

# **A Study On Awareness Level Of Services Offered By Depository Participants With Special Reference To Pollachi Taluk, Tamil Nadu**

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## **INTRODUCTION**

A major reform of the Indian stock markets has been the introduction of depository system and scripless trading mechanism since 1996. The long prevailing scrip based system of securities transaction involves enormous paper work involving certificates and transfer deeds. Every securities transaction, for example in the physical scrip based system is required to be accomplished by physical movement of securities certificate along with the transfer deeds. The process beginning with the purchase of securities till getting the certificates duly transferred and endorsed in the name of the buyer is indeed quite complex and time consuming and is riddled with a wide variety of problems such as :

- ✿ Bad deliveries due to signature difference.
- ✿ Mistake in completion of transfer deed.
- ✿ Tearing and mutilation of certificates .
- ✿ Fake certificates.
- ✿ Cost of stamp duty .
- ✿ Processing time taken by the company.
- ✿ Postal delays .

Hence, as a part of the capital market reforms, in the year 1996, a need was felt for the introduction of scripless depository system of securities movement. In the depository system, the apex organisation is the depository which is just like a bank from where a depositor / investor can deposit and withdraw the money. In a depository, an investor can deposit and withdraw his shares.

A Depository Participant (DP) is an agent of the depository. A DP works as a branch of the bank with whom a deposit account has to be opened. An investor can interact only with a DP and not with the depository, for all his dealings in shares in the electronic form. As per SEBI guidelines, the financial institutions, the share brokers, the banks etc. can become a DP after registration with SEBI. A DP is a vital link in the depository system and all transactions in the dematerialised shares are routed through a DP only.

At present, there are two Depositories in India, National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). NSDL was the first Indian Depository. It was inaugurated in November 1996. NSDL was set up with an initial capital of Rs. 124 Crore, promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI), National stock Exchange (NSE) and the State Bank of India (SBI). Central Depository Services Limited managed by professionals has been promoted by the stock exchange, Mumbai along with State Bank of India, Bank of Baroda and Bank of India as original sponsors in the year 1998. Several leading private sector banks viz. HDFC Bank, Standard Chartered Bank, Global Trust Bank and Centurion Bank are also its sponsors.

## **STATEMENT OF THE PROBLEM**

The recent years witnessed significant reforms in the capital market. It is well known that trading platform has become automatic, electronic, anonymous, order-driven, nation-wide and screen - based. Shouting and gesticulations have yielded place to punching and clicking. Speed and efficiency are the hallmark of the current system. On any trading day, more than 10,000 terminals come alive, in 400 towns and cities; information is flashed on real time basis. Transparency is ensured in respect of dissemination of information, price and quantum of the order. Today, a trading member need not wend his way to any stock exchange building; he can comfortably sit at his computer terminal and execute the order. An investor today need not wait, with his fingers crossed, for a fortnight or more, for getting crossed

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cheques or crisp notes for the sale proceeds of his securities. The trading cycle has been shortened to T + 2 from T+5 over a period of two years.

Another material development, which proved to be of immense relief to the investors, was dematerialisation of scrip. Now 99% of the scrips in the market are dematerialised. Almost 100% of the trades are in Demat form. Inconvenience of physical custody and transfer, tedium of intimating change of address and problem of bad delivery, late delivery and the risk of fraud have virtually disappeared. Hence, with the increase in the number of Retail Investors and compulsion of SEBI to trade securities in demat mode, an attempt has been made to study about “Awareness level of services offered by Depository Participants among Retail Investors” at a micro level Pollachi Taluk.

## **FACILITIES OFFERED BY DEPOSITORIES**

The following are the benefits offered by depositories.

**1. Nomination :** Nomination can be made by individuals holding beneficiary accounts either singly or jointly.

**2. Transposition -Cum-Demat Facility :** Transposition-cum-demat is a facility, which enables investors to transpose names of the joint holders in desired order along with the process of dematerialization of certificates. Transposition-cum-demat facilitates dematerialization of certificate held in different order through one demat account.

