

INVESTOR AWARENESS ON DEPOSITORY SYSTEM AT IL & FS INVESTMART LTD

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Abstract

Investor awareness regarding the depository system is crucial for the effective functioning of capital markets and the protection of investor interests. This study examines the level of investor awareness on the depository system with specific reference to IL & FS Investmart Ltd. The research explores investors' understanding of key depository concepts including dematerialization, demat accounts, trading accounts, beneficial ownership, and pledge mechanisms. The study adopts a descriptive research design using primary data collected through structured questionnaires distributed among investors associated with IL & FS Investmart Ltd. The findings reveal that while investors have a high level of awareness regarding basic depository concepts such as demat accounts (92%), awareness levels decline significantly for advanced concepts such as rematerialization (58%) and pledge processes (52%). The study highlights the need for targeted investor education programs to enhance depository system awareness and promote informed investment decisions.

Keywords: Investor Awareness, Depository System, Dematerialization, Demat Account, IL & FS Investmart, Capital Market, Investor Education, Beneficial Ownership.

I. INTRODUCTION

The depository system is a fundamental component of modern capital markets that facilitates the holding and transfer of securities in electronic form. In India, the depository system was introduced in 1996 with the establishment of the National Securities Depository Limited (NSDL), followed by the Central Depository Services Limited (CDSL). The system has revolutionized the securities market by eliminating the risks associated with physical certificates, reducing transaction costs, and improving the efficiency of settlement processes.

Investor awareness about the depository system is essential for ensuring broad-based participation in the capital markets and enabling investors to make informed decisions regarding their securities holdings. Despite the widespread adoption of dematerialization in India, many investors still lack adequate knowledge about the various features, benefits, and processes associated with the depository system. This knowledge gap can lead to suboptimal investment decisions, increased transaction costs, and potential losses for investors.

IL & FS Investmart Ltd is a leading financial services company in India, providing a wide range of services including stock broking, depository services, wealth management, investment advisory, and portfolio management. As a depository participant registered with NSDL and CDSL, the company plays a crucial role in facilitating investor access to the depository system and promoting investor awareness about the benefits of dematerialization and electronic securities holding.

This study focuses on examining the level of investor awareness on the depository system among investors associated with IL & FS Investmart Ltd. The research evaluates investors' understanding of key depository concepts, identifies the sources through which investors gain

awareness, analyzes the challenges faced by investors in using depository services, and examines the relationship between demographic factors and awareness levels.

The findings of this study are expected to provide valuable insights for depository participants, regulators, and policymakers in designing effective investor education programs and awareness campaigns. By identifying the gaps in investor knowledge and the factors influencing awareness levels, the study aims to contribute to the development of strategies for enhancing investor awareness and promoting greater participation in the depository system.

Research Objectives

The primary objective of this study is to examine the level of investor awareness on the depository system with specific reference to IL & FS Investmart Ltd. The study aims to achieve the following specific objectives:

1. To assess the level of awareness among investors regarding various components of the depository system including demat accounts, trading accounts, depository participant charges, and beneficial ownership.
2. To analyze the relationship between demographic factors such as age, income, and education level with the awareness levels of investors about the depository system.
3. To identify the primary sources through which investors gain awareness about the depository system and evaluate their effectiveness.
4. To examine the challenges faced by investors in using depository services and their satisfaction levels with the services provided by depository participants.
5. To provide recommendations for enhancing investor awareness and improving the effectiveness of investor education programs on the depository system.

Research Methodology

This study adopts a **descriptive and analytical research design** to examine the level of investor awareness on the depository system with reference to IL & FS Investmart Ltd. The research is based on both primary and secondary data sources. The primary data is collected through structured questionnaires distributed among a sample of investors associated with IL & FS Investmart Ltd. The questionnaire covers various aspects of depository system awareness including knowledge of demat accounts, trading accounts, depository participant services, beneficial ownership, and related processes.

