

A STUDY ON INVESTORS PERCEPTION AND SATISFACTION OF DEPOSITORY SERVICES

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INTRODUCTION

A depository is an organization which holds investors' securities in electronic form. The depository also provides services related to various transaction in securities. A depository interfaces with its investors through depository participants.

Depository participant is the agent of the depository and it's the interface between the depository and the investor. According to SEBI guidelines, financial institutions, banks, custodians, stockbrokers etc can become depository participants. Depository Participants are providing various services related to trading of securities in the stock exchanges to their clients. In this research paper the researcher studied about investors' perception and satisfaction towards depository services provided by depository participants to their clients. For this purpose depository services are identified and questions were asked to the respondents about the services provided by the depository participants. The respondents opine that there exists wide gap in perception and satisfaction towards the services rendered by the depository participants to their clients.

Keywords: Depository Services, Depository Participants' Depository System, Dematerialization, Rematerialisation

1. Introduction

The field of financial services in India has entered another stage of development with a shift in its outlook to integrate with the global markets. Investor confidence, quality services, customer expectation and satisfaction, quick response, technology integration are the words today. With liberalization and deregulation, the Indian markets have come out of the Government curtains. The capital market has made tremendous progress since then aspect.

Proper market infrastructure, regulatory and legal frame works are essential for emerging capital markets to function effectively in a growing world of financial integration. With the vast investing population in characterized by illiteracy and poorly developed and automated stock exchanges which do not provide enough liquidity and desired level of transparency in operation. The Government of India in 1996 enacted the

Depositories act, 1996 to kick start depository services in a planned and systematic manner. Securities and Exchange Board of India provided the support to Government's endeavor.

II. Objective the study

The present study is aim to measure the investor's level of perception and satisfaction towards depository services rendered by depository participants to their clients. For the fulfillment of the study the following objectives were framed.

- To identify the perception towards depository services between male and female respondents.
- To identify the perception towards depository services among different age group respondents.
- To identify the investors gap in perception and satisfaction towards the depository services rendered by depository participants.

Scope of the study

The scope of the study in terms of objectives is restricted to the Depository Participants of Chennai City.

Depository Participant- A Bird's Eye View

A Depository is an organization where the securities are kept in the electronic form. At present there are two depositories in India namely NSDL promoted by NSE, and CDSL promoted by BSE. NSDL is the first Depository in India. It was registered on 8th June 1996 with the Securities and Exchange Board of India. It was set up as a result of Depositories Act, 1996 as a public limited company and promoted by the Industrial Development Bank of India (IDBI), Unit Trust of India (UTI) and the National Exchange (NSE) to facilitate trading and settlement of securities in dematerialized form.

The Depository Act 1996 introduced a multi depository framework for scrip less settlement. The Stock Exchange, Mumbai with the country's leading banks like Bank of Baroda, Bank of India, HDFC Bank and SBI has promoted the Central Depository Services Limited, India's second depository for dealing in securities in electronic form. CDSL had an initial paid up capital of 100 crores. Securities and Exchange of India (SEBI) has granted the certificate of registration under regulation 7 of SEBI (Depositories and Participants) regulations, 1996 to CDSL on 19th August, 1998. CDSL has thus become the second depository in the country.

In India, a Depository Participant (DP) is described as an agent of the depository or A Depository Participant (DP) is an agent appointed by the Depository. They are the intermediaries between the depository and the investors. The relationship between the DPs and the depository is governed by an agreement made between the two under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered as such with SEBI under the sub section 1A of Section 12 of the SEBI Act. As per the provisions of this Act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI. The two

depositories registered under the Depositories Act are NSDL (National Securities Depository Limited) and CSDL (Central Depository Services Limited). As of 2016, there were 277 DPs of NSDL and 586 DPs of CDSL registered with SEBI. A DP can offer depository services only after it gets proper registration from SEBI. Banking services can be availed through a branch whereas depository services can be availed through a DP.

