

Assessing Investment Awareness: An Empirical Study of Investors in Asifnagar Tehsil, Hyderabad

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Abstract

The emergence of dematerialized securities ('Demat') has revolutionized securities trading in India, eliminating physical share certificates and enabling electronic book-keeping through depositories. As the market leader in depository services, the National Securities Depository Limited (NSDL) operates under the regulatory framework established by the 1996 Depositories Act and subsequent SEBI regulations. Despite these advancements, critical questions remain about investor awareness and adoption of Demat systems. A recent study conducted in Asifnagar Tehsil of Hyderabad District revealed concerning gaps in investor knowledge about Demat accounts. The research found surprisingly low levels of awareness among local investors regarding the functionality, benefits, and operational aspects of these electronic holding systems. These findings highlight the need for targeted financial literacy initiatives even in urban financial centers, suggesting that the transition from physical to dematerialized securities remains incomplete at the grassroots investor level. The study underscores the importance of bridging this knowledge gap to ensure broader participation in India's modernized securities market infrastructure.

Keywords: depository, depository participants, demat account

1. Introduction

The dematerialization of the Indian Capital Market has been a transformative development, linking it to the International Financial Market while elevating standards of efficiency and transparency. This shift marks a watershed moment in the history of Indian capital markets, fundamentally altering the market microstructure of stock exchanges through the trading, settlement, and custody of dematerialized securities. Dematerialization refers to the process of converting physical share certificates into an equivalent number of electronic securities, which can then be held, traded, and utilized just like their physical counterparts. This change revolutionized market operations, particularly in order routing, trading, and settlement—where delivery and payment began occurring in demat form. These advancements have profoundly influenced the behavior of investors, stock exchanges, depository participants, and custodians.

A depository functions similarly to a bank, holding a shareholder's securities in electronic form upon request through a Depository Participant (DP). Established under the Companies Act of 1956 and registered under the Securities and Exchange Board of India (SEBI) Act of 1992, depositories provide essential services to investors. As per Section 2(e) of the Depository Act of 1996, investors must open an account with a depository through a DP to access these services. This framework extends to the secondary market, or "Stock Market," which comprises 23 recognized stock exchanges. Regulated by SEBI, this organized market facilitates the purchase and

sale of securities through intermediaries such as stockbrokers and sub-brokers, ensuring a structured and efficient trading environment.

2. Statement of the Problem

If investors are unable to correct or replace inaccuracies in their securities, they may seek restitution from the seller and broker through the stock exchange. However, if the transaction was conducted directly with the seller, the investor must resolve the issue with the vendor independently. Securities can be lost or misplaced at any time, and in such cases, investors should immediately request the issuing company to record a stop transfer and apply for duplicate securities. The company may require a court order or a copy of the First Information Report (FIR) filed with the police to initiate the stop transfer. Additionally, to issue duplicate securities, the company might ask for indemnity bonds, affidavits, sureties, and other supporting documents, along with publishing a public notice. Following these steps is crucial for investors to safeguard their interests. These challenges highlight the difficulties investors face when dealing with physical securities in the absence of a demat account.

Given this context, this research aims to explore solutions to these problems by examining investor awareness of demat accounts. A key question arises: How much do investors truly know about demat accounts, and how can improved understanding help mitigate these risks? Understanding investor knowledge and perceptions is essential to promoting the benefits of dematerialization and reducing the complications associated with physical shareholding.

3. Review of Literature

Dr. R Ganapathi and Dr. T Ramasamy (2007) in his article, “A study on customers expectations towards share brokers” stated that a “stock exchange is an organization which provides a market place for trading shares, where investors may buy and sell shares. Only members of the stock exchange can perform the functioning of buying and selling of shares or stocks. He suggested that share brokers can collect minimum charge for opening an account. They can help the customers to open the account within 2 – 4 days. It will increase the customers’ confidence level to invest a sizeable amount in the share market.”

In a study entitled “Customer’s Perception towards Online Share Trading in Kanpur”, Mandakini Garg and Kamna Katiyar (2013), in their article “the researchers will able to locate the awareness of customers towards online share trading in Kanpur area. There is large segment of investors, who are not aware about the online share trading scenario. The objective of the study about customer awareness towards online share trading in Kanpur, probability sampling technique was adopted. There is lack of awareness in the rural area as investors are less technology addicted. Different training programs should be conducted in different areas in order to increase the practical knowledge of online share trading. It is concluded with online investing will only encourage new investors to trade in the stock market, bringing together buyers and sellers to make the market more efficient.”

D.Anitha kumara, G.Rangasamy and K.Sandhya (2013) in their article entitled as “Investors Perception towards Online Trading in Chennai” focused “online trading share market has emerged as one of the greater and easiest ways to invest share by the investors. This study sheds light on the how they are satisfying their investors. Data collected from 113 respondents in chennai indicated that the investors have referred others to online share market. This study is to analyze and understand the investor psychology on choosing the product or service they concluded that on set of online trading changed the traditional value proposition of trading. This study helps to ascertain the investors perception of online trading of shares in share market also identify the investors perception and to improve the quality of service according to the investors

expectation.”

