super fast express and passenger trains as well as goods trains cater to the various socio-economic needs of the people.

The Port Trust of Tuticorin has also provided for a well-equipped and spacious container yard very close to the harbour area under the privatisation scheme. The berth areas of the Tuticorin Port is flood-lit which is very much helpful for loading and unloading of goods round-the-clock. Private agencies supply manpower without intermission for the cargo movement.

The municipality of Tuticorin established as back as 1866 provides for the basic amenities of the local people. Rao Bahadur Cruz Fernandez, the doyen of Tuticorin took efforts for bringing the Tambrabarani water for drinking from Vallanadu which is 35 kilometers away from Tuticorin in the year 1938. It quenched the thirst of the Tuticorin city people permanently. Apart from the supply of water, the municipality is also concentrating on the public health like sanitation, general hygiene and
drainage. The Buckle Canal that runs through the middle of the city empties the wastewater into the Bay of Bengal.

Apart from the above infrastructure facilities there is also a well connected transport system within the Tuticorin city. Cycle rickshaws, auto rickshaws, mini buses and private buses, taxies and State Transport Corporation buses are plying regularly to the nooks and corners of the Tuticorin city. Hospitals, primary health centres, markets, educational institutions, cinema houses, bazaars, parks and the like are well connected with the transport system. Two spacious bus stands with three depots are the hallmarks of the transport service of the government.

The Airport Authority of India has constructed an airport at Vahaikulam which is situated 16 kilometers west of Tuticorin.

Tuticorin has an All India Radio Station. There are satellite TV channels and private FM radio. The city is also well connected through government as well as private telecommunication network providing connectivity with the world around.

2.2.4. Major Industrial Establishments in the Study Area

The working of different sectors of the economy is compared analogically to the vital function of the different organs of the human body.
Agriculture is regarded as the backbone of the economy. Industry is compared to its life breath. So agriculture is called the primary sector of an economy and industry, the secondary sector. It is obvious that one cannot be sacrificed for the sake of the other. But all countries cannot have equal development in both the sectors. It will have to depend heavily either on the primary sector or the secondary sector. The presence of a large number of industrial establishments bears testimony to the fact that industry plays a major role in the economic activities of Tuticorin.

The SPIC is one of the largest fertilizer complexes in South East Asia. It is the first non-turn-key process company in India. The technology for this company was imported from Japan but it was fabricated and created completely by the indigenous engineers. It is a joint sector enterprise with an initial investment of Rs.110 crores. The partners of the SPIC are Shri. M.A. Chidambaram, the Government of Tamilnadu represented by its Tamilnadu Industrial Development Corporation (TIDCO), the banking sector represented by the Industrial Development Bank of India (IDBI) and public shareholders. It was incorporated in 1969 but the commercial production commenced on 22nd June 1975. There are 1,400 permanent employees and nearly 2000 casual labourers in the SPIC.9

The TAC, one of the SPIC's sister concerns, the HWP producing coolant or moderator for Atomic Power Plants, the TTPP
generating electricity, the Sterlite Industries smelting copper from the ore are the major industrial units in the city. Coats India previously known as Madura Coats, one of the largest cotton textile mills in India has one of its mills situated in Tuticorin. There are two other spinning mills: the Tuticorin Spinning Mills and the Arasan Spinning Mills. Besides, there are minor industries like cotton, salt and a unit of State Industries Promotion Corporation of Tamil Nadu (SIPCOT) Limited. Tuticorin produces 70 per cent of the total salt production of Tamilnadu and accounts for 30 per cent of the national salt production.

Since Tuticorin is located in the coastal belt of Tamilnadu, fishing industry is flourishing. The Fishing Harbour, the State Fisheries Department and the Central Marine Fisheries Department and the Central Marine Fisheries Research Institute (CMFRI) are contributing much to the development of the fishing industry in Tuticorin. 10

2.2.5. Service Establishments in the Study Area

Generally, a society is known for its intricate and complex nature. A decent society has to cater to the various needs of its people. Food alone will not do. ‘Man does not live by bread alone’ is indeed a biblical saying! Service organisations play a vital role in fulfilling the diverse needs of the people. There are people who are handicapped in some way or other. Money alone will not satisfy their needs. It is selfless service which
extends a helping hand to them. There are people who are physically challenged, visually impaired and hearing impaired. There are old people abandoned by their wards. They are being taken care of by “John Jeagan”, the home for the aged. Lucia Blind Centre is there to take care of the visually handicapped. There is a Good Shepherd School for the deaf and dump run by the Lutheren sisters.

Besides these institutions, the Rotary Club and the Lions club are also providing commendable service to the needy and the downtrodden. These clubs extend also a helping hand to students who need financial assistance.

A leprosorium run by a Swiss Mission at Thalamuthunagar situated north of Tuticorin city is doing dedicated service to the people afflicted with leprosy for the past 50 years. The service rendered by the Sisters of the Charity House is highly commendable and deserves deep appreciation. Besides treatment of the disease, the patients are provided with vocational training and rehabilitation in the home itself. They are working as drivers, gardeners, watchmen, office assistants and the like. For the convenience of the public there are more than 30 marriage halls owned by private parties and the municipality.

2.2.6. Educational Institutions in the Study Area

“Education is not the amount of information that is put into your brain and remains there, undigested, all your life. We must have life-
building, man-making, character-building, assimilating fine ideas and making them your life and character, you have more education than any man who has got by heart a whole library" - Swami Vivekananda. This definition highlights the noble objectives of education in a lucid manner. Education and productive efficiency usually go together. Productive efficiency brings in economic prosperity.

As far as Tuticorin is concerned there is no dearth of various types of educational institutions. There are 62 Primary and Middle Schools of which 47 are private and the remaining 15 are Municipal schools. Of 3 High Schools, one is managed by the government and the remaining two are run by private managements. As for the Higher Secondary Schools all the 20 are managed by the private sector. There are 6 Matriculation and Higher Secondary Schools which are unaided. With regard to higher education, Tuticorin city has 5 Arts and Science colleges, 2 colleges of Education, a Home science college, a Medical college, a Fisheries college, a Government polytechnic and an Industrial Technical Institute.

2.2.7. Entertainment Opportunities in the Study Area

Modern society is afflicted by a serious malady called stress and tension. Many people lead a tension-ridden life. They are badly in need of an outlet. Entertainment comes as a source of immense relief for them. Cinema theatres, numbering fifteen, Roche Park and Harbour beach offer
the much needed entertainment to the people. If people watch a movie for 2½ hours, they forget themselves. Naturally, tension takes to wings. Roche Park offers a very good entertainment to the tiny tots. A visit to the beach also gives a reprieve from tension. Rajaji Park also serves as a place of leisure for the people.

