

Awareness Level of Services Offered by Depository Participants in Rajkot City, Gujarat

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Abstract

A major reform of the Indian stock market is the introduction of the depository system and scrip less trading mechanism that came in to vogue in year 1996. The process beginning with the purchase of securities till getting the certificates duly transferred and certified in the name of the buyer is indeed quite complex and time consuming and with a wide range 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 and postal delays. Hence, as a part of the capital market reforms in the year 1996, a need was felt for the introduction of scrip less depository system of securities movement. Hence study has been conducted to know the awareness level of investor regarding services offered by Depository Participants.

Keywords: *Depository Participants, stock market, awareness level, securities, certificates*

Introduction

The earlier settlement system on Indian stock exchanges was very inefficient as it was unable to take care of the transfer of securities in a quick/speedy manner. Since, the securities were in the form of physical certificates; their quick movement was again difficult. This led to settlement delays, theft, forgery, mutilation and bad deliveries and also to added costs.

To wipeout these problems, the Depositories Act 1996 was passed. A major reform of the Indian stock market is the introduction of the depository system and scrip less trading mechanism that came in to vogue in year 1996. It was formed with the purpose of

ensuring free transferability of securities with speed, accuracy & Security.

It has been able to do so by

- Making securities of public limited companies freely transferable, subject to Certain exceptions;
- Dematerializing the securities in the depository mode; and
- Providing for maintenance of ownership records in a book entry form.

In the depository system, the apex organization is the depository, which is like a bank 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. A DP is a vital link in the depository system and all transactions in the dematerialized shares are routed through a DP only. They are the intermediaries between the depository and the investors. The relationship between the Depository Participants and the depository is governed by an agreement made between the two under the Depositories Act.

At present, there are two depositories in India, National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).

NSDL

The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL, the first depository in India. This depository promoted by institutions of national stature responsible for economic development of the country has since established a national infrastructure of international standards that handles most of the securities held and settled in dematerialized form in the Indian capital market. NSDL was set up within an initial capital of Rs. 124 cr., promoted by (IDBI), (UTI), (NSE), (SBI).

CDSL

Central Depository services Limited managed by the professionals has been promoted by the stock exchange, Mumbai along with SBI, BOB, BOI, as original sponsors in the year 1998. Others like HDFC Bank, Standard chartered Bank, Global trust Bank and Centurion Bank are also its sponsors.

Thus, investors of India have seen two depositories functioning over a decade. Therefore, there is a need for analyzing the awareness of investors on the services offered by depositories in the Indian environment.

Literature Review

Dr. R. Ganapathi (2010) conducted study on "Awareness level of services offered by Depository Participants in Coimbatore, Tamil Nadu". The results of this study will be a sort of feedback for the investors, brokers and regulatory bodies as to what extent the investor's education programme have 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 investor are empowered through education on functioning of the market. Obligation of the intermediaries like depository participants, the operational intricacies and the risks and pitfalls in securities trading.

Dellarocas (2004) offered a systematic exploration of reputation mechanism design in trading environment with opportunistic seller, imperfect monitoring of seller's actions and two possible seller effort levels, one of which has no value to buyers.

Bradley (2006) stated that changes in the market for information are challenging financial regulations by disputing settled distinction on which financial regulation depends. He argued that regulatory distinction based on implicit understanding of technological conditions should be revised when the technology changes. Where rules are based on factors other than the state of technology, they should be

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reviewed to ensure that technological change do not disrupt their application. In particular, regulators should not assume that investors experience information online in the same way that they do offline information.\

Glaser and Weber (2007) document how experience affects decisions and whether biases are eliminated by trading experiences and learning. Based on the answers of 215 online broker investors to an internet questionnaire, we analyzed whether investors are able to correctly estimate their own realized stock portfolio performance. They showed that investors are hardly able to give a correctly estimate of their own past realized stock portfolio performance and that experienced investors are better able to do so.

Problem of the Study

With the increase in the number of Retail Investor and compulsion of SEBI to trade securities in Demat mode, an attempt has been made to study about the "Awareness level of services offered by Depository Participants among Retail Investors" at micro level. For this purpose, though it would be an apt act to carry out a nationwide research due to non accessibility of investors all over India, it has been decided to carry out the study in an investor intensive district. For these purpose ten investors, intensive district have been identified and among those district, Rajkot district has been selected randomly.

So, due to increase in the number of Investors due to high return in the stock market and with the compulsion of SEBI to trade securities in Demat mode, the study is done to find out "awareness level of services provided by depository participants among Retail

investors" at Rajkot region.

Objectives of the Study

- " To study the awareness level of services provided by the depository participant.
- " To study the benefits of depository system
- " To study the what factors influence the investor to open a Demat account
- " To enhance the awareness of services provided by Depository Participants to investors.

