



A Comparative Study between NSDL and CDSL-Depositories in Indian Capital Market and their Role

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Abstract:

The present study is an attempt to know the role and growth of NSDL and CDSL in Indian Capital Market for 10 years i.e. period ending 31st March 2006 to March 2016. 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 centres, Quantity of DEMAT Shares/Securities (No. of Dematerialized Securities) and DEMAT Custody in NSDL & CDSL (Value of Dematerialized Securities).

Key words: NDSL, CDSL, Depositories

INTRODUCTION:

Below are the services provided by Depository

- Dematerialisation (usually known as Demat) is converting physical certificates of Securities to electronic form
- Rematerialisation, known as Remat, is reverse of Demat, i.e. getting physical certificates from the electronic securities
- Transfer of securities, change of beneficial ownership
- Settlement of trades done on exchange connected to the Depository
- Pledging and Unpledging of Securities for loan against shares
- Corporate action benefits directly transfer to the Demat and Bank account of customer..

NEED FOR STUDY

Indian stock exchanges nowadays are following screen based trading and electronic settlement system. The market width is also enlarged, quantity of investors spread to various distance places from trading and settlement place. There are some problems arising in the settlement and transfer system, in stock and share trading. In this circumstance, there are a limited number of studies in this area. Hence, there is a need for evaluation of depository system with in the area of investor's perspective. The present study is in this direction of research analysis covering role and performance of depository participants and the factors affecting the decision making of investor towards depository participant.

To know why and How NSDL plays vital Role in Growth of Indian Capital Market, and what role CDSL plays in it? To know what services NSE and BSE are providing to their Investors to Open an Account with their own Depositories and What Charges they offer to their investors when Accounts are not in their own depository.

OBJECTIVE OF STUDY

- To study the trading and settlement manual procedure that existed before online trading
- To study various benefits of Depositories
- To study the concept of Dematerialization of shares and the features of depository system in India
- To know the various checks and measures in the depository system to ensure safety of the investor holdings
- To know the growth of NSDL and CDSL in Indian Capital Market for 16 years i.e. period ending 31st March 2001 to 31st March 2016
- To know the role of NSDL and CDSL in Indian Capital Market.

REVIEW OF LITERATURE

- **Dr.B. Venu Gopal, Dr. Ch. Rama Prasada Rao (2014):** Expressedproportional study on ROI of CDSL and NSDL, studied Return on Assets of KBSL (Karvey), IIFL (India Inffline), PCS and NSDL (Net worth) and Based on their Hypotheses (H0), (H1) and (H2), concluded that there is uniformity in Return on Investment (ROI) earning of CDSL and NSDL and it is not significant statistically. Also, there is no significant difference in the return on assets (ROA) of IIFL, PCS, NSBL and KSBCL.
- **Dr.Dhiraj Jain, P. Mehta (2012):** 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 be a sort of feedback for the investor, brokers and regulatory bodies as to what extent have the investors educate Programme reached. The earlier studies covered the depository system and environment, which mainly pertain to depository legislation, how a viable alternative of depository, implications of depositories ordinance, internal audit of depository participants, an overview of the Depositories Act, responsibilities of auditing profession, role of depository in stock and capital market, SEBI guidelines in the depository system, services provided by different depositories or accessibility of depositories to retail investors. But it is very important to study the Role and performance of depositories itself. Therefore, the present study is an attempt to fill this gap.
- **Sultan Sing (2011):** tried to study the factors affecting the decision making of the investors in depository system. Most of the investors are 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 are some of the factors which affects the decision making of the investors in depository system.

- **Kanan (2008):** 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.
- **Schmiedel et. al. (2006)**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.
- **Ravi Shah (2002):** highlighted 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 years, whereas it took anywhere between 10-20 years in most of the developed countries.
- **Hurkat and Ved (1999)** 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.
- **Gurusamy (1996):** 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.
- **George (1996):** 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 scrip less trading system is a success and stressed on the importance of the role of the regulator in making the depository system successful.
- **Sarkar (1996):**analyzed the implications of the scrip less trading and share transfer based on book entry merely due to the existence of the depository ordinance 1995.
- **Aggarwal and Dixit (1996):** expressed their views 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):** highlighted that resolution of the single vs. multiple depositories, immobilization vs. dematerialization and role of capital adequacy norms for the custodians which is helpful in quick implementation of depository system in India.

