Chapter - VIII
SUMMARY AND SUGGESTIONS

Introduction

A Depository is an organization where the securities of shareholders are held in the electronic format the request of the shareholder through the medium of a depository participant. In September, 1995 the Government have accepted in principle the proposed law for settling up of depositories and of a central depository for immobilization of physical certificates. The central depository is to be set up as trust to hold the physical custody of shares and effect transfers by book entries without the need to deal and transfer the physical certificates between parties. This is to be sponsored by public financial institutions and banks and will have a minimum net worth of `50-100 crores as proposed by the SEBI. This central depository can be connected to a number of share depositories for effecting transfer in book entries. The Foreign financial institutions agencies, NRI’s and OCBs have for long required the depository of this type for facilitating their trade in the Indian stock markets. These foreign security firms who were linked by the SEBI are operating in India, but physical custody of the Indian securities has to be handled by Indian custodian such as a bank which taken converted into depository participants. The guidelines and regulations in aspect of the operations of depository participants will help smooth operations among participants and their operations with the central depository. A national securities depository corporation was set up in November, 1996.

The Central Depository system aims at immobilization of physical certificates. This is done by means of book entries with central depository who keeps custody of all physical certificates as a first step. As a next step, new issues will be made as book entries only and not as physical certificates. Book entries transfers will lead to quicker transfers and at lower costs. It meets the increasing
work load of investment activity and dealings to increasing volume of transfer work. In the Depository system, the Depository extends its services to investors through intermediaries called depository participants (DP) who as per SEBI regulations could be organizations involved in the business of providing financial services like banks, broker, custodians and financial institutions. Realizing the potential in this market all the custodians in India and a number of banks, financial institutions and major brokers have already joined as DPs and they are providing services in a number of cities. Many more organizations are in various stages of establishing connectivity with Depositories.

**Depository Participant**

Depository Participant (DP) is the agent of the depository and is the interface between the depository and the investor. According to SEBI guidelines, financial institutions, banks, custodians, stockbrokers etc can become Depository Participants. SCHIL is the first participant registered with NSDL. In order to avail the services of a depository, an investor has to open an account with a depository through a DP just like a person opening an account with the branch of a bank. A DP is responsible for maintaining the securities accounts of the investors and handling it in accordance with the investor’s instructions. Depository Participant is the key player in the system, which acts as an agent of the Depository and is in fact the customer interface of depository. It opens the accounts of the investors, facilitates dematerialization, settle trades and effects corporate actions.

**The segments in DP business include five main businesses**

The segments in depository participants business include five main businesses as given below.

- Account Opening
- Dematerialization
- Rematerialization
• Trading and Settlement

• Pledge and Hypothecation

**Review of Literature**

The researcher reviewed several research studies, books journal, manuals, records and reports and found none of the studies covered enough on the subject taken for the study.

**Need for the Study**

The review of literature shows that earlier studies covered the depository system and environment, 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, there is a need for the study on role and performance of depositories participants in India.

**The Objectives of the Study Are**

1. To analyze the current scenario of Indian stock market.

2. To study depository participants attitude on depository system.

3. To study and analyze the profile of depository participants and investors attitude on services of depository participants.

4. To evaluate the performance of depositories and depository participants.

5. To study the investor attitude towards depository participants.

6. To analyze investor investment decisions and selection of depository participants.
7. Finally to give meaningful suggestions to depository participants regarding their role and performance and services to investors.

**Research Hypotheses:**

The main hypotheses formulated for the study are as given below.

- **H**<sub>1</sub>: NSDL and CDSL’s contribution for investor awareness towards depository services are significant.
- **H**<sub>2</sub>: There is significance difference in the awareness of Stock market and regulatory system among the investors at the selected Depository participants.
- **H**<sub>3</sub>: There is significance difference in the dematerialization benefits offered to the investors by select depository participants.
- **H**<sub>4</sub>: There is significance difference among the depository participants on the efficiency of the capital market.
- **H**<sub>5</sub>: Depository Participants Performance has association with availability of DP services to rural areas.
- **H**<sub>6</sub>: There is significance difference in the market segment dealings of select depository participants.
- **H**<sub>7</sub>: There is significance difference in the investor’s services satisfaction of select depository participants.
- **H**<sub>8</sub>: There is significance difference in the return on investment (ROI) of CDSL and NSDL.
- **H**<sub>9</sub>: There is significant difference in the return on assets (ROA) of KSBL (Karvy), IIFL (India Info line ), PCS and NSBL (Networth).
- **H**<sub>10</sub>: The impact of most important factors for enhancing the investor’s loyalty, type of markets, factors influencing investment decisions, risk associated with various financial instruments, reasons for non investment in derivatives and lending and borrowing on the expected return on Investment is significant.
The other relevant sub-hypotheses are discussed in the following pages as and when are important.

**Research Methodology**

In order to achieve the objectives stated above data and information have been collected from both the primary and secondary sources. The primary data have been collected through two structured questionnaires to investors (Annexure-I) and intermediaries (Annexure-II). Apart from the questionnaires, discussions have been undertaken with the stock market specialists to elicit their opinion on various matters relating to depository system and investment decisions. Secondary data have been collected from reports, bulletins of RBI, bulletins of SEBI, books, journals, magazines, conference papers etc.

**Sampling**

Four listed depository participant companies are selected purposively for the study via. 1. *Karvy Securities Ltd.* 2. *India Infoline Finance Ltd.* 3. *PCS Securities Ltd.* 4. *Net Worth Securities Ltd.* Rayalaseema region is taken for the study. All the four districts via. Anantapuramu, Kurnool, Kadapa and Chittore districts are covered for the study. In order to understand the attitude of the investors towards depository system, depository participants and investment, a sample of 300 investors are taken for the study on the basis of simple random sampling method covering 160 investors in four urban areas, 100 investors in four semi urban areas and 40 investors in four rural areas in all the four districts of rayalaseema region. The places covered are Anantapuram, Dharmavaram,
Kalyandurgam, Kurnool, Nandyal, Arlagadha, Kadapa, Prodhuture, Mydhukure, Tirupathi, Chittoore, and Madanapalli.

A sample of 50 branches and franchises of the select four depository participants in urban, semi-urban and rural areas are taken for the study to understand the attitude of DPs on depository system.

The data and information collected through questionnaire and from all the available sources are properly analyzed and inferred to identify the problems in depository system to the investors and stock brokers by using the following statistical tools.