Role of Depository Participants

A depository participant is an authorized agent of depository who effects the transaction as per the instruction of the client. Depository participants interact with its clients/ investors through its agents called depository participants. According to SEBI guidelines, financial institutions, banks, custodians, stockbrokers etc can become depository participants. For any investor to avail the services provided by the depository participants, he/she has to open **Demat** account (Depository Account) with any of the depository participants. It facilitates dematerialization, settle trades and effects of corporate actions. Depository participants business are grouped into five segments they are account opening, Dematerialization, Rematerialisation, trading and settlement and pledge and Hypothecation.

Benefits of Depository system

The benefits from the depository system are following:

- It reduces the cost of the issue and the transfer of securities by eliminating stamp duty.
- It reduces the scope of theft, forgery damages to securities certificates.
- It eliminates bad deliveries.
- It entitles the transferee to all the rights associated with the securities immediately on the settlement of purchase transaction.
- It enhances the liquidity of securities in the market.
- It makes faster disbursement of non-cash corporate benefits like rights, bonus, etc. possible.
- It reduces brokerage by many brokers for trading in dematerialized securities.
- It eliminates problems relating to change of address of investors, transmission etc.
- It eliminates problems relating to selling securities on behalf of a minor.

Hypothesis of the study

The hypotheses formulated for the study is given below.

- Ho: There is no significant difference between gender and perception of respondents towards depository services.

- Ha: There is a significant difference between gender and perception of respondents towards of depository services.
- Ho: There is no significant difference among age group of the respondents towards the services rendered by depository participants.
- Ha: There is a significant difference among age group of the respondents and the perception towards the depository services rendered by depository participants.
- Ho: There is no significant difference in perception and satisfaction towards the depository services among the respondents
- Ha: There is a significant difference in perception and satisfaction towards the depository services among the respondents

5. Research Methodology

In order to achieve the aforesaid objectives of the study, the both primary data and secondary data were collected. The primary data have been collected through the questionnaire. Secondary data have been collected from report and bulletins of SEBI, journals, articles and magazines. Convenience sampling method is applied for the selection of depository participants and investors, a sample size of 150 respondents is selected for this study contact directly and collect details from 23 depository participant office in the study area.

5.3. Tools used for analysis

The collected data is analyzed with the help of Percentages, ANOVA and Paired't' test by using SPSS software.

II. Literature Review

Aggarwal and Dixit (1996) "A study on The Depositories Legislation: A Critical Evaluation," In this the researchers expressed their views about the legal framework for depository system in India. The authors explained the benefits of the paperless trading, responsibilities of depository or participants and eligibility criteria, etc.

Sarkar (1996) "A study on Implications of Depositories Ordinance 1995" The researcher analyzed the implications of the scrip less trading and share transfer based on book entry merely due to the existence of the depository ordinance 1995.

George (1996) "A study on Towards a Paperless Settlement System" In this study the researcher explained the role of the NSDL in revolutionizing the paperless stock settlement system of the country. The author also examined the steps taken by the depository to ensure that the scrip less trading system is a success and stressed on the importance of the role of the regulator in making the depository system successful.

Gurusamy (1996) "A study on Depository System-How a Viable Alternative" In this study the researcher explained about the introduction of depository system would help in transfer of securities in the

capital market by a mere book entry. The author pointed out the advantages of depository system such as delay in transfer, registration, fake certificates, soaring cost of transactions, more paper work, non-availability of depositories in when the transfer of securities take place by physical delivery.

Hurkat and Ved (1999) "A study on Depository-An Inevitable Institution" discussed the role of depository system in many advanced countries in the stock and capital markets during the world over. The authors analyzed the services offered by NSDL like dematerialization, re-materialization, trading fee or charges, comparison of a bank and a depository for the benefits of the depository.

Kannan (2008), "A study on Market Comparable Approach" In this study the author highlighted that dematerialization has certainly brought about lot of improvement in the investment habits in our country and in bane for the companies and has created havoc in maintaining the members register and in conducting the members meeting.