RESEARCH DESIGN AND METHODOLOGY

Research Design

Research Design of the study is analytical

Research Methodology

The basis of present analysis is comparison of data between NSDL and CDSL on yearly (financial year) basis. Basic Comparison Method is selected to compare their Financial Reports, Services Offered, Accounts offered, Charges for different services and for different types of Account,

Data Collection and Analysis

The study is based upon secondary data collected from various websites i.e. NSDL, SEBI, CDSL, NSE and Official publications, annual reports of NSDL and CDSL and research articles published in journals for a period of 16 years i.e. from 31st March 2001 to 31st March 2016.

COMPANY OVERVIEW

National Securities Depository Limited (NSDL)

Although India had a vibrant capital market which is more than a century old, the paper-based settlement of trades caused substantial problems such as bad delivery and delayed transfer of title. The enactment of Depositories Act in August 1996 paved the way for establishment of National Securities Depository Limited (NSDL), the first depository in India. It went on to establish infrastructure based on international standards that handles most of the securities held and settled in Dematerialized form in the Indian capital markets.

In the depository system, securities are held in depository accounts, which are 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. In August 2009, number of Demat accounts held with NSDL crossed one crore.

Central Depository Services (India) Ltd. (CDSL)

Benefits of opening an account with CDSL system

- The unique centralized database of CDSL enables DPs to debit / credit securities instantaneously to the Beneficial Owner's account thereby avoiding any transit position.

- CDSL's unique client ID number ensures debit / credit of securities only to the intended account, as the system does not accept a transaction, when; account number is keyed in incorrectly.
- CDSL offers a facility to the clearing House / Clearing Corporation under which securities sold purchased by any BO on BSE can be directly delivered from / received in the BO account without routing them through the broker's pool account.
- CDSL does not collect any custody fees from its DPs. Thus BOs can expect a lower charge in respect of securities held in CDSL accounts. The transaction cost of settlement of securities through CDSL is lower in most cases.

Account Types Within CDSL

The account structure in CDSL is designed to meet the following objectives.

- To maintain proper records.
- To Segregate accounts of Beneficial Owners from each other and form the depository participants.
- To enable RTA / Issuers to access an index of all accounts, this represents the balances of all holdings in a particular ISIN (International Security Identification Number).
- To enable Depository Participants to enquire about only those Beneficial Owner accounts that do they service. The Beneficial Owner master file account details and the current and historic details of transactions and balances will be available to DPs.
- To provide a flexible accounting structure to support the settlement requirements of the market
- To account for dematerialized securities at BO level

Features

- All beneficial Owner accounts are operated at Depository Participant level; however, data is maintained at CDSL Level.
- BOs do not have direct access to CDSL system, except through "Smartcards" for enquiry purpose, as and when provided.
- *Reconciliation:*
- The daily reconciliation safeguards erroneous omission of the entry of any instructions. The DP will have to ensure that the total instructions received are equal to the instructions executed + instructions pending.

