

A Study Of Customer's Expectations Towards Depository Participants Of Ludhiana City

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INTRODUCTION

The Indian capital market has been growing by leaps and bounds since the liberalization in 1991. The century old manual system of trading and settlement requiring the handling of huge volume of papers which results in cost escalation and market inefficiencies is now getting replaced by a full computerized online trading system. So the setting up of a depository and formation of scrip less trading and settlement is imperative for smooth and efficient functioning of the market. Thus the Government of India promulgated the Depository Act, 1995 which was later replaced by the Depositories Act, 1996.

DEPOSITORY SYSTEM

Depository System is an institution which maintains an electronic record of ownership of securities. It is an institution akin to bank for securities. The Depository Act defines the depository as an organization where securities of a shareholder are held in the form of electronic accounts, in the same way as a bank holds money. The depository holds electronic custody of securities on settlement dates. Dictionary meaning of depository is a place for safekeeping of things, which may be funds or securities. It can be compared to a bank but not a bank of money but of securities. A depository cannot act as one unless it obtains a certificate of commencement of business from SEBI. The main function of a depository is to dematerialize securities and enable their transition in book-entry form.

CONSTITUENTS OF THE DEPOSITORY SYSTEM

- 1.) Depository
- 2.) Depository Participants (DPs)
- 3.) Companies/Registrars
- 4.) Investor

DEPOSITORY PARTICIPANTS

The depository participant is a service provider to the Investor. A depository participant is an agent of depository. An investor has to open an account with a DP if he wants to utilize the services and benefits offered by a depository. This is quite similar to opening an account with a bank. The focus of services which these players provide is the depository system. Both the depository and depository participant have to be registered with SEBI and obtain a certificate of registration under SEBI Regulations, 1996.

The term DP has been defined in Depositories Act, 1996 as a person registered under section 12(A) of SEBI Act, 1992. The SEBI regulations prescribe a minimum net worth of Rs. 50 lac for stock brokers, R and T agents and non-banking Finance companies (NBFC), for granting them a certificate of registration to act as DPs. NSDL requires a minimum net worth of Rs. 100 Lac to be eligible to become a DP as against Rs. 50 lac prescribed by SEBI regulations.

HOW TO BECOME A DEPOSITORY PARTICIPANT?

A person willing to become a DP of NSDL or CDSL should send an application to SEBI through a particular depository (NSDL or CDSL). The application completed in all respects and accompanied by the prescribed fee should be submitted to the depository for forwarding to SEBI. The depository after checking it, forwards it to SEBI within 30 days of receiving it, along with recommendations. The Depository has power to reject the application if they find it unsatisfactory or incomplete. SEBI can demand the following details to be furnished:

- 1.) The applicant should have net worth of Rs. 1 crore to become a DP.
- 2.) The depository may conduct an entrance exam of the work force of DP in order to check their knowledge.
- 3.) The depository can carry out an inspection of offices of depository participants.
- 4.) SEBI can ensure whether a particular DP has adequate infrastructure facilities or not.
- 5.) SEBI ensures whether the grant of certificate of registration to such a DP will be beneficial to securities market

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or not.

OBJECTIVES OF THE STUDY

The following are the specific objectives of the study:

- 1.) To compare the working of various DP's in Ludhiana City.
- 2.) To understand the customer's expectations from the depository participants.
- 3.) To measure the satisfaction level of customers from their depository participants.
- 4.) To find out the factors which influence the choice of a particular DP.

RESEARCH METHODOLOGY

The present study has been undertaken to perform a comparison of various depository participants in Ludhiana and the customer's perception about their working. The descriptive research design has been selected for this study as data collected has been obtained from a sample containing a large number of sources. It is a cross section of the situation design of the descriptive studies including the nature and source of data, the nature of expected results and the analytical method.

DATA COLLECTION

Both primary and secondary data has been used for this study. Primary data has been collected from customers through a survey with the help of a structured questionnaire. The questionnaire included both open ended and close-ended questions. Besides the questionnaire, primary data has also been collected by personal interviews with managers and account holders. The secondary data has been collected through the charge sheets of LSE and banks and from various websites. The study was conducted from a time period of February 2008 to May 2008 (i.e. 4 months).

