

# DEPOSITORY SYSTEM IN INDIA

*Dr. HARI BABU BATHINI*  
*Dr.B.K.SURYA PRAKASHA RAO*



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## Preface

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Generally, the concept of depository is known to the world since 1949 when the first depository was setup in Germany. It is evident that an effective and fully developed securities depository system is essential for maintaining and enhancing the market efficiency, which is one of the core characteristics of a mature capital market. The traditional settlement and clearing system has been proved inadequate due to operational inefficiencies, delay in transfer, registration, fake certificates and forgery, non-availability of depositories, impeding the healthy growth of the capital market.

In India, the urgency for setting up a depository was realised after the large scale irregularities in securities transactions of 1992 exposed the limitations of the prevailing settlement system. A depository system benefits the investing public, the issuers of securities, the intermediates and the nation as a whole. The Depositories Act was passed by the Parliament in August 1996, which lays down the legislative framework for facilitating the dematerialisation and book entry transfer of securities in a depository.

The National Securities Depository Limited (NSDL), the first depository in India which has been promoted by three premier institutions in India, viz., IDBI, UTI and NSE, started functioning from November 8, 1996. Central Depository Services (India) Limited (CDSL), the second depository in India which has been promoted by Bombay Stock Exchange Limited (BSE) together with leading banks such as State Bank of India, HDFC Bank and others. CDSL received the certificate of commencement of business from SEBI in February 1999.

The book consists of six chapters. The *first chapter* is Depository system in the world, a brief view of different countries depository systems are discussed and also explains Depository system, dematerialization and functions of depository system in India. The *second chapter* deals with Review of Literature related to Depository system. The *third chapter* deals with Objectives and methodology of the study. It contains statement of the problem, need for the study, objectives of the study, hypotheses, significance, methodology, scope of the study, period of study, limitations of the study and the chapter layout. The *fourth chapter* contains an overview of selected depositories under study. Organization profile of NSDL and CDSL are presented.

The *fifth chapter* presents data analysis on operational / financial performance of NSDL & CDSL and Investor's perceptions towards dematerialization. *Sixth chapter* contains a summary of the findings in the foregoing chapters, conclusion arrived and suggestions based on the findings of the study.

We are grateful to all those persons whose writings and works have helped us in the preparation of this book. We are equally grateful to the reviewer of the manuscript of this book who made extremely valuable suggestions and has thus contributed in enhancing the standard of the book.

We shall feel amply rewarded if the book proves helpful in the development of genuine research studies. We look forward to suggestions from all readers, especially from experienced researchers and scholars for further improving the subject content as well as the presentation of this book.

**Dr.HARI BABU BATHINI**  
**Dr.B K SURYA PRAKASHA RAO**

## About the Authors

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**Dr. Hari Babu Bathini** is Assistant Professor in the Department of Business Management, V.R Siddhartha Engineering College, Vijayawada, Andhra Pradesh, India. He has one year of industry experience and 10 years of teaching experience at the Post Graduate level.

Dr.Hari Babu holds an MBA and Ph.D., in the area of Management from Acharya Nagarjuna University, Guntur, India under the guidance of Prof.B.K.Surya Prakasha Rao, Head, Department of Management Sciences, R.V.R & J.C College of Engineering, Guntur, Andhra Pradesh, India. He has published 20 research papers in different national, international journals and books. He was also presented 30 research papers in different national, international conferences and seminars. In addition he participated in various workshops, FDPs conducted by various institutions in the country. He is a Life Member in Indian Council for Business Education (ICBE), Bengaluru and member Board of Studies in Business Management, V.R.Siddhartha Engineering College, Vijayawada. His interested areas are Financial Management, Accounts, Research Methodology, Investment Management, Capital Markets, and Financial Services.

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**Professor B.K.Surya Prakasha Rao**, Director, Management Sciences, RVR&JC College of Engineering was born in April, 1958. He did B.Com (1981), M.Com. (1983) and MBA (1986) from Andhra University, Visakhapatnam. He was conferred Ph.D. (Financial Management) from Nagarjuna University in 1999.

He started his career as a Faculty three decades ago teaching at Management Departments at PG level and has been Professor & Director since February 2006. Currently he is serving as Head, Department of Management Sciences.

Professor Surya Prakasha Rao has wide research experience with more than 58 research publications of national and international repute and attended more than 70 national and international seminars as participant, resource person and also chairing technical sessions. He delivered Ms. Vadlaptla Lakshmi Devi Memorial Endowment Lecture

on "TQM for Higher Education" instituted by Mrs. V Rama Devi former Governor of Karnataka.

Under his guidance 5 Ph.D and 9 M.Phil degrees were awarded and currently 12 students are pursuing Ph.D. He is a member in Editorial Board for International Journal of Organisational Behaviour and Management Perspectives to review the research papers for publication. He is a Council Member in Indian Council for Business Education (ICBE), Bengaluru, Chairman Board of Studies in Management Sciences, R.V.R & J.C College of Engineering, member Board of Studies in MBA (TTM), MBA (HA), Acharya Nagarjuna University and member Board of Studies in Commerce and Business Management, PB Siddhartha College of Arts and Science, Vijayawada. He is an academic counsellor for IGNOU, Pondicherry University, BRAOU, Andhra University and Acharya Nagarjuna University

He served on selection committees in various Management Departments of Private Engineering Colleges and rendered his service to Higher Education in the State. He acts as an adjudicator for Ph.D/M.Phil., theses of various universities in the area of Management.