Research Methodology

The study is exploratory in the nature. With the objective of analyzing the investors' awareness about the Demat services, the study has been conducted with the help of the opinion collected from investors in Rajkot city. Here, collecting the opinion from all investors existing in Rajkot city is not possible. Hence, it has been decided to select a representing sample from the investors of the city. For the study, list of investors is prepared from the records of the Depository Participants 100 samples are selected to conduct the survey by random method. For collecting the information a structured questionnaire was prepared. The questionnaire invites peoples to give their opinion on the services provided by the Depository Participants as well as suggestions from the respondents to improve their awareness of Demat account.

The collected data have been transformed into the table. After tabulating the opinions of the respondents, necessary statistical tools have been applied for analyzing the data. Thus the study used percentage analysis as the statistical tools to describe the collected

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data. Chi-square test was used to find out whether there is any association between socio-economic attributes.

Limitations of the Study

Some respondents may have had personal bias due to which they may not have given the correct information and due to which the right conclusion may not have been derived at. The area was limited only to Rajkot city. This is because covering other district in Gujarat will definitely involve high cost and time. Considering cost and time, only Rajkot district has

been taken for the analysis, the result may have varied, if it was conducted somewhere else. The Sample size taken is only 100 due to time constraint; which may not result in very accurate results.

Analysis And Interpretation of Data

1. Educational Qualification

The educational qualification of the respondents is essential to find out the relation of its awareness to the topic. The following table is providing the details of the educational qualification of the respondents.

Table-1 Educational Qualification-Wise Distribution of the Respondents

S. N.	Educational Qualification	No. of Respondents	%
1.	Post graduate	2	02.00
2.	Under graduate	32	32.00
3.	Diploma	1	01.00
4.	High school	65	65.00
	Total	100	100

Source: Primary Data

So, from the above data we can see that there is 65% people having high school, 01% are diploma, 32% under graduate, 02% are post graduate

2. Income Per Month

The investors were asked about their income and the options are up to Rs.100000, Rs. 100000-200000, Rs. 200000-500000, and above than Rs. 500000.

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Table-2 Annual Income Wise Distribution of the Respondents

S. N.	Annual Income	No. of Respondents	%
1.	Up to Rs. 100000	27	27.00
2.	Rs.100000- Rs.200000	55	55.00
3.	Rs.200000- Rs.500000	14	14.00
4.	Above Rs. 500000	4	04.00
	Total	100	100.00

So, Table shows that out of 100 respondents, 27% people having up to Rs.100000 income, 55% have Rs.100000-Rs.200000, 14% have Rs.200000-Rs.500000, and 04% have above Rs.500000

3. Age Wise Distribution of the Respondents

The investors were asked about their age and their options are 20-30 years, 31-40 years, 41-50 years, 51-60 years, and above 60 years.

Table-3 Age-Wise Distribution of Respondents

S. N.	Age Group	No. of Respondents	%
1.	20-30 years	20	20.00
2.	31-40 years	38	38.00
3.	41-50 years	19	19.00
4.	51-60 years	13	13.00
5.	Above 60 years	10	10.00
	Total	100	100.00

Age is one of the crucial factors in determining the extent of risk taken by the investors in investing in securities. The above table shows that out of 100 respondents, 20% are of 20-30 years, 38% are of 31-40 years, 19% are of 41-50 years, 13% are between 51-60 years, and 10% are of above 60 years

of age.

4. Gender Wise Distribution

The respondents were asked their gender and the distribution of responses is shown in following table.

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Table-4 Gender-Wise Distribution of the Respondents

S. N.	Gender	No. of Respondents	%
1.	Male	94	94.00
2.	Female	6	6.00
	Total	100	100.00

So, from the above data we can see that there are 96% investors are male and only 4% investors are female in our research.

The investors were asked about their range in the investments and the options are up to Rs.10000, Rs. 10001-30000, Rs. 30001-50000, Rs.50001-70000, Rs.70001-100000, and above Rs. 100000.

5. Range of Investment in Securities

Table-5: Distribution of Range if Investment in Securities

S. N.	Range of Investment	No. of Respondents	%
1.	Up to Rs.10000	19	19.00
2.	Rs.10001-Rs.30000	15	15.00
3.	Rs.30001-Rs.50000	29	29.00
4.	Rs.50001-Rs.70000	12	12.00
5.	Rs.70001-Rs.100000	9	09.00
6.	Above Rs.100000	16	16.00
	Total	100	100.00

So, from the above data we can see that there is 19% are in the range of up to Rs.10000, 15% are in the range of Rs.10001-30000, 29% are in the range of 30001-50000, 12% are in the range of 50001-70000, and 09% are in the range of 70001-100000, and 16% are in the range of above 100000.

6. Investor's Choice of Investment

The investors were asked about their choice of investment and the options are equity, Debentures, Govt. securities, IPO, and mutual fund.

