

**ROLE OF DEPOSITORY SYSTEM GROWTH IN HDFC BANK**<sup>1</sup>Mr.C. Ravi Kumar<sup>2</sup>Mr.B. Satish

<sup>1</sup>Assistant Professor, Dept. of MBA, Santhiram Engineering College (Autonomous), Nandyal, A.P.,  
India.

<sup>2</sup>Student, Dept. of MBA, Santhiram Engineering College (Autonomous), Nandyal, A.P., India.

**Abstract**

A depository is an organisation which holds securities (like shares, debentures, bonds, government securities, mutual fund units etc.) of investors in electronic form at the request of the investors through a registered depository participant. It also provides services related to transactions in securities. Depositories provide security and liquidity in the market. They use money deposited for safekeeping to lend to others, they invest in other securities, and they provide a funds transfer system. However, physical dealings in securities had to be completely eliminated to bring the Indian stock markets at par with the international markets, through scrip less trading in which transactions, in securities take place by a book entry method, without the physical delivery of securities or movement of cheques for payments. The essential part of scrip less trading is the dematerialization of share certificates through depositories. All certificates are surrendered to the issuer company that has issued the securities. On receipt of the certificates through the depository participants and on the advice of the depository with company has already entered into an agreement, the certificates in respect of these securities, and the name of beneficial owners whose name is recorded as such with a depository are deleted. The depository system in India operates with in the frame work of depositories Act, 1996 and the SEBI Depositories and participants Regulation, 1996.

**Key words:** Depository system, FIIs, SEBI, Stock market.

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**Introduction**

The major reform of the Indian stock markets has been the introduction of the depository system and script less trading mechanism, since 1996. The system of trading based on physical

transfer/custody of securities militated against the efficient functioning of markets particularly in the context of the large scale entry of foreign institutional investors (FIIs).

- Inordinate delays in transfer of securities,
- Return of share certificates as bad deliveries on account of forged signature/mismatch of signature or fake certificate/forged transfer deed,
- Delay in the receipts/non-receipts of securities after allotment/refund orders to non-allottees,

To overcome this problem of large number of transfer deeds and shares certificates, the concept of jumbo transfer deed and jumbo certificate had been introduced. In a jumbo transfer deed only one transfer deed is to be executed for a large number of transfers, while a jumbo certificate reflects a large number of certificates.

In the depository system, securities are held in depository accounts, which is more or less 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 risk and hassles normally associated with paper work. Consequently, the cost of transacting in a depository environment is considerably lower as compared to transacting in certificates

The depository system also allows distribution of dividends through the RBI's ECS system, where ever the participating company has agreed to such service. Other entitlements such as bonuses, split-ups are also directly affected by the depository into the investor's account.

## **Research Methodology**

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

### **Primary method:**

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

### **Secondary method:**

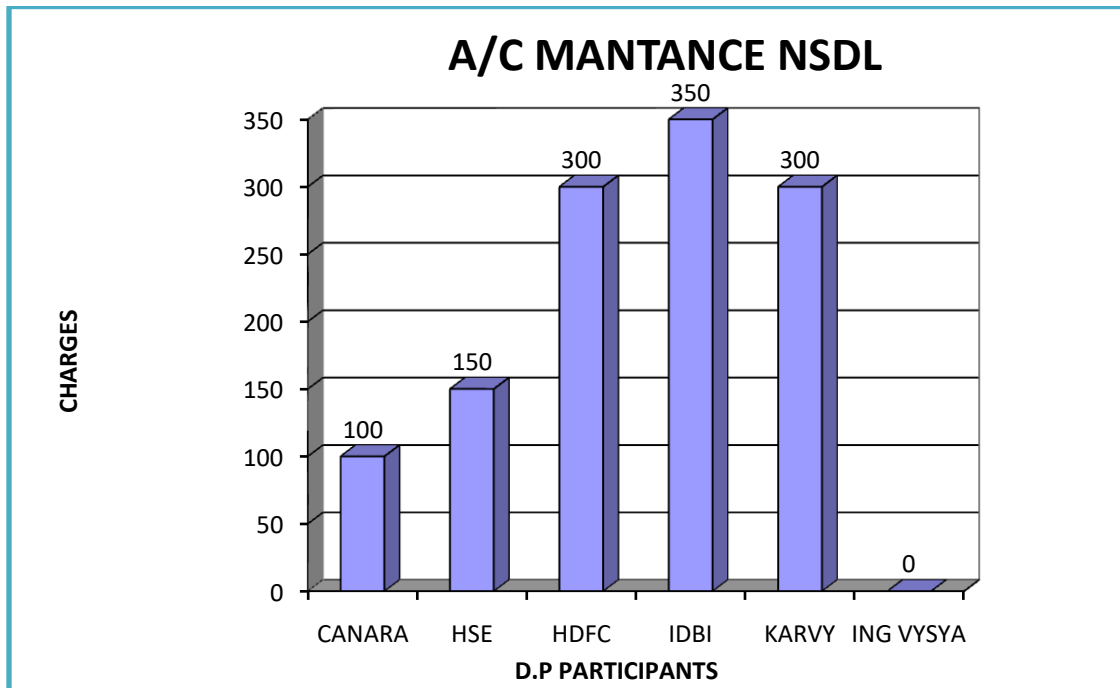
The secondary data collection method includes:

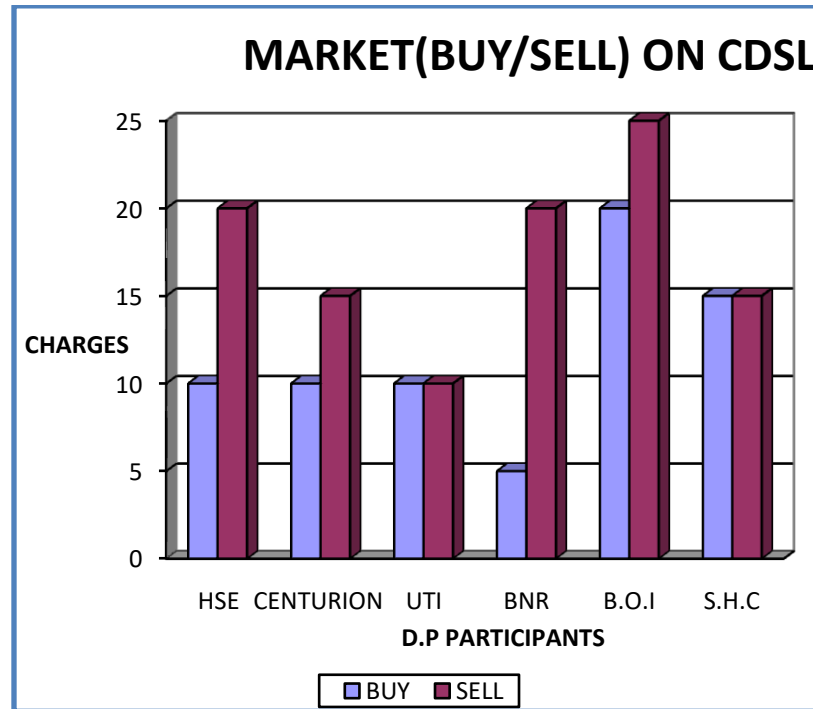
- The lecturers delivered by the superintendents of respective departments.
- The brochures and material provided by Securities limited.
- The data collected from the magazines of the NSE, economic times, etc.
- Various books relating to the investments, capital market and other related topics.

### Objective of the Study

- To study the Role of Depository system in Banking sector
- To study the policies are adopted by the HDFC bank for growth of deposits
- To study the online screen based trading system adopted by HDFC Bank.

### Analysis





### Interpretation

DP ID	:	10000
DP Name	:	STOCK HOLDING CORPORATION OF INDIA LTD.
Advance	:	nill
Account opening/Joining fees	:	nill
Market –BUY	:	Rs. 19/-
Market –SELL	:	0.05% (MIN. RS.19/-) + CDSL CHARGES
Off Market-BUY	:	Rs.19/-
Off Market-SELL	:	0.05% (MIN. RS.19/-) + CDSL CHARGES
Pledge Creation	:	0.02% + CDSL CHARGES
Pledge Closure	:	0.02% + CDSL CHARGES
Pledge Invocation	:	Rs. 50/-

Annual Maintenance	:	RS.900/- (FOR 3 YEARS)
Demat	:	RS.3/- PER CERTIFICATE + RS.25/- POSTAGE PER REQUEST
Remat	:	RS.25/- PER CERTIFICATE + RS.25/- POSTAGE PER REQUEST
Other Charges	:	DOCUMENTATION CHARGES RS.30/- + STATE STAMP DUTY (MIN. RS.50/-)

## Findings

- Demat in Indian scenario is a new concept. Undoubtedly by seeing its success in other developed countries, its good move towards the development in the Indian stock market. Dematerialization of the shares not only safeguards the investor interest, it also has many advantages as said before.
- Financial markets are not fully fledged so it is under the process of development with effect of reforms.
- stock exchange is one of the regional exchanges; it had to take images for improved the number of investor's geographical area and intermediary system.
- stock exchange has to develop the intermediary network and brokers and sub-brokers to meet the needs of investor of all over the Telangana.
- The exchange also provides services to depository participant providing national securities depository participant with national securities depository limited (NSDL) and central depository services limited (CDSL). The requisite infrastructure for NSDL is in place.
- As per the available statistics at BSE and NSE, 99.9 per cent transactions take place in dematerialized mode only.
- Therefore, in view of the convenience of trading in dematerialized mode, it is advisable to have a beneficial owner (BO) account for trading at the exchanges.

## Suggestions

- Central government should implement various measures to improve the financial system.
- Stock exchange has to improve Demat services in consideration of small investors also.
- Stock exchange should concentrate on expanding the investors market, broker's network; demat services, geographical expansion and large trade numbers.

- Stock exchange provides better service to the investors than that of brokers. It should also take measures to compete with BSE and NSE.
- As a depository participant with both NSDL and CDSL stock exchange has to provide better services to investors, brokers, as well as others who interested in demat.
- However to facilitate trading by small investors in physical mode the stock exchanges provide an additional trading window, which gives one time facility for small investors to sell physical shares which are in compulsory demat list.

## Conclusion

Client account holders enjoy the convenience of obtaining immediate electronic securities transfer. No risks in handling certificates such as bad delivery, fake securities. Reduction of paper work for all concerned. Lower costs for investors and listed companies. Convert physical share certificates into electronic form (Dematerialization). Convert the securities held electronically into physical form (Rematerialisation) Facilitating the post trade settlement of all secondary market transactions conducted through the CSE. Direct credit to client accounts of shares arising out of new share issues, rights issues share splits, mergers and consolidation Account maintenance service for address changes , dividend disposal instructions etc Transmission and Nomination facility. Investor need not open separate Demat a/c for Demat of debt or instruments Procedure for Demat of debt instruments is same as that of equity shares The investor has to ensure that before the certificates are handed over to the DP for demat, he marks 'surrendered for dematerialization' on the face of the certificates.

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