- **Difference Between Physical Form Custody and Depository Form Custody**

In Physical Form Custody	In Depository Custody
Space required for storage and safety.	No space required
Exclusive manpower to be allocated.	This function can be clubbed with other functions. No exclusive manpower required.
Insurance* ID required.	No insurance required.
Laborious inventory verification during internal stock taking and statutory audits.	Periodic statement of Holding is made available by the DP's. Easy verification for audit.
No custody charges if using own premises (at the cost of more productive uses). However, custodians charge 20-40 points.	Custody charges vary from 5-15 basis points depending upon DP selected.
Risk of theft, forgery, mutilation etc.	No risk of theft, forgery, mutilation etc.
Pledging of shares is cumbersome.	Pledging is safe and easy.
Receipt of corporate benefits needs monitoring and risks of loss in transit not ruled out.	Faster and hassle-free receipt of corporate benefits.
Inconvenience in portfolio shuffling and transaction within the group since buy / sell adjustments need movement of paper.	Convenient portfolio shuffling and adjustments within the group since delivery is through a single instruments registration instant and costs less (no stamp duty).
Selling	
Higher brokerage	Lower brokerage. NSE brokers charge half the brokerage on electronic trades compared to physical form.
Transaction only in market lots	No market lot concept.
Jumbo lots need to be split into market lots for selling.	No stamp duty.
Off-market transactions are costly and risky.	Facility for Off-market transactions especially within the group.
Valuable executive time spent in meeting delivery / receipt schedules of brokers / stock exchanges, signing, stamping and delivery of TD's.	Flexibility to put future dated delivery / receipt instructions helps in better time management delivery is in the form of a single instruction.
Buying	
Higher brokerage	Lower brokerage.
Stamp duty: 50 basis point.	No stamp duty.
Post and handling charges for lodgments and transfers.	No postage and handling charges.
Cost involved in follow up / rectification of bad deliveries / objections.	Guaranteed good delivery.
Opportunity cost for delay in transfer of shares.	Immediate transfer, therefore no opportunity cost.
Problems involved in monitoring the validity of D's signature on TD's etc.	No such problems.

Role of NSDL AND CDSL in India Capital Market

NSDL

NSDL carries out its activities through service providers such as depository participants (DPs), issuing companies and their registrars and share transfer agents and clearing corporations/ clearing houses of stock exchanges. These entities are NSDL's business partners and are integrated in to the NSDL depository system to provide various services to investors and clearing members. The investor can get depository services through NSDL's depository participants.

NSDL was registered by the SEBI on June 7, 1996 as India's first depository to facilitate trading and settlement of securities in the dematerialized form. The NSDL is promoted by IDBI, UTI and NSE to provide electronic depository facilities for securities traded in the equity and debt markets in the country. NSDL has been set up to cater to the demanding needs of the Indian capital markets. In the first phase of operations, NSDL will dematerialize scripts and replace them with electronic entries. This depository promoted by institutions of national stature responsible for economic development of the country has since established a national infrastructure of international standard that handles most of the trading and settlement in dematerialized form in Indian capital market. The Depositories Act also provides for multiple depository system. Using innovative and flexible technology systems, NSDL works to support the investors and brokers in the capital market of the country.

NSDL provides numerous direct and indirect benefits like:

- Elimination of bad deliveries
- Elimination of all risks associated with physical certificates
- No stamp duty
- Immediate transfer and registration of securities
- Faster settlement cycle
- Faster disbursement of non cash corporate benefits like rights, bonus, etc.
- Reduction in brokerage by many brokers for trading in dematerialized securities
- Reduction in handling of huge volumes of paper
- Periodic status reports
- Elimination of problems related to change of address of investor
- Elimination of problems related to transmission of Demat shares
- Elimination of problems related to selling securities on behalf of a minor
- Ease in portfolio monitoring

CDSL

CDSL was promoted by BSE Ltd. jointly with leading banks such as State Bank of India, Bank of India, Bank of Baroda, HDFC Bank, Standard Chartered Bank and Union Bank of India.

CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants.

The balances in the investors account recorded and maintained with CDSL can be obtained through the DP. The DP is required to provide the investor, at regular intervals, a statement of account which gives the details of the securities holdings and transactions. The depository system has effectively eliminated paper-based certificates which were prone to be fake, forged, counterfeit resulting in bad deliveries. CDSL offers an efficient and instantaneous transfer of securities.

CDSL was promoted by BSE Ltd. in association with Bank of India, Bank of Baroda, State Bank of India and HDFC Bank. BSE Ltd. has been involved with this venture right from the inception and has contributed overwhelmingly to the fruition of the project. The initial capital of the company is 104.50 crores (INR). The list of shareholders with effect from 5th July, 2010 is as under.

