



Investors' awareness on Demat account: A study in Sulur taluk, Coimbatore district

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Abstract

A premier on depositories and demat system. Dematerialized securities ('Demat' in short) are securities that are not on paper and a certificate to that effect do not exist. They exist in the form of entries in the book of depositories, essentially, unlike the traditional method of possessing a share are held in a dematerialized form. Depositories Act was passed in 1996 and SEBI Directed Regulations in order to provide the regulatory framework for the depositories. The question usually asked is: How far the investors' aware about demat account? In this study, he found that the awareness level of investors regarding demat account. Recently conducted Investors' Awareness on Demat Account in Sulur Taluk, Coimbatore District.

Keywords: depository, depository participants, demat account

1. Introduction

Indian Capital Market has been linked to the International Financial Market and the standard has been increased in terms of efficiency and transparency through Dematerialisation of the Indian Capital Market. Dematerialisation of shares is an important milestone in the annals of Indian Capital Markets. Dematerialised securities trading, settlement and custody has changed considerably the market microstructure of Indian stock exchanges. Dematerialisation is the process by which "Physical certificates of an investor are converted to an equivalent number of securities in electronic form". The converted securities are owned, traded and utilized like physical securities. Order routing, trading and settlement, that is delivery and payment in demat form, changed the way markets started functioning. These changes have brought tremendous impact on the behaviour of investors, stock exchanges, depository participants and custodians.

A depository is an organization like a bank where the securities of a shareholder are hold in the electronic form at the request of the shareholder through the medium of a Depository Participant (DP). Depository means a company formed and registered under the Companies Act, 1956 and which has been issued or granted a certificate of registration under section 12 (1A) of the Securities and Exchange Board of India Act,1992. According to section 2(e) of the depository's act 1996, to use the depository services provided by a depository, the investor has to open an account with the depository through a Depository Participant (DP). This section of the market comprised the secondary market, which is popularly called as the "Stock Market", comprising 23 recognized stock exchanges and is the organized market regulated by the Securities and Exchange Board of India (SEBI) for purchase and sale of securities through intermediaries called stock brokers and sub brokers.

2. Statement of the Problem

In case investors are unable to get the errors rectified or get

them replaced, they have recourse to the seller and their broker through the stock exchange to get back their money. However, if they had transacted directly with the seller originally, they have to settle the matter with the seller directly. Sometimes, investors' securities may be lost or misplaced. They should immediately request the company to record a stop transfer of the securities and simultaneously apply for issue of duplicate securities. For effecting stop transfer, the company may require they do produce a court order or the copy of the First Investigation Record (FIR) filed by the investors with the police further, to issue duplicate securities to them, the company may require investors to submit indemnity bonds, affidavit, sureties etc., besides issue of a public notice. Investors have to comply with these requirements in order to protect their own interest. The above are the problems faced by the investors in the absence of demat account. In this background, this study is focused to find out answer to the question. How far the investors' aware about demat account?

3. Review of Literature

Dr. R Ganapathi and Dr. T Ramasamy (2007)^[7] in his article, "A study on customers' expectations towards share brokers" stated that a stock exchange is an organization which provides a market place for trading shares, where investors may buy and sell shares. Only members of the stock exchange can perform the functioning of buying and selling of shares or stocks. He suggested that share brokers can collect minimum charge for opening an account. They can help the customers to open the account within 2 – 4 days. It will increase the customers' confidence level to invest a sizeable amount in the share market.

In a study entitled "Customer's Perception towards Online Share Trading in Kanpur", Mandakini Garg and Kamna Katiyar (2013)^[10], in their article the researchers will able to locate the awareness of customers towards online share trading in Kanpur area. There is large segment of investors,

who are not aware about the online share trading scenario. The objective of the study about customer awareness towards online share trading in Kanpur, probability sampling technique was adopted. There is lack of awareness in the rural area as investors are less technology addicted. Different training programs should be conducted in different areas in order to increase the practical knowledge of online share trading. It is concluded with online investing will only encourage new investors to trade in the stock market, bringing together buyers and sellers to make the market more efficient. D.Anitha kumara, G.Rangasamy and K.Sandhya (2013) [9] in their article entitled as “Investors Perception towards Online Trading in Chennai” focused online trading share market has emerged as one of the greater and easiest ways to invest share by the investors. This study sheds light on the how they are satisfying their investors. Data collected from 113 respondents in chennai indicated that the investors have referred others to online share market. This study is to analyze and understand the investor psychology on choosing the product or service they concluded that on set of online trading changed the traditional value proposition of trading. This study helps to ascertain the investors perception of online trading of shares in share market also identify the investors perception and to improve the quality of service according to the investors expectation.