Sultan Sing and Sakshi Goyal (2011) "A study on Factors affecting the decision making of the investors in depository system". In this study the author found that some variables are affecting the decision making of the investors in depository system and the variables are shorter settlement period, safety of securities with the depositories, attitude of the staff available with the DP's, timely services provided by the DPs to the investors, reduction in transaction cost, repatriation of sales proceeds of shares/debentures.

Dr. B.VenuGopal, C N Krishna Naik (2014), "A study on Role of Depository Participants in Capital Market". In this study the researchers framed two objectives to know about the depository participants namely to study residential status of the depository participants influence in capital market and to study market segment dealing of selected depository participants. To achieve these objective chi-square and F test was applied. The study concluded that the area status of the depository participants has influence on their capital market segment dealings and there is significance difference in the capital market segment dealings of depository participants.

6. Analysis and Findings of the study

TABLE: 6.1

DATA VALIDITY & RELIABILITY TEST

Variables	Cronbach's Alpha
Investors level of perception towards the functions& services rendered by the depository participants	.949
Investors level of satisfaction towards the functions& services rendered by the depository participants	.948

The result of the Cronbach alpha reliability test shows that the value of alpha for perception towards the function and services rendered by the depository participants is 0.949 and for satisfaction towards the function and services rendered by the depository participants is 0.948. Since Cronbach alpha value is greater than 0.7, the data collected for this study is highly reliable.

TABLE: 6.2

DEMOGRAPHIC & ECONOMIC PROFILE THE RESPONDENTS

Particulars	Number of respondents	Percentage
Gender :		
Male	128	85
Female	22	15
Total	150	100
Age :		
Below 30 years	31	20
30-40yrs	50	33
40yrs and above	69	46
Total	150	100
Marital status :		
Married	142	95
Unmarried	8	5
Total	150	100
Educational Qualification:		
School Level	21	14
Graduate	62	41
Post Graduate	42	28
Technical/Professional	25	16
Total	150	100
Occupation :		
Govt. Employees	15	10
Private employee	60	40
Professional	29	19
Self Employed/ Businessman	46	31

Total	150	100
Monthly Income:		
Less than Rs.10000	11	7
Rs.10001 – Rs.25000	43	29
Rs.25001 – Rs.50000	36	24
More than Rs.50000	60	40
Total	150	100
Annual Savings:		
Less than Rs.50000	49	33
Rs.50001 – Rs.100000	32	21
More than Rs.100001	69	46
Total	150	100
DEMAT Account Holders		
Yes	150	100
Total	150	100

Source: Primary data

Out of 150 respondents, the sample group consists of 85 percent male members and 15 percent female members, 95 percent married, while 5 percent unmarried well learned members 28 percent as post graduates, 41 percent graduates, 16 percent with technical/professional and remaining 14 percentage of respondents have completed their school education only. The sample group consists of people with different age group, among them 20 percent belongs to below 30 years, 33 percent belongs to the age group of 30-40 years and 46 percent belongs to the age group of above 40 years. Hence it is observed that majority of the respondents are youngsters and middle aged investors. Among them 25 percent of respondents have hailed from rural area, while 62 percent from urban area and 13 percent from semi urban area. The occupation of the investors is also an important variable in stock market investment because it directly affects the investor's income, expenses, savings etc. The information pertaining to occupational categories reveals that 10 percent are government employees, 40 percent are private employees, 19 percent as professionals and 31 percent doing business and self – employed. With regards to monthly income it is found that 7 percent of the investors monthly income up to Rs.10000, 29 percent in between Rs.10001 to 25000, whereas 24 percent of them have monthly income ranging from Rs.25001 to Rs.50000 and 40 percent of the sample respondents earns monthly income of more than Rs.50000. It is evident from the table 33 percent respondent's saves up to Rs.50000 per year as annual savings, 21 percent of them saves Rs.50001 to Rs.100000 and 46 percent saves more than Rs.100000 as annual savings. DEMAT account is necessary to participate in the stock market. From above table out of 150 respondents, 82 percent of stock market investors having DEMAT account for the purpose of trading their

stocks and shares and remaining 18 percent of investors does not having the DEMAT account for the share market dealings.