Role of CDSL in Indian Depository System are as follows:

- Maintenance of individual investors' beneficial holdings in an electronic form
- Dematerialization and re-materialization of securities
- Account transfer for settlement of trades in electronic shares
- Allotments in the electronic form in case of initial public offerings
- Distribution of non-cash corporate actions
- Facility for freezing/locking of investor accounts
- Facility for pledge and hypothecation of securities

DATA COLLECTION

Growth and Comparison of NSDL & CDSL

Table 1: Beneficiary Accounts Growth in NSDL & CDSL during March 2001 to 2016

Year (As On 31st March)	NSDL Accounts (Amount In Lakhs)	NSDL Annual Growth Rate (%)	CDSL Accounts (Amount In Lakhs)	CDSL Annual Growth Rate (%)
2001	37.5	-	0.8	--
2002	37.2	(0.80)%	1.3	68.42%
2003	38.0	2.07%	2.5	92.97%
2004	52.0	37.10%	6.3	154.66%
2005	63.0	21.08%	10.1	59.21%
2006	75.6	20.00%	15.5	53.41%
2007	79.0	4.54%	23.7	52.68%
2008	93.7	18.59%	48.0	102.62%
2009	96.9	3.34%	55.3	15.19%
2010	105.9	9.29%	65.9	19.16%
2011	115.4	9.06%	74.8	13.56%
2012	120.5	4.37%	79.2	5.86%
2013	126.9	5.31%	83.3	5.18%
2014	130.6	2.91%	87.8	5.40%
2015	137.1	4.99%	96.1	9.49%
2016	145.7	6.26%	100.1	4.14%
Average Annual Growth Rate	-	9.87%	-	44.23%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table shows that the beneficiary accounts growth in NSDL and CDSL period ending March 2001 to March 2016. The beneficiary accounts of NSDL continuously increased from 37.48 lakhs accounts to 145.66 lakhs accounts except a marginal decrease in the year 2002. The percentage of growth was high in 2004 at 37.10% and lowest at (0.80%) in 2002. The average annual growth in accounts in NSDL during 2001 to 2016 is 9.87%. The beneficiary accounts of CDSL also continuously increased from 0.76 lakhs accounts to 100.08 lakhs accounts. The percentage of growth was high in 2004 at 154.66% and lowest at 4.14% in 2016. The average annual growth in accounts in CDSL during 2001 to 2016 is 44.23%. The average annual growth rate of CDSL is higher than the NSDL. But during 2004 the number of client accounts recorded a sudden jump in the opening of accounts in both NSDL and CDSL due to substantial rise in the prices of shares. Thus it may be concluded that with the

familiarization and compulsorisation of the Demat system; the number of clients has recorded tremendous increase over the entire period of study.

Table 2: Companies Available for DEMAT in NSDL & CDSL during March 2001 to 2016

Year (As On 31st March)	NSDL (No. of Companies)	NSDL Annual Growth Rate (%)	CDSL (No. of Companies)	CDSL Annual Growth Rate (%)
2001	2786	-	2789	--
2002	4172	49.75%	4296	54.03%
2003	4761	14.12%	4628	7.73%
2004	5212	9.47%	4720	1.99%
2005	5536	6.22%	5068	7.37%
2006	6022	8.78%	4819	(4.91)%
2007	6483	7.66%	5135	6.56%
2008	7354	13.44%	5969	16.24%
2009	7801	6.08%	6233	4.42%
2010	8124	4.14%	7049	13.09%
2011	8842	8.84%	8265	17.25%
2012	9741	10.17%	9983	20.79%
2013	10843	11.31%	11030	10.49%
2014	12210	12.61%	12765	15.73%
2015	13992	14.59%	9069	(28.95)%
2016	15605	11.53%	9658	6.49%
Average Annual Growth Rate	-	12.58%	-	9.89%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table reveals that companies available for DEMAT in NSDL and CDSL period ending March 2001 to March 2016. Companies available for DEMAT in NSDL continuously increased from 2786 to 15605. The percentage of growth was high in 2002 at 49.75% and lowest at 4.14% in 2010. The average annual growth in NSDL during 2001 to 2016 is 12.58%. Companies available for DEMAT in CDSL also continuously increased from 2789 to 12765 except in the financial years 2006 and 2015. The percentage of growth was high in 2002 at 54.03% and lowest at (28.95%) in 2015. The average annual growth in CDSL during 2001 to 2016 is 9.89%. The average annual growth rate of NSDL is higher than the CDSL. But during 2002 the companies available for DEMAT recorded a sudden jump in both NSDL and CDSL.