2.3. Investment Opportunities Available in Tuticorin

'Investment' is a word amenable to different annotations, connotations and interpretations. There are basically three concepts of investment.

i) Economic investment

ii) Investment in a more general sense, which is used by commoners, and

iii) Financial investment

Economic investment includes net additions made to the capital stock of a given society, over the amount of equivalent goods that existed, say, one year ago. From an individual's point of view, the term 'investment' refers to a financial commitment of some sort. For example, a commitment of money to buy a new car is an investment. In this type of investment, neither a rate of return nor a financial return nor a capital
growth is expected. Financial investment means an exchange of financial claims - stocks and bonds, real estate, mortgages and the like.

The phrase, 'investment opportunities', denotes the various alternative investments made available to the investor. Investment media are of several kinds. Some are familiar; others are relatively new and unidentified. Some investments are appropriate for one type of investor and another may be suitable for another type of investor.

The following are the important investment opportunities available in Tuticorin.

(i) Investment in Real Estate.
(ii) Investment in Jewels.
(iii) Investment in Bank Deposits.
(iv) Investment in Stock.

2.3.1. Investment Opportunities in Real Estate

Wealth creation is an art. People acquire and perfect it through a lifetime. The art of wealth creation is multifaceted and real estate is one among them. If the grapevine is abuzz with stories of speculators who have hit pay dirt as and when their luck has turned, there are millionaires who have made their money after a great deal of planning and deliberation. One name that brings to mind in the world of real estate is
Donald Trump of the Trump Tower fame in New York. Over the years, he had indeed demonstrated his uncanny knack of picking properties at the right time, place and price - and he has made a lot of money in the process.\textsuperscript{12}

The obvious fact that the supply of land is inelastic while the demand for it is quite elastic makes investment in real estate a very lucrative proposition. Investment experts all over the world believe that a treasure hunt lies in real estate. Mark Twain once stated, "If you want to get rich, buy land. They have stopped making it now". This is extremely true. At a time when inflation has been at around 12 per cent per annum and the return on investments has seldom been more than 15 per cent (at best 30 per cent on equity shares) the price of residential property had been appreciating at an average rate of at least 50 per cent. In many areas they have been doubling every year especially in the major metropolises.\textsuperscript{13}

Naturally, in recent times investment in real estate is widely heralded as being the very best investment in the world. It promises the highest rates of appreciation and return. It also keeps up with or exceeded the rate of inflation in most years. And it also came in several sizes and shapes for investors with different preferences, expectations and budgets. With such credentials, it did not take very long for real estate to become the most active and most talked about investment in the land. Fewer and fewer
investors looked elsewhere; everyone became interested in owning real estate.\textsuperscript{14}

The main objectives of investment in real estates are

i. means of building an estate

ii. pride of ownership

iii. hedge against inflation

iv. desired rate of return as in other investments, and

v. diversification of investor objectives.

The identification of the appropriate objective or objectives is crucial to effective decision making. It is clear that all investment opportunities do not appeal to all investors. An investment opportunity which is an alternative to an individual investor may not be so or at least in its extent to another investor. A major downfall is the failure to understand and specify objectives prior to the commitment of funds to an investment.

Some investors may have personal or rather unusual investment objectives. Consider, for example, an investor who purchases real estate because he or she derives pleasure from driving by the apartment building and showing it off to friends. Or the investor who purchases property because, in the local business community, owners of large parcels of property tend to be highly held in social esteem. Finally, consider an investor who is only interested in certain types of property such
as small apartment buildings, and only if they are located in a specific street. While these objectives may seem strange to some individuals, for some other individuals they may be the basic reasons that motivate investment. To the extent that utility or satisfaction is perceived by the investor at the time of the real estate acquisition, these objectives make as much sense as do any of the more conventional and more typical financial objectives. In such cases, the benefits from these factors may aid in the decision as to whether an investment should be made.

There are three logical processes which an investor in real estate should undergo while setting the objectives. First, the investor should consider how the investment characteristics of real estate differ. Second, the investor should establish investment constraints and goals. Third, the investor should analyse important features. Individual real estate investments differ in their characteristics even more than individual people differ in theirs. These processes would help him to decide if the investment in question is worth the salt. To select wisely, the investor needs to consider the available types of properties.¹⁵

On the profit side, income properties can provide increasing rental incomes, appreciation in the value of the property and more often even a cover from taxes.
Second, speculative properties refer to raw land and investment properties that are expected to provide returns primarily from appreciation in value due to location, scarcity and the like rather than from periodic rental income. Speculative properties, as the name implies, give their owners a chance to make a financial killing but there is also the chance for incurring heavy loss due to high uncertainty. A mere rumour that a new modern-model industrial complex is proposed to be developed on the edge of the town will induce the investors in real estate to jump into the real estate market bidding land sites at high price. The right buy-sell timing and decision will bring wind-fall to the investor. However, investor who got late into the market and bought or who failed to sell before the market turned might lose very heavily.

Before investing in real estate, an investor should consider all types of risks involved and should determine which of the risks one should afford to encounter. When an investor decides to invest in real estate, a number of choices will be confronted with. Keeping these choices or options in view, an investor should set forth both financial and non-financial constraints and goals. The investor has to consider the risk-return relationship which is acceptable to him. In addition, the investor should consider the quantum of money which could be allocated to the real estate part of his portfolio. The investor needs to consider if his technical skills,
temperament, repair and managerial skills fit well potential investments. It is only on the basis of these considerations an investment in real estate would ensure financial rewards.

2.3.1.1. The Economics of Real Estate

An investor in real estate must inspect and physically verify both the quality and the extent of the landed property he proposes to buy. Before he commits himself to the investment he should obtain a site survey, an accurate square-metered measurement of the land and the buildings, if any, there on, and a thorough inspection as to the merits as well as defects thereof. Only on the satisfaction of the above could an investor enter into an agreement or contract.

When investing in real estate along with the various physical property verifications, an investor should get copies of the revenue records relating to the proposed property and obtain a legal opinion on the said property by a qualified and experienced attorney. The investor could proceed to register the property in his favour only after a satisfactory fulfilment of all these formalities.

It is common knowledge that the prices of real estate properties are highly volatile, now rising and now falling. In view of this, the
investor in a prospective real estate investment must decide on the timing of the relevant investment so as to ensure its value appreciation.

The value of a real estate is directly related to its surroundings and neighbourhood. Sometimes a successful concern may consist of a few square blocks, or sometimes may extend to a few hundreds of kilometers. This strange phenomenon necessitates the investor to keep these spatial differences in view before deciding on the investment in real estate.

2.3.1.2. Determinants of Value

The value of a given real estate depends on many variables. These variables are the determinants of the value of real estate. Inter alia, four are considered important determinants. They are, namely, the demand for real estate, the supply of real estate, the real estate property and the transfer process of the property.