**Statistical Tools Used**

The data is analyzed based on the following statistical Tools

- ANOVA
- Chi-square Test
- Descriptive statistic
- Ratios Analysis
- Standard deviation, correlations, coefficient and variance
- Averages and percentages

**Limitations of the Study**

Any research by its inherent nature is bound to have some limitations and this study is not an exception to that rule. The major limitation of the study is that it is restricted to the Rayalaseema Region only and the size of the sample is also limited. However an effort is being made to minimize the impact of this limitation by selecting investors from different areas of all the districts of rayalaseema.
region. As this study is based on the responses of the investors and intermediaries there is a possibility of personal bias. Care has taken to bring down the impact by asking cross reference questions. Some of the investors could not relate themselves to the role of depository participants, depository services as they were new entrants to the market. The investment activity is the outcome of innumerable factors. Where as in this study only a limited number of factors are considered. With all these limitations all the efforts are made to evaluate the situation as accurately and objectively as possible.

**Depository Participants Attitude on Depository System**

Here an attempt is made to analyze and understand the attitude of depository participants towards depository system in Indian and capital market. To elicit the opinions of DPs a questionnaire has been designed and developed after referring various standard text books, magazines and journals. The questionnaires have been administered to the select DPS.

**Membership of DPs Area Wise**

Depository Participants have opened their branches in urban, semi-urban and rural areas. The DPs selected from all the three areas. These DP’s have membership in either National Securities Depositories Limited (NSDL) or Central Depository Services (India) Limited (CDSL). The study reveals that 52 % of depository participants who belong to urban area took membership in both the Depositories (NSDL &CDSL) .20 % semi-urban depository participants took membership in CDSL only where as 14 % semi-urban as well as 14% rural depository participants took membership in both the depositories . Therefore, it is observed that majority of the depository participants who belong to urban took membership in both the depositories of NSDL and CDSL 20 % semi-urban depository participants took membership in CDSL only and 14 % semi-urban
depository participants took membership in both the depositories. 34% of depository participants belong to semi-urban area only. 14% of depository participants belong to rural area took membership in both the depositories.

Hence, it is **suggested** that the depositories, SEBI, Ministry of Finance and other agencies which are connected to the capital market depositories have to follow liberal licensing norms to enhance the depository membership.

**DP’s Business**

The business of DPs depends on their duration of presence in a particular area. As such an enquire is made to enquire the number of years of business in a particular area. It is found that 34% of total depository participants have experience of 1-5 years and more over all these are from the urban area only. 34% of total depository participants have experience of 6-10 years out of them 32% are from the semi-urban area and remaining 2 percent from the urban area, 16% of total depository participants have experience of above 10 years out of them 14% of total depository participants are from rural area and remaining 2 percent of depository participants are from semi-urban area and 8 percent of total depository participants from urban have experience of less one year only.

It is **suggested** to depository participants to select their intermediaries/depository participants based on their experience in business. It helpful to the intermediaries / depository participants to render quality of services to the investors so that to enhance the Broker loyalty in future.

**Business Activity of DPs**

Depository Participants can take up several business activities in their area of operation. Here in this study it is enquired the major business activities such as broker or sub – broker ship. It is observed that all depository participants in urban are providing broker service. All semi-urban depository participants are providing both broker and sub broker service. Out of all semi-urban depository participants, 20% depository participants are providing broker service and 14% are providing
sub broker service. All rural depository participants are providing Sub broker service only.

It is suggested that the depositories, SEBI, RBI, Stock Exchanges, other intermediaries and other government agencies should take appropriate measures for enhancing the broker services in rural areas and sub broker services in urban areas as accessibility and all range of stock broking services is vital for growth of the capital market.

Market Segments Dealt by Depository Participants

It is observed that majority of the depository participants were from urban area followed by semi-urban and rural area. Moreover, majority (52% of total) of the depository participants who comes under urban are invested in equity segment only followed by semi-urban and rural area (40% of total) who invested in all capital market segments and 8% of total depository participants who comes under semi-rural area invested in commodities only.

Hence, it is suggested to depository participants, SEBI, mutual funds, investment advisor and other intermediaries of capital markets should take necessary measures for enhancing capital market dealings of depository participants by considering their residential status and other many factors like risk bearing capacity, education, experience in the business, income level, expected returns, capita requirements, etc. which promotes capital market growth in addition to the increase in profits and turnover of the depository participants.

Contribution of SEBI

The SEBI Act, 1992 establishes SEBI with statutory powers for, (a) protecting the interests of investors in securities, (b) promoting the development of the securities market, and (c) regulating the securities market. It can conduct enquiries, audits and inspection of all concerned and adjudicate offences under the Act. SEBI has full autonomy and authority to regulate and develop an orderly securities market.
$H_0$: The contribution of CCI and SEBI for the growth of the capital market is not significant

$H_1$: The contribution of CCI and SEBI for the growth of the capital market is significant

The F calculated value = 63.8 which is more than F- table value (7.08) for $\nu_1=1$ and $\nu_2 = 48$ at 0.01 level of significance . $H_0$ is rejected and $H_1$ is accepted. Therefore it is concluded that the contribution of CCI and SEBI for the growth of the capital market is significant. i.e. The CCI and SEBI took several measures that contributed for the growth of the capital market.

Therefore it is **suggested** to SEBI and CCI to continue their efforts in future also by initiating several new reforms and measures for the effectiveness and growth of the capital market.

**Minimization of Frauds by SEBI**

SEBI is regulatory body to control and minimize the frauds in the capital market activities. In this study an attempt is made to know how far SEBI is able to minimize the fraud in the market.

$H_0$: There is no significance difference among the depository participants with regard to minimization of frauds by the SEBI.

$H_1$: There is significance difference among the depository participants with regard to minimization of frauds by the SEBI.

It is found that F calculated value = 135.42 which is more than F- table value (4.98) for $\nu_1=2$ and $\nu_2 = 47$ at 0.01 level of significance . $H_0$ is rejected and $H_1$ is accepted. Therefore it is concluded that there is no unanimity among the depository participants with regard to minimization of frauds by SEBI.

It is **suggested** to the SEBI that it should take steps to minimize frauds of Capital market intermediaries by stringent regulatory and supervisory norms in addition to the effective auditing of their accounts so that it will boost the confidence of investors and promotes the growth of the capital market.

**Effectiveness of Regulators**
The responsibility for regulating the securities market is shared by Department of Economic Affairs (DEA), Department of Company Affairs (DCA), Reserve Bank of India (RBI) and SEBI. The effectiveness of regulators is studied here.

\( H_0: \) There is no significance difference among the select depository participants with regard to effectiveness of Regulator.

\( H_1: \) There is significance difference among the select depository participants with regard to effectiveness of Regulator.

It is found that F calculated value = 55.27 which is more than F- table value (4.98) for \( v_1= 2 \) and \( v_2 = 47 \) at 0.01 level of significance .Ho is rejected and H1 is accepted. Therefore it is concluded that there is no unanimity among intermediaries of the depository participants with regard to effectiveness of Regulator.