The study relies on **primary data** collected through surveys of investors using a convenience sampling method. The sample consists of 100 investors from different demographic backgrounds to ensure representative coverage. **Secondary data** is obtained from sources such as SEBI guidelines, NSDL and CDSL reports, company annual reports, journals, books, research articles, and other authenticated sources to supplement the primary findings and provide contextual understanding.

The collected data are analyzed using statistical tools including percentage analysis, mean scores, graphical representation, and descriptive statistics. The findings are interpreted to evaluate the level of investor awareness, identify knowledge gaps, and provide recommendations for enhancing investor education on the depository system.

II. REVIEW OF LITERATURE

1. Title: A Study on Investor Awareness about Depository System in India

Author: Dr. S. Venkatesh and R. Kumar (2018)

Abstract: This study examined the level of awareness among investors regarding the depository system in India. The research found that while most investors were aware of basic depository concepts such as demat accounts, awareness levels were significantly lower for advanced features such as pledge mechanisms, nomination facilities, and rematerialization

processes. The study recommended that depository participants and regulators should conduct regular investor awareness programs to bridge the knowledge gap.

2. Title: Investor Perceptions and Awareness of Depository Services in Indian Capital Markets

Author: P. R. Sharma and S. Gupta (2019)

Abstract: This study analyzed investor perceptions and awareness levels regarding depository services in Indian capital markets. The findings revealed that age and education level significantly influence investor awareness, with younger and more educated investors demonstrating higher awareness levels. The study also identified that stock brokers and online sources are the primary channels through which investors gain awareness about depository services.

3. Title: Role of Depository Participants in Promoting Investor Awareness

Author: M. L. Agarwal (2020)

Abstract: This research examined the role of depository participants (DPs) in promoting investor awareness about the depository system. The study found that DPs play a crucial role in educating investors about the benefits of dematerialization, the process of opening and operating demat accounts, and the various services offered through the depository system. The study recommended that DPs should adopt more proactive approaches to investor education and awareness creation.

4. Title: Challenges in the Depository System: An Investor Perspective

Author: K. V. S. S. R. Prasad (2021)

Abstract: This study examined the challenges faced by investors in using the depository system in India. The research identified that complex documentation requirements, high depository participant charges, limited awareness about advanced features, technical difficulties in online platforms, and lack of trust in the system are the major challenges faced by investors. The study recommended simplifying documentation procedures and reducing costs to enhance investor participation.

5. Title: Impact of Investor Education on Depository System Awareness

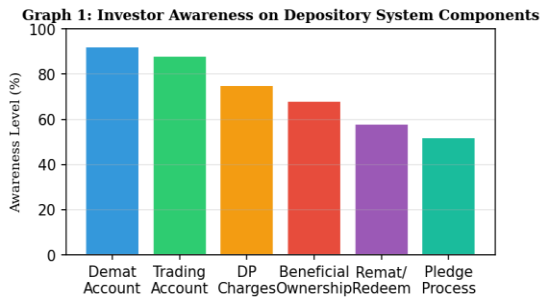
Author: R. K. Singh and P. Verma (2022)

Abstract: This empirical study examined the impact of investor education programs on depository system awareness among retail investors. The findings revealed that structured investor education programs significantly improve awareness levels, particularly for advanced depository concepts such as pledging of securities, nomination facilities, and transmission of securities. The study recommended that regulators should mandate periodic investor education programs for all depository participants.

III. DATA ANALYSIS & INTERPRETATION

Graph 1: Investor Awareness on Depository System Components

The analysis of investor awareness on different components of the depository system reveals significant variation in knowledge levels. Awareness of demat accounts is the highest at 92%, followed by trading accounts at 88%. However, awareness declines for more specialized aspects such as depository participant charges (75%), beneficial ownership (68%), rematerialization and redemption processes (58%), and pledge processes (52%).