Dr. M Santhi (2013) [8], in his article analysed “Attitude of Retail Investors towards Share Market and Share Broking Companies – An Empirical Study in Madurai City, Tamil Nadu”, This study is to make a probe into the attitude of the investors towards share trading and share broking companies in madurai city in Tamil Nadu, it is undertaken on selected share broking companies investors, under for dimensions, awareness on share market, investment options, reasons for investing, stimulating factors for choosing the brokers. The 75 sample respondents had been selected for the study using convenience sampling method is taken at random among the investors in madurai city. To conduct the study, a tool is designed and canvassed. The dimensions taken for the study were confirmed soon after the conduct of a pilot study on investors attitude on share trading and on share broking companies. Results of the study discloses that majority of investors have been influenced by their relatives in entering in to the share market. In respect of the variables – businessman and professionals are relatively interested in share trading. Therefore, more attention needs to knock the door steps of employees and other people in the society to elevate the importance of opening demat account and share trading so as to enhance the scheme objectives.

3. Objectives of the Study

For conducting this study the specific objective were set, to study the awareness level among the investors’ on demat account services.

4. Scope of the Present Study

This study has been under taken to know the “*Investors’ Awareness on Damat Account: A Study in Sullur Taluk, Coimbatore District*”. The scope of the study is extended to the related aspect viz., to examine the awareness level of the investors’ on demat account.

5. Hypotheses of the Study

These hypotheses are subjected to appropriate statistical tools; the following hypotheses have been framed and tested with the help of the Chi-Square test.

- *There is no significant relationship between the socio-economic characteristics of the demat account users and their awareness level.*

6. Research Methodology

- **Data Collection:** The study is based on the primary data. The required primary data for the present study was collected from 100 sample respondents by using interview schedule method.
- **Data Analysis:** Cross Tabulation
Chi-Square Test
- **Sample Size and Sampling Design:** The sample size of the present study is 100. They were selected by applying convenience sampling technique. The selected respondents were contacted individually and the objectives of the study were clearly explained to them to ensure co-operation, sincerity and accuracy in their response.

7. Pilot Study and Pre-Testing

The pilot study is conducted with a sample of 10 investors’ during July 2017. In the pilot study, the interview schedule is pre-tested and then refined for use in the final study. This study helped in imparting upon the interview schedule and also gave an indication as to the kind of responses that would be forthcoming with a few deletions and additions a final interview schedule is prepared.

8. Geographical Area of the Study

The area of the study is limited to Sullur taluk. Based upon the population level of Sullur taluk the data are collected.

9. Period of the Study

The primary data were collected from sample respondents through the interview schedule in Sullur taluk.

10. Limitation of the Study

1. The sample size of present study is 100 respondents. They were selected by using convenience sampling method. This method of sampling has its own limitations.
2. This study is confined only Sullur taluk. Hence, the findings and suggestions of this study may not be applicable to other geographical areas.
3. Time is a limiting factor for the study.

11. Results and discussion

11.1 The details regarding Socio-Economic Characteristics of Demat Account Users’

A person’s choices are also influenced by four major psychological factors motivation, perception, learning and beliefs and attitudes. The investors’ decision is also influenced by socio-economic characteristics such as like age, educational qualification, occupation, marital status, nature of domicile, nature of family and monthly income of respondents.

11.2 Investors' Awareness about Demat Account

Investors' awareness is that types of social component which increases the collective consciousness among the people and generate confident in the individual to face the problem contemplate. Generation of awareness develops conscious perception in the investors'. Despite the continuous efforts being taken by voluntary investors organization towards protecting investor interest and the rights in the marketing activities for the investors' education like: seminars, work shops, speeches, writing columns in news paper etc.

11.3 Awareness Level

Demat account has become significant one in the present days. In this chapter is devoted by the investors' awareness about demat account. For measuring the investors' awareness about demat account, the following services are considered such as Account maintenance, Dematerialisation, Rematerialization, Market transfers, Off market transfers, Inter depository transfers, Pledge, Transmission/nomination, Corporate action, Value added services, Account opening charges, Custody charges, Transaction charges, Off market trades, Dematerialisation charges, Rematerialization charges and Annual membership fees. For assessing the awareness level of investors, the following scoring procedure is followed: a two point scale was used to measure the level of awareness about demat account. The score of 100 sample respondents were calculated by adopting the scoring procedure i.e., if the respondents was "Aware" two points and one point for "Unaware" has been assigned. The table 1.1 shows the

distribution of sample respondents on the basis of their level of awareness.

Table 1: Distribution of Sample Respondents on the Basis of their Level of Awareness

S.No	Awareness level	No. of respondents	Percentage (%)
1.	High level (score ≥ 26)	71	71.0
2.	Low level (score <26)	29	29.0
Total		100	100.0

Source: Primary Data

The table 1 indicates that 71 per cent the sample respondents are having high level of awareness about demat account.

11.4 Relationship between Socio-Economic Characteristics of Sample Respondents and Their Awareness Level about Demat Account

Awareness level of investors' about demat account services may differ from each other on account of socio-economic characteristics. Based on this back ground, an attempt has been made to examine the investors awareness level about demat account. For analyzing this, the following null hypothesis has been framed.

Ho: *There is no significant relationship between socio-economic characteristics and level of awareness of sample respondents.*

To test the above null hypothesis, Chi-Square test has been applied at 5 per cent level of significance.