TABLE: 6.3**Result of ANOVA****Gender of investors and Perception towards the depository services rendered by depository participants**

Nature of Services	Source	Sum of square	DF	Mean square	F	Sig
Opening DEMAT Account	Between Groups	4.405	1	4.405	13.590	.001 **
	Within Groups	47.969	148	.324		
	Total	52.373	149			
Maintenance of Records holdings in Electronic Format	Between Groups	.414	1	.414	1.434	.233
	Within Groups	42.680	148	.288		
	Total	43.093	149			
Facility of Electronic Credits	Between Groups	.061	1	.061	.177	.675
	Within Groups	50.773	148	.343		
	Total	50.833	149			
Pledging of Dematerialized Securities	Between Groups	.414	1	.414	.647	.423
	Within Groups	94.680	148	.640		
	Total	95.093	149			
Regularly SMS alert to the BOs	Between Groups	.390	1	.390	.946	.332
	Within Groups	61.083	148	.413		
	Total	61.473	149			
DEMAT Service Charges	Between Groups	.202	1	.202	.439	.508
	Within Groups	67.991	148	.459		
	Total	68.193	149			
Frequency of Depository Contact	Between Groups	.009	1	.009	.014	.905
	Within Groups	87.491	148	.591		
	Total	87.500	149			
Settlement Period	Between Groups	1.289	1	1.289	2.678	.104
	Within Groups	71.271	148	.482		
	Total	72.560	149			
Safety of Security	Between Groups	.293	1	.293	.755	.386

	Within Groups	57.500	148	.389		
	Total	57.793	149			
Attitude of Staff	Between Groups	5.327	1	5.327	15.110	.001 **
	Within Groups	52.173	148	.353		
	Total	57.500	149			
Availability of well trained staff	Between Groups	9.132	1	9.132	18.453	.001 **
	Within Groups	73.241	148	.495		
	Total	82.373	149			
Timely Services	Between Groups	13.007	1	13.007	18.696	.001 **
	Within Groups	102.966	148	.696		
	Total	115.973	149			
Time Taken for Processing	Between Groups	5.341	1	5.341	7.425	.007 **
	Within Groups	106.452	148	.719		
	Total	111.793	149			
Timely Remittance of Sales Proceeds	Between Groups	1.569	1	1.569	1.996	.160
	Within Groups	116.305	148	.786		
	Total	117.873	149			
Repatriation of Sales Proceeds	Between Groups	3.443	1	3.443	4.583	.034 *
	Within Groups	111.197	148	.751		
	Total	114.640	149			
Cost of Services Rendered	Between Groups	2.959	1	2.959	4.288	.040 *
	Within Groups	102.134	148	.690		
	Total	105.093	149			

Note: * denotes Significant ** denotes Highly Significant

Since P value is less than 0.01 the null hypothesis is rejected at 1% level with regards to the opening of DEMAT account, Attitude of Staff, Availability of well trained staff, Timely Services and Time Taken for Processing. Hence there is a significant difference between gender and perception for the aforesaid variables.

Since P value is less than 0.05 the null hypothesis is rejected at 5% level with regards to the Repatriation of Sales Proceeds and Cost of Services Rendered. Hence there is a significant difference between gender and perception for the aforesaid variables.

There is no significance difference between male and female clients in the perception with regards to the maintenance of records holdings in electronic format, facility of electronic credits, pledging of dematerialized securities, regularly SMS alert to the BOs, DEMAT service charges, frequency of depository contact, settlement period, safety of security and timely remittance of sales proceeds by the respondents.