## **ABOUT THE BOOK**

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This book has been written with the purpose of providing proper knowledge on depository system and dematerialization in India to the researchers. In this book we have presented profiles of NSDL and CDSL and their growth and development. We have provided their operational performance during the period under study. We have also included the perceptions of DEMAT account holders towards dematerialization and Indian depository system in this book. We also presented the summary of the findings, conclusion arrived and suggestions based on the findings of the study. After studying this book, researchers' can be extended their studies similar to the areas of securities trading and their settlements to increase the transparency, minimization of transaction cost, elimination of frauds and so on. This book suggests that further studies of depository system will be most effective, if they are planned with specific goals and objectives in mind.

**Dr.HARI BABU BATHINI**  
**Dr.B K SURYA PRAKASHA RAO**

## ACKNOWLEDGEMENT

*We are totally indebted to the almighty for the blessings showered on us. Many persons helped us in completing the present work. Without their encouragement, inspiration, guidance, support, and help this study would not have been a reality today. We take this opportunity to express our sincere thanks to some of them.*

*Our sincere thank are due to **Prof.S.V.Raju**, Chairman, Andhra Pradesh State Higher Education, **Prof. A. Rajendra Prasad**, Vice Chancellor, **Prof. Abdhul Noor Basha**, Principal, Arts and Commerce and Chairman, P.G.Board of Studies, Commerce and Business Administration, **Dr. R. Siva Rama Prasad**, HOD, Department of Commerce and Business Administration, **Prof.V.Chandrasekhara Rao** and **Prof.G.V.Chalam**, Department of Commerce and Business Administration, Acharya Nagarjuna University for extending their co-operation and encouragement.*

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*Our sincere thanks to **Dr.A.V.Ratna Prasad**, Principal, **Dr.L.Anuradha**, Professor & Head, Department of Business Management, V.R Siddhartha Engineering College, Vijayawada and other faculty members for their co-operation and encouragement in the completion of our study.*

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## LIST OF ABBREVIATIONS

ACG	<i>Asia Pacific Central Securities Depository Group</i>
ADA	<i>Authorized Depository Agents</i>
ADB	<i>Asian Development Bank</i>
ADM	<i>Authorized Direct Members</i>
AGC	<i>Association of Global Custodians</i>
ALBM	<i>Automatic Lending or Borrowing Mechanism</i>
ANOVA	<i>Analysis of Variance</i>
ASE	<i>The Stock Exchange, Ahmedabad</i>
BO	<i>Beneficiary Owner</i>
BSE	<i>Bombay Stock Exchange Limited</i>
CCIL	<i>Clearing Corporation of India</i>
CDBL	<i>Central Depository of Bangladesh Limited</i>
CDC	<i>Central Depository Company of Pakistan Limited</i>
CDS	<i>The Canadian Depository for Securities Limited</i>
CDS	<i>Central Depository System</i>
CDS	<i>The Central Depository &amp; Settlement Co. Ltd</i>
CDSL	<i>Central Depository Services (India) Limited</i>
CERC	<i>Consumer Education and Research Centre</i>
CPU	<i>Central Processing Unit</i>
CRISIL	<i>Credit Rating Information Services of India Limited</i>
CSD	<i>Central Securities Depositories</i>
CSE	<i>The Calcutta Stock Exchange Association Ltd.</i>
CV	<i>Co-efficient of Variance</i>
DAN	<i>Depository Account Validation</i>
DEMAT	<i>Dematerialization</i>
Df	<i>Degrees of Freedom</i>
DIRECT	<i>Direct Ideas Registration of Client account</i>
DPs	<i>Depository Participants</i>
DRF	<i>Demat Request Form</i>
DSE	<i>The Delhi Stock Exchange Association Ltd.</i>
EPS	<i>Earnings Per Share</i>
ER	<i>Equity Research</i>
ICB	<i>Investment Corporation of Bangladesh</i>
IDBI	<i>Industrial Development Bank of India</i>
IDeAS	<i>Internet-based Demat Account Statement</i>

IPO	<i>Initial Public Offering</i>
IPS	<i>Indian financial system</i>
ISE	<i>Inter-connected Stock Exchange of India Ltd.</i>
ISIN	<i>International Security Identification Number</i>
KSD	<i>Korea Securities Depository</i>
KSSC	<i>Korea Securities Settlement Corporation</i>
MAPIN	<i>Market Participants and Investors Database</i>
MS	<i>Mean Square</i>
MSE	<i>Madras Stock Exchange Ltd.</i>
NCBs	<i>Nationalized Commercial Banks</i>
NCFM	<i>National Stock Exchange's Certification In Financial Markets</i>
NDML	<i>NSDL Database Management Limited</i>
NSDL	<i>National Securities Depository Ltd</i>
NSE	<i>National Stock Exchange of India Limited</i>
OLTAS	<i>Online Tax Accounting System</i>
OTCEI	<i>OTC Exchange of India</i>
P/E	<i>Price Earnings</i>
PCBs	<i>Private Commercial Banks</i>
POA	<i>Power of Attorney</i>
REMAT	<i>Rematerialization</i>
ROA	<i>Return on Assets</i>
ROI	<i>Return on Investment</i>
ROSE	<i>Return on Shareholder's Equity</i>
SCANS	<i>Securities Clearing Automated Network Services</i>
SEBI	<i>The Securities and Exchange Board of India</i>
SHCIL	<i>Stock Holding Corporation of India Limited</i>
SIMPLE	<i>Submission of Instruction through Mobile Phone Login Easily</i>
SoA	<i>Statement of Account</i>
SPICE	<i>Submission of Power of attorney based Instructions for Clients Electronically</i>
SS	<i>Sum of Squares</i>
STEADY	<i>Securities Trading - information Easy Access and Delivery</i>
TB's	<i>Treasury Bills</i>
TIN	<i>Tax Information Network</i>
TSCD	<i>Taiwan Securities Central Depository Co., Ltd.</i>
UPS	<i>Uninterrupted Power Supply</i>
UTI	<i>Unit Trust of India</i>

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