

A STUDY ON DEPOSITORY SYSTEM GROWTH & ROLE IN HDFC BANK

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ABSTRACT

In India, Depository system was started in June (1996). It was initiated by Stock Holding Corporation of India Limited (SHCIL) in July, 1992. A depository is an organisation for financial services where the securities of shareholders are held in electronic form. A depository interfaces with its investors through their agents called depository participants (DPs). The main objective of depository is to reduce settlement risk by minimizing the huge paper work. At present there are two depositories NSDL & CDSL are working in India. The present study is an attempt to know the role and growth of their depositories in Indian capital market for 22 years. On the basis of results, it is concluded that number of beneficiary accounts, number of companies for Demat, number of depository participants, number of depository participants centres, quantity of Demat shares and value of Demat shares of depository organisations. This paper is divided into six sections namely, Introduction, Research Methodology, Role of Depositories, Growth and Comparison of NSDL & CDSL, Findings, and Conclusion..

Keywords: Currency futures, futures contract, market movement

1. INTRODUCTION

The major reform of the Indian stock markets has been the introduction of the depository system and script less trading mechanism, since 1996. The system of trading based on physical transfer/custody of securities militated against the efficient functioning of markets particularly in the context of the large scale entry of foreign institutional investors (FIIs). The main problems faced by the investors in general and FIIs in particular were:

- ❖ Inordinate delays in transfer of securities,
- ❖ Return of share certificates as bad deliveries on account of forged signature/mismatch of signature or fake certificate/forged transfer deed,
- ❖ Delay in the receipts/non-receipts of securities after allotment/refund orders to non-allottees,
- ❖ Delay in getting duplicate shares/debentures certificates, and
- ❖ Inadequate infrastructure in banking and postal segments to large volume of application and storage of share certificates.

Benefits of Depository System:

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.

2. REVIEW OF LITERATURE

ARTICLE: 1

TITLE A STUDY ON INDIAN DEPOSITORY SYSTEM GROWTH & ROLE IN INDIAN FINANCIAL MARKET

Author: Dr. Shree Bhagwat

Source: Journal of Emerging Technologies and Innovative Research

ABSTRACT

In India, Depository system was started in June (1996). It was initiated by Stock Holding Corporation of India Limited (SHCIL) in July, 1992. A depository is an organisation for financial services where the securities of shareholders are held in electronic form. A depository interfaces with its investors through their agents called depository participants (DPs). The main objective of depository is to reduce settlement risk by minimizing the huge paper work. At present there are two depositories NSDL & CDSL are working in India. The present study is an attempt to know the role and growth of their depositories in Indian capital market for 22 years (i.e. from March, 1997 to June, 2018). On the basis of results, it is concluded that number of beneficiary accounts, number of companies for Demat, number of depository participants, number of depository participants centres, quantity of Demat shares and value of Demat shares of depository organisations. This paper is divided into six sections namely, Introduction, Research Methodology, Role of Depositories, Growth and Comparison of NSDL & CDSL, Findings, and Conclusion.

ARTICLE: 2

TITLE: ROLE AND GROWTH OF DEPOSITORY SYSTEM: IN INDIAN FINANCIAL MARKET

Author: Dr. RAJNIKANT KUMAR

Source: INTERNATIONAL JOURNAL FOR INNOVATIVE RESEARCH IN MULTIDISCIPLINARY FIELD

Depository system where a place to be deposit funds or securities of Investors for safekeeping in the form of electronic accounts in the same way as bank holds money in a saving account under the terms of depository Agreement. Depository system in India was initiated by Stock Holding Corporation of India Limited (SHCIL) in July 1992. A depository provides services related to transactions in securities. A depository interfaces with its investors through their agents called Depository Participants (DPs). The new face of emerging world economy has made it mandatory for each and every national economy to make it updated in terms of Financial Market. At present there are two depositories i.e. National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL) are working in India. The present study covers the contribution of the depository mode in the promotion of scrip less trading in securities through dematerialisation of securities in India and the contribution the depository system has made in helping to remove the inherent weaknesses in the traditional system like loss/theft of certificates, forged/fake certificates, cumbersome and time consuming procedure for transfer of shares, etc. The study is an attempt to know the role and growth of depositories in Indian Financial Market for the period of 24 years from 1996-1997 to 2019-2020. On the basis of results, it is concluded that Number of Beneficiary Accounts, Number of Companies available for Demat, Number of Depository Participants, Number of Depository Participants Service Centers, Quantity of Demat Shares and Value of Demat Shares of Depository.

