

**STUDY ON CUSTOMER SATISFACTION ON
SERVICES PROVIDED BY DEPOSITORY
PARTICIPANTS IN CALICUT**

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CHAPTER 1

INTRODUCTION

INTRODUCTION

Economic growth of a nation depends upon flow of investment in that nation. Investments route the savings for higher growth and wealth created. Different investment avenues are available like Equity, Debt, real estate, gold, silver, commodities, mutual fund, insurance policy etc. The risk and return are different from one avenue to another. Different factors are affecting the investment decision. One important factor is safety of investment. Another important factors are transparency and liquidity. For satisfying these factors in stock market investment, Govt. of India passed Depository Act 1996. And also introduced the depository system in stock trading. This is one of the important reforms in Indian capital market. Before the introduction of this depository system, physical share trading. In the physical share trading paper form shares are traded. But the limitations of this physical share trading are chance for fake shares, fake signatures, Signature mismatch mutilation of shares, theft of shares. The old system of trading and settlement requires of huge volumes of paper work and chance theft of shares. For solving these problems, new system is introduced, this is depository system. Under this system electronic shares are traded. Four players are in this depository system namely depository, Depository participant, company (issuer) and company. Satisfaction of beneficiaries is success of every system. So the success of depository System is the satisfaction of customers.

STATEMENT OF THE PROBLEM

Success of every business is the satisfaction of customers. In Depository system demat shares are transfer from seller to buyer through a broker. The depository services provided by depository through depository participant. Depository system functions between depository participant and investor (customer). Success of every business is the satisfaction of customers. Many depository participants (DP) provide the services of dematerialization of shares. This paper tries to study the satisfaction of customer on the services provided by DP. Now in India two depositories in India, CDSL (Central Depository Services Limited (CDSL) NSDL (National Securities Depository Limited). This paper also compared the functions of these two depositories.

SIGNIFICANCE OF THE STUDY

Stock market is a very important component in a financial system. One of the important reforms in Indian Capital market is introduction of depository system. This system provides transparency and safety in share trading. The players in depository system are depository, depository participant, company (issuer) and investor. The real beneficial owner of this depository system is the investor or customer of depository participant. satisfaction of customers is core thing in any business. So the satisfaction of customers on services provided by depository participant are success of this depository system.

Key words

- 1. A depository is the chief player in the system. In India, two depositories, they are the National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL).
- 2. Dematerialization is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form and credited in the investor's account with DP.
- 3. Depository participants (DP) is described as an agent of the depository. Depository Participants 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.

OBJECTIVES OF THE STUDY

1. TO study the customer satisfaction on services provided by depository participants (DP)
2. To Compare and the performance between National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL)
3. To study the role of depository participants (DP) in the depository system

HYPOTHESIS

H0: Customers are not satisfied with services provided by the depository participant.

H1: Alternative hypothesis: customers are not satisfied with services provided by the depository participant.

SAMPLE

Persons having demat account is the population in this study. Demat account holders are the customers in this study.

Sample size

Sample size of the study is 250. The study is limited to Calicut district. Data collected from four places in Calicut. 50 each sample from three places Vadakara, Perambra, Quilandy and remaining 100 from Calicut city.

Method of sampling

Simple random sampling method is used for this study.

Area of the study

Area of the study is limited to calicut district.

Data of the study

Both primary and secondary data will use in this study. For secondary data, websites, Journal, magazine, news paper etc.

Primary Data collection

Questionnaire is used for collecting primary data.

Tools for the analysis

1. Average
2. Chi-square Test
3. Anova
4. Percentage.

Data will be presented in chart and diagrams.

Scheme of the study

Chapter 1. Introduction

Chapter 2. Review of Literature

Chapter 3. Depository system in INDIA

Chapter 4. NSDL and CDSL

Chapter 5. Analysis

Chapter 6. findings and suggestions

CHAPTER 2

REVIEW OF LITERATURE

REVIEW OF LITERATURE

Aggarwal and Dixit (1996) 1 had studied about the legal framework for depository system in India. They also explained the benefits of the paperless trading, responsibilities of depository or participants and eligibility criteria, etc.

Shah (1996) 2 highlighted that resolution of the single vs. multiple 31 depositories, immobilization vs. dematerialization and role of capital adequacy norms for the custodians which is helpful in quick implementation of depository system in India.

Dias et. al (1996) 3 pointed out the problems faced in the area of depository system due to setting up depositories by stock exchanges

Sarkar (1996) 4 analyzed the implications of the scripless trading and share transfer based on book entry merely due to the existence of the depository ordinance 1995.

George (1996) 5 explained the role of the NSDL in revolutionizing the paperless stock settlement system of the country. He also examined the steps taken by the depository to ensure that the scripless trading system is a success and stressed on the importance of the role of the regulator in making the depository system successful.

Gurusamy (1996) 6 explained that the introduction of depository system would help in transfer of securities in the capital market by a mere book entry. He also 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.

Rao and Pramannik (1998) 7 studied the functioning of scripless trading, rights and obligations of depository. They have also shown the relationship between depository and other agencies, relationship between depository and participant, between depository and beneficiary, depository and SEBI and relationship of depository with Companies Act.