TABLE: 6.4
Result of ANOVA

Age of investors and Perception towards the depository services rendered by depository participants

Nature of Services	Source	Sum of square	DF	Mean square	F	Sig
Conveniences of Opening DEMAT Account	Between Groups	2.037	2	1.019	2.975	.054
	Within Groups	50.336	147	.342		
	Total	52.373	149			
Maintenance of Records holdings in Electronic Format	Between Groups	.543	2	.272	.938	.394
	Within Groups	42.550	147	.289		
	Total	43.093	149			
Facility of Electronic Credits	Between Groups	2.871	2	1.436	4.400	.014 *
	Within Groups	47.962	147	.326		
	Total	50.833	149			
Easy of Pledging of Dematerialized Securities	Between Groups	3.291	2	1.646	2.635	.075
	Within Groups	91.802	147	.625		
	Total	95.093	149			
Regularly SMS alert to the BOs	Between Groups	1.001	2	.500	1.216	.299
	Within Groups	60.473	147	.411		
	Total	61.473	149			
DEMAT Services Charges	Between Groups	3.892	2	1.946	4.449	.013 *
	Within Groups	64.302	147	.437		

	Total	68.193	149			
Frequency of Depository Contact	Between Groups	9.633	2	4.817	9.093	.001 **
	Within Groups	77.867	147	.530		
	Total	87.500	149			
Settlement Period	Between Groups	2.214	2	1.107	2.314	.102
	Within Groups	70.346	147	.479		
	Total	72.560	149			
Safety of Security	Between Groups	3.993	2	1.996	5.455	.005 **
	Within Groups	53.800	147	.366		
	Total	57.793	149			
Attitude of Staff	Between Groups	4.495	2	2.247	6.233	.001 **
	Within Groups	53.005	147	.361		
	Total	57.500	149			
Availability of well trained staff	Between Groups	11.284	2	5.642	11.667	.001 **
	Within Groups	71.089	147	.484		
	Total	82.373	149			
Timely Services	Between Groups	20.700	2	10.350	15.969	.001 **
	Within Groups	95.273	147	.648		
	Total	115.973	149			
Time Taken for Processing	Between Groups	25.498	2	12.749	21.717	.001 **
	Within Groups	86.295	147	.587		
	Total	111.793	149			
Timely Remittance of Sales Proceeds	Between Groups	25.143	2	12.572	19.929	.001 **
	Within Groups	92.730	147	.631		
	Total	117.873	149			
Repatriation of Sales Proceeds	Between Groups	28.383	2	14.192	24.186	.001 **
	Within Groups	86.257	147	.587		
	Total	114.640	149			
Cost of Services Rendered	Between Groups	22.148	2	11.074	19.626	.001 **
	Within Groups	82.945	147	.564		
	Total	105.093	149			

Note: * denotes Significant ** denotes Highly Significant

Since P value is less than 0.01 the null hypothesis is rejected at 1% level with regards to the frequency of depository contact, safety of security, attitude of staff, availability of well trained staff, timely services,

time taken for processing, timely remittance of sales proceeds, repatriation of sales proceeds and cost of services rendered. Hence there is a significant difference among age group of the respondents with respect to the perception of the aforesaid variables.

Since P value is less than 0.05 the null hypothesis is rejected at 5% level with regards to the facility of electronic credits and DEMAT services charges. Hence there is a significant difference among age group of the respondents with respect to the perception of these two variables.

There is no significant difference in the perception among age group of the respondents with regards to the conveniences of opening DEMAT account, maintenance of records holdings in electronic format, easy of pledging of dematerialized securities and settlement period.