2.3.1.2.1. Demand

The demand for real estate refers to people's willingness and ability to buy or rent a given property. In most real estate markets, the source of buying power comes from available employment opportunities. Higher is the employment prospect, the higher is the demand for and therefore the value of real estate property. Similarly, a downturn in
employment opportunities will result in a downswing in the demand for real estate and therefore a fall in its price.

Population characteristics also influence demand for real estate. To analyse the demand for a specific property the investor should look at an area's demographics and psychographics. Demographics refer to such things as household size, age structure, occupation, sex and marital status. Psychographics are those characteristics that describe people's mental dispositions such as personality, life style and self-conceit. By comparing demographic and psychographic trends to the features of a property, the investor can judge whether it is likely to gain or lose favour among potential buyers or tenants.

Mortgage finance is also a key factor. Tight money can choke off the demand for real estate. Rising interest rates and the relative unavailability of mortgages may cause investor of unsold properties to grow and real estate prices to fall. A successful investor in real estate should have a clear analysis of the demand for the real estate he proposes to invest in.

2.3.1.2.2. Supply

A prospective investor in real estate should have a clear knowledge of the supply conditions of the real estate that he proposes to
buy. Normally, no one will be willing to pay more for a property than the price one would be willing to pay for a competing property. It is a matter of alternative opportunity foregone. Real estate-investors should weigh competition in terms of similar properties. An analysis of supply involves sizing up the competition for the real estate. The supply analysis should not limit the potential competitors into geographically and physically similar properties. A successful investor in real estate should decide on what market the property appeals to and then define its competitors.

2.3.1.2.3. Property

The price that people will pay is governed by their needs and the relative prices of the properties available to meet those needs. Yet in real estate, the property itself is also a key ingredient. To try to develop a property's competitive edge, an investor should consider five criteria, namely,

i) restrictions on use;

ii) location;

iii) site characteristics;

iv) improvements and

v) property management.
2.3.1.2.4. Property Transfer Process

In real estate market, there is no exhaustive system for complete exchange of information among buyers and sellers, and among tenants and lessors. There are no centralised markets where transactions are conveniently made by equally well-informed investors who share similar objectives. Instead, real estate is traded in generally ill-liquid markets that are regional or local in nature and where transactions are made by investors using information they have gathered and developed in order to achieve their unique investment objectives.\(^\text{16}\)

Where one person transfers his ownership in an immovable property to another, a sale deed, known as conveyance, has to be made and registered. The ownership in such properties under general law is not transferred unless the conveyance deed executed for such transfer, is duly registered. Such conveyance attracts stamp duty prevailing in the respective states. In addition, one will have to pay registration charges. Both the registration and stamp duty charges are based on the market value of the property and not on the consideration for which the property has been agreed to be transferred.\(^\text{17}\)

2.3.1.3. Real Estate Investment in Tuticorin

In Tuticorin city, the term 'Real Estate' denotes the urban land only, which is included in the speculative properties category. Since
Tuticorin is an industrial city and the population is going on increasing day-by-day, the urban land investment is considered an attractive investment avenue here.

A majority of the workers working in the various industrial units in the city are migrants. They are drawing handsome salaries. After meeting their routine expenses, they have a lump sum as surplus. They want to invest the surplus funds. They consider real estate investment as the best one. They invest their money in urban lands as influenced by the fellow workers or neighbours. The similar view was expressed by Mr. Rajamanickam, proprietor of Vasanth Builders in Chennai. According to him “when investment in land is planned, it should be left to the scrutiny of resident representatives in order to ensure the safety of investment. This is because residents are in a better position to ascertain the validity of title deeds”.

There are 150 brokers who work full time in meeting the needs of real estate investment in Tuticorin. They eke out their living only from the commission they receive from the real estate-investors. Besides these full time brokers, there are thousands of brokers who are doing the business of a broker as part time work, in addition to their primary job. All these brokers are acting like a connecting link between the investors and real estate owners.
In Tuticorin city, there are nearly 60 real estate owners, who are engaged in developing real estate business. They buy raw land in large scale and convert them into several plots, which are ready for sale.

The plots may be of different types, like unapproved plots, layout approved plots and approved plots. In case of unapproved plots, a land of one acre is divided into 17 plots, each one of which measures 33 x 66 square feet (5 cents) leaving 15 cents for a 20 feet wide road.

When a land of one acre is divided into 15 plots, each one of which measures 33 x 66 square feet (5 cents), leaving 25 cents for one 40 feet wide main road and 30 feet roads in other places, it is called a layout approved plot.

In case of approved plots, necessary provision should be made for park, play ground, hospital, bus stop and shopping complex. The main road in an approved plot should be measured 40 feet, whereas the other roads measure 30 feet. The size of each plot should be at least 33 x 66 square feet. The approval for these approved plots should be received from the Director of Town Planning, Chennai. The price paid at the time of the purchase of land, expenses related to levelling the land, survey fees, commission on sales, interest on investment, administrative expenses and the like should be taken into account while calculating the price for a particular plot.
In Tuticorin the real estate-investors invest their money mostly in unapproved plots. In case of second hand sales of plots, the intensity of demand will play a major role in deciding the price of the plot.

2.3.2. Investment Opportunities Available in Bullion Market

Bullion means Gold, Silver, Platinum and Palladium. Among these four metals only gold and silver are very popular in the minds of the people of Tuticorin since they have lesser value than the other two metals and more glittering. Gold and silver have long been sought after and prized since pre-historic times. They have also been both a cause of war and a medium of exchange.

Gold is the standard by which the value of anything else is assessed; it is universally accepted. Silver does not lag behind in global trade markets and as an investment. Silver was actually more widely employed as the standard of value until the nineteenth century. According to Scott-Ram, “Five-sixth of the gold holdings in the world are for monetary and investment purposes. The role of gold monetarily is still a big one, not something to be sneezed at”.\(^1\)\(^9\) It has always been the world’s most popular, most desired and therefore a prime metal. It has been at the core of the monetary system since the beginning of recorded history and most currencies were up to the early part of the twentieth century based on gold.
Indian's faith in God and gold dates back to the vedic times; they worshipped both. The historian Pliny complained that ancient Rome's bullion resources were drained by her Indian trade. Indian merchants always demanded payment in silver during the times of the East India Company; so much silver was exported from London that East India Company teetered on the brink of financial disaster. According to the World Gold Council Report, India stands today as the world's largest single market for gold consumption. In developing countries, people have often trusted gold as a better investment than bonds and stocks. Gold and silver have been popular in India because historically these acted as a good hedge against inflation. The average rate of inflation was around 8 per cent between 1950 and 2000. During the same period, gold appreciated 9.5 per cent per annum and silver at 9 per cent per annum. In that sense, these metals have been more attractive than bank deposits, gilt-edged securities or units of UTI. 