SAMPLING

Convenience sampling has been used for this research. This study has been aimed to include the investors of Ludhiana Stock Exchange in Ludhiana city. The sample size was 50 respondents. The study takes into account the following 5 different depository participants:

- 1.) Ludhiana Stock Exchange Securities Ltd. (LSESL).
- 2.) Stock Holding Corporation of India Ltd. (SHCIL).
- 3.) Industrial Credit and Investment Corporation of India (ICICI bank).
- 4.) HDFC bank.
- 5.) India Bulls.

STATISTICAL TOOLS

In order to find out the significant relationship between independent variable and dependent variable, Chi-square test is applied. Moreover, percentage method has also been used for the interpretation of primary data.

LIMITATIONS OF THE STUDY

The following are the main limitations of study:

- 1.) The main limitation of study is availability of time. As sufficient time was not available for collection of information from investors in each depository participants, so only LSE Securities Limited has been taken into consideration.
- 2.) Some respondents were not interested in responding to certain questions due to time constraints.
- 3.) Keeping in view the availability of time with DP's, sample size of DP's was reduced to 6.

COMPARATIVE ANALYSIS OF VARIOUS DEPOSITORY PARTICIPANTS

This part of the study deals with the comparison of various depository participants on the basis of secondary information provided on certain grounds:

1) On The Basis of Year of Commencement

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
2000	1999	1999	2002	2003

2) Number of Account Holders

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
45000	25000	6000	3500	1000

3) Connectivity With NSDL/CSDL

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
Both	Both	NSDL	Both	NSDL

4) Number of Branches

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
3	7	11	-	-

5) Online System Or Bank Office

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
Both	Both	Both	Bank office	Both

6) Volume of Daily Trade

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
500 slips	200 slips	50	35	20

7) Time Taken For Opening An Account

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
1-3 days	1-3 days	3 or more days	3 or more days	3 or more

8) Time Taken To Send The Share For Dematerialization

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
Within 2 days	Same day	Same day	Same day	Same day

9) Facility of Providing Loans Against The Pledged Shares

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
No	Yes	Yes	Yes	Yes

10) Statement of Holdings Sent To Client

LSESL	SHCIL	ICICI	HDFC	INDIABULLS
Monthly	Quarterly	Monthly	Quarterly	Monthly

11) Comparison of Charges Charged By Different Depository Participants

	LSESL	SHCIL	ICICI	HDFC	INDIABULLS
Annual maintenance charges	Rs.500 (250/- if broker is of ISE)	Rs.500/-	Rs.500/-	Rs.561/-	Rs.250/-
Dematerialization (per certificate)	Rs.2/-	Rs.3/-	Rs.2/-	Rs.3/-	Rs.2/-
Postage per demat request	Rs.15/- (in Ldh) Rs.30/- (outside)	Rs.25/-	Rs.35/-	Rs.35/-	Rs.25/-
Pledge creation/closure and invocation	Rs.25/-	Rs.0.02%+NSDL/CSDL charges RS.50/- (for pledge invocation)	0.04% of the value of securities.(min.Rs.30/- +extra Rs.25/-)	Rs.25/-	Rs.25/-
Market/off market trades per instruction (only on sale side)	Rs.10/-	0.05%(minimum Rs.25/- +NSDL/CSDL charges	0.04% of the value of securities.(min.Rs.30/- +NSDL/CSDL)	Rs.21/- (for both NSDL/CS DL)	Rs.8/-

Note: Custody charges are nil for all the depository participants.

DATA ANALYSIS

The primary data collected has been analyzed with the help of percentage method.

The numbers of respondents holding an account in a particular DP are given in Table 1:

Table1: Number of Respondents Holding An Account In a Particular DP

Name of the DP	Number of respondents	Percentage
LSESL	17	34
SHCIL	7	14
ICICI	8	16
HDFC	5	10
INDIABULLS	7	14
OTHERS	6	12
TOTAL	50	

Source: Primary Data

It is obvious from the above table that the highest number of accounts is maintained by LSESL which comprises of 34% of the total share followed by ICICI and HDFC. The rest of the players are Karvy Consultants, Kotak Mahindra, MCSL.

The details of the different services availed by investors are given in Table 2.

Table 2: Different Services Availed By The Investors

Services	Number of Respondents	Percentage
Demat	24	48%
Pledge	10	20%
Stock lending and borrowing	3	6%
Trades	20	40%
All the above	5	10%

Source: Primary Data

From the above analysis it is clear that the dematerialization of the securities is the most favorable among the respondents as it includes 48% of the share followed by trades which has 40% share and stock lending is least availed.