Hurkat and Ved (1999) 8 discussed the role of depository system in many advanced countries in the stock and capital markets the world over. They also analyzed the services offered by NSDL, dematerialization, re-materialization, trading and fee or charges, comparison of a bank and a depository for the benefits of the depository.

C.R. Ramana (1999) 9 conducted study on join in band of electronic trading in securities .He puts vision at the electronic system of security demat and remat its features and protocol. He explained the procedure to sell and buy technique of securities in the demat form.

Dellarocas C, (2000)¹⁰ Contributed to the development of a rigorous discipline for designing trust management mechanisms in online communities.

Chikodikar (2000) ¹¹studies undertaking dematerialization and the objectives framed was demat process and have detailed discussion on demat 33 system-its meaning advantages, demat charges (price) depository and depository participants. He found that the electronic trading and trading of securities is a step in the right direction, paperless trading will prove to be boon to the stock market in the years to come.

M.T. Raja and Varsha marathe (2000) ¹² conducted study on Transaction cost for equity shares in India .The main objectives of the study was to analyse the cost of equity shares transaction in physical mode and demat mode. He found that the average cost for the FII in India is lower than stock market like Singapore, china, and Thailand. Due to dematerialization the transaction cost of FII have come down by 60 % and for mutual funds by 75%.

Burton (2002)¹³ revealed the redesign of the depository structure and procedures and said that this is a viable model system and is being monitored closely and improved on a continuing basis.

Mehla and Turan (2002) ¹⁴explored the depository system as a process, which eliminates the paper work and maintains the electronic record of the ownership of securities.

Gupta (2002) ¹⁵ examined the role of SEBI which enables the investors to choose their depository and the DP to keep their securities in the electronic form and to trade in the demat segment.

Barber and Odean (2002)¹⁶ concluded that young men are more likely to use the Internet for investing, and that online investors tend to increase turnover and decrease their performance after switching to online trading.

Ravi Shah (2002)¹⁷ found that NSDL and CDSL have changed the face of the Indian capital market. The move from an account period settlement in 'paper form only' to a T+3 settlement in pure electronic form has been achieved in a record span of few 34 years, whereas it took anywhere between 10-20 years in most of the developed countries.

Abhy pethe and ajit kanik (2002) ¹⁸ have studied about the role that stock exchange are expected to play in economy viz. that of providing liquidity and helping in price discovery.

Kanko (2004) ¹⁹ discussed about Duopoly Model of security settlement, which shows how pooling payment can help in using liquidity efficiently in relation to CSD (Central Securities Depositories) foreign securities.

Schmiedel et. al (2006) 20 analyzed the existence and extent of economies of scale in depository and settlement systems. The study indicated the existence of significant economies of scale but degree of such economies differs by settlement, institution and region.

The study conducted by Konari Uchida (2006) 21 on the characteristics of Japanese online investors found Japanese online investors prefer higher capital gains, choose low-volatility stocks less often, use chart data more frequently, and are more likely to choose stocks to buy and sell themselves.

Yingzi Xu, Robert Goedegebuure and Beatrice van der Heijden (2006)22 on “Customer Perception, Customer Satisfaction, and Customer Loyalty within Chinese Securities Business: Towards a Mediation Model for Predicting Customer Behavior” found service quality perceived by customers has a direct, significant effect on customer satisfaction. Also the relationship between perceived service value and customer loyalty is found to be determined by customer satisfaction.

Nishanth and Mitra (2007)23 highlighted the trends in the growth of dematerialization in the Indian capital market. They analyzed the total turnover and demat segment turnover volume-wise and stated that dematerialization of securities is one of the major step aimed at improving and modernizing the levels of investor’s protection measures.

Raju and Patil (2007)24 quantified and analyzed 35 the impact of dematerialization on liquidity in the Indian stock market.

Kanan (2008)25 highlighted that dematerialization has certainly brought about lot of improvement in the investment habits in our country and is bane for the companies and has created havoc in maintaining the members register and in conducting the members meeting.

Sandeep Srivastava, Surendra S Yadav and P K Jain (2008) 26 on “Derivative Trading in Indian Stock Market: Broker’s Perception” found that high net worth individuals and proprietary traders contribute to the major proportion of trading volumes in the derivative segment.

Sultan Sing (2011)27 studied the factors affecting the decision making of the investors in depository system. Most of the investors aware of the view that shorter settlement period, safety of securities with the depositories, attitude of the staff available with the DPs, timely services provided by the DPs to the investors, reduction in transaction cost, repatriation of sales proceeds of shares/debentures by NRIs .

Ms.K.Chaudhary, Mr.R.Kumar malik (2011)28 Depository Participants services should be made available to the investor round the clock and efforts must be made to reduces the transaction depository participants has to make awareness to investors about rules& services provided to the investor. Services system provided by the DP must be update regular to suit the requirements of the investors.

Shaika.m.b,R.V.Krishna,V.H.G.Kiran (2012)²⁹The SEBI is a regulatory body which is eighteen years old and the capital market system require monitory rather than over-regulation, It is observed to ` 2,00,000 from ` 1,00,000 in initial public offerings(IPO's),Dematerialization has pushed the process further NSCCL.

Dr.Dhiraj jain,P.Mehta (2012)³⁰ The investors level of awareness about services offered by depository participants and about closing and termination of demat account is moderate through the vary in their education qualification will 37 be a sort of feedback for the investor, brokers and regulatory bodies as to what extent have the investors educate programme reached.

