

PAPER TO PAPERLESS TRADING: A PARADIGM SHIFT IN INDIAN CAPITAL MARKET

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Abstract: In the era of liberalization and globalisation, the capital markets assume a greater importance. Capital Market is the barometer of the economy and represents macro-economic affairs of the country. It is an index of economic and industrial development of the country. India has the greatest potential amongst the emerging economies due to its favourable demographics, rapid urbanization and driving economic growth and Indian economy has greatest potential of any emerging economies in years to come, which despite the near term concerns, would amply reward the long-term investors. Technology has changed the face of Indian stock markets in the post liberalization era. Competition amongst the stock exchanges, increase in the number of players and changes in the trading system led to a tremendous increase in the volumes of activity (Khindaria, 2013). The traditional settlement and clearing system proved to be inadequate due to operational inefficiencies. Hence, there emerged a need to replace this traditional system with a new system called '**Depository System**'. This study was undertaken to analyse the relationship between the type of market and certain personal variables of investors and to analyse the factors which differ in the investors who have increased or decreased their investment after the inception of dematerialisation. Although a number of factors were identified to be different in these two categories, but according to the preference of the respondents, non-popularity of the depository system due to fear of exposure to the taxation authorities was strikingly different in the two categories. This was followed by another prominent factor i.e., popularity due to freedom from worries of the loss of shares through theft, fire, and mutilation etc. It would be over optimistic to weld all the findings of the study into a single theory. However the findings could be synthesized to present an integrated view that will provide working hypothesis for fruitful future research. Moving step by step to the full moon sight, the study has brought home very important facts, which, if, concealed would amount to injustice being done to the investors and the prospective investors.

Index Terms: Depository System, Dematerialisation, Personal Variables

Introduction

The introduction of National Stock Exchange, Bombay Stock Exchange and On Line Trading systems have increased the reach of capital market manifolds. However the increase in number of investors participating in the capital market increased the possibility of being hit by a bad delivery. The cost and time spent by the brokers for rectification of these bad deliveries was higher with the geographical spread of the clients. The physical form of holding and trading in securities also acted as a bottleneck for broker community in capital market operations. This system required handling of huge volumes of paper leading to increased costs and inefficiencies.

The increase in trade volumes lead to exponential rise in the back office operations thus limiting the growth potential of the brokering members. The inconvenience faced by investors (in areas that are far flung and away from the main metros) in settlement of trade also limited the opportunity for such investors, especially in participating in auction trading. This made the investors as well as brokers wary of Indian capital market. In this scenario, dematerialization was introduced.

India continues to sweep the world off its feet with its incredible GDP growth rate. This in large measures has been possible due to the winds of change that is sweeping our country. These winds started blowing in 20th century. Since 1991 and in this freshly minted 21st century, it has turned into a gale and is giving, we Indian's aspiration to take world's centre stage (Srivastava, 2006).

Less than 10 years ago, when people wanted to buy or sell in the Indian securities market, they started with a prayer. Its chaotic state and rampant cheating at every stage generally called for a large slice of luck, if the trade was to go through safe. Today, securities market, for both equity and debt, has seen the most radical change since the launch of economic reforms of 1991. The progress is quite remarkable in the backdrop of the slower progress in related sectors, such as banking and the huge scams during the last decades.

India has the greatest potential amongst the emerging economies due to its favourable demographics, rapid urbanization and driving economic growth and Indian economy has greatest potential of any emerging economies in years to come, which despite the near term concerns, would amply reward the long-term investors (Marc Faber, acclaimed investment guru). As compared to the US,

Indian equities and Indian real estate are preferred world over, as today, India is at the beginning of a lasting economic take off phase.

In the era of liberalization and globalisation, the capital markets assume a greater importance. Capital Market is the barometer of the economy and represents macro-economic affairs of the country. It is an index of economic and industrial development of the country. 'Financial Disintermediation' along with the diversification of the financial sector, is one of the important developments in the era of liberalization world over. The term 'Financial Disintermediation' refers to the transformation of a financial system from institution based to market based. In the current capital market system, the role of banks as intermediaries is diluted in the market-based system where the investors and user of funds are expected to come into direct contact with the borrowers, i.e. Corporates .