The satisfaction and dissatisfaction of respondents from their current DP's is given in Table 3:

Table 3: The Satisfaction and Dissatisfaction of Respondents From Their Current DP

Name of the DP	Number of respondents	Satisfied	Dissatisfied
LSESL	17	17 (100%)	0
SHCIL	7	6 (85%)	1 (15%)
ICICI	8	6 (75%)	2 (25%)
HDFC	5	4 (80%)	1 (20%)
INDIABULLS	7	5 (71%)	2 (29%)
OTHERS	6	5 (83%)	1 (17%)
TOTAL	50	43 (86%)	7 (14%)

Source: Primary Data

From the above analysis it is clear that most of the respondents are satisfied with their DP's. All investors in LSESL are satisfied. Satisfaction rate in HDFC is 80% and ICICI is 75%.

This part of the study deals with the comparison of various depository participants on the basis of the following rating:

Table 4: Rating of DP Services By The Respondents

Name of the DP	Number of respondents	Excellent	Good	Average	Bad
LSESL	17	1	15	1	-
SHCIL	7	-	5	2	-
ICICI	8	1	6	1	-
HDFC	5	1	3	1	-
INDIABULLS	7	-	5	1	1
OTHERS	6	1	3	1	1

Source: Primary Data

The table shows that almost all the respondents have rated their DP services as either good or average. This shows that DP's are constantly trying to improve their services and satisfy their customers.

The number of respondents who want to change their DP is given in table 5:

TABLE 5: Number of Respondents Who Want To Change Their DP

Name of the DP	Number of respondents	Same DP	New DP
LSESL	17	16 (94%)	1 (6%)
SHCIL	7	5 (71%)	2 (29%)
ICICI	8	6 (75%)	2 (25%)
HDFC	5	4 (80%)	1 (20%)
INDIABULLS	7	5 (71%)	2 (29%)
OTHERS	6	4 (67%)	2 (33%)
TOTAL	50	40 (80%)	10 (20%)

There are few respondents who are not satisfied with their DP and want to shift to a new DP. 80% of the respondents want to remain with their existing DP.

The opinion of the respondents about the DP's services is given in following table:

TABLE 6: Opinion Regarding Choosing a Particular DP

Medium	Number of respondents	Percentage
Convenience	16	32
Safety	4	8
Good Infrastructure	4	8
Minimum processing time	7	14

Low Service charges	14	28
All the above	5	10
Total	50	100

From the above analysis it is clear that most of the respondents prefer convenience as the first parameter for selecting their depository participant as it has been rated by 32% of the respondents. Good infrastructure and safety factors have minimum criteria of all as they have preference of 8%.

The views of the respondents regarding the prices charged by various DP's are given in the following table:

Table 7: Views of the Respondents Regarding Amount Charged By Various DP's

Name of the DP	Number of respondents	High Price	Reasonable Price	Low Price
LSESL	17	3	14 (47%)	0
SHCIL	7	3	4 (13.3%)	0
ICICI	8	4	4 (13.3%)	0
HDFC	5	3	2 (7%)	0
INDIABULLS	7	3	4 (13.3%)	0
OTHERS	6	4	2 (6.67%)	0
TOTAL	50	20	30 (100%)	0

As shown, 47% of the LSESL clients say that the amount charged by this DP is reasonable. The percentage is minimum in case of HDFC bank.

Chi-square is one of the non-parametric tests in statistics. It is used as a test of independence to find out whether two attributes are associated or not. So, we can find out whether choice of a DP is influenced by price charged or time taken by a DP to open an account. Therefore, chi-square test is applied to find out the relationship between price charged by various depository participants and choice of a particular DP. The prices charged by various DP's and the choice of a particular DP is given in Table 8:

Table 8: Price Charged By Various Depository Participants and Choice of a Particular Depository Participant

Particulars	LSESL	Bank DP	Total
High Price	3	17	20
Reasonable Price	14	16	30
Total	17	33	40

Source: Primar Data

NULL HYPOTHESIS (H_0) There is no significant relationship between price charged by various depository participants and choice of a particular DP.

NULL HYPOTHESIS (H_1) There is a significant relationship between price charged by various depository participants and choice of a particular DP.