For many reasons gold is considered an important as well as a popular form of investment. In many countries gold continues to be an integral part of its social and religious customs and conventions. That apart, gold remains the basic form of saving. Shakespeare places on record the prime importance of gold by calling it 'the saint-seducing gold'. During the Middle Ages gold was considered to be highly valuable and scarce. And hence people in the Middle Ages tried to change basic metals into gold
through what is called alchemy. Superstition about the healing powers of gold persists. Ayurvedic medicine in India recommends gold powder and pills as efficacious recipe for many ailments. It is indestructible. It does not tarnish and is also not corroded except by a mixture of nitric and hydrochloric acids.

Indeed gold has an aesthetic appeal. Its glittering beauty recommends it for ornament making above all other metals. It is so malleable that one ounce of the metal can be stretched into a sheet covering nearly a hundred square feet. It is so ductile that one ounce of it can be drawn into fifty miles of thin gold wire. It is an excellent conductor of electricity. A microscopic circuit of liquid gold ‘printed’ on a ceramic strip saves miles of wiring in a computer.

Gold is so highly valued that a single smuggler can hide gold worth Rs.50 lakhs underneath his undergarment. It is so dense that all the 90,000 tons estimated to have been mined through history could be transported by one single modern super tanker.

Industrial applications take advantage of gold’s high resistance to corrosion, its malleability, ductility, high electrical conductivity and ability to adhere firmly to other metals. There is a wide range of industries from electronic components to porcelain which use gold.
Dentistry is an important user of gold. The jewellery industry is another. Since gold can be purchased in standardised units, it is possible for one to invest in it precisely for any amount one wishes. Many other tangibles are not so easily divisible.

2.3.2.1. Sources of Gold

South Africa produces 72 per cent of the gold in the free world, whereas India’s contribution is just around 0.3 per cent. The production of gold by the former Union of Soviet Socialist Republics (USSR) was considerable, but the quantities produced were a state secret. Many experts expected that Soviet State Bank had large reserves of gold. But after the fall of the communists in 1991, the Soviet State Bank had a hearty laugh; it had no gold stocks at all. After that experience, the Bank of England insisted on physical delivery of gold by the Reserve Bank of India during the foreign exchange crisis in early 1991. As South Africa depends on gold sales to balance her budget, her balance of payment position influences the gold market in the world.21

2.3.2.2. The Price of Gold

The Table 2.1 reveals the prices of gold and silver in India from 1925 to 2000.
# TABLE 2.1

Price of Gold and Silver in India

<table>
<thead>
<tr>
<th>Year</th>
<th>Price of Gold per 10 gm (Rs)</th>
<th>Price of Silver per 1 Kg (Rs)</th>
<th>Year</th>
<th>Price of Gold per 10 gm (Rs)</th>
<th>Price of Silver per 1 Kg (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1925</td>
<td>18</td>
<td>61</td>
<td>1989</td>
<td>3140</td>
<td>6755</td>
</tr>
<tr>
<td>1930</td>
<td>18</td>
<td>46</td>
<td>1990</td>
<td>3200</td>
<td>6433</td>
</tr>
<tr>
<td>1935</td>
<td>30</td>
<td>58</td>
<td>1991</td>
<td>3466</td>
<td>6646</td>
</tr>
<tr>
<td>1940</td>
<td>36</td>
<td>48</td>
<td>1992</td>
<td>4300</td>
<td>8000</td>
</tr>
<tr>
<td>1945</td>
<td>62</td>
<td>110</td>
<td>1993</td>
<td>4200</td>
<td>5600</td>
</tr>
<tr>
<td>1950</td>
<td>99</td>
<td>99</td>
<td>1994</td>
<td>4598</td>
<td>7142</td>
</tr>
<tr>
<td>1955</td>
<td>79</td>
<td>142</td>
<td>1995</td>
<td>4658</td>
<td>6179</td>
</tr>
<tr>
<td>1960</td>
<td>111</td>
<td>280</td>
<td>1996</td>
<td>5713</td>
<td>8486</td>
</tr>
<tr>
<td>1965</td>
<td>185</td>
<td>160</td>
<td>1997</td>
<td>4750</td>
<td>6825</td>
</tr>
<tr>
<td>1970</td>
<td>184</td>
<td>521</td>
<td>1998</td>
<td>4050</td>
<td>6590</td>
</tr>
<tr>
<td>1975</td>
<td>540</td>
<td>1012</td>
<td>1999</td>
<td>4220</td>
<td>7845</td>
</tr>
<tr>
<td>1980</td>
<td>1330</td>
<td>2655</td>
<td>2000</td>
<td>4395</td>
<td>7765</td>
</tr>
<tr>
<td>1985</td>
<td>2130</td>
<td>3955</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>


It is clear from the Table 2.1 that during the 1950s the price of gold appreciated marginally; from Rs.99 per 10 grams in 1950 to Rs.111 in
1960. In the next decade, 1960-70, it moved up to Rs.184. Between 1970 and 1980 came the massive rise from Rs.184 to Rs.1,330 thanks to Nixon's declaration of the inconvertibility of the dollar and the subsequent change from the fixed exchange rate regime to the floating exchange rate regime by the IMF. During 1980s it moved up another 240 per cent. It is also known from the Table that between 1950 and 1999 gold appreciated 43 times and silver 49 times, and the annual compound rate of return of 7.91 per cent for gold and 8.3 per cent in the case of silver.

2.3.2.3. Gold in India

From time immemorial, the world over the yellow metal was considered the highest form of wealth and store of value. In India, people are known to regard gold as a safe haven of saving and investment, usually in the form of ornamental jewellery. The craze for gold jewellery is more in the rural and semi-urban areas than in the urban areas. According to a study by the World Gold Council, thanks to their socio-cultural tradition, while 33 per cent of the global share of gold purchase is India's, 70 per cent of Indian gold consumption is in the rural areas. Besides, the monetary gold reserve, the gold holdings of the general public account for 9,000 Metric Tons (MT) and the Government of India holds 80 MT of confiscated contraband gold.
In 1963, in the wake of the military intervention with the People's Republic of China (PRC), the Government of India promulgated the Gold Control Order, 1963, under the aegis of the Defence of India Act. According to the Gold Control Order, the maximum purity of gold jewellery permitted was restricted to fourteen carats. However, subsequently the Gold Control Order was amended, diluted and eventually repealed lock, stock and barrel in 1990.