Indian capital markets have witnessed a radical transformation during a short span of a decade. During the early part of the 1990s, ranking of the Indian capital market with reference to the standard global indices relating to efficiency, safety, market integrity etc., was not at all flattering. With reference to the risk indices, in particular, the Indian capital market was regarded as one of the worst as it figured almost at the bottom of the league. The same was the case with regard to its efficiency levels in trading and settlement systems.

Interestingly, however the things have changed over the past 10 years or so. With the adoption of sophisticated information technology tools in trading and settlement mechanisms, as also efficiency of capital markets, not only is India currently ranked in the top league but it is also considered to be way ahead of capital markets of many developed economies. Indian market, which was considered to be one of the most inefficient and opaque, got transformed into one of the best and the safest in such a short period of time and there appears to be no parallels to this in any part of the world. Today, India has started to look like an '**Equity Heaven**'. Technology has changed the face of Indian stock markets in the post liberalization era. The traditional settlement and clearing system proved to be inadequate due to operational inefficiencies. Hence, there emerged a need to replace this traditional system with a new system called '**Depository System**'. A Depository is an organization, which holds securities of a shareholder in electronic form and facilitates the transfer of ownership of securities on settlement dates.

Objectives of the Study

The study was undertaken with the following objectives:

1. To study the relationship between the type of market and certain personal variables of the chosen investors.
2. To analyse the factors which differ in the investors who have increased or decreased their investment after the inception of dematerialisation.

I) RESEARCH METHODOLOGY

Due to the resource and time constraints as well as easy accessibility and convenience of the researcher, the study was confined to four major commercial cities of Punjab i.e., Jalandhar, Ludhiana, Amritsar and Chandigarh. Nine Brokers were selected randomly to procure the lists of investors required for the purpose of collecting the primary data.

1.1 Population and Sample: From the lists of investors obtained from HDFC, ICICI Securities, Ludhiana Stock Exchange, Master Capital, Invest Shoppe, Kotak Securities, India Bulls, India Infoline and SKI Capital, a sample of 240 respondents was taken comprising sixty investors from each of the cities mentioned above. But forty of them were later dropped, as the complete required information from some of them could not be obtained and some others were non-responsive. Thus, the present study is based on the information collected from 200 investors comprising 50 investors from each of the four commercial cities.

Criteria for Selection of Investors: While selecting the investors for the purpose of this study, the following criteria were followed:

- a) Only the investors associated with the above mentioned depository participants/ brokers were chosen, as it was easier to identify them and get the required information from them.
- b) Only the investors having a demat account with different depository participants were preferred.
- c) Equal number of investors was taken from Amritsar, Jalandhar, Ludhiana and Chandigarh.

1.2 Data and Sources of Data

For accomplishing the objectives of this study, both the primary and secondary data were analysed.

Primary Data

For the analysis of the demographic features and the behavioral factors of investors, which affect their investment decisions, primary data were collected from sample borrowers through the following instruments of data collection:

A) Questionnaire: After scanning the literature on depositories and dematerialisation as well as preliminary discussions with certain stock exchange officials, a survey schedule i.e., questionnaire was prepared and tested on few investors and later revised in the light of experience gained (Annexure).

B) Observation: Some information was gathered through personal observation and interaction with the officials of Ludhiana Stock Exchange, HDFC Securities, India Infoline, and ICICI. Frequent visits and interviews with leading brokers of Jalandhar and Ludhiana were very instrumental in enhancing the knowledge of the dematerialisation concept and in facilitating the completion of study.

Collection of Data from the investors: Before the data was collected, an attempt was made to develop a rapport with the subjects by explaining the objectives of the study and clearing any apprehensions about the consequences of their volunteering the required information. Each of the selected investors was personally interviewed with the help of a pre-tested survey schedule and rating scale for the purpose of obtaining the required information.