**3. Transmission of Demat Securities:** Transmission is the process by which securities of a deceased account holder are transferred to the account of his legal heir/ nominee.

**4. Rematerialisation :** Rematerialisation is the term used for converting electronic holdings back into certificates.

**5. Internet Based Services:** The internet facility provided by NSDL and CDSL are speed-e and easi respectively.

Beneficial owner can use internet-based facility for:

- ✱ Viewing the holdings.
- ✱ Viewing the status of his instruction.
- ✱ Obtaining transaction details for proceeding 7 days.
- ✱ Viewing the value of his holdings based on the previous day's closing price.
- ✱ Obtaining print of statement of account.

**6. Pledging :** Electronic securities can be used as collateral for pledging in banks or financial institutions.

**7. Inter Depository Transfer :** If a person has depository account with NSDL, he can receive the securities from an account holder having account with some other depository in India.

**8. Freezing :** NSDL and CDSL provides the facility to freeze the depository accounts for any debits or for both, debits and credits. In an account which is “frozen for debits, no debits will be permitted from the account, till the time it is unfrozen.

## **OBJECTIVES OF THE STUDY**

1. To examine the awareness level of Retail investors about the services offered by Depository Participants.
2. To suggest suitable measures to enhance the level of awareness of investors.

## **HYPOTHESIS**

**1. There is no significant relationship between Socio-economic characteristics and awareness level of services offered by Depository Participants.**

## **RESEARCH METHODOLOGY**

The aim of the present investigation is to study about how far the investors are aware about various services offered by Depository Participants in Pollachi Taluk, Coimbatore, Tamil Nadu.

## **SAMPLE SIZE**

Retail Investors of Pollachi Taluk, a finite universe was taken for the study. A sample of 100 investors were chosen based on the details provided by Depository Participants operating at Pollachi - Geojit Financial Services Ltd., Coimbatore Capital Private Ltd., Stock Holding Corporation of India Limited, Karvy and DJ Stocks and Shares Limited. A sample of 100 investors was chosen based on the simple random sampling technique.

## **DATA COLLECTION**

The present study made use of primary and secondary data. A structured questionnaire was prepared to collect the primary data. Questions related to objectives have been included after consulting stock brokers and financial experts. A pilot study was undertaken before administering the questionnaire to entire respondents. The purpose was to find out whether any modifications were required in the questionnaire. A sample of 10 respondents was selected for pre-testing. After pre-testing, it was found that there is no need for modification, so the questionnaire was used for collecting data in the main study. The primary data was collected from 100 respondents through questionnaire. The secondary data have also been collected from textbooks, journals, magazines and websites to present the data about depositories.

## **STATISTICAL ANALYSIS**

The data collected have been transformed into tables. The present study made use of percentage analysis as the statistical tool to analyse and interpret the collected data. Chi-square tests are used to test the hypothesis of the study. Chi-square test was used to find out whether there is any association between socio-economic attributes and awareness level of investors. Based on the results, conclusions were drawn and suggestions were made to improve the awareness of investors.

## **LIMITATIONS**

1. The area of study is restricted only to Pollachi Taluk. Hence, generalization made from the findings of the present study can be useful in solving problems at the micro level.
2. The findings of the study are on the basis of the information provided by the respondents and hence may be biased.
3. Due to time constraints, only 100 respondents were considered for the study.

## **DATA ANALYSIS BY CHI-SQUARE TEST**

Chi-square test was applied to ascertain the relationship between socio-economic attributes of the investors (educational qualification, annual income, age and range of investment) and their awareness level.

## **SOCIO- ECONOMIC ATTRIBUTES AND AWARENESS LEVEL OF DIFFERENT SERVICES**

To know about the awareness level of investors about various services, different facilities like nomination facility, transmission facility, transposition-cum-demat facility, client-level-pay-in facility and rematerialisation were considered for the study. Investors who are aware of any one or two services are considered to have low awareness, investors who are aware about any three of the services were considered to be moderately aware and investors who are aware of any four or five services are considered to be highly aware of the services.