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CHAPTER 3

DEPOSITORY SYSTEM IN INDIA

DEPOSITORY SYSTEM IN INDIA

In India a **Depository Participant (DP)** is described as an agent of 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 1996. 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. As of 2012, there were 5763 DPs of NSDL and 563 DPs of CDSL registered with SEBI.

SEBI (D&P) Regulations, 1996 prescribe a minimum net worth of Rs. 50 lakh for stockbrokers, R&T agents and non-banking finance companies (NBFC), for granting them a certificate of registration to act as DPs. If a stockbroker seeks to act as a DP in more than one depository, he should comply with the specified net worth criterion separately for each such depository. No minimum net worth criterion has been prescribed for other categories of DPs; however, depositories can fix a higher net worth criterion for their DPs.

Public financial institutions, scheduled commercial banks, foreign banks operating in India with the approval of the Reserve Bank of India, state financial corporations, custodians, stock-brokers, clearing corporations / clearing houses, NBFCs and registrar to an issue or share transfer agent complying with the requirements prescribed by SEBI can be registered as DP. Banking services can be availed through a bank branch whereas depository services can be availed through a DP.

Dematerialisation is the process by which physical certificates of an investor are converted to an equivalent number of securities in electronic form. Rematerialization is the process of converting securities held in electronic form in a demat account back in physical certificate form. RTA is an agent of the issuer. RTA acts as an intermediary between the issuer and depository for providing services such as dematerialization, rematerialization, initial public offers (IPO) and corporate actions. The minimum net worth stipulated by SEBI for a depository is Rs.100 crore.

Uses of a demat account

Demat account could be used for the following purposes:

- To dematerialize securities and store them in electronic form.
- To rematerialize securities from electronic form to physical form.
- To add or update nominees.
- To invest in different securities such as bonds, exchange-traded funds (ETFs), mutual funds, shares, etc.
- To track and monitor the progress of assets.
- To get statements, including details such as transfers and current holdings periodically.
- To receive corporate benefits such as dividends, bonus, split, etc.
- To modify contact details.

- To transfer assets, register Power of Attorney.

Steps to open a demat account

A demat account is opened to store dematerialized shares of your invested stocks in the electronic form with a Depository Participant. This Depository Participant (DP) is associated with either the NSDL (National Securities Depository Ltd.) or the CDSL (Central Depository Services Ltd.).

- **Look for a Depository Participant:** The first step to open a demat account is to select a suitable Depository Participant (DP). A DP could be a bank, a broker, or an online investment platform. Make sure that the DP you choose fulfills all the necessary criteria and matches your requirements. To compare the various DPs, you could look for the list and other details on the CDSL and NSDL websites.
- **Fulfill the KYC formalities:** To register yourself with the DP and to open a demat account, it is very important to fulfill the KYC (Know your Customer) formalities. KYC formalities include submission of a duly filled application form along with the copies of required identity proofs.
- **Verification:** Once the application form is submitted along with the KYC documents, you might be required to be present in person at the DP's office in order to verify the authenticity of the KYC.
- **Acquire Beneficiary Owner Identity (BOID):** Upon the processing of the application at the DP, a unique Beneficiary Owner Identity, commonly known as BOID, is generated. You need to acquire this BOID in order to make transactions and access your demat account in the future.

If you are looking to trade in the share market on an intra-day basis, you would also be required to open a trading account along with the demat account.

Documents required to open a demat account

Here is the list of documents required (for KYC) for opening a demat account:

Proof of Identity: You would require copies of any of the following as a proof of identity.

- Voter's ID
- Aadhaar Card
- PAN Card
- Passport
- Driving Licence

Proof of Address: You would require copies of any of the following as a proof of address.

- Ration Card
- Electricity bill
- Telephone bill
- Property tax receipt
- Passport
- Bank passbook
- Voter's ID
- Aadhaar card

Hence, a demat account holds stocks electronically. It acts as a warehouse and is linked to the **trading account**. It serves as a link between the bank account and the trading account.

Write the benefits of demat account,

Demat account charges

- Account opening charge
- Annual maintenance charge

Advantages of Demat account

- Bonus/dividend is directly credited to the account
- No loss due to physical damage, theft, or mutilation
- Unlike physical certificates, there is avoidance of stamp duty
- Reduction in transaction cost
- A single account can hold both equity and debt instruments
- Gives trading freedom, i.e. can trade from anywhere as long as you have an internet connection.
- Transaction fee only for selling.

CHAPTER 4

NSDL AND CDSL

NSDL (NATIONAL SECURITIES DEPOSITORY LIMITED)

NSDL, the first and largest depository in India, established in August 1996 and promoted by institutions of national stature has established a state-of-the-art infrastructure that handles most of the securities held and settled in dematerialized form in the Indian capital market. Although India had a vibrant capital market which is more than a century old, the paper-based settlement of trades caused substantial problems like bad delivery and delayed transfer of title, etc. The enactment of Depositories Act in August 1996 paved the way for establishment of NSDL.

Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country. NSDL aims at ensuring the safety and soundness of Indian marketplaces by developing settlement solutions that increase efficiency, minimize risk and reduce costs. At NSDL, we play a central role in developing products and services that will continue to nurture the growing needs of the financial services industry. In the depository system, securities are held in depository accounts, which is more or less similar to holding funds in bank accounts. Transfer of ownership of securities is done through simple account transfers. This method does away with all the risks and hassles normally associated with paperwork. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates.