1.3 Theoretical Framework

Reddy (2006) observed in his study that the inconvenience faced by the investors (in areas that are far flung and away from the main metros) in settlement of trade limits the opportunities for such investors, especially in participating in the auction trading. This has made the investors as well as brokers cautious of Indian capital market. In this scenario, dematerialized trading is certainly a welcome move. Buying shares in demat form always guarantees investors a good title as soon as the settlement is over. Rule 100 of market regulator SEBI determines whether the shares delivered in a settlement, are good or not. Dematerialisation of shares is one of the new dimensions of SEBI to protect interests of the investors. **Anand (2006)** emphasized very important facts relating to the safety of paperless scrips with the two depositories i. e. NSDL and CDSL having the custody of shares with value of Rs. 30,00,000 crores (NSDL home to little over 76 lakh accounts and CDSL having some 17.34 lakh accounts). He pointed out that SEBI, in its interim order on IPOs scam involving fictitious demat accounts, have slammed the depositories for failing to exercise control on their depository participants and for making a mockery of the depository participant inspection process. He complemented NSDL for having a number of jobs at hand like trying to put in place a nationwide Tax Information Network (TIN) for Income Tax Department. Secondly, in association with NASSCOM, NSDL will create a National Skills Register, which will store background information of IT professionals. Thirdly, the depository is also creating a Market Participants and Investors Data Base (MAPIN), a control Database that will help avoid scams that Roopalben and Company excelled at. Regarding MAPIN, C. B. Bhawe, M. D., NSDL emphatically asserted that a unique identification number was the need of the hour to prevent the scams. On the other hand, Prithvi Haldea, M. D., Prime Database and a member of MAPIN Committee said that MAPIN may be reintroduced without biometric finger printing as investors are not criminals and just because few investors have taken the system for a ride, everybody cannot be punished.

The review of studies conducted by different committees and researchers unfurled various aspects relating to dematerialisation like:

- 1) The impact of dematerialisation on trading and settlement systems.
- 2) The emergence of T+2 Rolling Settlement System and the consequential magnanimous spurt in the volumes of trade.
- 3) The comparative analysis of banks vis-a vis stock markets.
- 4) The role of NSDL and CDSL in eradicating the ills associated with paper based trading system.
- 5) The effect of dematerialisation on Liquidity, Returns and Profitability.
- 6) The significance of demat for Brokers and corporates etc.

Despite certain attempts made to study different aspects of dematerialisation, there remained certain pertinent gaps. Some of these gaps revolve around questions like:

- 1) How have the depositories progressed in terms of services and in economic terms?
- 2) What are the perceptions of the investors about dematerialisation i.e. whether their investment has increased or decreased with the inception of this system and has this scripless trading system augmented their income and returns?
- 3) What are the factors that influence the investors' choice of a particular depository participant?
- 4) Whether investors are satisfied with the services offered by the depositories or would they like to revert to the traditional system?
- 5) What is the impact of demat on market capitalization of the companies listed on the stock exchanges?

In view of the above partially explored questions by certain scattered attempts made by some of the studies, a need was felt to undertake an indepth study which could examine and evaluate the perceptions of the investors about this significant concept.

1.4 Statistical Tools

To study the relationship between the type of market and certain personal variables of the chosen investors, Chi Square Test was applied and Discriminant Analysis has been used to analyse the factors which differ in the investors who have increased or decreased their investment after the inception of dematerialisation.

II) RESULTS AND DISCUSSION

2.1 RELATIONSHIP BETWEEN THE TYPE OF THE MARKET AND PERSONAL VARIABLES

In this study an attempt has been made to analyze the relationship between the type of the market chosen for investment and some personal variables like Age, Education, Marital Status, and Experience of the investors.

2.1.1 Age Vs Type of Market: Table 1 reveals that majority of investors in all the age groups invested in both the primary and the secondary market. In the age group of 15-25 years, 74.36% invested in both the markets and in the age group of 25-35 years, 61.11% respondents invested in both the markets. Similarly, in the age group of 35-45 years, 60.32% and in the age group of 45-55 years, 54.17% of the respondents invested in both the markets, while in the age group exceeding 55 years, 65% of the respondents invested in both the markets. This shows that investors invest in both the markets irrespective of their age. Hence the **relationship between these two variables was non-significant as conveyed by the chi-square value.**

Table 1: Relationship between the age of the respondent and the type of the market

Age (years)	No.	Primary	Secondary	Both	χ^2 value
15-25	39	4	6	29	
%age	100.00	10.26	15.38	74.36	
25-35	54	5	16	33	
%age	100.00	9.26	29.63	61.11	
35-45	63	6	19	38	1.38NS
%age	100.00	9.52	30.16	60.32	
45-55	24	1	10	13	
%age	100.00	4.17	41.67	54.17	
Above 55	20	3	4	13	
%age	100.00	15.00	20.00	65.00	