Table 2: The details regarding Socio-Economic Characteristics and their Awareness Level: χ^2 -test

S. No	Factors	Classifications	Awareness level			Total	D.F	Table value	Calculated value
1.	Age	Young	27 (64)	15 (36)	42 (100)	2	5.991	1.9957	
		Middle	34 (74)	12 (26)	46 (100)				
		Old	83 (83)	2 (17)	12 (100)				
		Total	71 (71)	29 (29)	100 (100)				
2.	Gender	Male	60 (72)	23 (28)	83 (100)	1	3.841	0.1118	
		Female	11 (65)	6(35)	17 (100)				
		Total	71 (71)	29 (29)	100 (100)				
3.	Educational Qualification	Illiterate	3 (37)	5 (63)	8 (100)	3	7.815	0.9473	
		School level	21 (81)	5 (19)	26 (100)				
		College level	33 (67)	16 (33)	49 (100)				
		Professional level	14 (82)	3 (18)	17 (100)				
Total	71 (71)	29 (29)	100 (100)						
4.	Occupation	Agricultural people	17 (65)	9 (35)	26 (100)	3	7.815	3.1702	
		Private employee	25 (66)	13 (34)	38 (100)				
		Govt. employee	15 (75)	5 (25)	20 (100)				
		Business & Professional	14 (88)	2 (12)	16 (100)				
Total	71 (71)	29 (29)	100 (100)						
5.	Marital Status	Married	55 (75)	18 (25)	73 (100)	1	3.841	1.7566	
		Unmarried	16 (59)	11 (41)	27 (100)				
		Total	71 (71)	29 (29)	100 (100)				
6.	Nature of Family	Nuclear	45 (70)	19 (30)	64 (100)	1	3.841	0.0008	
		Joint	26 (72)	10 (28)	36 (100)				
		Total	71 (71)	29 (29)	100 (100)				
7.	Nature of Domicile	Town	54 (69)	24 (31)	78 (100)	1	3.841	0.2192	
		Village	17 (77)	5 (23)	22 (100)				
		Total	71 (71)	29 (29)	100 (100)				
8.	Family Size	Upto 3	18 (60)	12 (40)	30 (100)	2	5.991	2.5399	
		4 to 6	46 (75)	15 (25)	61 (100)				
		Above 6	7 (78)	2 (22)	9 (100)				
		Total	71 (71)	29 (29)	100 (100)				

9.	Earning Size	Single Two Above two Total	23 (74) 33 (70) 15 (68) 71 (71)	8 (26) 14 (30) 7 (32) 29 (29)	31 (100) 47 (100) 22 (100) 100 (100)	2	5.991	2.5399
10.	Monthly Income of the Respondents	Upto Rs.5000 Rs.5001 to Rs.10000 Rs.10001 to Rs.15000 Above Rs.15000 Total	20 (63) 18 (64) 21 (88) 12 (75) 71 (71)	12 (37) 10 (36) 3 (12) 4 (25) 29 (29)	32 (100) 28 (100) 24 (100) 16 (100) 100 (100)	3	7.815	5.0337
11.	Family Income (Annual)	Upto Rs.100000 Rs.100001 to Rs.250000 Rs.250001 to Rs.500000 Above Rs.500000 Total	29 (73) 25 (74) 12 (80) 5 (45) 71 (71)	11 (27) 9 (26) 3 (20) 6 (55) 29 (29)	40 (100) 34 (100) 15 (100) 11 (100) 100 (100)	3	7.815	4.2257

Figures in the parentheses denote percentage.

11.5 Findings

Regarding socio-economic characteristics and their awareness level about demat account investors'; table 1.2 reveals that in a sample of 100 respondents. 83 per cent of the respondents are belonging old age category, 72 per cent of the respondents are belonging to male investors, 82 per cent of the respondents are belonging to professional qualification level, 88 per cent of the respondents are belonging to business & professional occupation people, 75 per cent of the respondents are belonging to married, 72 per cent of the respondents are belonging to nuclear family, 77 per cent of the respondents are belonging to village investors, 88 per cent of the respondents are belonging from above 6 members in the family, 70 per cent of the respondents are belonging to two earning members, 88 per cent of the respondents are belonging from Rs.10001 to Rs.15000 monthly income group, 80 per cent of the sample respondents are belonging to from Rs.250001 to Rs.500000 annual income group have high level of awareness about demat account. Chi-Square test reveals that there is no significant relationship between the socio-economic characteristics and their level of awareness about demat account.

12. Conclusion

Indian economy has been globalized and the capital markets have been linked to the international financial market. Investors have been encouraged to participate into it. So, there is a need for raising the Indian capital market in to the international standards in terms of efficiency and transparency. Dematerialized trading has brought number of benefits to the investors, brokers and to the corporates. Introduction of online automated trading in Indian capital market brought various changes on capital market operations, which lead to improve the efficiency and effectiveness of capital market players as well as capital market participants. The introduction of depository services in Indian capital market made the investors enable to access the capital market in efficient and convenient manner. It is concluded that most of the investors using depository services are not having sufficient awareness about depository services and their related benefits.

13. References

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