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Table-6: Investors' Choice of Investment

S. N.	Choice of Equity	No. of Respondents	%
1.	Equity	44	44.00
2.	Debentures	2	02.00
3.	Government securities	24	24.00
4.	Initial public offer	17	17.00
5.	Mutual fund	13	13.00
	Total	100	100.00

So, from the above data we can see that 44% of the respondents have a choice of Equity, 02% of the respondents invest in debentures, 24% of the respondents invest in Government securities, 17% of the respondents invest in Initial Public Offer, and 13% of the respondents invest in Mutual Fund.

7. Educational Qualification And Awareness About Services Provided By Depository Participant

In order to find out the association between the educational qualification of the respondents and their awareness about services provided by depository participants, Chi-square test is applied.

Table-7 Education Qualification and Awareness about Services Provided By Depository Participant

Level of Awareness	Educational qualification			Total
	High school	UG/ Diploma	PG	
Low	22	11	1	34
Moderate	28	14	1	43
High	15	8	0	23
Total	65	33	2	100

Null hypothesis: The association between the educational qualification of the respondents and their level of awareness towards services provided by depository participants is not significant.

As the calculated chi-square value (0.66) is less than the table value (9.48) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between

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the educational qualification of the respondents and their level of awareness towards services provided by Depository Participant is not significant. Awareness level is less among the entire group of investors, whether they are highly qualified or have low qualification.

8. Annual Income And Awareness About Different Services

In order to find out the association between the annual income of the respondents and their awareness about services provided by depository participants, chi-square test is applied.

Table-8 Annual Income and Awareness about Services Provided By Depository Participant

Level of Awareness	Annual income			Total
	<1,00,000	1,00,000 -2,00,000	>2,00,000	
Low	8	20	6	34
Moderate	13	23	7	43
High	6	11	6	23
Total	27	54	19	100

Null hypothesis: The association between the Annual income of the respondents and their level of awareness towards services provided by depository participants is not significant

As the calculated chi-square value (1.44) is less than the table value (9.48) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and their level

of awareness towards services provided by DP is not significant

9. Age Group and Awareness about Difference Services

In order to find out the association between the age group of the respondents and their awareness about services provided by depository participants, chi-square test is applied.

Table-9 Age Group and Awareness about Services Provided By Depository Participant

Level of Awareness	Age Group				Total
	20-30	31-40	41-50	Above 50	
Low	9	14	6	5	34
Moderate	6	17	9	11	43
High	5	7	4	7	23
Total	20	38	19	23	100

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Null hypothesis: The association between the Age group of the respondents and their level of awareness towards services provided by depository participants is not significant

As the calculated chi-square value (3.83) is less than the table value (12.59) at 5% level of significance for 6 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the age group of the respondents and their level of

awareness towards services provided by DP is not significant.

10. Range Of Investment In Securities And Awareness About Different Services

In order to find out the association between the range of investment of securities of the respondents and their awareness about services provided by depository participants, chi-square test is applied.

Table-10: Range of Investment and Awareness about Services Provided By Depository Participant

Level of Awareness	Range of Investment			Total
	<30,00	30001--70,000	>1,00,000	
Low	14	15	5	34
Moderate	12	17	14	43
High	8	9	6	23
Total	34	41	25	100

Null hypothesis: The association between the Range of investment of the respondents and their level of awareness towards services provided by depository participants is not significant

As the calculated chi-square value (3.54) is less than the table value (9.48) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the Range of investment of the respondents and their level of awareness towards services provided by DP is not significant.

Suggestions

- Though the investors are aware about the services

provided by DP, they should organize investor awareness programme.

- Investors must be made aware about both the depositories- NSDL and CDSL that is operating in the country, since most of the investors are aware about NSDL.
- Investor must be made aware about the usage of internet based services to know about their transaction details and services provided by company.
- Investor must be aware about the circumstances under which a DP can terminate their Demat account.

- SEBI's announcement on curtailing of account opening charges and maintaining charges should be implemented quickly.
- Investors must be made aware about the circumstances under which a Depository Participant can terminate their Demat account.

Conclusion

The findings from the chi-square test shows that the investors' awareness level is less about the services offered by Depository Participants, closing of their Demat accounts and termination of Demat account though the investors vary in their educational qualification, age, income group and range of investment. Awareness level is found to be similar for all investors though they vary in socio-economic profiles. Primary data was collected for this purpose and was analyzed using appropriate statistical tools. The analysis of data provides the conclusion that most of the investors are not aware about different services schemes due to lack of information and lack of investor's education. The result of this study will be a sort of feedback for the investors, brokers and regulatory bodies as to what extent the investor's education programme have reached the investors. Therefore the investors are empowered through education on functioning of the market, obligation of the intermediaries like depository participants, the operational details and the risks involved in securities trading.

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