It is suggested to the regulators of the capital market that they should take all possible measures to regulate the securities market by effectively imposing the rules and regulations strictly and equally to all the market agencies. So that it can effectively carrying out all their functions.

**Knowledge of Depository Act**

The relationship between the DPs and the depositories is governed by an agreement made between the two under the Depositories Act. The form of the agreement is specified in the Bye-Laws of the depository. Under the Depositories Act, 1996, a DP is described as an agent of the depository

\( H_0: \) There is no significance difference in the knowledge of DP’s Act 1996 among the investors of depository participants.

\( H_1: \) There is significance difference in the knowledge of DP’s Act 1996 among the investors of depository participants.

F-cal (303.7) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom \( v_1= 3 \) and \( v_2 = 296 \). Hence null hypothesis (Ho) is rejected and H1 is accepted .It is concluded that there is no unanimity about the knowledge of DP’s Act 1996 among the investors of select depository participants.

It is suggested to depository participants to undertake advertisements programmes for creating investors awareness about the DP’s Act 1996 so that
investors can protect their rights against the exploitation of stock brokers or Depository participants and for understanding the benefits depository system.

**DPs Opinion on Attributes of Market**

Depository participants play vital role in capital market. DP’s should have positive opinion towards capital market. The DPs opinion on attributes of capital market such as transparency, depth and liquidity of the market transparency, penetration in to remote markets and breadth, accountability of the parties involved and controllability are studied.

- **H1**: There is significant difference in the investor’s opinion of different areas with regard to the transparency of capital market.
- **H2**: There is significant difference in the depository participant’s opinion of different areas with regard to depth and liquidity of capital market.
- **H3**: There is significant difference in the depository participant’s opinion of different areas with regard to penetration into markets and breadth.
- **H4**: There is significant difference in the depository participant’s of different areas with regard to accountabilities of parties involved in the market.
- **H5**: There is significant difference in the depository participant's opinion of different areas with regard to controllability of capital market.

All the five alternative hypotheses are accepted. It shows that all the statements enquired from the investors have significant difference in the opinion of urban, semi-urban and rural investors .Therefore there is no uniform opinion in the depository participants of urban, semi-urban and rural areas towards transparency, depth and liquidity, penetration into remote markets and breadth, accountabilities of parties involved and controllability in the market.

It is suggested that depositories, SEBI, RBI, Stock Exchanges and other government agencies which are connected to the capital market should take appropriate measures to provide uniform transparency, enhancing the depth and liquidity, penetration into markets and breadth, accountabilities of parties involved and controllability in the market of different areas .So that investors will
have confidence in the market that leads to capital market growth and development.

**Accessibility of DP Services to Common Investors**

The services provided by DPs should be accessible to all the investors including rural investors. It is observed that all the depository participants of both urban and semi-urban opinioned that depository participants (DP) services are accessible to the common investors and all rural depository participants opinioned that DP services are not accessible to the common investors.

Hence it is **suggested** to the SEBI, Depositories, RBI, Stock exchanges, other intermediaries and other government agencies which are connected with capital market should take sufficient measures so that all rural investors are accessible to DP services as rural population has high potential for investment. The accessibility of depository participant’s services to common investors in rural people is vital for growth and development of the capital market.

**Organization of Investor Awareness Programmes by DPs**

A large majority (92 percent) of Karvy intermediaries informed that awareness camps were organized by the depository participants to created awareness among the investors. All the intermediaries informed that IIFL, PCS and Networth did not organize any investor awareness camps for creating investor awareness.

It is **suggested** to the depository participants should organize investor awareness camps to educate the investors about the stock market securities and their benefits as most of the investors are not aware of capital market securities.

**INVESTORS ATTITUDE ON DP SERVICES**

Depository participants provide several services to the investors. These services should be competitive in market. The attitude of investors are studied in order to know whether they are satisfied with the services or not so as to suggest the DPs in this regard.

**Demat Account Charges**
The charges for opening demat account definitely influence the membership of the depository participants. If they provide demat account for free then membership also increases as large number of small investors are attracted. If depository participant’s charges for opening demat account then their membership may decrease.

It is observed that 18.7% of total investors or 56 urban investors are availed only for opening demat account with the select depository participants when they provide demat account for free, semi-urban and rural investors are not availed the facility of opening demat account for free due to lack of awareness and also investors may not demand quality of services from the depository participants. Whenever depository participants are charging less than 500 rupees/nominal amount for opening demat account large number of investors availed as investors can demand quality of services from the concerned depository participants.

It is suggested to depository participants to charge nominally for the opening the demat account from the investors so that it will enhance the investor base and promotes the growth of the capital market.

**Reasonability of Service Charges**

Depository Participants are collecting Services Charges for maintaining demat account and other services. Reasonable charges collecting from investor covering from urban, semi-urban and rural areas. It is found that 48.7% of total investors or 146 urban investors are opinioned that depository participants are charging reasonably for maintaining the demat account where as 51.3% of total investors or 154 investors which includes 14 urban, 100 semi-urban and 40 rural investors have opinioned that service charges for maintaining demat account are not reasonable.

Therefore, it is suggested to the depository participants to collect reasonable service charges for maintaining the demat account so that to motivate
large number of investors from semi-urban and rural areas and retaining the existing investors for maximizing their investment turnover and profits.

**Mode of Trading**

Mode of Trading of investors plays vital role in enhancing the returns to the investors and minimizing the costs of trading as well. More over brokerage depends upon the mode of trading (online trading, Trading through broker and both). The brokerage for online trading is less than the brokerage for trading through the broker and more over broker’s misuse of funds of investors and frauds will be minimized through the online trading. There are 25 % of total investors or 75 urban investors who are trading through online and no semi-urban and rural investors are trading through online exclusively. 28.3 % of total investors or 85 urban investors are trading through brokers, 30 % of total investors or 90 semi-urban investors are trading through the broker and no rural investors are trading through the broker exclusively. In case of trading by both (online as well as broker) ,3.3% of total investors or 10 semi-urban investors and 13.3 % of total investors or 40 rural investors. Therefore, it is suggested to the depository participants to enhance the online mode of trading in all the areas of investors. Urban investors are trading by online only . Semi-urban and rural areas of investors also encouraged to online trading as the facility of internet and telecommunication reached to all areas.

**Basis of Investment Decision**

Most of the investors use fundamental analysis exclusively or technical analysis exclusively or both the fundamental and technical analysis for taking investment decisions. Majority of the investor are using the fundamental analysis for taking long term investment decisions and technical analysis is used for short term investment decisions. For taking wise investment decisions investors are using both fundamental and technical analysis.
$H_0$: There is no significance difference among the investors of select depository Participants with regard to basis for investment decisions.