ARTICLE: 3

TITLE: A STUDY ON CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

Author: C. Nithya

Source: National Technical University Athens, School of Mechanical Engineering, Athens, Greece

The Central Depository Services (India) Limited was started in February 1999 by the Bombay Stock Exchange Limited (BSE) to provide securities trading, in electronic form. CDSL is the first depository to be listed in India at National Stock Exchange (NSE) on June 30, 2017. It provides user friendly, consistent and secured depository services to all capital market participants to transact securities in electronic form. CDSL has eliminated the huge paper work and minimized the risk in securities transactions. CDSL maintains and services more than three crore demat accounts of investors as on March 31, 2021. Its performance has been analysed by using tools such as trend analysis, mean, standard deviation, coefficient of variation and compound annual growth rate.

RESEARCH GAP:

This project depositories, Growth and Comparison of NSDL & CDSL, Findings, and Conclusion.

OBJECTIVES:

- To know how demat process is to be done,
- To know what are benefits with demat.
- To know about NSDL (National Securities Ltd)and CDSL
(Central Depository Services Ltd.)
- To know what are a rights and obligations of depository participant in depository system.

- To know how trading activity is to be done with the depository system.
- To know the complete awareness on stock exchanges like NSE and BSE.
- To know how to open a demat account.

3. RESEARCH METHODOLOGY

Need For The Study

The present study to review the online trading procedure a case study of Depository system at HDFC BANK LTD, as the exchange has changed its trading from it and there is need to assess the performance of the capital market.

Scope Of The Study:

- 'Investor can assess the company financial strength and factors that affect the company. Scope of the study is limited. We can say that 70% of the analysis is proved good for the investor, but the 30% depends upon market sentiment.
- The topic is selected to analyses the factors that affect the future Depository system of a company based on fundamentals of the company.

Methodology

The data collection methods include both primary and secondary Collection methods.

Primary method:

This method includes the data collected from the personal interaction with authorized members of **HDFC BANK LTD and NSDL & CDSL**.

Secondary method:

The secondary data collection method includes:

- The lecturers delivered by the superintendents of respective departments.
- The brochures and material provided by Securities limited.
- The data collected from the magazines of the NSE, economic times, etc.
- Various books relating to the investments, capital market and other related topics.

Limitations Of The Study

The study confines to the past data and present system of the trading procedure in and NSDL & CDSL the study is confined to the coverage of all the related issues in brief. The data is collected from the primary and secondary sources and thus is subject to slight variation than what the study includes in reality. The study is confined to online trading procedure only. Problems of listing are not covered due to limited time and to keep the study in manageable limits.

4. DATA ANALYSIS & INTERPRETATION:

DEPOSITORY REFORMS:

Introduction of T + 2 rolling settlement cycle

Admission of debt instruments

Abolition of account closure charges

SEBI directive to issuers/RTAs

Common agency

Transfer-cum dematerialization.

Account Closing NIL:

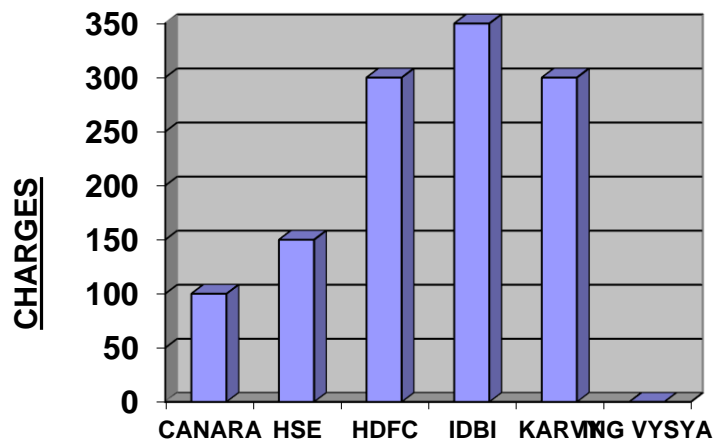
Remat : Rs.20/- per cert. Plus NSDL charges

Securities Lending/Borrowing : Lending: Rs.50/- per transaction. Borrowing: Rs.25/- per transaction plus NSDL charges