NSDL provides bouquet of services to end investors, stock brokers, stock exchanges, custodians, issuer companies etc. through its network of more than 260 Depository Participants / Business Partners. NSDL has been able to win the trust of crores of investors and other intermediaries, thus standing true to its tag line –**Technology, Trust and Reach**. We at NSDL believe that ‘Every Indian should not only become an ‘Investor’ but a ‘Prudent Investor’ indeed.

NSDL is promoted by Industrial Development Bank of India (IDBI) - the largest development bank of India, Unit Trust of India (UTI) - the largest mutual fund in India and National Stock Exchange (NSE) - the largest stock exchange in India. Some of the prominent banks in the country have taken a stake in NSDL

LEGAL FRAMWORK

As a part of its on-going market reforms, the Government of India promulgated the Depositories Ordinance in September 1995. Based on this ordinance, Securities and Exchange Board of India (SEBI) notified its **Depositories and Participants Regulations** in May 1996. The enactment of the **Depositories Act** the following August paved the way for the launch of National Securities Depository Ltd. (NSDL) in November 1996. The Depositories Act has provided dematerialisation route to book entry based transfer of securities and settlement of securities trade.

In exercise of the rights conferred by the Depositories Act, NSDL framed its **ByeLaws** and **Business Rules**. The ByeLaws are approved by SEBI. While the ByeLaws define the scope of the functioning of NSDL and its business partners; the Business Rules outline the operational procedures to be followed by NSDL and its “Business Partners”.

In view of the SEBI (Depositories and Participants) (Amendment) Regulations, 2012, NSDL has adopted **Code of Conduct** for its Directors and **Code of Ethics** for its Directors and Key

Management Personnel as prescribed under Regulation 9D of the aforesaid regulations. The Code of Ethics for Directors and Key Management Personnel of NSDL, is aimed at improving the professional and ethical standards in the functioning of the company thereby creating better investor confidence in the integrity of the market.

In the depository system, the ownership and transfer of securities takes place by means of electronic book entries. At the outset, this system rids the capital market of the dangers related to handling of paper. NSDL provides numerous direct and indirect benefits like

- **Elimination of bad deliveries** - In the depository environment, once holdings of an investor are dematerialised, the question of bad delivery does not arise i.e. they cannot be held "under objection". In the physical environment, buyer was required to take the risk of transfer and face uncertainty of the quality of assets purchased. In a depository environment good money certainly begets good quality of assets.
- **Elimination of all risks associated with physical certificates** - Dealing in physical securities have associated security risks of theft of stocks, mutilation of certificates, loss of certificates during movements through and from the registrars, thus exposing the investor to the cost of obtaining duplicate certificates etc. This problem does not arise in the depository environment.
- **No stamp duty** for transfer of any kind of securities in the depository. This waiver extends to equity shares, debt instruments and units of mutual funds.
- **Immediate transfer and registration of securities** - In the depository environment, once the securities are credited to the investors account on pay out, he becomes the legal owner of the securities. There is no further need to send it to the company's registrar for registration. Having purchased securities in the physical environment, the investor has to send it to the company's registrar so that the change of ownership can be registered. This process usually takes around three to four months and is rarely completed within the statutory framework of two months thus exposing the investor to opportunity cost of delay in transfer and to risk of loss in transit. To overcome this, the normally accepted practice is to hold the securities in street names i.e. not to register the change of ownership. However, if the investors miss a book closure the securities are not good for delivery and the investor would also stand to lose his corporate entitlements.
- **Faster settlement cycle** - The settlement cycle follows rolling settlement on T+2 basis i.e. the settlement of trades will be on the 2nd working day from the trade day. This will enable faster turnover of stock and more liquidity with the investor.
- **Faster disbursement of non cash corporate benefits like rights, bonus, etc.** - NSDL provides for direct credit of non cash corporate entitlements to an investor's account, thereby ensuring faster disbursement and avoiding risk of loss of certificates in transit.
- **Reduction in brokerage by many brokers for trading in dematerialised securities** - Brokers provide this benefit to investors as dealing in dematerialised securities reduces their back office cost of handling paper and also eliminates the risk of being the introducing broker.
- **Reduction in handling of huge volumes of paper**
- **Periodic status reports** to investors on their holdings and transactions, leading to better controls.
- **Elimination of problems related to change of address of investor** - In case of change of address, investors are saved from undergoing the entire change procedure with each company or registrar. Investors have to only inform their DP with all relevant documents and the required

changes are effected in the database of all the companies, where the investor is a registered holder of securities.

- **Elimination of problems related to transmission of demat shares** - In case of dematerialised holdings, the process of transmission is more convenient as the transmission formalities for all securities held in a demat account can be completed by submitting documents to the DP whereas, in case of physical securities the surviving joint holder(s)/legal heirs/nominee has to correspond independently with each company in which shares are held.
- **Elimination of problems related to selling securities on behalf of a minor** - A natural guardian is not required to take court approval for selling demat securities on behalf of a minor.

- **Ease in portfolio monitoring** since statement of account gives a consolidated position of investments in all instruments.