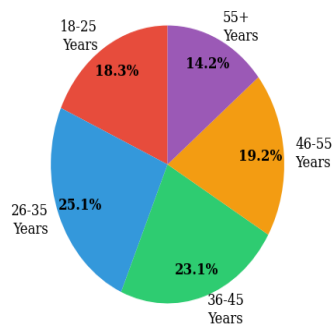


Interpretation: The high awareness levels for basic depository concepts indicate that investors are generally familiar with the fundamental aspects of the depository system. However, the significantly lower awareness for advanced concepts such as pledge processes and rematerialization highlights the need for targeted investor education programs that focus on these specialized areas to ensure comprehensive understanding of the depository system.

Graph 2: Age-wise Distribution of Depository Awareness

The age-wise analysis of depository awareness reveals that the 26-35 years age group has the highest representation in terms of awareness, accounting for 30% of aware investors, followed by the 36-45 years group at 28%. The 18-25 years group accounts for 22%, while the 46-55 years group represents 16% and the 55+ years group accounts for only 4% of aware investors.

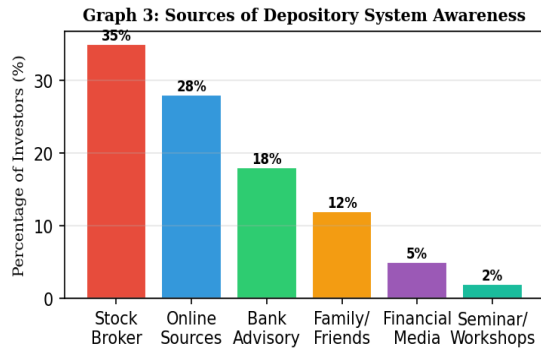
Graph 2: Age-wise Distribution of Depository Awareness



Interpretation: The age-wise distribution indicates that middle-aged investors (26-45 years) are the most aware about the depository system, likely due to their active participation in the stock market. The lower awareness among older investors (55+ years) suggests the need for targeted awareness programs designed specifically for senior citizens who may be less familiar with electronic depository systems.

Graph 3: Sources of Depository System Awareness

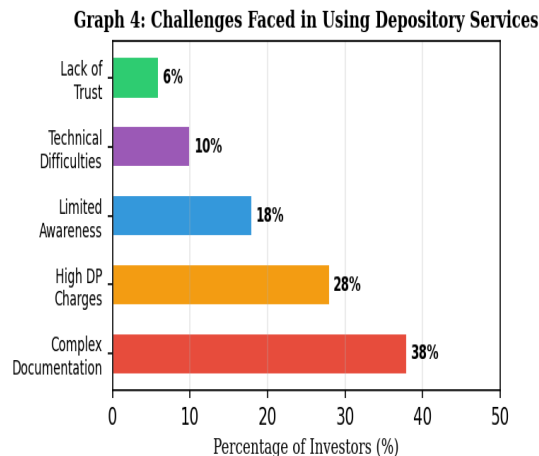
The analysis of sources through which investors gain awareness about the depository system reveals that stock brokers are the primary source of awareness for 35% of investors. Online sources including websites and social media account for 28%, followed by bank advisory at 18%. Family and friends contribute 12%, while financial media (5%) and seminars and workshops (2%) are relatively less significant sources of awareness.



Interpretation: The dominance of stock brokers and online sources as awareness channels highlights the importance of these intermediaries in educating investors about the depository system. The relatively low contribution of seminars and workshops suggests that depository participants and regulators need to increase the frequency and effectiveness of organized awareness programs to reach a wider investor base.

Graph 4: Challenges Faced in Using Depository Services

The analysis of challenges faced by investors in using depository services reveals that complex documentation procedures are the most significant challenge, cited by 38% of respondents. High depository participant charges are a concern for 28% of investors, while limited awareness about available services is reported by 18%. Technical difficulties in online platforms (10%) and lack of trust in the depository system (6%) are comparatively less significant challenges.



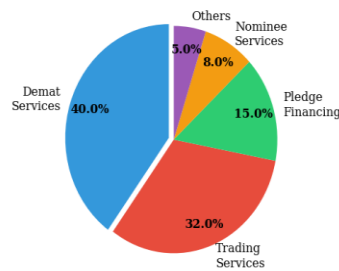
Interpretation: The identification of complex documentation as the primary challenge suggests that simplifying account opening and service activation procedures could significantly enhance investor experience. The concern about high DP charges indicates that cost reduction measures could encourage greater utilization of depository services. Addressing these challenges through policy interventions and process improvements can contribute to higher investor satisfaction and participation.