2.1.2 Education Vs Type of Market: Table 2 reveals that majority of the under-graduates (71.43%), graduates (61.11%) and postgraduates (64.10%) invested in both the markets. Thus the Chi-Square values indicate that the **education of the respondent had no affect on the investors' choice of a particular market.**

Table 2: Relationship between education and the choice of the market

Education	No.	Primary	Secondary	Both	χ^2 value
10/10+2	14	1	3	10	
%age	100.00	7.14	21.43	71.43	
Graduate	108	11	31	66	0.08NS

%age	100.00	10.19	28.70	61.11	
Postgraduate	78	7	21	50	
%age	100.00	8.97	26.92	64.10	

2.1.3 Marital Status Vs Type of Market: Table 3 reveals that out of 151 married respondents, 7.28% invested in primary market, 32.45% invested in the secondary market, and remaining 60.26% invested in both the markets. Out of the 49 unmarried investors, 16.33% invested in the primary market, 12.24% invested in the secondary market while the remaining 71.43% invested in both the markets. The Chi-Square value indicates that **the relationship between the marital status and the market chosen was highly significant (1% level). This reveals that significantly higher proportion of married respondents (32.45%) preferred secondary market for investment as compared to the unmarried investors.**

Table 3: Relationship between the marital status and choice of the market

Marital status	No	Primary	Secondary	Both	χ^2 value
Married	151	11	49	91	
%age	100.00	7.28	32.45	60.26	9.41***
Single	49	8	6	35	
%age	100.00	16.33	12.24	71.43	

2.1.4 Experience of Investment Vs Type of Market: Table 4 reveals that out of 62 respondents who have been investing for less than 2 years, 8.06% invested in the primary market, 24.19% in the secondary market and remaining 67.74% in both the markets. In case of investors who have been investing for 2-5 years, 9.88% investors invested in the primary market, 23.46% in the secondary market and remaining 66.67% in both the markets. For investors with 5-10 years experience, 8.57% invested in the primary market, 51.43% in the secondary market and 40.00% in both the markets. In case of investors with more than 10 years experience, 13.64% invested in the primary market, an equal proportion in the secondary market while remaining 72.73% in both the markets. But the Chi-Square values indicate that **the relationship between the experience of investment and the choice of the market was not significant. They invested equally in both the markets irrespective of their experience in the field.**

Table 4: Relationship between the experience of investment and the choice of the market

Experience	No.	Primary	Secondary	Both	χ^2 value
Upto 2	62	5	15	42	
%age	100.00	8.06	24.19	67.74	
2-5	81	8	19	54	
%age	100.00	9.88	23.46	66.67	3.98NS
5-10	35	3	18	14	
%age	100.00	8.57	51.43	40.00	
>10	22	3	3	16	
%age	100.00	13.64	13.64	72.73	

2.2) Analysis of factors which differ in the investors who have increased or decreased their investment after the inception of dematerialisation

Though sharing a common platform at times, the investors who had increased or decreased their investment after the introduction of the depository system deviated at certain points. The Discriminant Analysis technique was applied to identify the major points of difference between the investors who have increased or decreased their investment after the introduction of the depository system. A number of factors were taken into consideration and the results of the analysis as indicated by table 5 are:

The first factor that contributed to the deviation was the preference for investment in the Post office. Although the investment in Post Office is not a much-preferred investment, yet investors with increased investment were more inclined towards this option as compared to the investors with decreased investment.

The second factor that has been identified as varying significantly in these two categories was opening of the Demat Account to reduce bad deliveries. The investors with increased investment showed greater preference for this advantage of the depository system as compared to the investors with decreased investment.

The third factor accounting for the difference was selection of a particular depository participant due to difference in charges. The investors with increased investment preferred a particular depository participant due to difference in charges, while investors with decreased investment did not assign much weightage to this option.

The fourth significant factor was the popularity of the depository system due to freedom from worries of loss of shares through theft, mutilation, fire, etc. The investors with increased investment considered this option to be responsible for the success of the depository system while the investors with decreased investment did not show similar preference.