TABLE: 6.5

INDEPENDENT Z-TEST

INVESTORS PERCEPTION AND SATISFACTION TOWARDS THE SERVICES RENDERED BY THE DEPOSITORY PARTICIPANTS

Particulars	Perception		Satisfaction		Z	DF	P Value
	Mean	SD	Mean	SD			
Conveniences of Opening DEMAT Account	1.41	.593	1.25	.567	2.705	149	.008 **
Maintenance of Records holdings in Electronic Format	1.37	.538	1.13	.341	4.308	149	.001 **
Facility of Electronic Credits	1.37	.584	1.43	.628	-.945	149	.346
Easy of Pledging of Dematerialized Securities	1.63	.799	1.47	.672	2.219	149	.028 *
Regularly SMS alert to the BOs	1.51	.642	1.45	.640	1.119	149	.265
DEMAT Service Charges	1.59	.677	1.65	.891	-.680	149	.498
Frequency of Depository Contact	1.70	.766	1.61	.851	1.176	149	.241
Settlement Period	1.64	.698	1.59	.868	.742	149	.459
Safety of Security	1.39	.623	1.61	.767	-3.229	149	.002 **
Attitude of Staff	1.50	.621	1.91	.999	-4.803	149	.001 **

Availability of well trained staff	1.59	.744	1.93	1.094	-3.998	149	.001 **
Timely Services	1.65	.882	1.73	.960	-1.061	149	.290
Time Taken for Processing	1.73	.866	1.63	.832	1.442	149	.151
Timely Remittance of Sales Proceeds	1.75	.889	1.47	.682	3.808	149	.001 **
Repatriation of Sales Proceeds	1.68	.877	1.55	.550	1.968	149	.051
Cost of Services Rendered	1.71	.840	1.55	.738	2.509	149	.013 *

Note: * denotes Significant ** denotes Highly Significant

Since P value is less than 0.01 the null hypothesis is rejected at 1% level with regards to the conveniences of opening DEMAT account, maintenance of records holdings in electronic format, safety of security, attitude of staff and timely remittance of sales proceeds. Hence there is a significant difference in perception and satisfaction towards the depository services provided by depository participants to their clients for the above mentioned variables.

Since 'P' value is less than 0.05 the null hypothesis is rejected at 5% level with regards to the easy of pledging of dematerialized securities and cost of services rendered. Hence there is a significant difference in perception and satisfaction towards the depository services provided by depository participants to their clients for the above mentioned variables.

There is no significant difference in perception and satisfaction with regards to the facility of electronic credits, regularly SMS alert to the BOs, DEMAT service charges, frequency of depository contact, settlement period, timely services, and time taken for processing and repatriation of sales proceeds by the respondents. This indicates that these services are considered as very important in buying and selling of securities through Depository participants.

Suggestions to Depository Participant

1. Investors in Chennai is tremendously increased comparing to last decade's .Therefore the Number of DPs and their branches should be increased throughout Chennai.
2. DPs' franchises should have proper infrastructure like seating arrangements, rest room, proper drinking water facilities and car parking instead of merely working as 'collection booth.'
3. Illegal Debits or Credits in DEMAT accounts of investors should be heavily penalized by depositories.
4. Regularly organise Awareness Programmes to aware people about the guidelines in using DEMAT system.
5. Periodical statement should be send to the every DEMAT account-holder at regular intervals.

6. Send the monthly bulletins to their customers and proper update information should be mentioned in it for the convenience of the Investors.

Recommendations

The following recommendations helps to maintain a good relationship with the Depositories with their clients. The study recommends some working modifications to follow the useful aspect of DEMAT charges for small investors.

1. Without touching the liberty of DPs to charge whatever fees they like, should be reasonable and follow a systematic fees structure. Such structure create competitive environment among DPs on the matter of DEMAT cost. This will strengthen DPs to sustain preferred standard of services for investors, will be helpful in choosing a DP by investors on the basis of cost and will act as an effective self-control tool to lower down DEMAT charges forever in the interest of investors.

2. Investors should be made aware about precautions to be taken regarding different DEMAT operations (such as in case of sending securities for dematerialisation, at the time of submitting Pay-in of securities for settlement of Market trade and for receiving corporate benefits etc.) to prevent them against any inconvenience and losses later on.

Conclusion of the Study

Depository system and services provided by them has been welcomed by the investors of Chennai City investors. Investors are undoubtedly benefited by the services rendered by the depository participants in terms of improved services, greater protection, and strong elements of accessibility, efficiency and transparency in operations concerning securities.

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