$H_1$: There is significance difference among the investors of select depository Participants with regard to basis for investment decisions.

F-cal (659.66) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom $\nu_1 = 3$ and $\nu_2 = 296$. The null hypothesis ($H_0$) is rejected and hence, $H_1$ is accepted. It is concluded that There is significance difference among the investors of select depository participants with regard to basis for investment decisions. (or) Therefore it is found that every investor might be using either fundamental analysis or technical analysis or both for investment decisions at select depository participants significantly.

It is suggested that Investors should use both fundamental and technical analysis for rational investment decisions.

**Brokerage for Intraday Trading**

Brokerage for intraday is important factor which decides the investment turnover of the capital market and depository participants as most of the investors are intraday traders. More than 98 percent of total investors opinioned that depository participants are charging brokerage of 0.03 % for intraday trades irrespective of their area whereas 1.3 percent of total investors opinioned that depository participants charging other than 0.03 %. It is found that majority of the investors (98.7 %) opinioned that depository participants are charging brokerage of 0.03 % for intraday trades irrespective of area. It is also observed that 53.3 % of total investors (160 urban investors), 33.3 % of total investors (100 semi-urban investors) and 12 % of investors (36 rural investors) opinioned that depository participants are charging brokerage for intraday trading to the extent of 0.03%.

Therefore, it is suggested to the depository participants should levy brokerage uniformly and nominally for intraday trades depending upon the type of investor, investment amount and residential area so that it enhances the investment turnover of the depository participants and capital market.
Brokerage for Delivery Day

Brokerage for delivery day is an important factor which decides the investment turnover of the capital market in general and investment turnover of depository participants in particular. 98.3 percent of total investors opinioned that depository participants are charging brokerage of 0.3% for delivery day trades in cash market irrespective of their area whereas 1.7 percent of total investors opinioned that depository participants charging other than 0.3%. It is found that majority of the investors (98.3%) opinioned that depository participants are charging brokerage of 0.3% for delivery day trades in cash market irrespective area.

Therefore, it is suggested to the depository participants that they should levy brokerage for delivery day trades depending upon the type of investor, investment amount and residential area, etc., so that it enhances the investment turnover of the depositories and capital market.

Major Business Activities of DPs

The depository participants mainly deals in five segments of business respectively, demat account opening, dematerialization, rematerialization, trading and settlement and pledge and hypothecation.

\[ H_0: \text{There is no significance difference in the major business activity of select depository participants of respect to intermediaries} \]

\[ H_1: \text{There is significance difference in the major business activity of select depository participants opinioned by the intermediaries.} \]

The F calculated value = 49.067 which is more than F-table value (4.13) for \( \nu_1 = 3 \) and \( \nu_2 = 46 \) at 0.01 level of significance. \( H_0 \) is rejected. Hence, \( H_1 \) is accepted. Therefore it is concluded that there is significance difference in the major business activity of select depository participants opinioned by the intermediaries.

It is suggested that the depository participants have to perform all business activities for the intermediaries and investors so that depository participants
promote for the efficiency and growth of capital market by provided all the services.

**Investors Satisfaction on DP Services**

Depository Participants are providing various services for investment community. If investors are not satisfying with the depository participants services rendered then investors will be shifted to real estate, banking, insurance and post office saving schemes. It is found that 44.3 of the total investors are satisfied by the services rendered by the select depository participants in urban area only. All the semi-urban and rural investors are not satisfied with the services rendered by the select depository participants. Majority of the investors (55.7 % of total investors which include nine percent of urban investors) are not satisfied with services rendered by the select depository participants.

It is suggested to the depository participants to improve their quality of services rendered to their investors so that investors will be satisfied that enhance the investor base and loyalty in future. Providing quality of services consistently is the key for improving the satisfaction of investors and enhancing the performance of depository participants.

**Satisfaction on Equity Research Tips**

Rational investment decisions depend on information obtained from quality of research reports. Most of the investment houses carryout research so that to provide research tips or information to their investors for taking rational investment decisions that enhances the returns and minimizes the risk involved in the investment decisions. It is a challenging task for the investment houses to provide quality research tips to their investor’s. More over investors satisfaction largely depends on research tips / information related to investment decisions. The urban investors who constitute 42 % of the total investors are satisfied with the research tips provided by the select depository participants. Majority of the
investors (58 % of total investors) are not satisfied with the research tips provided by the select depository participants. Moreover, 11.3 percent of urban investors, 33.3 % of semi-urban and 13.3 % of rural investors are not satisfied with the research tips provided by the select depository participants.

It is suggested to the depository participants to improve the quality of research tips so that it provides quality of investment information to their investors for taking wise investment decisions that optimize the returns and risk to the investors and also satisfies the investor community.

Security and Safety of Demat Account

The dematerialization of securities (Demat securities) facilitates security and safe custody of securities by the dematerialization of securities in addition to the many other benefits like quick transfer of ownership, reduction in paper work, reduction in bad delivery etc. It is observed that majority majority of the investors (38 % of total investors) agreed with the facility of security and safe custody of securities to the investors from the dematerialization. Majority of the semi urban investors who constitute 18 % of the total investors and all rural investors who constitute 13.3% of total investors were disagree with the facility of security and safe custody of securities to the investors from the dematerialization.

In this regard, it is suggested to the SEBI, Registrar and transfer agent, Depositories and depository participants to ensure that there should be full security and safe custody of securities from the depository system. They should organize appropriate awareness programs in semi-urban and rural areas for creating awareness about the benefits of the dematerialization how it provides security and safe custody to investor securities.

Reducing Bad Delivery

A share certificate together with its transfer deed which meets all the requirements of title transfer from the transferor (seller) to the transferee (buyer) is called good delivery in the market. Reducing bad delivery it makes benefits for both investors and Depository Participants. All the urban investors who constitute 53.3 % of total investors agreed that dematerialization of securities facilitates
reduction in bad delivery, 60.7 % of the investors (53.3 % of investors from urban and 7.3 % of total investors from semi-urban) agree with the dematerialization that facilitates reduction in bad delivery. 75 semi-urban investors who constitute 25 % of total investors were neutral with regard to reduction in bad delivery by the dematerialization, and 14.3 % of total investors (3 semi-urban investors who constitute 1 % of total investors and 40 rural investors who constitute 13.3% of total investors) were disagree with the facility of reduction in bad delivery in case of dematerialization of securities.

It is suggested to the SEBI, Registrar and transfer agent, Depositories and depository participants to ensure that there should be no bad delivery of securities by the dematerialization as reduction in bad delivery enhances the investor’s satisfaction and confidence in the depository system that promotes the efficiency and growth of the capital market.