The fifth factor that can be looked upon as strikingly different in these two categories of investors was the popularity of the depository system due to shorter settlement cycle and reduced risk because of the rolling system. This factor was more preferred by the investors with increased investment than by the investors with the decreased investment.

The sixth glaring factor, which makes these two categories stand apart, was non popularity of the depository system due to fear of exposure to tax authorities. The investors with increased investment attributed the non-popularity of the depository system to the factor of increased exposure to tax authorities, especially after the introduction of the rule regarding the PAN to be produced at the time of opening the demat account i.e., the investors with increased investment were more apprehensive about the increased risk of exposure to the taxation authorities, while the investors with decreased investment did not rank this factor at the same level.

The seventh factor that was significantly different in the investors with the increased or decreased investment was non-popularity of the depository system due to inadequate infrastructure in small towns and villages. The investors with increased investment gave more weightage to this disadvantage as compared to the investors with decreased investment.

Although a number of factors were identified to be different in these two categories, but according to the preference of the respondents, the sixth factor i.e., non-popularity of the depository system due to fear of exposure to the taxation authorities was strikingly different in the two categories, and its contribution to the difference was about **22.90%**. This was followed by another prominent factor i.e., popularity due to freedom from worries of the loss of shares through theft, fire and mutilation etc. contributing to the extent of **16.06%**. These results of discriminant analysis were found to be significant at 5% level.

Table 5: Factors that are different in the investors who have increased or decreased their investment after Dematerialisation

Sr. no.	Factors	Increased Investment		Decreased Investment		Mean Difference	t-value	D-Coefficient	Contribution to Distance	% Contribution	Rank
		Mean	S.D.	Mean	S.D.						
1	Preference for investment in post office	3.45	1.34	2.44	1.26	-1.01	2.19**	-0.3394	0.3413	12.14	4

2	Opening a Demat A/C to reduce bad deliveries	4.31	0.89	3.67	1.25	-0.64	2.05**	-0.4987	0.3203	11.39	6
3	Selecting a particular depository participant due to differences in charges	4.37	0.79	3.78	1.23	-0.59	2.10**	-0.7084	0.4170	14.84	3
4	Popularity of DS due to freedom from worries of loss of shares through theft, mutilation, fire, etc.	2.85	0.41	2.56	0.50	-0.29	2.05**	-1.5434	0.4516	16.06	2
5	Popularity of DS due to shorter settlement cycle and reduced settlement risk by rolling system	2.32	0.72	1.89	0.74	-0.44	1.77*	-0.6871	0.2994	10.65	7
6	Non-popularity of DS due to fear of exposure to tax authorities	2.41	0.74	1.78	0.79	-0.63	2.48**	-1.0211	0.6439	22.90	1
7	Non-popularity of DS due to inadequate infrastructure in small towns & rural areas	2.41	0.70	2.00	0.82	-0.41	1.70*	-0.8163	0.3376	12.01	5
								D-Sq value	2.8112	100.00	

** indicate significance at 5% level * indicate significance at 10% level

DS stands for the Depository System

III) SYNTHESIS OF FINDINGS AND SUGGESTIVE FRAMEWORK

It would be over optimistic to weld all the findings of the study into a single theory. However the findings could be synthesized to present an integrated view that will provide working hypothesis for fruitful future research. Moving step by step to

the full moon sight, the study has brought home very important facts, which, if, concealed would amount to injustice being done to the investors and the prospective investors. On the other hand a proper and adequate disclosure of these facts would open many avenues for future research.

Settlement of transactions by demat has replaced the cumbersome procedure of settlement by physical shares doing away with bad deliveries. The T+2 system of settlement has enhanced liquidity in trading. But, what India lacks today, is absence of liquidity of all listed securities.

Another disturbing factor is the slow growth of the share population of the country. There are just about 9-10 million demat account holders, who constitute about 70% of the shareholding population. The number of shareholders amount to a negligible 1% of the population, as compared to 15-30% of the shareholding population in advanced countries.

India has a long way to go both in terms of enhancing liquidity in listed securities and in increasing shareholding population. The concerned authorities have to give serious consideration to these two vital issues. Further it is the growth of domestic share owning population, which will give inherent strength to our equity market. Hence the growth of domestic shareowners should be emphasized much more than the FII portfolio investment.