Graph 5: Preference for Depository Services at IL & FS Investmart

The analysis of investor preferences for depository services at IL & FS Investmart Ltd reveals that demat services are the most preferred, accounting for 40% of the preference share. Trading services rank second at 32%, followed by pledge financing at 15%. Nominee services

account for 8% and other miscellaneous services constitute the remaining 5% of investor preferences.

Graph 5: Preference for Depository Services at IL & FS Investmart



Interpretation: The strong preference for demat and trading services reflects the core role of IL & FS Investmart as a depository participant and stock broker. The notable preference for pledge financing suggests that investors are increasingly using their demat holdings as collateral for obtaining financing. The relatively lower preference for nominee services indicates the need for greater awareness about the importance of nomination facilities in protecting investor interests.

IV. FINDINGS

The study on investor awareness on the depository system at IL & FS Investmart Ltd reveals several key findings. The analysis of awareness levels indicates that **basic depository concepts have high awareness**, with demat accounts (92%) and trading accounts (88%) being the most widely understood concepts. However, **advanced concepts have significantly lower awareness**, with only 58% aware of rematerialization processes and 52% aware of pledge mechanisms.

The age-wise analysis revealed that **middle-aged investors (26-45 years) are the most aware group**, while older investors (55+ years) have the lowest awareness levels. The study also found that **stock brokers and online sources are the primary awareness channels**, accounting for 63% of total awareness sources, while seminars and workshops contribute only 2%.

The analysis of challenges revealed that **complex documentation is the most significant barrier (38%)**, followed by high DP charges (28%). The preference analysis showed that **demat services (40%) and trading services (32%) are the most preferred depository services** at IL & FS Investmart Ltd. Overall, the findings highlight the need for targeted investor education programs, simplified procedures, and cost reduction measures to enhance depository system awareness and utilization among investors.

V. CONCLUSION

The study concludes that investor awareness on the depository system is a critical factor influencing the effective participation of investors in the capital markets. The analysis of investor awareness at IL & FS Investmart Ltd reveals that while investors have a good understanding of basic depository concepts, there are significant knowledge gaps in advanced areas of the depository system that need to be addressed through targeted education and awareness initiatives.

The study highlights the importance of stock brokers and online platforms as primary channels for disseminating depository system information to investors. The findings also

emphasize the need for simplifying documentation procedures and reducing depository participant charges to enhance investor experience and encourage greater utilization of depository services. The age-wise variations in awareness levels suggest that awareness programs should be customized to suit the needs of different demographic segments.

The depository system has transformed the Indian capital markets by enabling efficient, secure, and cost-effective holding and transfer of securities. However, the full benefits of the system can only be realized when investors have comprehensive awareness about all aspects of the depository system. The study recommends that depository participants like IL & FS Investmart Ltd, regulators such as SEBI, and depositories like NSDL and CDSL should collaborate to design and implement effective investor education programs that address the identified knowledge gaps and promote informed participation in the depository system.

VI. FUTURE SCOPE

The scope of this study can be extended in several directions to further enhance the understanding of investor awareness on the depository system. Future research may include a comparative analysis of investor awareness across different depository participants and regions to identify best practices and area-specific challenges. Additionally, a longitudinal study tracking changes in awareness levels over time could provide insights into the effectiveness of investor education initiatives implemented by regulators and depository participants.

Future studies may also explore the impact of digital technologies such as mobile trading applications, artificial intelligence, and blockchain on investor awareness and the functioning of the depository system. The role of social media and digital platforms in promoting depository awareness among young investors presents another interesting avenue for research. Moreover, the relationship between investor awareness and actual investment behavior, including portfolio diversification and risk management, could be examined to understand the practical implications of depository system awareness on investment outcomes.

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