**Satisfaction on Add on Services**

Add-on services means non-monitory services provided by the depository participants in addition to the main services offered to the investors. Add-on services satisfaction among the investors plays vital role in enhancing the investor’s base and turnover of the depository participants and capital market. A majority of the urban investors (54 % of respondents) are satisfied with the add-on services provided by the depository participants. 46 percent of respondents (58 urban investors who constitute 30.7% of the respondents and 29 semi-urban investors constitute 15.3 % of the respondents) are not satisfied with the add-on services provided by the select depository participants. Many investors from the rural and semi-urban area are not responded to give their opinion towards the add-on services satisfaction.

It is suggested to the depository participants that they should ensure that dealers provide satisfaction among the investors with regard to add on services by adding more and useful services.

**Performance of Depositories and Depository Participants**
National Securities Depository Limited (NSDL)

It is an organization promoted by IOBI, UTI and National Stock Exchange of India Ltd. The aim is to provide facilities for holding and handling securities in electronic form. Subsequently, SBI acquired a 4.76 per cent in NSDL. HDFC bank, Deusche bank, Dena Bank, Canara Bank, Global Trust Bank, Standard Chartered bank, Citibank NA and HSBC have acquired stake in NSDL. It commenced its operations in November 1996. Its’ headquarter is situated at Mumbai.

Central Depository Services (India) Limited (CDSL)

Bombay Stock Exchange Limited (BSE) promoted CDSL 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 and Centurion Bank CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants.

Depository Participants are rendering wide range of services to investing community. It is necessary to understand the service charges charged by select depository participants as it has impact on the performance of the firms. It is observed that Network Stock Broking Ltd and Karvey Stock Broking Co Ltd are charging less for various services offered to the investors when compared with other depository participants. The service charges charged by select depository participants for the services of security custody, equity transaction sale and transaction statement are competitive. Among select the depository participants, only PCS securities is charging to the extent of 170 rupees others are providing the accounting opening service for free of cost. IIFL is charging to the extent of 750 rupees for account maintenance service where as the remaining DP’s are charging 450 rupees only. The average current ratios of IIFL, PCS, NSBL and KSBCL were 1.44, 2.24, 6.29 and 1.57 respectively. IIFL and KSBCL liquidity position is not satisfactory and PCS and NSBL maintained satisfactory liquidity position. When Anova / F-test is conducted to know whether there is significance difference in liquidity position of selected depository participants or not? It is
concluded that the liquidity position of IIFL, PCS, NSBL and KSBCL or Current ratio position of IIFL, PCS, NSBL and KSBCL does not differ significantly. All the depository participants have to maintain standard norm level of liquidity so that they remain competitive and can discharge their short term obligations effectively.

The return on total assets (ROA) / return on investment (ROI), measures the overall effectiveness of the management in generating profits with its available assets. The return on assets (ROA) ratio of IIFL and PCS were in fluctuating trend and the ROA ratio of NSBL and KSBCLs were in declining trend during the study from 2009-12. The average return on Assets (ROA) of IIFL, PCS, NSBL and KSBCL during the study were 1.44 %, 3.69, 8.2 % and 3.9 % respectively. All the depository participants have not earned satisfactory return on assets (ROA) / ROI. To test whether there is significance difference in the return on assets (ROA) of IIFL, PCS, NSBL and KSBCL or not. When F-test / Anova is conducted. From the result, it is concluded that there is no significant difference in the return on assets (ROA) of IIFL, PCS, NSBL and KSBCL or not. It is suggested that all the depository participants have to optimize the utilization of assets and operating efficiency to achieve the satisfactory return on Assets (ROA) which satisfies the shareholders of the company or enhances the market value of the company. From this it is clear that Net worth Stock Broking Company Ltd has performed well when compared with other depository participants.

**Operating Income to Total Income Ratio**

This ratio shows the Operating Income to Total Income Ratio of selected depositories during the study period. This ratio helps to assess the operational efficiency of the unit compare to total income of the depositories. The higher the ratio the better will be the profitability and affects positively to operational efficiency of the organization.

Operating Income to Total Income ratio of CDSL and NSDL during the period under review. This ratio shows the operational efficiency of the depositories. It reveals from the above table that CDSL ratio represents increasing
trend except financial year 2008-09 during the study period. It has reached at its highest level in the financial year 2008-9. The average ratio was 79.49%. The NSDL registered fluctuating trend during the study period however the Operating Income to Total Income ratio was greater than 90% during the period under review. Comparing the CV of CDSL and NSDL, the CDSL has registered with higher CV than NSDL which shows high fluctuations in the ratio whereas NSDL has low ratio which affects positively to its stability. It is found that NSDL is performing well when compared with CDSL as mean ratio of OI to TI is high and also CV is low. It is suggested to CDSL to reduce its business risk and enhance its operating efficiency so that it can achieve maximum Operating Income to Total Income ratio.

**Other Income to Total Income Ratio**

This ratio shows the Other Income to Total Income Ratio of selected depositories during the study period. This ratio helps to assess depositories’ way of working. The higher the ratio the better will be the profitability but it can be said that the depository is unable to work operationally well. The Other Income here includes Misc. Income, Interest or Dividend Income, profit on sale of assets, etc.

Other Income to Total Income ratio of CDSL and NSDL during the period under review. This ratio shows income earned by depositories other than Operational one. Other Income includes Misc. Income, Interest or Dividend Income, profit on sale of assets, etc. It revels from the above table that CDSL ratio represents decreasing trend except financial year 2008-09 during the study period. It has reached at its highest level in the financial year 2008-09. The average ratio was 22.17%. The NSDL registered fluctuating trend during the study period however the Other Income to Total Income ratio was lower than 9% during the period under review which affects positively to company’s operational efficiency. Comparing the CV of CDSL and NSDL, the CDSL has registered with higher CV than NSDL which shows high fluctuations in the ratio whereas NSDL has low
ratio which shows stability in company’s earning. It is observed that CDSL is not performing its operations well even though it has high mean of OI /TI when compared with NSDL and more over NSDL has lesser business risk than CDSL. Therefore, it is suggested that to the CDSL to concentrate on earning consistent income by performing operations well and that should lead to decrease in business risk.

**Total Expenses to Total Income Ratio**

This ratio shows the Total Expenses to Total Income Ratio of selected depositories during the study period. This ratio helps to assess depositories’ Profitability from the view point of expenses. Higher ratio affects negatively to the profitability of depositories’ income earning capacity. Total expenses include administration, and other expenses of the organization.

Total Expenses to Total Income ratio of CDSL and NSDL during the period under review. This ratio shows expenses accrued by depositories during study period. Total expenses include administration, and other expenses of the organization. It reveals from the above table that CDSL ratio represents decreasing trend during 2008-12. CDSL was controlling its total expenses effectively. Its ratio reached to highest level of 38.11 in the financial year 2008-9.