There are various checks and measures in the depository system to ensure safety of the investor holdings. These include

- A DP can be operational only after registration by SEBI, which is based on the recommendation from NSDL and their own independent evaluation. SEBI has prescribed criteria for becoming a DP in the regulations.
- DPs are allowed to effect any debit and credit to an account only on the basis of valid instruction from the client.
- Every day, there is a system driven mandatory reconciliation between DP and NSDL.
- All transactions are recorded at NSDL Central System and in the databases maintained by business partners.
- There are periodic inspections into the activities of both DP and R&T agent by NSDL. This also includes records based on which the debit/credit are effected.
- All investors have a right to receive their statement of accounts periodically from the DP.
- Every month NSDL forwards statement of account to a random sample of investors as a counter check.
- In the depository, the depository holds the investor accounts on trust. Therefore, if the DP goes bankrupt the creditors of the DP will have no access to the holdings in the name of the clients of the DP. These investors can transfer their holdings to an account held with another DP.
- The data interchange between NSDL and its business partners is protected by protection measures of international standards such as encryption hardware lock. The protection measures adopted by NSDL are more than what is prescribed in the SEBI Regulations.

- **Freeze Facility** : A depository account holder (beneficiary account) may freeze securities lying in the account for as long as the account holder wants it. By freezing the account, account holder can prevent unexpected debits or credits or both, creeping into its account. The following types of freeze facility available in the NSDL system may be availed of by submitting freeze instruction to the DP in the prescribed form.
 - Freeze for debits only
 - Freeze for debits as well as credits
 - Freeze a particular ISIN in the account

 - Freeze a specific number of securities held under an ISIN in an account

- **Certification in Depository Operations** : NSDL has introduced a Certification Programme in Depository Operations (popularly known as NCFM certification), and it has been made compulsory for all DPs to appoint a person qualified in this certification in each of its branches. This way, NSDL wants to ensure that each branch of a DP that services investors has atleast one person who has thorough knowledge about depository system.
- **Investor grievance** : All grievances of the investors are to be resolved by the concerned business partner.
- **Insurance Cover** : NSDL has taken a comprehensive insurance policy to help DP to indemnifying investors for the loss accrued to them due to errors, omissions, commission or negligence of DP.
- **Computer and communication infrastructure** : NSDL and its business partners use hardware, software and communication systems, which conform to industry standards. Further, the systems are accepted by NSDL only after a rigorous testing procedure. NSDL's central system comprises an IBM mainframe system with a back-up facility and a remote disaster back-up site.
- **Machine level back-up** : The IBM mainframe in which the data is processed has adequate redundancy built into its configuration. There is a standby central processing unit (CPU) to which processing can be switched over to in case of main system CPU failure. Th implementation
 - which ensures that a failure of hard disk will not lead to loss in data. System has spare disk configuration where data is automatically copied from the main disk upon encountering the first failure (due to RAID implementation - first failure does not result in loss of data).All network components like router, communication controllers etc., have on-line redundancy and thus a failure does not result in loss of transaction.
- **Disaster back up site** : A disaster back up site equipped with a computer identical to the mainframe computer & computing resources has been set up at a distant location about 175 km away from Mumbai. The depository operations are often switched between the computing resources at Mumbai office and disaster back up site to ensure that the disaster site is always operational.
- **Back-up in case of power failure** : Continuity in power supply to the main systems is assured by providing for
 - Dual uninterrupted power supply (UPS) for IBM-Mainframe and related components wherein the two UPSs are connected in tandem. In case of failure of primary UPS, the secondary UPS takes over instantaneously and thus, there is no interruption in operation, and
 - Back-up diesel generator sets.
- **Periodic Review** : The NSDL hardware, software and communication systems are continuously reviewed in order to make them more secure and adequate for the size of business. These reviews are a part of an ongoing exercise wherein security considerations are given as much importance as operational efficiency.

Number of certificates eliminated (Approx.) (in Crore)	3013
Number of companies in which more than 75% shares are dematted	8351
Average number of accounts opened per day since November 1996	3899
Presence of demat account holders in the country	88%

Services

Under the provisions of the Depositories Act, NSDL provides various services to investors and other participants in the capital market like, clearing members, stock exchanges, banks and issuers of securities. These include basic facilities like account maintenance, dematerialisation, rematerialisation, settlement of trades through market transfers, off market transfers & inter-depository transfers, distribution of non-cash corporate actions and nomination/transmission.

The depository system, which links the issuers, depository participants (DPs), NSDL and Clearing Corporation/ Clearing house of stock exchanges, facilitates holding of securities in dematerialised form and effects transfers by means of account transfers. This system which facilitates scripless trading offers various direct and indirect services to the market participants.

Value Added Services

Depository is a facility for holding securities electronically in which securities transactions are processed by book entry. In addition to the core services of electronic custody and trade settlement services, NSDL provides special services like pledge, hypothecation of securities, automatic delivery of securities to clearing corporations, distribution of cash and non-cash corporate benefits (Bonus, Rights, IPOs etc.), stock lending, demat of NSC / KVP, demat of warehouse receipts and Internet-based services such as **SPEED-e** and **IDeAS**.

NSDL has also set-up a facility that enables brokers to deliver contract notes to custodians and/or fund managers electronically. This facility called **STEADY** (Securities Trading - information Easy Access and DeliverY) was launched by NSDL on November 30, 2002. **STEADY** is a means of transmitting digitally signed trade information with encryption across market participants electronically, through Internet.