The findings of the study in the light of the objectives highlight certain points, which are worth of relevance for implementation. One cannot find a single procedure for improving the effectiveness of the depository system. In other words, it is not a single variable function but multi- functional of multi-variables. In the foregoing points, a few practical remedial approaches to better the depository services are discussed:

1. Many investors are using this system. But other investors are not even clear about the basic concept of this system. So there is a need to make the investors aware about the advantages of the system through seminars and lectures. They should be educated and convinced about the safety and stability of this system. The duties and responsibilities of depository participants and companies should be demarcated and made clear to investors.
2. Depository participants should be given more powers so that immediate conversion of physical shares into demat form can be availed i.e. the period of dematerialisation should be lessened. Dematerialisation process should be made simpler.
3. The help of regional exchanges should be taken to guide the investors about the dematerialisation of shares.
4. The credit card system used in the banks should also be introduced in depository system.
5. Computer system used in this depository process should be very reliable.
6. The new system for electronic ownership of shares should provide safeguards against new scope for committing frauds. Keeping the records for longer time, security measures, secrecy and the like are required to be suitably introduced.
7. Intra-depository transfers should be allowed for small investors and no fees and restrictions should be imposed on such transfers.
8. SEBI, rather than increasing scrips under compulsory demat mode should, for the growth of the system, expedite the process of redressal of investors' complaints with regard to the working of the depository participants.
9. The income tax department should not talk about searching people who have already come clean. What they should probe is who are the people still keeping shares in physical form and why so?

These measures would make demat services convenient and economical from investors' point of view, as a satisfied and confident investor is a sure best for the growth of demat services in the new millennium.

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ANNEXURE

QUESTIONNAIRE

ON

Paper to Paperless Trading: A Paradigm Shift in Indian Capital Market

Chief Investigator:

Dr. Sabina Batra

Respondent Profile:

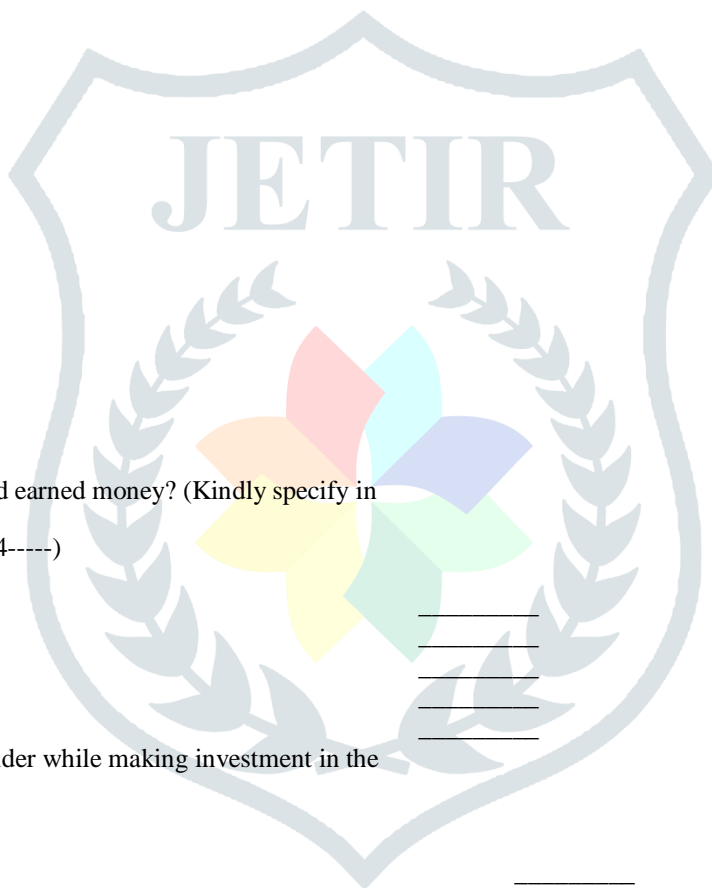
Name:

Age:

Qualification:

Occupation:

Marital Status:



1. Where do you invest your hard earned money? (Kindly specify in the order of preference, 1,2,3,4-----)

- a. Stock markets _____
- b. Banks _____
- c. Insurance _____
- d. Post Office Savings _____
- e. Government Securities _____

2. What are the factors you consider while making investment in the above-ticked options?

- a. Regular Income _____
- b. Tax Saving _____
- c. Profitability _____
- d. Risks _____
- e. Security _____
- f. Cost involved _____

3. If shares, which market do you invest in?

- Primary Market _____
- Secondary Market _____
- Both _____

4. Since how long are you investing in Shares? _____ Years.

5. Are you aware of the Depository Services in India? Yes / No

6. According to you Dematerialisation is:

- (i) Trading of shares without any intermediary _____
- (ii) Conversion of physical shares into
electronic form _____
- (iii) Trading of shares under Rolling System _____
- (iv) All above _____

7. Impact of Dematerialisation on your average Investment per year:

Increased _____ Decreased _____

8. Estimated average amount of investment per year in securities

Before Dematerialisation _____

After Dematerialisation _____

9. Reasons for opening a Demat Account:

	Reasons	A	B	C	D	E
		Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1.	Easy Transferability					
2.	Liquidity					
3.	Speediness					
4.	Reduced Operating Cost					
5.	Safety					
6.	Reduced Bad Deliveries					

10. Which Depository Participant do you have an account with?

- a. ICICI _____
- b. HDFC Bank _____
- c. India Bulls _____
- d. 5 Paise .Com _____
- e. India Info line _____
- f. Motilal Oswal Securities _____
- g. LSE Securities _____
- h. Any other _____

11. Reasons for selecting a particular Depository Participant:

	Reasons	A	B	C	D	E
		Strongly Agree	Agree	Don't Know	Disagree	Strongly Disagree
1.	Convenience					
2.	Good Infrastructure					
3.	Market Goodwill					
4.	Better Services					
5.	Safety					
6.	Track Record					
7.	Difference in charges					

12. Reasons for Popularity of Depository Services:

	Agreed to a Strong Extent	Agreed to a Moderate Extent	Agreed to some Extent
a) Freedom from worries over loss of shares through theft, mutilation, loss, fire etc	_____	_____	_____
b) Immediate Allotment, Transfer and Registration of Securities, thereby increasing Liquidity of stocks	_____	_____	_____
c) Savings in terms of Cost like Stamp Duty, Postage and Brokerage	_____	_____	_____
d) Loan against pledged dematerialized shares at a lower rate of interest	_____	_____	_____
e) Eliminates the problem of odd lots i.e trading of even a single share made Possible	_____	_____	_____
f) Portfolio shuffling convenient	_____	_____	_____

g) Shorter Settlement Cycle and Reduced Settlement Risk due to the introduction of Rolling Settlement (T+2)	_____	_____	_____
h) Limit of loan against Collateralized Demat Securities doubled as compared to collateralized physical shares	_____	_____	_____
i) Receipt of Non-Cash Corporate Benefits (like Rights shares, Bonus shares) in electronic form automatically	_____	_____	_____
j) Exchange of pre-verified assets with good title	_____	_____	_____
k) Reduction of Paper work when shares are sold i.e. Transfer Deed not required	_____	_____	_____

13. Reasons for Non popularity of Depository Services:

	Agreed to a Strong Extent	Agreed to a Moderate Extent	Agreed to some Extent
a) Adequate Depository Participant not available in your area	_____	_____	_____
b) Sub Brokers are themselves not fully aware of this system	_____	_____	_____
c) Less efforts by SEBI to make this system more popular	_____	_____	_____
d) Regional Newspapers rarely cover this topic	_____	_____	_____
e) Risk of loss in transit of cash benefits, which cannot be disbursed electronically	_____	_____	_____

f) People want to keep the original Share Certificates

with themselves due to sentimental reasons

g) Greater agency risk due to total dependence
on the Depository Participant

h) Expensive due to higher Annual Maintenance
Charges and Transaction Charges of the Depository
Participant

i) Fear of exposure to tax authorities due to the
compulsory requirement of Permanent Account
Number (PAN)

j) Inadequate infrastructure in small towns
and rural areas

14. Would you like to revert back to the traditional system? If Yes, Then
why?

15. You are welcome to comment or give your suggestions on the
Depository System