The NSDL registered fluctuating from 2007 to 2011 and then increased marginally in 2011-12. The lower Total expenses to Total Income ratio affects positively to company’s operational efficiency and profitability. Comparing the CV of CDSL and NSDL, the CDSL has registered with lower CV than NSDL which shows that NSDL has less stability in term of Total Expenses to Total Income ratio during the study period. Therefore, it is found that CDSL is controlling its total expenses to total income consistently and its trend is in decreasing from 2008-12. The NSDL has high level of Total expenses to Total income as its mean ratio is 70.14 and CV of 9.23. In this regard, it is suggested to the NSDL to control its total expenses effectively so that it can improve its consistency in total expenses to total income.
**Investor Attitude towards Depository Participants**

The market activity depends on the investors. In any well developed or developing market the role played by the retail investor is very crucial for the growth and development of the same. Unless there is an active participation and support from them, the market will not be able to perform the function of price discovery. And hence it becomes imperative to understand the attitude & investment behavior of the investors, their preferences and expectations.

**Gender Wise Investors**

Gender of the investors is relevant for analysis as it determines the investing and risk taking behavior of the investors. At times marked and clear differences in preference of investments between the genders are identified. It also enables us to understand the socio economic culture of the groups on the basis of gender.

Female investors constitute 15.3 % of total investors. Net worth had 15.3 percent of male and female investors equally. IIFL had only male investors of about 27 %, PCS had 21.7 % male investors and Karvy had 20.7 % of male investors. From the above analysis it is found that all female investors belong to Net worth, Net worth had highest investors base followed by IIFL, PCS and Karvy.

Therefore it is suggested to the IIFL, PCS and Karvy to concentrate on female investor’s base in addition to existing male. Depository participants have to motivate male and female investors by providing specialized and personalized services. Depository Participants have to advice the female and male investors separately by considering their investment goals, savings, risk taking ability, return, safety, liquidity and age with regard to investment decisions.

**Investor Awareness of Regulatory / Stock Exchange**
Investor awareness is vital for an investment activity in the capital market of an economy. Moreover, gender wise investor awareness is helpful to the policy makers. Generally male persons manage the family in India. They are actively taking investment decisions. 46 female investors who constitute 15.3% of total investors and 245 male investors who constitute 81.7% of total investors were aware of regulatory and stock exchanges in Indian capital market. All female investors in sample survey had awareness about the regulatory and stock exchanges. Very few male investors of about three percent of total investors had no awareness of regulatory and stock exchanges in Indian capital market. Investors of 291 who constitute 97% of the total investors had awareness towards regulatory and stock exchanges in the country. Therefore, it is observed that all the investors except three percent of total investors had awareness towards regulatory and stock exchanges in the Indian capital market.

In this regard, it is suggested that all capital market intermediaries and regulators of financial markets should take more measures for enhancing the awareness among male investors and female investors towards the regulatory and stock exchanges.

**Education Qualification**

The educational background makes the decisions of the individuals are to be more rational. This will give them the required background to understand the impact of various policy initiatives of the government for the development of the market. That educational qualifications wise awareness of investors towards regulatory / stock exchange. 185 Investors of about 61.7% of total investors who did graduation have awareness towards regulatory / stock exchange, 42 investors who did SSC/Inter constitute 14% of total investors have awareness, 39 investors who did PG constitute 13% of total investors have awareness, 11 investors who were Professional constitute 3.7 percent of total investors have awareness and 14 investor who were below SSC constitute 4.7 percent of total investors have awareness towards regulatory / stock exchange. Very few investors who
professionals constituted 3 percent of total investors have no awareness towards regulatory /stock exchange.

**Investor Awareness of Regulatory/Stock Exchange by Occupation:**

The investor in the market does not belong to a particular occupation. The different sections of investors have diversified expectations about the market. The occupation of the investor has direct relationship on the investing attitude. Occupation wise awareness of investors towards the regulatory / stock exchange. 82 investors who constitute 27.3 % of total investors belong to govt.service, 65 investors who constitute 21.7 % of total investors belong to business, 46 investors who constitute 15.3 % of total investors belong to agriculture, 42 investors who constitute 14 % of total investors belong to private service, 36 investors who constitute 12 % of total investors belong to retired employees and 20 investors who constitute 6.7 % of total investors belong to professionals occupation were aware of regulatory /stock exchange. Very few investors of retired employees about 9 (3 % of total investors) had no awareness towards the regulatory /stock exchange.

**Investment Decision of Investors**

Expected rate of return and risk are crucial point for any investment decisions. For achieving the desired rate of return from the investment, investors require high quality of investment information which is obtained from the right of sources of investment decisions. A majority of the investors (141 investors who constitute 47 % of total investors) opinioned that their source of investment decisions is other sources, 110 investors who constitute 36.7 % of total investors opinioned that their source of investment decisions is newspaper, 30 investors who constitute 10 % of total investors opinioned that their source of investment decisions is consultants and 19 investors who constitute 6.3 % of total investors opinioned that their source of investment decisions is friends. 62 investors who constitute 20.7 % of total investors and 30 investors who constitute 10 % of total
investors of Networth informed that their sources of investment decisions are newspaper and consultants respectively.

**Purpose of Investment**

Investors look for growth / increase in current wealth through investment opportunities. Given an investment environment, an investor’s preference will be for investment opportunities that give the highest return. Investors desire to earn as large returns as possible but with the minimum of risk. The purpose of investment varies from investor to investor as they have different disposable income, risk taking ability, period of investment, knowledge about the financial instruments, tax liability, etc. The purpose of investors may be regular returns, better and higher returns, speculative profits, tax benefits and risk management.

There are 72 urban investors who constitute 24% of total investors opinioned that their investment purpose is to earn regular returns from the investment and 88 urban investors who constitute 29.3% of total investors desired to earn better and higher returns from their investment. 75 semi-urban investors who constitute 25% of total investors desired to earn better and higher returns where as 25 semi-urban investors that constitute 8.3 percent of total investors desired to earn speculative profits. 23 rural investors who constitute 7.7 percent of total investors opinioned that their investment purpose is to earn speculative profits, 10 rural investors who constitute 3.3 percent of total investors desired to achieve risk management and 7 rural investors that constitute 2.3 % of total investors desired to get tax benefits from their investment.

**Terms of Investment:**

Investors may invest their surplus funds for long term or short term which depends on many factors their willingness to risk, expected return, knowledge on stock market securities, company specific risk, market risk, influence of government policies, etc. If investors invest for short term they get
more returns than the long term investment as there is more risk in short term than the long term.