CDSL (Central Depository Services (India) Limited)

CDSL has been a Depository of choice in the securities market over the last two decades. In this period, it has introduced many product innovations such as centralized KYC, electronic voting for corporates, etc. It has also made in-roads into Insurance Repository business where insurance policies are held in demat. CDSL has forayed into the commodity business by setting up a Commodity Repository to hold electronic Warehouse Receipts (negotiable and non-negotiable) eNWR & eNNWR in demat form.

Central Depository Services (India) Limited [CDSL] was incorporated at Mumbai on December 12, 1997.

CDSL commenced their depository business in 1999 with the objective of providing Convenient, Dependable and Secure depository services at affordable cost to all market participants.

CDSL is governed by the following laws and regulations:

- The Companies Act, 2013 and Rules
- SEBI Depositories Act, 1996
- SEBI (Depositories and Participants) Regulations 1996
- SEBI (Listing obligations and Disclosure Requirements) Regulations,

Initially promoted by the BSE, which subsequently divested a part of its stake to leading Indian banks in accordance to SEBI circular dated 12th September, 2012 - Securities & Exchange Board of India[SEBI] (Depositories and Participants) (Amendment) Regulations, 2012.

- Regulation 7(d) of the SEBI (Depositories and Participants) Regulations 1996 inter alia states that the Sponsor shall, at all times, hold at least fifty-one per cent of the equity share capital of the Depository.

Out of 104500000 Equity Shares of the Company; Promoter has 24% stake along with Sponsors who are holding 36% plus of the Equity Shares. 40% is held by Public/Non-Promoter which consists of leading Banks, Financial Institution, Mutual Funds, etc.

Depository Participants and other Capital Market intermediaries:

CDSL offers Dematerialization for a wide range of securities including Equity shares, Preference shares, Mutual fund units, Debt instruments, Government securities. As a securities depository, CDSL facilitates holding of securities in Electronic Form and enable securities transactions (including off-market transfer and pledge) to be processed by book entry. CDSL acts as a KYC Service Agency (“KSA”) & Authorised Service Agency (“ASA”) and CVL its wholly owned subsidiary acts as a KYC User Agency (“KUA”) & Authorised User Agency (“AUA”) with the UIDAI.

Corporates:

CDSL facilitates Issuers to credit securities to a shareholder's/applicant's demat accounts to give effect to a range of non-cash corporate actions such as bonus issue, subdivision of holdings and conversion of securities in a merger, amalgamation or in an initial public offering.

Capital Market intermediaries:

CVL offers KYC services in respect of investors in Indian capital markets to capital market intermediaries including to Mutual Funds.

Insurance Companies:

CDSL facilitates holding of Insurance Policies in Electronic Form to the holders of these insurance policies of several insurance companies.

Other Services.

CDSL also offers other online services such as e-voting - which facilitates security holders to cast their vote on Company resolutions through the internet thereby ensuring greater participation of shareholders in decision making process. CDSL was a pioneer in introducing e-Voting in India as an initiative to ensure good corporate governance and investor empowerment in the year 2009. CDSL was the third Institution in Asia-Pacific region to launch such an initiative, e-Locker, easi(Electronic Access to Security Information), easiest(Electronic Access to Security Information and Execution of Secured Transaction), drafting and preparation of wills for succession (myeasiwill), mobile application (myeasi, m-voting) and Transactions using Secured Texting (TRUST). Recently, CVL launched National Academic Depository (NAD) for holding Academic Awards in digitized form for Academic Institutions pan India. NAD is a 24X7 web based solution with accessibility from anywhere by Academic Institutions, Students & Employees

CHAPTER 5
ANALYSIS

ANALYSIS

EARNING PER SHARE

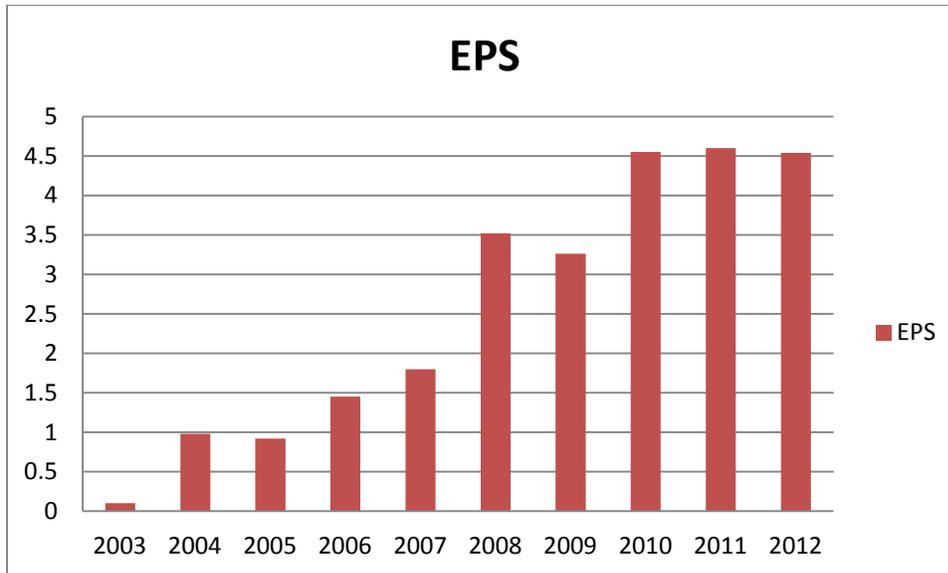
Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. An earning per share serves as an indicator of a company's profitability. EPS is calculated as:

$$\text{EPS} = (\text{Net Income} - \text{Dividends on Preferred Stock}) / \text{Average Outstanding Shares.}$$

Earnings per share (EPS) is generally considered to be the single most important variable in determining a share's price.