Table 3: Depository Participants Growth in NSDL & CDSL during March 2001 to 2016

Year (As On 31st March)	NSDL		CDSL	
	NSDL (No. of DPs)	Annual Growth Rate (%)	CDSL (No. of DPs)	Annual Growth Rate (%)
2001	186.0	-	158.0	--
2002	212.0	13.98%	161.0	1.90%
2003	213.0	0.47%	191.0	18.63%
2004	214.0	0.47%	211.0	10.47%
2005	216.0	0.93%	271.0	28.44%
2006	223.0	3.24%	322.0	18.82%
2007	240.0	7.62%	365.0	13.35%
2008	251.0	4.58%	423.0	15.89%
2009	275.0	9.56%	471.0	11.35%
2010	286.0	4.00%	506.0	7.43%
2011	293.0	2.45%	546.0	7.91%
2012	283.0	(3.41)%	568.0	4.03%
2013	282.0	(0.35)%	579.0	1.94%
2014	278.0	(1.42)%	578.0	(0.17)%
2015	273.0	(1.80)%	574.0	(0.69)%
2016	270.0	1.10%	583.0	1.57%
Average Annual Growth Rate	-	2.62%	-	9.39%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table Shows that Depository Participants growth in NSDL and CDSL period ending March 2001 to March 2016. Depository Participants in NSDL continuously increased from 186 in 2001 to 293 in 2011 and thereafter the number of depository participants were decreased continuously from the year 2012 to 2016 and reached to 270 participants. The percentage of growth was high in 2002 at 13.98% and lowest at (3.41%) in 2012. The average annual growth in NSDL during 2001 to 2016 is 2.62%. Depository Participants in CDSL also continuously increased from 158 in 2001 to 583 in 2016 except a very marginal decrease in the years 2014 and 2015. The percentage of growth was high in 2005 at 28.44% and lowest at (0.69%) in 2015. The average annual growth in CDSL during 2001 to 2016 is 9.39%. The average annual growth rate of CDSL is higher than the NSDL.

Table 4: DP Service Centers Growth with NSDL & CDSL during March 2001 to 2016

Year (As On 31st March)	NSDL		CDSL	
	NSDL (No. of DPs)	Annual Growth Rate (%)	CDSL (No. of DPs)	Annual Growth Rate (%)
2001	1896	-	132	-
2002	1648	(13.08)%	346	162.12%
2003	1718	4.25%	414	19.65%
2004	1719	0.06%	441	6.52%
2005	2819	63.99%	532	20.63%
2006	3017	7.02%	586	10.15%
2007	5599	85.58%	634	8.19%
2008	7204	28.67%	6000	846.37%
2009	8777	21.84%	6000	0.00%
2010	11170	27.26%	6000	0.00%
2011	12767	14.30%	9200	53.33%
2012	14033	9.92%	10600	15.22%
2013	14641	4.33%	12500	17.92%
2014	14444	(1.35) %	11381	(8.95) %
2015	15960	10.50%	11000	(3.35) %
2016	26765	67.70%	16500	50.00%
Average Annual Growth Rate	-	22.07%	-	79.85%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table reveals that DP service centers growth in NSDL and CDSL period ending March 2001 to March 2016. DP service centers in NSDL continuously increased from 1896 to 26765 except a sudden decrease in the year 2002 and a marginal decrease in 2014. The percentage of growth was high in 2007 at 85.58% and lowest at (13.08) % in 2002. The average annual growth in NSDL during 2001 to 2016 is 22.07%. DP service centers in CDSL also continuously increased from 132 to 16500 except in the financial years 2014 and 2015. The percentage of growth was high in 2008 at 846.37% and lowest at (8.95%) in 2014. The average annual growth in CDSL during 2001 to 2016 is 79.85%. The average annual growth rate of CDSL is higher than the NSDL.