\( H_0 \): The horizon of investment has no influence on expected return on investment of Investors

\( H_1 \): The horizon of investment has influence on expected return on investment of Investors

The calculated value of chi-square (123.909) is greater than Table value (11.34) for 3 degrees of freedom at 1 percent level of significance. The null hypothesis (H\(_0\)) is rejected and hence, H\(_1\) is accepted. Therefore it is concluded that the horizon of investment has influence on expected return on investment of investors of select Depository Participants.

It is suggested to depository participants to educate investors in the areas of horizon of investment and its impact on their expected return on investment, risk factors in the short term and long term investment, investment information availability, forecasting ability, etc. so that they investors can earn desired expected returns from their investment.

**Market Preference for Investment**

Investment activity of investors depends upon the types of markets or preference of markets. Most of the investors are preferred to invest in both primary and secondary market for optimizing their returns and minimizing their risk.

\( H_0 \): There is no significance difference in the preference of market for investment among the investors of select Depository Participants.

\( H_1 \): There is significance difference in the preference of market for investment among the investors of select Depository Participants.

The F-cal (300.78) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom \( \nu_1 = 3 \) and \( \nu_2 = 296 \). Hence null hypothesis (H\(_0\)) is rejected and H\(_1\) is accepted. It is concluded that There is significance difference among the
investors of select depository participants with regard to Preference of market for investment (Primary and Secondary market).

It is suggested to the depository participants to advice investors with full investment information details regarding the primary and secondary market investment instruments for taking effective investment decisions. Moreover, Investors should select the depository participants based on their Research and development and investment advisory services which optimize returns by minimizing risks with regard to investment in different markets.

**Investment in Shares**

The amount of investment of investors influences their returns. When amount of investment of investors increases the turn over and profitability of depository participants also increases. Thus, it promotes the growth of the capital market.

The investors whose amount of investment is less or equal to Rs.50, 000 were selected Net worth and IIFL respectively as their depository participant. The investors whose amount of investment is less than Rs.2Lakhs but above Rs 50 000 were preferred or selected PCS, Karvy and IIFL respectively for their depository services. The investors whose amount of investment is above 2lakshs were selected only Karvy Stock broking for their depository services. From the analysis it is found that low investment investors were selected Net worth and IIFL as their depository participant only. Moderate investment investors were selected PCS, Karvy and IIFL respectively for their depository services. High investment investors were selected only Karvy for their depository services.

Therefore it is suggested that all the depository participants should revise their promotional and investment strategies to attract all types of investors with regard to amount of investment as brokerage, turnover and profitability of depository participants depends on amount of investment.

**Investors Expected Return on Investment:**

Every investor expects certain rate of return from investments made in investment instruments which is called expected rate of return. Every investor
investment purpose is to earn desired rate of return from the investment. Expected rate of return and risk are focal point for any investment decisions.

\(H_0: \) There is no significance difference in the expected return on investment among the investors of select Depository Participants.

\(H_1: \) There is significance difference in the expected return on investment among the investors of select Depository Participants.

The F-cal (110.84) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom \(\nu_1 = 3\) and \(\nu_2 = 296\). Hence \(H_0\) is rejected and \(H_1\) is accepted. It is concluded that there is significant difference in the expected return on investment among the investors at the selected depository participants. Therefore it is found that every investor expected return on investment differs from the others significantly at the selected depository participants.

It is suggested to the depository participants to consider the each investor expected return on investment while providing investment advisory services. Moreover, Investors should select the depository participants based on their investment advisory services which yield desired expected return of the investors.

**Investor Satisfaction:**

Whenever dealers ride their investors, they should ensure that their investors should be satisfied. When investors are not satisfied with results of ride by the dealers they may approach the SEBI which will decide the fate the dealers.

\(H_0: \) There is no significance difference in the add on services provided by dealer of the concerned depository participants.

\(H_1: \) There is significance difference in the add on services provided by dealer of the concerned depository participants.

F-cal (259.68) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom \(\nu_1 = 3\) and \(\nu_2 = 296\). Hence null hypothesis \((H_0)\) is rejected and \(H_1\) is accepted. It is concluded there is significance difference in the investor’s opinion towards ride by dealer of the concerned depository participants. It is suggested to depository participants should ensure that dealers should not ride the investors.
**Investor Investment Decisions**

The education of the investors plays an important role in decision making where the difference in the opinions of the investors is found significant in most of the cases, followed by other factors such as residential area, educational qualification, occupation, savings per year, investment in shares, usual mode of trading.

**Investor Residential Area - DPs Wise**

Residential area of the investors is important for the depository participants in knowing their financial position, saving and investment patterns. Accessibility of depository participants’ services to all areas of the investors is necessary to improve the financial inclusion and capital market growth. With regard to investors profile in relation to area, the urban investors are associated with Net worth and IIFL only, semi urban investors are associated with IIFL and PCS where as all the rural investors are associated with Karvy Stock broking only. Moreover, all the Investor’s of Net worth were from urban area only. In case of IIFL, 22.7 % total investor’s and 4.3 percent of total investors were from urban and semi-urban area respectively. All the investors of PCS were from semi -urban area only. In case of Karvy, 13.3 percent of total investors and 7.3 percent of total investors were from rural and semi urban area respectively.

**Risk Associated with Investment in Shares:**

Risk is inherent in all investment activities. Risk of the security is classified into unique risk / company specific risk and market risk. Risk of any security depends on many factors such as micro and macro economic factors, leadership of the company management, cost of capital, sales, profits, dividend policy, etc.

\[ H_0 : \text{There is no significance difference among the investors of select depository Participants with regard to risk associated with investment in shares.} \]

\[ H_1 : \text{There is significance difference among the investors of select depository Participants with regard to risk associated with investment in shares.} \]
The F-cal (647.94) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom $\nu_1= 3$ and $\nu_2 = 296$. The null hypothesis ($H_0$) is rejected and hence, $H_1$ is accepted. Therefore it is found that every investor risk associated with investment in shares differs from the others significantly at their selected depository participants. It is suggested to the depository participants to advice investors in mitigating the risks associated with investment of shares for taking effective investment decisions. Moreover, Investors should select the depository participants based on their investment advisory services which facilitates minimize the risk and maximizes the returns.

**Risk Associated with Investment in Bonds and Debentures:**

Generally equity shares are considered more risky than the bonds and debentures. Bonds and Debentures have risks such as interest rate, default risk, marketability. Investors that prefer consistent income and willing to take less risk than equities are opting for investment in bonds and debentures.

