

Reflection of Kerala Floods on the Stock Prices of Listed Banks from Kerala

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ABSTRACT

Kerala went through the worst natural disaster in about a century during August 2018. Apart from the loss of property, lives and assets the State could see a remarkable loss of trade and business. But the nation could witness an unmatched fight back from the State in standing up again with pride backed by enormous support from within and outside the State. Commercial banks in India have a strong representation from Kerala via 3 major listed banks. This paper attempts to evaluate what reflections have been seen in the stock prices of these Kerala Banks. The change in the stock price is also compared against the sectoral index (NIFTY bank).

1. Introduction

The unprecedented floods of the week of 13 August have some short-term negative implications for the economy of the state. But given the way Kerala has managed the disaster, one is optimistic that it will make the state more strong to deal with future crises induced by capricious weather. (LiveMint, 2018)

The present situations highlight the following research questions:

- Whether the banks from Kerala face a fall in stock price due to the flood?
- Whether the fall, if any, is common to all banks from Kerala?

2. Research Methodology

The study is analytical and descriptive in nature. The study uses secondary data for the purpose of analysis. This study considers the stock prices collected from NSE and attempts to analyse the trend.

3. Results

A detailed analysis of the trend the stock prices of listed banks from Kerala produced the following results:

Table 1
Closing Stock Prices of Listed Banks from Kerala
[In Rupees]

Date	Dhanlaxmi Bank	South Indian Bank	Federal Bank
08-Aug-18	16.35	18.05	88.25
09-Aug-18	16.4	18.35	89.55
10-Aug-18	16.2	18	89.2
13-Aug-18	15.75	17.85	87.65
14-Aug-18	15.6	17.9	88.8
16-Aug-18	15.55	18.05	89.7
17-Aug-18	15.45	18.35	86.25
20-Aug-18	17	17.85	81.5
21-Aug-18	16.45	17.7	81.85
23-Aug-18	16.05	17.55	81.5
24-Aug-18	15.75	17.55	81.6
27-Aug-18	15.7	17.55	79.9
28-Aug-18	15.35	17.55	79.65
29-Aug-18	15.05	17.75	80.85
30-Aug-18	15.4	17.55	80.85
31-Aug-18	15.45	17.55	81.1
03-Sep-18	15.4	17.55	80.75
04-Sep-18	15.1	16.75	77
05-Sep-18	14.75	16.85	77.75
06-Sep-18	14.9	16.85	77.35
07-Sep-18	14.95	16.9	78.05
10-Sep-18	14.6	16.5	75.55
11-Sep-18	14.45	16.05	75.8
12-Sep-18	14	16.1	76.25
14-Sep-18	14.25	16.4	77.85

Source: Compiled from NSE

The analysis of the trend in the stock prices of listed banks from Kerala could highlight that Federal Bank faced the maximum fall and is found to be the most traded one also. Dhanlaxmi Bank also faced a similar rate of fall but it is not as much traded as the other stocks.

Experts predicted an average fall in the prices of about 10% since the maximum business of these banks is from Kerala itself.

Further analysis could reveal that the actual fall also was around 10 % on an average.

Table 2
Fall in the Stock Price of Listed Banks from Kerala

Date	[in %]		
	Dhanlaxmi Bank	South Indian Bank	Federal Bank
08-Aug-18	*****		
09-Aug-18	0.003	0.017	0.015
10-Aug-18	-0.009	-0.003	0.011
13-Aug-18	-0.037	-0.011	-0.007
14-Aug-18	-0.046	-0.008	0.006
16-Aug-18	-0.049	0	0.016
17-Aug-18	-0.055	0.017	-0.023
20-Aug-18	0.04	-0.011	-0.076
21-Aug-18	0.006	-0.019	-0.073
23-Aug-18	-0.018	-0.028	-0.076
24-Aug-18	-0.037	-0.028	-0.075
27-Aug-18	-0.04	-0.028	-0.095
28-Aug-18	-0.061	-0.028	-0.097
29-Aug-18	-0.08	-0.017	-0.084
30-Aug-18	-0.058	-0.028	-0.084
31-Aug-18	-0.055	-0.028	-0.081
03-Sep-18	-0.058	-0.028	-0.085
04-Sep-18	-0.076	-0.072	-0.127
05-Sep-18	-0.098	-0.066	-0.119
06-Sep-18	-0.089	-0.066	-0.124
07-Sep-18	-0.086	-0.064	-0.116
10-Sep-18	-0.107	-0.086	-0.144
11-Sep-18	-0.116	-0.111	-0.141
12-Sep-18	-0.144	-0.108	-0.136
14-Sep-18	-0.128	-0.091	-0.118

Source: Computed from data compiled from NSE

Federal Bank and Dhanlaxmi Bank faced the maximum fall as compared to stock price on 8th August.