Table 5: Quantity of DEMAT Shares/Securities (No. of Dematerialized Securities) in NSDL & CDSL during March 2001 to 2016

Year (As On 31st March)	NSDL In Billions	NSDL Annual Growth Rate (%)	CDSL In Billions	CDSL Annual Growth Rate (%)
2001	37.21	-	1.89	-
2002	51.67	38.86%	4.82	155.03%
2003	68.76	33.08%	8.21	70.33%
2004	83.69	21.71%	14.01	70.65%
2005	128.66	53.73%	19.08	36.19%
2006	174.72	35.80%	26.9	40.99%
2007	202.70	16.01%	32.01	19.00%
2008	236.90	16.87%	52.8	64.95%
2009	282.87	19.40%	70.47	33.47%
2010	351.14	24.13%	78.56	11.48%
2011	471.30	34.22%	110.41	40.54%
2012	579.80	23.02 %	137.66	24.68%
2013	686.48	18.40%	151.81	10.28%
2014	795.50	15.88%	177.31	16.80%
2015	927.36	16.58%	206.01	16.19%
2016	1100.20	18.64%	227.55	10.46%
Average Annual Growth Rate	-	25.76%	-	41.40%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table shows that Quantity of DEMAT Shares/Securities (No. of Dematerialized Securities) in NSDL and CDSL period ending 31st March 2001 to March 2016. No. of Dematerialized Securities in NSDL continuously increased from 37.21 billion to 1100.20 billion. The percentage of growth was high in 2005 at 53.73% and lowest at 15.88% in 2014. The average annual growth in NSDL during 2001 to 2016 is 25.76%. No. of Dematerialized Securities in CDSL also continuously increased from 1.89 billion to 227.55 billion. The percentage of growth was high in 2002 at 155.03% and lowest at 10.28% in 2013. The average annual growth in CDSL during 2001 to 2016 is 41.40%. The average annual growth rate of CDSL is higher than the NSDL.

Table 6: DEMAT Custody in NSDL & CDSL (Value of Dematerialized Securities) during March 2001 to 2016

Year (As On 31st March)	NSDL In Billions	NSDL Annual Growth Rate (%)	CDSL In Billions	CDSL Annual Growth Rate (%)
2001	3262	-	127.36	-
2002	4426	35.68%	243.37	91.09%
2003	5513	24.56%	361.64	48.60%
2004	9662	75.26%	1039.01	187.31%
2005	14477	49.83%	1209.59	16.42%
2006	24789	71.23%	2322.41	92.00%
2007	31426	26.77%	3150.39	35.65%
2008	43770	39.28%	6864.65	117.90%
2009	31066	(29.02)%	5201.48	(24.23)%
2010	56178	80.83%	8579.21	64.94%
2011	66079	17.62%	11645.81	35.74%
2012	71323	7.94%	10150.31	(12.84)%
2013	76790.27	7.67%	9869.24	(2.77)%
2014	89398.76	16.42%	10876.03	10.20%
2015	117483.15	31.41%	13942.64	28.20%
2016	117157	(0.28)%	13267.97	(4.84)%
Average Annual Growth Rate	-	30.25%	-	45.56%

Source: Monthly Updates and Annual Reports of NSDL and CDSL

Above Table shows that DEMAT Custody in NSDL and CDSL (Value of Dematerialized Securities) period ending 31st March 2001 to March 2016. Value of Dematerialized Securities in NSDL continuously increased from Rs.3262 billion to Rs.117157 billion except in the financial years 2009 and 2016. The percentage of growth was high in 2010 at 80.83% and lowest at (29.02%) in 2009. The average annual growth in NSDL during 2001 to 2016 is 30.25%. Value of Dematerialized Securities in CDSL also continuously increased from Rs.127.36 billion to Rs.13942.64 billion except in the years 2009, 2012, 2013 and 2016. The percentage of growth was high in 2004 at 187.31% and lowest at (24.23%) in 2009. The average annual growth in CDSL during 2001 to 2016 is 45.56%. The average annual growth rate of CDSL is higher than the NSDL.