The vanity for gold was so high in India, that the price of gold in India was historically higher than elsewhere in the world. This phenomenon led to rampant large scale smuggling of the metal. The central problem of the bullion trade in India was the excess of demand for gold over its supply. In the face of a total ban on the import of gold, smuggling gold continued to be a very lucrative proposition. According to the Bombay Bullion Association (BBA) more than half of the annual requirement of gold in India, estimated to be around 200 MT was met by the smuggling route. The Table 2.2 illustrates the quantity and value of gold smuggled into India during the period 1982-1989.
### TABLE 2.2

**Quantity and Value of Gold Smuggled (Rs. in Crores)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tonnes</th>
<th>Mumbai</th>
<th>London</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>60.0</td>
<td>1033.80</td>
<td>750.00</td>
<td>283.80</td>
</tr>
<tr>
<td>1983</td>
<td>53.0</td>
<td>984.74</td>
<td>711.26</td>
<td>273.48</td>
</tr>
<tr>
<td>1984</td>
<td>94.0</td>
<td>1874.88</td>
<td>1222.83</td>
<td>652.00</td>
</tr>
<tr>
<td>1985</td>
<td>123.4</td>
<td>2622.25</td>
<td>1591.86</td>
<td>1030.39</td>
</tr>
<tr>
<td>1986</td>
<td>88.4</td>
<td>2053.53</td>
<td>1394.07</td>
<td>659.46</td>
</tr>
<tr>
<td>1987</td>
<td>98.3</td>
<td>3029.61</td>
<td>1879.50</td>
<td>1150.31</td>
</tr>
<tr>
<td>1988</td>
<td>134.1</td>
<td>4251.68</td>
<td>2628.36</td>
<td>1623.32</td>
</tr>
<tr>
<td>1989</td>
<td>200.0</td>
<td>6386.00</td>
<td>3942.00</td>
<td>2444.00</td>
</tr>
</tbody>
</table>

**Source:** Raghu R. Palat, 1992, Jaico’s Wonderland of Investments, Jaico Publishing House, Bombay, p. 250.

It is clear from the Table 2.2 that there is a direct relationship between the price of gold and quantity of smuggled gold. The higher the price of gold the larger is the quantity smuggled. The maximum quantity of gold smuggled into India was 200 tons in the year 1989, the value of which was Rs.6,386 crores at Rs. 31.96 crores per ton, whereas the lowest quantity of gold smuggled into India was 53 ton in the year 1983, the total...
value of which was Rs.984.74 crores at Rs.18.58 crores per ton. However, the situation changed totally after 1992, when the ban on gold imports was lifted in the Budget in March 1992.

It is by keeping in view the unassuaged demand for gold, the Tarapore Committee on capital account convertibility recommended that the import of gold should be put on the Open General Licence (OGL) list before making the rupee fully convertible. For full convertibility of the rupee cannot be contemplated unless the bullion market also is integrated with the other financial markets both within the country and abroad. The new gold import policy allows import of gold and silver under OGL for sale in domestic market by 12 designated agencies.22

The Non-Resident Indians (NRIs) who are returning to India can now bring gold upto 10 Kilogram per head. They have to pay a fixed duty. This measure is expected to reduce, if not eliminate, gold smuggling, bring revenue to the government, and reduce the disparity between international and domestic prices of gold. The price of gold in London in May 2000 was Rs.3,800 per 10 grams, while it was Rs.4,400 per 10 grams in Mumbai.23

2.3.2.3.1. Tax Implications

Since gold holdings are barren and unearning, there is no liability for income tax. But bullion and jewellery are subject to capital gains
tax and wealth tax, without any exemptions whatsoever. While determining the value of gold ornaments for the purpose of wealth tax, making charges are ignored, unless the ornaments are studded with precious stones.

2.3.2.4. The Prospects for Gold

In so far as gold is used as an ornament, it is treated as a durable consumer good. But this function of gold does not in any way undermine its advantages as a liquid risk free asset. In any case, not all gold is held in the form of ornaments; a larger part is hoarded. Altogether, from the national perspective, gold holdings, whether as bars or ornaments, are no different from foreign exchange holdings.24

Timothy Green, a well-known gold expert, reminds us of a historical truth: “The great strength of gold throughout history has not been that you make money by holding it, but rather you do not lose. That ought to remain its best credential”.25 It is safe to invest in gold. But, it is very essential that the jewellery should be kept in bank lockers. Loans can be raised on gold for the other portfolio investment.

In India, gold is an indispensable part of marriage regardless of caste or creed. No Indian woman would wed without at least the minimum required quantity of gold ornaments. Ladies are gold savvy and
buy gold ornaments regularly. And gold is one of the means by which unaccounted wealth is held.

2.3.2.5. Ways to Own Gold

Investment in gold may be held either in the form of gold shares which are not permitted in India, gold coins, gold bars or gold jewellery.

2.3.2.5.1. Gold Coins

Now, in India gold coins are not current now. But, there are gold coins minted during 1800-1895 when King George and Queen Elizabeth reigned over India. In the US, the Federal Reserve System issues a number of new gold coins; in the South East and the Middle East countries gold coins are issued. Gold coins are also used as jewellery. Some investors prefer to trade gold in the form of coins only. They use them for reshaping and moulding to make jewelleries. Other investors use them in the form of lockets, rings and ear rings.

Owning gold in coin form has many advantages. Coins are a pleasure to view, conveniently small and easily transferable on sale. Since the amount of gold embodied in them is known, one need not have them assayed upon transfer.
2.3.2.5.2. Gold Bars

Ownership of gold bars also is not considered legal in India. But in the United States of America, it has been legal to hold and make goldbars. Gold bars are sold by Swiss banks in denominations of 5 grams and upto 30 grams. Gold bars compensate for inflation but it is an unproductive asset and is risky.

2.3.2.5.3. Gold Jewellery

Gold Jewellery is a method of shaping pure gold into ornaments. It is a known fact that the common people of the society have been using gold only in the form of ornaments. As a result, a large number of people are engaged in the ornament making business catering to the needs of gold ornament users.

2.3.2.6. Gold Investment in Tuticorin

In Tuticorin city, there are nearly 60 jewellery marts. Most of them are situated in Kasukkadai Bazaar (North Cotton Road). Some of the jewellery marts are established along the main arterial road, the Great Cotton Road. Among these jewellers, only two, namely, A.V. Marimuthu Nadar Jewellers and Alagar Jewellers are the leading jewellers in the city. The public has a very high confidence in the jewels purchased from these two sellers. When a customer wants to sell back the jewels which were
purchased from these two sellers, they can be sold back to them at a price 10 per cent less than the ruling market price. This is a special feature of these two sellers which is not found with the other sellers in Tuticorin.

There are nearly 2000 goldsmiths in Tuticorin tightly engaged in making jewels all the year round. They secure their job either by taking direct orders or by taking orders through other jewellers.

In Tuticorin gold ornaments are made using Batla or Moose with 24 carat. Batla means fresh gold bars with 24 carat. Moose refers to gold after separating the copper from the old jewels. In both the cases, ornaments are made by adding copper in a specified proportion to the 24 carat gold. After this process, the 24 carat gold becomes 22 carat.