The following table showing the EPS of CDSL from 2003 to 2012.

YEAR	EPS
2003	0.1
2004	0.98
2005	0.92
2006	1.45
2007	1.8
2008	3.52
2009	3.26
2010	4.55
2011	4.6
2012	4.54



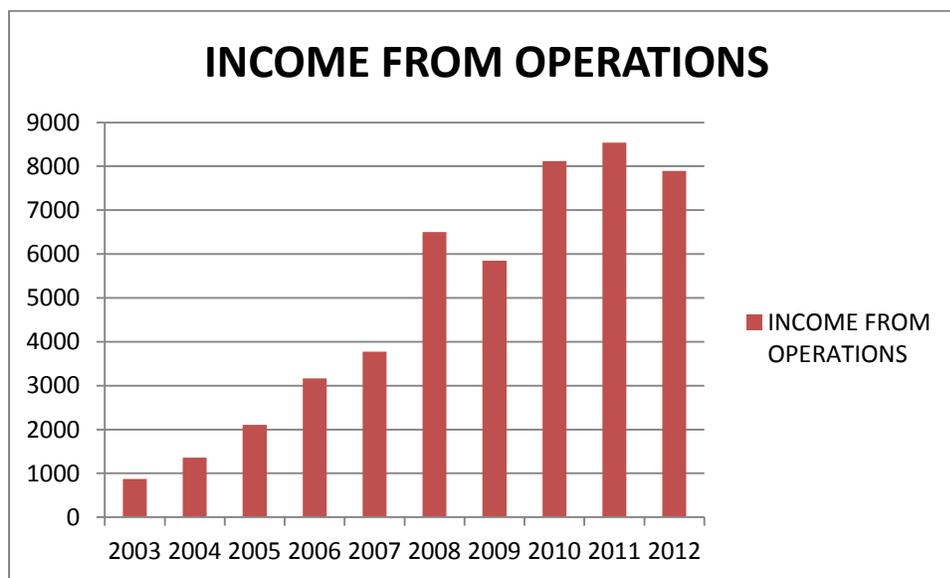
The above table and graph show that EPS (Earning Per share) of CDSL increasing trends from 2003 to 2012.

This indicates that profit is increasing from 2003 to 2012.

INCOME FROM OPERATIONS

The following table showing the income from operations of CDSL

Year	Amount in lakhs
2003	868.68
2004	1357.57
2005	2109.03
2006	3163.18
2007	3770.53
2008	6505.27
2009	5852.27
2010	8121.17
2011	8538.48
2012	7895.90

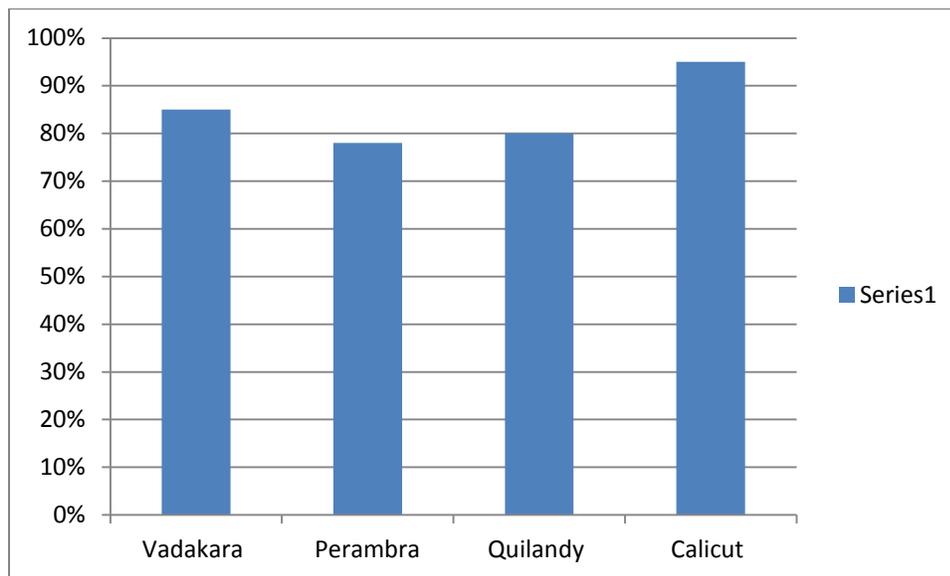


The above graph shows that the income from operations of CDSL from the year 2003 to 2012. It indicates the income from operations is showing the increasing trend.

Satisfaction level of customers on services provided by the Depository Participant

Place	Satisfied	Not Satisfied
Vadakara	85%	15%
Perambra	78%	22%
Quilandy	80%	20%
Calicut	95%	05%

From the above table shows that customers in Calicut is more satisfied than other places. Percentage of satisfaction level is presented in the following graph.