$H_0 : $ **There is no significance difference among the investors of select depository participants with regard to risk associated with investment in Bonds and Debentures.**

$H_1 : $ **There is significance difference among the investors of select depository participants with regard to Risk associated with investment in Bonds and Debentures.**

F-cal (217.82) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom $\nu_1= 3$ and $\nu_2 = 296$. The null hypothesis ($H_0$) is rejected and hence, $H1$ is accepted which means that there is significance difference among the investors of select depository participants with regard to risk associated with investment in Bonds and Debentures.

Therefore it is found that every investor risk associated with investment in Bonds and Debentures differs from the others significantly at their select depository participants. It is **suggested** to the depository participants to advice investors regarding the risk associated with investment in Bonds and Debentures for taking effective investment decisions. Moreover, Investors should select the
depository participants based on their investment advisory services which minimize the risk associated with investment in Bonds and Debentures.

**Risk Associated with Investment in Mutual Funds**

Mutual funds are considered as portfolios. Portfolios provide higher returns for a given level of risk. The risk, return, liquidity and investment horizon are important factors for investment decisions. The investors of select depository participants with regard to risk associated with investment in Mutual Funds. Therefore it is found that every investor risk associated with investment in Mutual Funds differs from the others significantly at their select depository participants.

\[ H_0 : \text{There is no significance difference among the investors of select depository participants with regard to Risk associated with Investment in Mutual funds.} \]

\[ H_1 : \text{There is significance difference among the investors of select depository participants with regard to Risk associated with Investment in Mutual funds.} \]

F-cal (201.35) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom \( \nu_1 = 3 \) and \( \nu_2 = 296 \). The null hypothesis (Ho) is rejected and hence, \( H_1 \) is accepted. It is concluded that there is significance difference among the investors of select depository participants with regard to risk associated with investment in Mutual Funds. Therefore it is found that every investor risk associated with investment in Mutual Funds differs from the others significantly at their select depository participants.

It is suggested to the depository participants to advice investors regarding the risk associated with investment in Mutual Funds for taking effective investment decisions. Moreover, Investors should select the depository participants based on their investment advisory services that helps to achieve their investment goals and minimize the risk associated with investment in Mutual Funds.

**Investment in Derivatives**
Derivatives are the securities whose value depends on the value the underlying assets or securities. Most of the investors are considering the derivatives as the risk management tools. Investors should understand working of the derivatives comprehensively before investment in them.

$H_0$: There is no significance difference among the investors of select Depository Participants with regard to investment in Derivatives.

$H_1$: There is significance difference among the investors of select Depository Participants with regard to investment in Derivatives.

F-cal (616.45) is more than F-table (3.78) at 0.01 level of significance for degrees of freedom $\nu_1= 3$ and $\nu_2 = 296$. Hence null hypothesis ($H_0$) is rejected and $H_1$ is accepted . It is concluded that every investor risk associated with investment in Derivatives differs from the others significantly at their select depository participants.

It is suggested to the depository participants to educate the investors thoroughly and advice them how to make investment in derivatives for achieving investment goals. Moreover, Investors should select the depository participants based on their investment advisory services which optimize risk and returns with regard to investment in Derivatives.

**Reasons for Non Investment in Derivatives**

Many investors are not aware of using derivative instruments as these are new to the Indian capital market. There are many factors influencing the derivatives performance . Those factors would be knowledge about the derivatives, risk, return, margins to be maintained, performance of underlying security, micro and macro-economic factors, forex markets, etc. It is found that the reasons for non investment in derivatives were its very risky nature, lack of expertise, margins to be maintained and cumbersome process.

In this regard, it is suggested to the depository participants to educate their investors in the areas of managing the risk by use of derivatives / comprehensive understanding of risk involved in them, training the investors in trading of
derivatives by using simulation model to improve their expertise, providing lending and borrowing so that to maintain required margins and providing quality research tips so that existing satisfied investors promote new investment in derivatives.

**Investment in Derivatives and Expected Return on Investment**

Many investors prefer to invest in derivatives for managing their investment risk as the derivatives are risk management tools. Investors consider investment in derivatives for achieving their investment goal of higher returns for given level of risk.

**H\(_0\): There is no association between Investment in Derivatives and Expected Return on Investment.**

**H\(_1\): The Investment in Derivatives had positive relationship with Expected ROI.**

The correlation coefficient between Expected ROI and Investment in Derivatives is 0.526**. It reveals that there is positive correlation between Expected ROI and investment in Derivatives which is significant at 1% level of significance as t-cal value (10.68) is more than t-table value (2.576) for 298 degrees of freedom. Hence, we accept H\(_1\) hypothesis that the Investment in Derivatives had positive relationship with Expected ROI (Return on Investment). Therefore it is found that investment in derivatives can be enhanced to increase their expected return as derivatives said to be risk management tools.

It is suggested to the investors that their investment in derivatives may be increased to enhance their expected return on investment as derivatives are complex so proper understanding and application is very important to control their risk involved in it.

**Investment Proportion of Earnings and Expected ROI**

Investor’s investment proportion of earnings is very important to construct well diversified portfolio and growth of the capital market. The quantum of profits of the investors depends on amount of investment in securities.

**H\(_0\): There is no association between Investment Proportion of earnings of**
investors and expected Return on Investment.

**H₁**: The Investment Proportion of earnings of investors had positive relationship with expected ROI.

The correlation coefficient between expected ROI and Investment Proportion of Earnings of investors is 0.716**. It reveals that there is positive correlation between expected ROI and Risk associated with investment in Derivatives which is significant at 1% level of significance as t-cal value (17.71) is more than t-table value (2.576) for 298 degrees of freedom. Hence, we accept **H₁** hypothesis that Investment Proportion of Earnings of investors had positive relationship with expected ROI (Return on Investment). Therefore it is found that investment proportion of earnings of the investors can be enhanced to increase their expected return on investment.

It is **suggested** to the investors that the investment proportion of earnings of the investors may be increased to enhance their expected return on investment.

**Duration of Investment and Expected ROI**

The expected return on investment (ROI) of the investors is influenced by the duration of investment also. That investment duration of investors had positive relationship with Expected ROI (Return on Investment. Therefore it is found that longer the duration of investment leads to higher returns.

**H₀**: There is no association between investment duration of investors and Expected ROI.

**H₁**: The investment duration of investors had positive relationship with Expected ROI.

The correlation coefficient between Expected ROI and investment duration of investors is 0.698**. It reveals that there is positive correlation between Expected ROI and investment duration of investors which is significant at 1% level of significance as t-cal value (16.83) is more than t-table value (2.576) for 298 degrees of freedom. Hence, we accept **H₁** hypothesis that investment duration of investors had positive relationship with Expected ROI (Return on Investment.
Therefore it is found that longer the duration of investment leads to higher returns. It is suggested to the investors to invest their hard-earned money for long term may be more than a year.