In the case of special kind of ornaments requiring minute craftsmanship, orders are placed to jewellery agents at Coimbatore, Madurai and even Mumbai. In all these cases, the agents of different places visit Tuticorin, get orders and supply the jewels after completion. The jewellers at Tuticorin need not spare any time for these orders. The ornaments of latest design are almost purchased from Coimbatore and Mumbai. No silver ornaments are made in Tuticorin. Usually, orders for silver ornaments are placed at Salem. Diamonds and other precious stones are also sold in the jewellery marts of Tuticorin City. Compared to the gold
ornaments in the neighbourhood, jewels made in Tuticorin are considered of better quality.

Depending upon the quality of the ornaments provided by the individual sellers, more number of customers are visiting the jewellery shops daily. As far as Tuticorin city is concerned the monthly turnover of all the jewellers would be very high in all the months except mid July - mid August. The Tamil month, Aadi, befalls the second half of July and the first half of August. Aadi is considered by the Tamils as an inauspicious month when solemn functions like marriages are not held. This explains as to why the sale turnover of the jewellers is low in the period. Hence, in this period in order to streamline the sales, the jewellers usually announce several free offer schemes for attracting customers. Besides, Tuesdays and Fridays are the days in which the sales are at a lower level. Anyhow, totally 5 kilogram of gold ornaments per day are sold in an average in Tuticorin city.

Now a days no licence is needed to become a jewellery merchant. But registration is essential. And hence, any person belonging to any community may become a jeweller, although in Tuticorin city, the Nadars and the Kaasukaarachettiaars are predominant in the business.

These jewellers are meeting the needs of the customers from Tuticorin city as well as the nearby villages around Tuticorin. Most of the people living in the nearby villages are farmers, some of whom are rich.
They are earning very high income from agriculture. Gold investment is the popular avenue well known to these people. And so, the customers from villages account for a major share in the total gold market in Tuticorin city.

2.3.3. Investment Opportunities Available in Banks

Generally speaking, bank deposit is a relatively risk-free investment. What banks offer is not only returns but also peace of mind. In terms of convenience and ease of operations, banks still remain quite a satisfactory avenue of investment particularly for the aged and the retired.

Banking industry is the main financial institution to subserve the national interest and to serve more effectively as an adjunct to the regulation of the monetary and credit policies of the country besides affording a degree of protection to the depositor's money.

At the outset there are 50 bank branches (vide Appendix-B) rendering service to the industrial, business and general public in Tuticorin. Of them there are only 28 banks tap the savings of the investors. These banks are mobilizing deposits from the public belonging to different walks of life, engaged in numerous economic and business activities and having different financial status.

The important thing for the investor is to realise that the interest rate structure is more or less uniform in all banks and revised by the
Reserve Bank of India from time to time on the basis of the economic conditions of the country and the monetary policy of the reigning government at the Centre.

However, the authorities have relaxed this condition and every bank is free to offer the rates as per their choice around the current bank rate. The restriction on their lending rate is still under the control of many if’s and but’s.

Deposits with public sector banks are still considered the safest. It is only because they are fully or partly owned by the government, which is obliged to come to their rescue in the wake of a run on the bank. In the case of private and cooperative banks, also deposits are safe to the extent of Rs. One lakh, as they are insured with the Deposit Insurance and Credit Guarantee Corporation (DICGC).  

Deposits in banks offer a high degree of liquidity since against term deposits, loans upto 75 per cent of the deposit amount can easily be obtained by paying 2.5 per cent higher rate of interest than what the bank gives on the term deposit. Besides, the depositor can have premature encashment of his deposit at a small penalty of only 1 per cent in the interest rate applicable to the period for which the deposit was with the bank. The reduction in the interest rate will be with reference to the rate
structure prevailing at the time when the deposit was made or the current structure whichever is lower.\textsuperscript{29}

In order to suit the requirements of different sections of the society and to compete with other banks, the banks are offering different types of deposit accounts. Some of them deserve notice.

\textbf{2.3.3.1. Fixed Deposit Account}

The deposit accepted by the banks for fixed periods specified in advance are known as fixed deposits. Banks need not maintain cash reserves against these deposits since they are repayable on the expiry of a fixed period determined in advance. Therefore, higher rate of interest is offered by banks on such deposits. The present interest rate is 5.5 per cent for deposits made for a period of more than 3 years. The period for which the deposit is accepted is ranging from 15 days to 10 years. In Tuticorin almost all the banks offer this deposit facility.

\textbf{2.3.3.2. Savings Bank Account}

Savings bank account is meant for small savers. Its main object is to encourage the habit of savings among the public. This is a highly liquid form of savings and carries a rate of interest of 3.5 per cent per annum. This account is most suitable to individuals like salaried people, housewives, students, professionals, workers and institutions which are
engaged in non-trading activities. Almost all the banks in Tuticorin offer this facility.

2.3.3.3. Current Account

A current account is a running account and it can be operated in any given day for any number of times without any restriction regarding the number and amount of withdrawals. The primary object of this account is to safeguard the customers from the risk of handling cash by themselves. Therefore, it is suitable for big business concerns, companies, institutions, public undertakings, industrial establishments and the like. Current account does not carry interest but has other facilities like overdrafts and collection of instruments which are duly endorsed. This account facility is also available in all the banks in Tuticorin.

2.3.3.4. Recurring Deposit

Recurring deposit is a regular and convenient mode of saving a fixed sum for an agreed period of time. This scheme primarily helps salaried class who are unable to save bulk sum at a stretch. The rates of interest on this deposit are the same as applicable to fixed deposits. Like savings bank account, these accounts are also transferable from one branch to another without any charge. In Tuticorin almost all the banks offer this scheme invariably.
2.3.3.5. Money Multiplier Deposit Certificate (MMDC)

Under the Money Multiplier Deposit Certificate Scheme, a minimum deposit of Rs.100 and thereafter in multiples of Rs.100 can be placed for periods varying from 6 Months to 120 Months. The interest is calculated on a quarterly compounding basis and repaid along with the principal amount on maturity. This is an ideal savings scheme to meet the children's education, future travel plan, contingencies that one's mind could conjure up and the like. This scheme is offered by the Central Bank of India only.

2.3.3.6. Monthly Interest Deposit Receipt (MIDR)

The MIDR scheme provides the depositor with monthly interest earnings without touching the principal amounts. All that the depositor is required to do is to deposit a minimum amount of Rs.1,000 or over in multiples of Rs.100 for periods varying between 12 to 120 Months. The rate of interest varies depending upon the maturity period of deposits and the interest is paid every month. This scheme is ideal for customers who are required to make monthly provisions for payment of electricity bills, telephone bills, insurance premia, school fees and the like. The Central Bank of India is the only bank offering this scheme.
2.3.3.7. Quarterly Interest Deposit Receipt (QIDR)

QIDR Scheme differs from the MIDR Scheme only in the mode of payment of interest. Under QIDR Scheme, the depositor is provided with quarterly interest without depleting the principal amount. This scheme has been found ideal by customers who need money for various purposes at pre-determined intervals. This is a special scheme offered by the Central Bank of India.