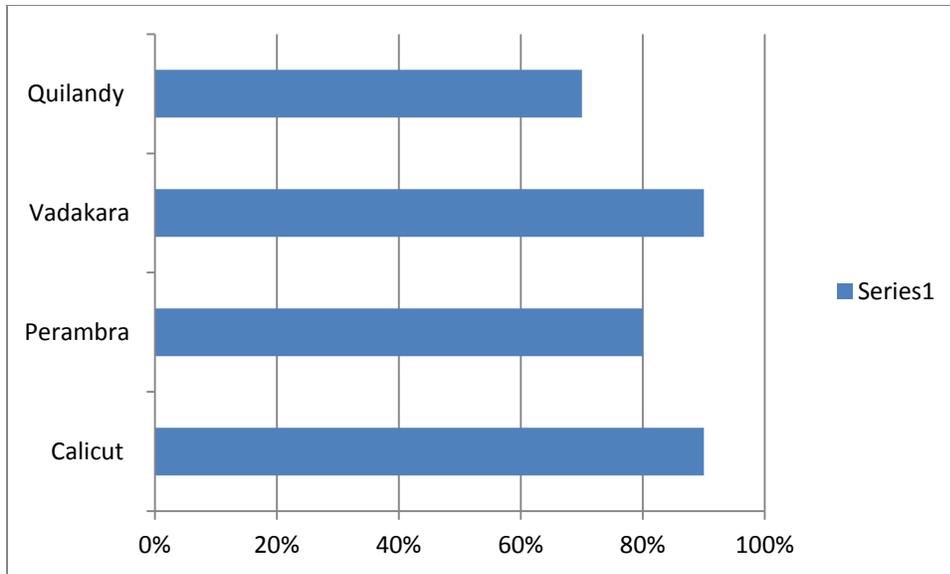


Satisfaction level of AMC charged by the Depository Participant

Out of 250 samples 84% customers are satisfied the AMC charged the Depository Participant.

Only 16% customers have the opinion that the AMC charged by the Depository Participant. The following table shows on region bases.

Place	Satisfied	Percentage
Calicut	90	90%
Perambra	40	80%
Vadakara	45	90%
Quilandy	35	70%
Total	210	84%



Satisfaction on functions Performed by different constituents in a Depository System

The main four constituents in a Depository system are Depository, Depository Participant, Company and Broker. This is tested with one way ANOVA.

H0: There is no significant difference on satisfaction on functions performed by different constituents in a depository system.

H1: There is no significant difference on satisfaction on functions performed by different constituents in a depository system.

	Sum of Squares	df	Mean Square	F	P value
Between Groups	6.667	3	3.333	.537	.590
Within Groups	167.500	196	6.204		
Total	174.167	199			

P value is greater than 0.05. Hence we accept the null hypothesis (H_0). That is no significant difference on satisfaction on functions performed by different constituents (are Depository, Depository Participant, Company and Broker) in a depository system.

CHAPTER 6

FINDINGS AND SUGGESTION

FINDINGS

1. More depositories are registered in CDSL (573) than NSDL (563).
2. Customers are satisfied (95%) with services provided by Depositories Participants in Calicut.
3. Customers are satisfied (85%) with services provided by Depositories Participants in Vada kara.
4. Customers are satisfied (78%) with services provided by Depositories Participants in Perambra.
5. Customers are satisfied (80%) with services provided by Depositories Participants in Quilandy.
6. Customers do not prefer the process of rematerlisation.
7. Customers are satisfied with the AMC charged by the depository Participants.
8. P/E ratio of both CDSL and NSDL are satisfactory.
9. Customers are satisfied with the brokerage charged by stock brokers.
10. Customers are prefer electronic trading to traditional trading
11. Customers are agreed that demat trading is more easy than paper form trading.
12. Customers have the opinion that Depository Participants and Depositories have to conduct more awareness campaign to the investors
13. Professional investors have more awareness level than casual investors.
14. Customers are satisfied with the operational framework of Depository system.
15. Customers are satisfied with account opening charges charged by depository participant.

Suggestions

1. Depository Participants have to conduct more awareness campaign to investors about the new changes in depository system.
2. To educate the students about the depository system.
3. To reduce the brokerage for day trading.
4. To take steps to avoid the bad delivery of shares.
5. Introduce T+1 for transactions instead of T+2.

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QUESTIONNAIRE

Personal information

- A. Name :
- B. Age :
- C. Gender
- D. Occupation

Please tick the appropriate one

1. Type of Investor
 - a. Professional Investor b. casual Investor
2. Which is your depository
 - a. NSDL a CDSL C. Dont know
3. Are you satisfied with AMC charged by your depository participant.
 - a. Yes b. No
4. What is your overall comment about 'operational framework of depository system'.
 - a. Excellent b. Very good c. Good d. Average e. Below average
5. what is your preference regarding a DP for Depository services
 - a. Broker b. Bank c. Others .
6. overall comment about charges charged by D.P.
 - a. Appropriate b. Negligible c. More
7. How much satisfactory you feel about different functions performed by different constituents' of depository system.

Constituents	Satisfactory	Not Satisfactory
Depository		
DP		
Company		
Broker		