**1. Educational Qualification And Awareness About Different Services:** Chi-square test was applied to find whether there was any significant relationship between education of the respondents and awareness of services. The calculated value of chi-square was found to be 0.687, which is less than the table value of 9.488 at 5% level of significance. Since the calculated value is less than the table value, the null hypothesis is accepted and it may be concluded that there is no significant association between education and awareness of services. Awareness level is less among all the group of investors -whether they are highly qualified or have low qualification.

**2. Annual Income And Awareness About Different Services:** Chi-square test was applied to find whether there is any significant relationship between annual income of respondents and awareness of services. The calculated value of chi-square was found to be 5.003, which is less than the table value of 9.488 at 5% level of

significance. Since the calculated value is less than the table value, the null hypothesis is accepted and it may be concluded that there is no significant association between annual income and awareness of services.

**Table 1: Educational Qualification And Awareness About Services Provided By DP**

		Educational Qualification						Total	
		Schooling		Degree/Dip		P.G		No.	%
		No.	%	No.	%	No.	%		
Awareness About Services Provided By Depository Participants	Low awareness (1-2)	13	72.2	39	70.9	17	63.0	69	69.0
	Moderate awareness (3)	3	16.7	9	16.4	6	22.2	18	18.0
	High awareness (4-5)	2	11.1	7	12.7	4	14.8	13	13.0
Total		18	100.0	55	100.0	27	100.0	100	100.0

Source: Compiled And Computed From Primary Data

#### Chi-Square Tests

	Value	df	Sig.
Chi-Square	0.687	4	Ns

Where, df - degree of freedom, sig - significance, Ns - no significance

**Table 2 : Annual Income And Awareness About Services Provided By DP**

		Annual Income						Total	
		Less than Rs.75000		Rs.75001 to 150000		More than Rs.150000'		No.	%
		No.	%	No.	%	No.	%		
Awareness About Services Provided By Depository Participants	Low awareness (1-2)	29	74.4	26	61.9	14	73.7	69	69.0
	Moderate awareness (3)	8	20.5	7	16.7	3	15.8	18	18.0
	High awareness (4-5)	2	5.1	9	21.4	2	10.5	13	13.0
Total		39	100.0	42	100.0	19	100.0	100	100.0

Source: Compiled And Computed From Primary Data

#### Chi-Square Tests

	Value	df	Sig.
Chi-Square	5.003	4	Ns

Where, df - degree of freedom, sig - significance, Ns - no significance

**3.Age And Awareness About Different Services:** Chi-square test is applied to find whether there is any significant relationship between age of respondents and awareness of services. The calculated value of chi-square is found to be 10.944, which is less than the table value of 12.592 at 5% level of significance. Since the calculated value is less than the table value, the null hypothesis is accepted and it may be concluded that there is no significant association between age and awareness of services. Chi-square test is applied to find whether there is any significant relationship between age of respondents and awareness of services. The calculated value of chi-square is found to be 10.944, which is less than the table value of 12.592 at 5% level of significance. Since the calculated value is less than the table value, the null hypothesis is accepted and it may be concluded that there is no significant association between age and awareness of services.

**Table 3 : Age And Awareness About Services Provided By DP**

		Age								Total	
		20-30 yrs		31-40 yrs		41-50 yrs		Above 50 yrs		No.	%
		No.	%	No.	%	No.	%	No.	%		
Awareness About Services Provided By Depository Participants	Low awareness (1-2)	21	70.0	16	59.3	13	86.7	19	67.9	69	69.0
	Moderate awareness (3)	8	26.7	4	14.8	2	13.3	4	14.3	18	18.0
	High awareness (4-5)	1	3.3	7	25.9			5	17.9	13	13.0
Total		30	100.0	27	100.0	15	100.0	28	100.0	100	100.0

Source: Compiled And Computed From Primary Data

**Chi-Square Tests**

	Value	df	Sig.
Chi-Square	10.944	6	Ns

Where, df - degree of freedom, sig - significance, Ns - no significance

**4.Range Of Investment In Securities And Awareness About Different Services:** Chi-square test is applied to find whether there was any significant relationship between range of investment of respondents and awareness of services. The calculated value of chi-square is found to be 4.258 which is less than the table value of 9.488 at 5% level of significance. Since the calculated value is less than the table value, the null hypothesis is accepted and it may be concluded that there is no significant association between range of investment and awareness of services.