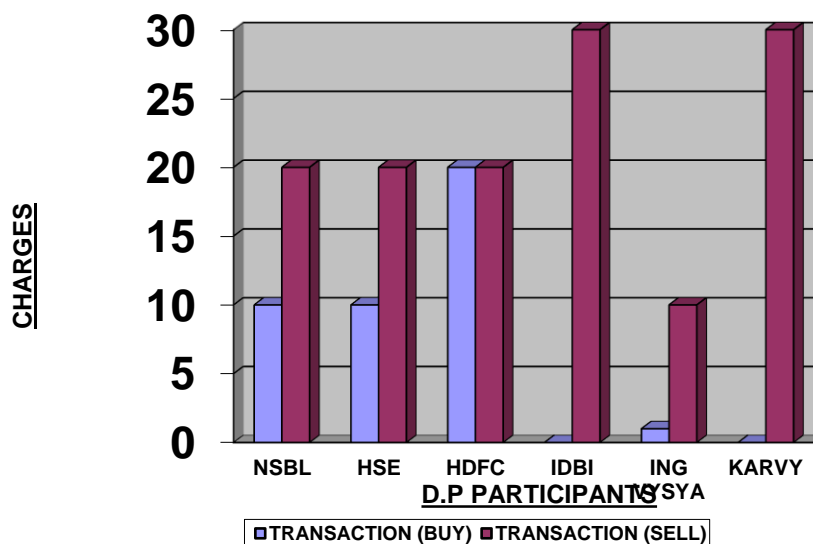
Failed Instruction Charges : NIL

Other Charges,if any : addl statement Rs.2/- per page (min. of Rs.10/-), late transaction fee - Rs.100/- per transaction, service charges for non-payment of bills within due date- 18% p.a. with monthly rests.

A/C MANTANCE NSDL

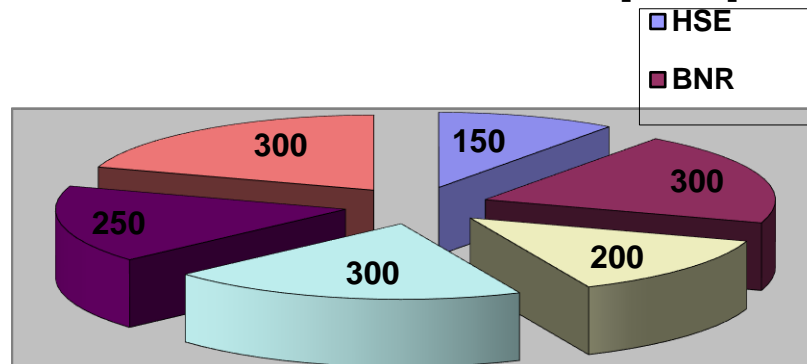


TRANSACTIONS ON NSDL



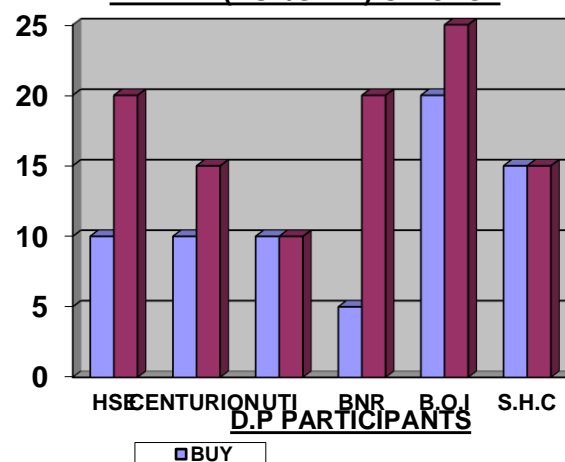
DP ID	:	10000
STOCK HOLDING CORPORATION OF INDIA LTD.		
Advance	:	nill
Account opening/Joining fees	:	nill
Market –BUY	:	Rs. 19/-
Market –SELL	:	0.05% (MIN. RS.19/-) + CDSL CHARGES
Off Market-BUY	:	Rs.19/-
Off Market-SELL	:	0.05% (MIN. RS.19/-) + CDSL CHARGES
Pledge Creation	:	0.02% + CDSL CHARGES
Pledge Closure	:	0.02% + CDSL CHARGES
Pledge Invocation	:	Rs. 50/-
Annual Maintenance	:	RS.900/- (FOR 3 YEARS)
RS.3/- PER CERTIFICATE + RS.25/- POSTAGE PER REQUEST		
RS.25/- PER CERTIFICATE + RS.25/- POSTAGE PER REQUEST		
Other Charges	:	DOCUMENTATION CHARGES RS.30/- + STATE STAMP DUTY (MIN. RS.50/-)

ANNUAL MANTANCE [CDSL]



CHARGES

MARKET(BUY/SELL) ON CDSL



5. CONCLUSION

Client account holders enjoy the convenience of obtaining immediate electronic securities transfer. No risks in handling certificates such as bad delivery, fake securities.

Reduction of paper work for all concerned. Lower costs for investors and listed companies. Convert physical share certificates into electronic form (Dematerialization)

Convert the securities held electronically into physical form (Rematerialisation)

Facilitating the post trade settlement of all secondary market transactions conducted through the CSE. Direct credit to client accounts of shares arising out of new share issues, rights issues share splits, mergers and consolidation Account maintenance service for address changes , dividend disposal instructions etc Transmission and Nomination facility.

6. REFERENCES

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