2.3.3.8. Variable Instalment Plan (VIP)

This is an ideal scheme for depositors with variable monthly incomes. The unique feature of the scheme is that the monthly deposits can be varied depending upon the surplus funds available at the disposal of the depositor. While opening the account, the depositor has to decide the minimum 'core' monthly instalment. The minimum 'core' monthly instalment acceptable under the scheme is Rs.100 and the maximum is 10 times the 'core' amount or Rs.10,000 whichever is lower. Interest will be calculated on product basis like savings account and credited every half year ending September and March. This scheme is offered by the Central Bank of India.

2.3.3.9. Muthukuvial Deposit

Under the Muthukuvial Deposit scheme, any lump sum could be deposited for a fixed period of time, which will mature with a cumulative
sum. It earns cumulative rate of interest. It is suitable for meeting the expenses relating to the children's marriage or education in future. Income Tax will be deducted at source by the banker while making payment. The period for which the deposit can be made is for a minimum of 1 year and maximum of 10 years. This scheme is offered by the Tamilnad Mercantile Bank Limited, whose registered (Head) office is at Tuticorin.

2.3.3.10. Cash Certificate

Cash certificate system is similar to Muthukuvial but with a difference. That is, the amount deposited is worked out in fraction but the maturity amount will be a fixed lump sum. But for this, all other features are similar to the Muthukuvial Deposit Scheme. This scheme is offered by the Tamilnad Mercantile Bank Limited and the Central Bank of India.

2.3.3.11. Navarathina Mala Deposit

The Navarathina Mala Deposit is a combination of recurring deposit and cash certificate. Normally a lump sum would be paid at the time of maturity. Accordingly, the instalment amount is fixed in fraction. The instalment should be paid for a fixed period of time. After that, a certificate will be given to the investor as in the case of cash certificate. Then, after the expiry of a certain period of time, the lump sum will be given to the investor. Interest will be calculated at the rate prevailing at the time of maturity. Tax
will not be deducted at source during the running period. This scheme is offered only by the Tamilnad Mercantile Bank Limited.

2.3.3.12. Vazhayadi Vazhai

Vazhayadi Vazhai is a special scheme, offered by the Tamilnad Mercantile Bank Limited. It is a combination of recurring deposit, Muthukuvial deposit and fixed deposit with monthly interest. Under this scheme a small amount is to be remitted periodically till the target amount is achieved. The bank will keep that amount at its disposal till the attainment of the maturity period. Subsequently, monthly or quarterly interest will be paid to the investor throughout his life. After the demise of the investor, the interest will be paid to the legal heir. If the investor is willing he can close the account and the lump sum will be paid by the bank to the investor. Under this scheme, the rate of interest is fixed at the time of making the agreement. It will not be changed for ever.

2.3.3.13. Vriddhi Deposit Scheme

Vriddhi is a short-term deposit scheme with automatic renewal facility and helps depositors earn high interest. The minimum amount of deposit acceptable under this scheme is Rs.1,000/-. The account can be opened for a period ranging from 46 days to 6 months and can be renewed for a maximum period of 1 year. As per the option exercised by the
depositor at the time of opening the account, the maturity amount gets automatically renewed subject to a maximum of seven times for 46 days deposit and one time for 6 months deposit. It is a scheme of the Central Bank of India.

2.3.3.14 Khazaana Deposit Scheme

Khazaana Deposit scheme is offered by the Central Bank of India. It offers the depositor the double benefits of easy liquidity and high returns. It is also a flexible scheme which allows the depositor to withdraw a part of the deposit amount as and when required. Under this scheme, the entire deposit amount will be placed in ‘units’ of Rs.1,000 each in order to facilitate easy withdrawals, upto a maximum of 10 times. Such withdrawals will be treated as premature payment and attract interest as per RBI guidelines in force. Accounts can be opened with a minimum of Rs. 5,000 and in multiples of Rs. 1,000 thereafter for a period of 46 days to 120 Months. This scheme is beneficial to the investors for ‘stock - invest’ purpose.

2.3.3.15. Mini Deposit

Under Mini Deposit Scheme, deposits are collected at the doorstep of the investors by engaging collection agents. Since the bank pays commission to the agents, usually the rate of interest for this deposit is
very low. It is meant for small investors. Simple interest is paid on this
deposit. In Tuticorin almost all the banks offer this scheme with varied
names.

2.3.4. Investment Opportunities Available in Stock Market

One of the popular avenues available among the various
investments is the stock market investment. Investing in stock market is
always interesting, challenging and highly rewarding. Interesting because
the stock market is dynamic, there is never a dull moment. Challenging
because its movements are uncertain, the only certainty is its uncertainty.
Rewarding because it is risky. Risk and rewards usually go together.

A few years back, stock market investment was perceived
very risky and was meant only for the rich class. But recently stock market
investment has witnessed a great deal of change and all investors have
started viewing it as a right channel to bear inflation. Though all equity
investors are driven by the same ambition of making as much money as
possible, they differ in their time perspective.

Whereas the year of 1991-92 was a sweet dream for many
equity investors, the year 1992-93 was a nightmare for them. This cycle
again repeated with a bull market in 1993-94 and a prolonged bear market
since October 1994. In short, 'that's the story of equity investment - a cycle
of booms and busts, profits and losses, triumphs and tragedies'. 30

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In this bull-bear struggle, which is an eternal one, a large number of the so called genuine investors lost huge sums of money, which they had put blindly when the market had risen, unreasonably, especially in the information technology (IT) shares. Apparently, they were not alert, their sources of information inadequate and their assessment of the situation faulty.\textsuperscript{31}

2.3.4.1. Problems of Investing in Equity Shares

There are some difficulties, disadvantages and problems associated with investment in shares.

The market values of actively traded equity shares seldom remain constant. They keep fluctuating; some moderately, but others violently. These fluctuations in market prices are likely to cause anxiety and discomfort for an amateur investor.

There is no guarantee that there will be profits and there is no standard formula for success in the stock market. Some investors may gain at the expense of some others. There is even a risk of the complete loss of one's capital lock, stock and barrel.

Consistency has never been a strong point of the Indian Government. Uncertain policies of the government cause considerable damage to the profitability of companies, which, in turn, affects the
shareholders. A change in the government leads to considerable change in policies.

The shares issued by reputed companies may be oversubscribed several times. Even though allotment is done on a proportionate allotment basis, there are chances of not getting an allotment also. Not getting an allotment will result in a loss of interest during the intervening period up to refund. There are often complaints of malpractices by registrars and delays in refunds. However, with the introduction of stock-invest and modification in the proportional allotment system by SEBI some of these problems are solved.