**Table 4: Range Of Investment And Awareness About Services Provided By DP**

		Range of Investment in Securities						Total	
		Less than Rs.30000		Rs. 30001-70000		Above Rs.70000		No.	%
		No.	%	No.	%	No.	%		
Awareness About Services Provided By Depository Participants	Low Awareness (1-2)	33	71.7	16	61.5	20	71.4	69	69.0
	Moderate Awareness (3)	10	21.7	5	19.2	3	10.7	18	18.0
	High Awareness(4-5)	3	6.5	5	19.2	5	17.9	13	13.0
Total		46	100.0	26	100.0	28	100.0	100	100.0

Source: Compiled And Computed From Primary Data

**Chi-Square Tests**

	Value	df	Sig.
Chi-Square	4.258	4	Ns

Where, df-degree of freedom , sig-significance, Ns- no Significance

## **FINDINGS**

### **PERSONAL DETAILS**

1. 30% of the respondents fall in the age group of 20-30 years and 27% of the respondents fall in the age group of 31-40 years.
2. Majority of the respondents (46%) have completed their under graduation.
3. Majority of the respondents have their annual income in the range of Rs. 75,001- Rs. 1,50,000.

### **AWARENESS OF INVESTORS ABOUT DEPOSITORY SERVICES, CLOSURE OF DEMAT ACCOUNT AND TERMINATION OF DEMAT ACCOUNT BY DP**

Chi-square test was applied to find out the relationship between the socio- economic characteristics of investors and their awareness level. The findings are summarized below.

1. **Educational Qualification And Awareness** : There exists no relationship between educational qualification and awareness level of services offered by DP's since the calculated value of chi-square is less than the tabulated value. The investors have low awareness -whether they have high qualification or low qualification.
2. **Annual Income And Awareness** : There exists no relationship between annual income of investors and awareness level. The awareness level of services offered by DP is low among all the investors though they vary in range of investment.
3. **Age And Awareness** : The chi-square test clearly reveals that there exists no significant relationship between age and awareness level about the services offered by Depository Participants. Also, there is no association between age and awareness of closing demat account by the investors.
4. **Range Of Investment And Awareness** : The investors awareness level is less about the services offered by Depository Participants, closing of the demat account and termination of the demat account inspite of the difference in range of investment.

## **SUGGESTIONS**

1. Investors' awareness programme should be organised by Depository Participants to provide the investors with information about the various services offered by the depository participants.
2. Investors must be made aware about both the Depositories NSDL and CDSL that are operating in the country, since most of the investors are aware about NSDL only.
3. Investors must be made aware about the usage of internet based services to know about their transaction details.
4. Apart from nomination facility, other facilities that are provided by the Depository participants like Transposition-cum-Demat facility, Transmission facility, client-level-pay-in facility, Rematerialisation must be made known to the investors.
5. SEBI's (Securities and Exchange Board of India) announcement on curtailing of account opening charges and maintaining charges should be implemented quickly.
6. Investors must be made aware on circumstances under which a Depository Participant can terminate their Demat account.
7. The Depository Participants can provide better infrastructure facilities with more computer terminals for easier and convenient transactions.

## **CONCLUSION**

This piece of research made an attempt to find out the awareness level of investors about the services which are available to them through depository participants. The primary data was collected for this purpose and was analysed using appropriate statistical tools. The analysis of data provided the conclusion that most of the investors are not aware about different service schemes due to lack of information and lack of investors' education. The results of this study will be a sort of feedback to the investors, brokers and regulatory bodies as to the extent the investors' education

programme has reached the investors. It is ,therefore, a matter of paramount importance that the investors are empowered through education on functioning of the market, obligation of the intermediaries like depository participants, the operational intricacies and the risks and pitfalls involved in securities trading.

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