FINDINGS

Key Differences Between NSDL and CDSL

The significant differences between NSDL and CDSL are discussed in the points given below:

- NSDL is the pioneer electronic depository of securities, established in India. On the other hand, CDSL is the second central depository of securities which facilitates book entry transfer of securities.
- The total number of depository participants in NSDL is 272 and in CDSL is 581.
- Account wise, the active investor accounts in NSDL are comparatively higher than in CDSL.

Basis for Comparison	NSDL	CDSL
Depository Participants	272	581
Active Investor Accounts (In Crores)	1.44	1.06
Demat Custody Value (In Crores)	1,09,06,227	11,98,327
Beneficiary Accounts Average Growth	9.87%	44.23%
Average Growth Over Available Companies For Demat	12.58%	9.89%
Depository Participants Average Growth	2.62%	9.39%
Average Growth In DP Service Centres	22.07%	79.85%
Average Growth In Quantity Of Demat Shares/Securities	25.76%	41.40%
Average Growth In Demat Custody	30.25%	45.56%

To classify a stock market either as a matured market or emerging market one of the important parameters is liquidity. Higher liquidity provides opportunity for easy entry and exit options to the investors. More number of shares traded per trade is yet another sign to indicate better liquidity. More and more institutional players appear to be participating in a bigger way in post- Demat period in the market indicating increased level of confidence in the Indian stock market. Ultimate test of any stock market is the returns to the investor. Generally, always though not possible, investors expect to earn abnormal returns on their investments.

Volatility and returns go hand-in-hand. Higher volatility sometimes brings higher positive returns. In the study period, volatility as a whole (index) slightly increased and concurrently the companies studied also had higher volatility. On the whole, dematerialization played a very positive role in further modernization of Indian capital market by providing higher liquidity, higher returns and lower volatility. Shares, scrip, stocks, bonds, debentures, stock or other marketable securities of any incorporated company or other body corporate. Units of mutual funds, right under collective investment schemes and venture capital funds, commercial paper, certificate of deposit, securities debt, money market instrument and unlisted form in a depository.

The rapid growth in number, volume of value of securities in the Indian capital market exposed the limitation of handling securities in the physical/paper mode. The present system of settlement based on physical delivery of paper certificates was probably adequate in the past when there was small number of investors participating in the transaction of the capital market.

CONCLUSION

This study concludes that, there is a sizable increase in terms of number of beneficiary accounts, number of companies available for Demat, number of depository participants, number of depository participants service centers, Quantity of Demat Shares/Securities (No. of Dematerialized Securities) and Demat Custody in NSDL & CDSL (Value of Dematerialized Securities). Positive annual average growth rate shows the growth of Indian Capital Market.

The Demat account opening is same as bank account, i.e. single or joint accounts or with nominee. Some amount has to be paid (i.e. 350/- per year+25) for the Demat account. For each transaction the DP's may charge nearly Rs.30 + brokerage/commission is common.

The growth rates of Demat account holder is increasing over years. The Indian system of capital market is a Two Tire System. Indian government allows holding securities in any form i.e. either in physical securities or in electronic (Demat) form. The transaction of securities is completely (i.e. 99.99) done through electronic format.

The investors rarely utilize the Rematerialisation Request Form. Investors are not aware of the services offered by depositories. Most of the speculators do not utilize Demat account in day-to-day online trading. They trade through broker pool account. Dematerialization process can be done through online trading by utilizing computers.

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