Since timing is crucial both while buying or selling shares, an investor has to be alert. If an investor misses a good opportunity once, he may have to wait for a long time for the next one. When prices rise, they rise quite fast, when they fall, they plummet even faster.

In a city which does not have a stock exchange it may be difficult to find share brokers. Even if there is a broker, he may not be able to do the business at the right time and at the right place. As sub-brokers in small towns and big cities are not members of any stock exchange, they are not subject to any institutional discipline. However, things have improved now with SEBI insisting on compulsory registration of all intermediaries including sub-brokers, the commencement of full-fledged trading in equity of
National Stock Exchange (NSE), the introduction of computerised trading on the Bombay Stock Exchange (BSE) and the advent of internet trading.

An equity investor has to keep a constant watch on various environmental factors, such as economic conditions, political conditions, an industry's prospects, company's performance and the like. Sometimes it can be more time-consuming than a full time job. Many investors cannot spend so much time and energy on their investments.

It is possible that an equity investor may make some profit in the beginning through beginner's luck. This often leads to aggressive buying of shares at high prices and subsequent panic sales, often at the lowest prices. To avoid such wrong decisions, an investor may need expert and objective professional guidance, which is both scarce and costly. Now a new breed of professionals called Charted Financial Analysts (CFAs) is fast emerging in India.

2.3.4.2. Factors Influencing Share Prices

There are many factors which influence the market price of shares. The prices of actively traded shares are fluctuating very widely day-by-day. The overall index of share prices is also fluctuating. The sensitive index of BSE has become very popular for assessing the overall market sentiments. However, generally there are some factors which influence the share prices in the Indian stock markets.
i) The Role of Institutional Investors

Institutional investors include UTI, LIC, General Insurance Corporation (GIC) and various mutual fund companies. When they are actively buying securities in the market, the prices tend to rise. On the other hand, when they sell the securities, the prices tend to fall. Thus, the role of institutional investors is one of the important factors influencing market prices of shares.

ii) The Behaviour of Individual Investors

The investment behaviour of individual investors also influences the market. Usually, individual investors do not invest rationally. They buy and sell shares at great speed without much serious thought, while more seasoned investors fear to trade. The 1985-86 boom, the 1989 mega issues boom, the 1991-92 and 1993-94 and the 1999-2000 boom in software stocks are recent examples. Because of the individual investors not acting in a rational manner, there is always a backlash. When things are not favourable, individual investors spoil the market for sometime. Fortunately, investor's memory is short. After licking their wounds for a while, they come back with full vigour to trade. There is also a supply of new investors. Ultimately, the role of individual investors in stock markets will decline.
iii) The Monsoon

The single most important factor which influences the Indian Stock Market is the monsoon. If the monsoon arrives on time and in abundance, the economy booms, companies do well and the market goes up. Otherwise, the markets turn weak.

iv) Inflation

The market does not like inflation, whenever inflationary pressure builds up in the economy markets react with hesitation. The government will try to control inflation through price controls, wage freezes, heavier taxes, higher interest rates, credit squeeze, and the like. Such fiscal and monetary steps tend to set in a recession, weaken the business of companies and impair their performance.

v) Government Policies

If the government follows a liberal policy regarding the control and regulation of industry, companies do well and the market shoots up. On the other hand, when the government follows policies of regimentation, raids, controls, harassment and the like, markets turn weak.

vi) War

War has a great negative impact on the market. Whenever war clouds gather, markets are depressed. War can easily collapse a
company. It is also a huge financial waste. One can confidently say that the market operators are peace loving.

vii) Technical Position of the Market

Periodically the stock market undergoes technical corrections. When an overbought situation develops, prices tend to decline in the next couple of trading sessions. Conversely, when there is an oversold situation, prices tend to rise in the next few trading sessions. When prices go up for 'technical' reasons, it is called a technical 'rally'. Similarly, when prices fall due to 'technical' reasons, it is known as a technical 'reaction'. Such rallies and reactions are a common feature and actually provide long-term stability to the market.

viii) Markets Always Anticipate and Discount Forthcoming Events

Markets do not wait for an expected event to take place. As soon as there is a hint of something brewing, the market adjusts itself, upward or downward and keeps correcting itself on a continuous basis. For instance, by the time the South West Monsoon actually hits the Kerala-coasts, the prices of shares of market leaders like Reliance, Indian Tobacco Company and the like are already suitably adjusted by thousands of market operators and investors all over the country.
ix) Reaction in ‘Reverse’ Direction

As a result of this advance price adjustment mechanism, the market price of a given share represents all the good news and all the bad news already known or expected. Hence, when the good or the bad event actually happens, the market reaction is typically in the ‘reverse’ direction.

x) The Market has a Deeper Significance

The market index reflects like a mirror the current status of the economy as a whole. Hence, the stock market is considered to be a barometer of the general economic condition. With all its fluctuations in prices and uncertainties, the stock exchange is the heart of the free enterprise and free market system which continuously attempts to balance the risks and the rewards.33

2.3.4.3. Share Investment in Tuticorin

Since share investment is an intelligent game, only literate people can invest in shares. There are nearly 22 sub-brokers in Tuticorin to meet the needs of share investors. The NSE has two trading terminals in Tuticorin. A person should pay Rs.5 lakhs and should get permission from NSE to have a trading office with terminals. The share market in Tuticorin city consists of more than 1000 investors. Of them, there are 600 professional investors.
Only listed securities are transacted through brokers in Tuticorin city. The shares of Indian Tobacco Company (ITC), Ponds and Hindustan Lever Ltd (HLL) are largely traded in Tuticorin. In power sector, Bombay Suburban Electronic Systems (BSES) and Asia Brown Bovery (ABB) are the most attractive companies.

In software industry, more number of shares are traded in Sathyam Computer Services, Silver Line, Squared Software, and HCL Infotech.

In case of fertilizer industry, the shares of SPIC, TAC, DCW and Nagarjuna Fertilizers Ltd are attractive in Tuticorin city.

2.4. Summary

In this chapter, the researcher has presented the various investment opportunities available in Tuticorin. Tuticorin is the headquarters of the Thoothukkudi District, which has a population of 2,16,058 as per census, 2001. The study area provides all kinds of facilities to the investors who are ready to invest their money in either real estate, jewels, bank deposits and/or stock. Among the four investment options the real estate investment is very popular in the area of study, followed by investment in stock. In order to strengthen the investment attitudes among the investors there are a number of institutions and mediaries, namely, banks, stock-sub brokers, real estate brokers and gold merchants functioning more effectively in the study area.
FOOTNOTES


3. H.R. Pate, 1993, Tirunelveli District Gazeteer, Publication Division, Manonmaniam Sundaranar University, Tirunelveli, p. 20.

4. Ibid., p. 20.


16 Ibid., p. 307.