Chart 1 – Trend in the Closing Stock Prices of Listed Banks from Kerala

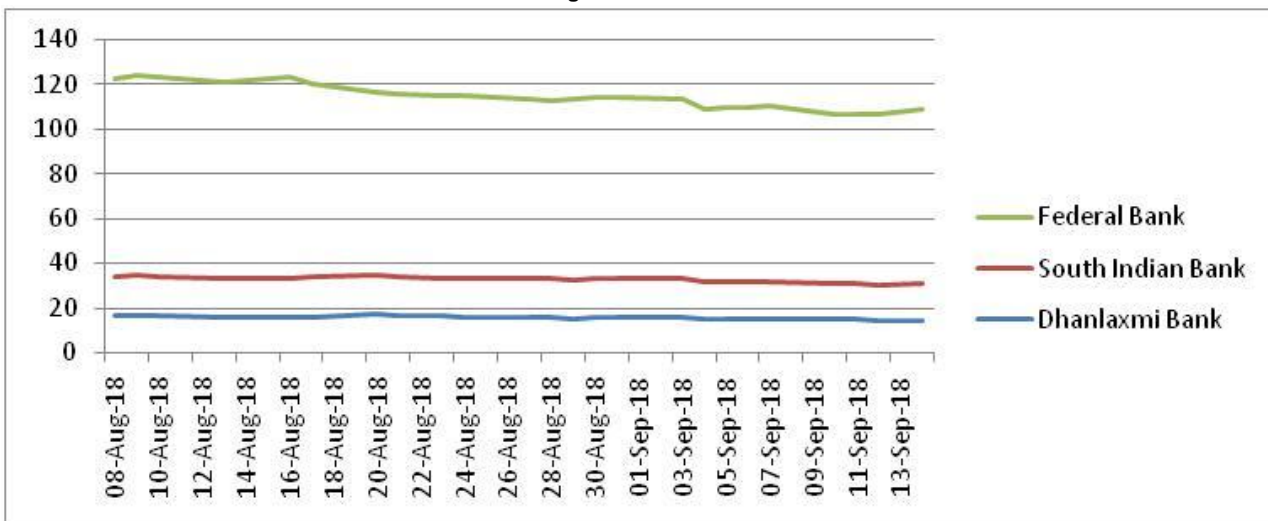
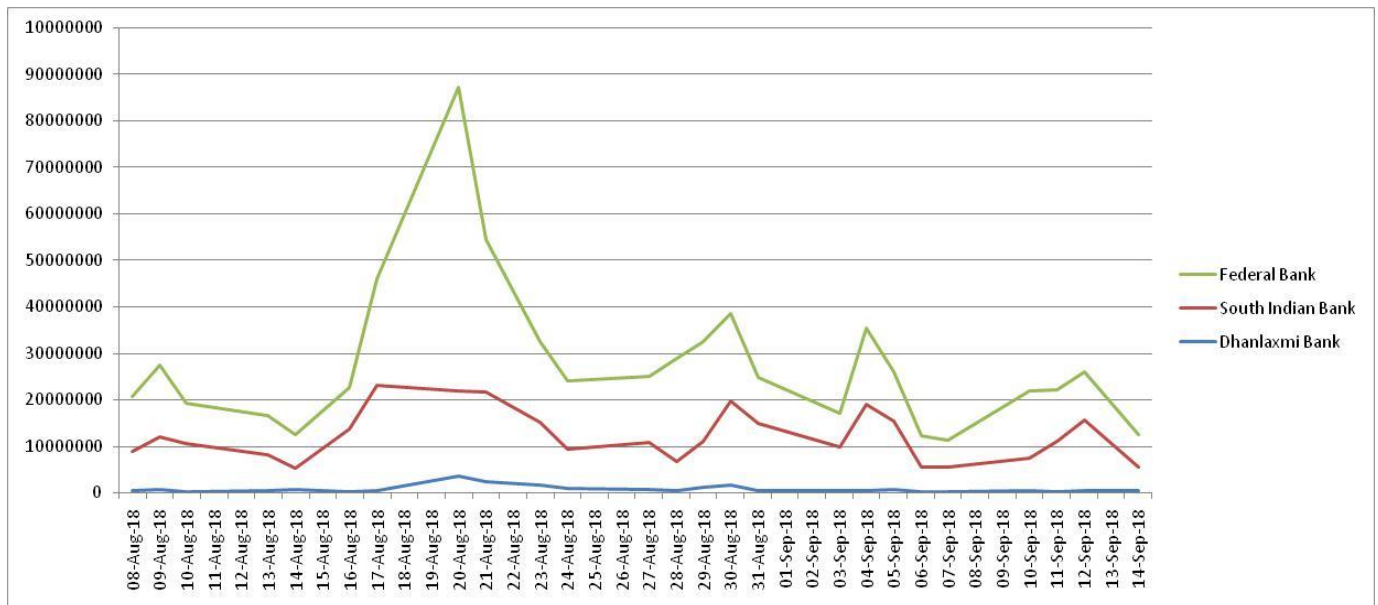


Chart 2 – Trend in the Volume Traded of Listed Banks from Kerala



4. Conclusion

Unlike other sectors, banking is considered to be the barometer of the commercial resurgence of any economy along with other consumables. Banks from Kerala faced a fall of about 10 % as predicted by most experts in valuation. Federal Bank remains the most traded stock. In comparison to the

NIFTY Bank index fall of 3% during the corresponding period, an average fall of 10% shows a clear reflection of the perceived effect of the natural calamity. Yet, the self resurgence power of Kerala Economy is found to supplement better valuation in future.

References

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