CHI-SQUARE TEST:- Calculated χ^2 value=5.36

Degrees of Freedom=2

Table Value=3.84 (at 5% level of significance)

Inference = Significant

From the above analysis it is clear that the calculated value is greater than table value i.e. null hypothesis is rejected. There is a significant relationship between price charged and choice of a particular DP. So, the prices charged by various DP's and choice of a particular DP highly influences the choice of a particular DP.

Time taken to open an account by various DP's and choice of a particular DP are given below.

Table 9: Time Taken To Open An Account By Various DP and Choice of a Particular DP

Particulars	LSESL	Bank DP	Total
1 day	10	16	26
1-2 days	5	10	15
2-3 days	2	5	7
More than 3 days	-	2	17
Total	17	33	50

NULL HYPOTHESIS (H_0) There is no significant relationship between time taken to open an account by various depository participants and choice of a particular DP.

NULL HYPOTHESIS (H₁) There is a significant relationship between time taken to open an account by depository participants and choice of a particular DP.

CHI-SQUARE TEST Calculated χ^2 value=7.113

Degrees of Freedom=3

Table Value=7.82 (at 5% level of significance)

Inference = Not Significant

It was inferred that calculated value is less than the table value i.e. null hypothesis is accepted. So there is no significant relationship between time taken to open an account and choice of a particular DP.

FINDINGS

The findings of the present study are given below:-

- LSE securities have done wonders in just 5 years and they have a very good customer base. Actually it is only because of LSESL, which created a shock wave among the other players like SHCIL, Master Capital Services etc. and customers are satisfied with DP services. The highest number of accounts is maintained by LSESL, which comprises 34% of the total share followed by ICICI and HDFC.
- The study has shown that LSE depositories are the leading participant both in terms of clients and daily business value.
- LSE has forced the SHCIL to reduce the charges for services.
- It was found from the analysis that (100%) of the respondents are satisfied from LSESL services. Satisfaction rate in HDFC and ICICI is 80% and 75%.
- It was found from the analysis that dematerialization of the securities is the most favorable among respondents i.e. 48%.
- It was found from the analysis that almost all respondents have rated their DP services as either good or average.
- It was found from the analysis that 80% of the respondents want to remain with their existing DP and only very few want to shift to a new DP.
- It was found from the analysis that 32% of the respondents prefer convenience as the first parameter for selecting their depository participant. Good infrastructure and safety factors have minimum criteria of all as they have preference of 80%.
- It was evident from the analysis that 47% of the LSESL clients say that prices charged by LSESL are reasonable.
- There is no significant relationship between time taken to open an account by various DP's and choice of a particular DP.
- There is a significant relationship between price charged by various DP's and choice of a particular DP.

SUGGESTIONS

This study offers the following suggestions:

- It is being recommended that DP's should increase the manpower so that the quality of services can be improved.
- All the DP's should have a uniform price structure. Some of the DP's are charging very high rates and they should reduce their charges so that more number of customers can be attracted.
- The time taken for confirmation in trades is very long and it should be reduced.
- The DP's should provide the facility of online checking of the account.
- The DP's should send the statement of holdings to their clients on time.
- DP's should try to open their branches in every city so that volume of trade should increase.

CONCLUSION

The project has helped to ascertain the customer's expectations from the depository participants in Ludhiana city. In particular, the survey was conducted to identify the customer's expectations and to improve the quality of working of various DP's in Ludhiana city. The customer's satisfaction level from their share brokers was also revealed. It was found from the study that LSE securities is a new star in the DP market and will emerge as an undisputed leader in the coming years.

(Contd. on page 52)

qualification and private employees with income level between Rs 3,00, 000 to Rs. 4,50,000 and urban residents have a high level of investment.

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2. Investors with short term outlook for investment should prefer SBI as their investment intention because there is more responsiveness between the earning capacity and the share price in case of SBI despite the fact that its profit margin ratios are not better than that of other companies.
3. The investors who are risk averse may invest their capital in Bank of Baroda as it has the highest portion of self-owned funds in its capital structure.
4. BOI has registered lowest earning capacity, highest debt proportion and least yield over its assets, therefore, immediate investment in the same should be evaded.
5. The study also revealed that PNB is efficient in generating yield over assets which indicates that its overall efficiency is good. The investors with an objective of earning moderate returns might invest in PNB.

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