Dr. M Santhi (2013), in his article analysed “Attitude of Retail Investors towards Share Market and Share Broking Companies – An Empirical Study in Madurai City, Tamil Nadu”, “This study is to make a probe into the attitude of the investors towards share trading and share broking companies in madurai city in Tamil Nadu, it is undertaken on selected share broking companies investors, under for dimensions, awareness on share market, investment options, reasons for investing, stimulating factors for choosing the brokers. The 75 sample respondents had been selected for the study using convenience sampling method is taken at random among the investors in madurai city. To conduct the study, a tool is designed and canvassed. The dimensions taken for the study were confirmed soon after the conduct of a pilot study on investors attitude on share trading and on share broking companies. Results of the study discloses that majority of investors have been influenced by their relatives in entering in to the share market. In respect of the variables – businessman and professionals are relatively interested in share trading. Therefore, more attention needs to knock the door steps of employees and other people in the society to elevate the importance of opening demat account and share trading so as to enhance the scheme objectives.”

3. Objectives of the Study

For conducting this study the specific objective were set, to study the awareness level among the investors on demat account services.

4. Scope of the Present Study

The scope of the study is extended to the related aspect viz., to examine the awareness level of the investors’ on demat account.

5. Hypotheses of the Study

These hypotheses are subjected to appropriate statistical tools; the following hypotheses have been framed and tested with the help of the Chi-Square test.

There is no significant relationship between the socio- economic characteristics of the demat account users and their awareness level.

6. Research Methodology

Data Collection: The study is based on the primary data.

The required primary data for the present study was collected from 100 sample respondents by using interview schedule method.

Data Analysis: Cross Tabulation

Chi-Square Test

Sample Size and Sampling Design: The current study has a sample size of 100 people. They were chosen using the convenience sampling technique. To ensure cooperation, honesty, and correctness in their responses, the selected respondents were contacted personally and the aims of the study were explicitly described to them.

7. Pilot Study and Pre-Testing

In July 2017, a pilot study was conducted with a sample of ten investors to refine the research methodology. The interview schedule was pre-tested during this phase, allowing researchers to assess its effectiveness and

make necessary adjustments before finalizing it for the main study. The pilot not only helped in structuring the final interview schedule but also provided valuable insights into the nature of responses that could be expected. Based on the findings, certain questions were modified—some were removed, while new ones were added—resulting in a well-structured and optimized interview schedule for the final research.

8. Geographical Area of the Study

The area of the study is limited to Asifnagar Tehsil. Based upon the population level of Asifnagar Tehsil the data are collected.

9. Period of the Study

The primary data were collected from sample respondents through the interview schedule in Asifnagar Tehsil.

10. Limitation of the Study

1. The present study has a sample size of 100 respondents, selected using the convenience sampling method. While practical, this sampling approach has inherent limitations.
2. The study is geographically restricted to Asifnagar Tehsil. Consequently, its findings and recommendations may not be generalizable to other regions.
3. Time constraints serve as a limiting factor for the scope and depth of this research.

11. Results and discussion

11.1 The details regarding Socio-Economic Characteristics of Demat Account Users'

A person's choices are also influenced by four major psychological factors motivation, perception, learning and beliefs and attitudes. The investors' decision is also influenced by socio-economic characteristics such as like age, educational qualification, occupation, marital status, nature of domicile, nature of family and monthly income of respondents.

11.2 Investors' Awareness about Demat Account

Investors' awareness is that types of social component which increases the collective consciousness among the people and generate confident in the individual to face the problem contemplate. Generation of awareness develops conscious perception in the investors'. Despite the continuous efforts being taken by voluntary investors organization towards protecting investor interest and the rights in the marketing activities for the investors' education like: seminars, work shops, speeches, writing columns in news paper etc.

11.3 Awareness Level

In today's financial landscape, demat accounts have gained significant importance. This study focuses on assessing investors' awareness regarding various services associated with demat accounts, including account maintenance, dematerialization, rematerialization, market transfers, off-market transfers, inter-depository transfers, pledge facilities, transmission/nomination, corporate actions, value-added services, as well as associated charges such as account opening fees, custody charges, transaction costs, off-market trade fees, dematerialization and rematerialization charges, and annual membership fees. To evaluate the awareness level among investors, a structured scoring system was implemented using a two-point scale—where respondents received two points for being "Aware" and one point for being "Unaware" of each service. The cumulative scores of 100 sample respondents, selected through convenience sampling, were analyzed to determine their overall awareness levels. Table 1 presents the distribution of these respondents based on their assessed awareness,

providing insights into the extent of their understanding of demat account functionalities and associated costs. This methodological approach helps quantify investor knowledge, highlighting areas where awareness may be lacking and suggesting potential avenues for financial education and policy improvements.

S.No	Awareness level	No. of respondents	Percentage (%)
1.	High level (score ≥ 26)	71	71.0
2.	Low level (score <26)	29	29.0
Total		100	100.0

Table 1: Distribution of Sample Respondents on the Basis of their Level of Awareness

Source: Primary Data

The table 1 indicates that 71 per cent the sample respondents are having high level of awareness about demat account.

11.4 Relationship between Socio-Economic Characteristics of Sample Respondents and Their Awareness Level about Demat Account

Awareness level of investors' about demat account services may differ from each other on account of socio-economic characteristics. Based on this back ground, an attempt has been made to examine the investors awareness level about demat account. For analyzing this, the following null hypothesis has been framed.

Ho: *There is no significant relationship between socio- economic characteristics and level of awareness of sample respondents.*

To test the above null hypothesis, Chi-Square test has been applied at 5 per cent level of significance.

S. No.	Factors	Classifications	Awareness level		Total	D.F	Table	Calculate
1.	Age	Young	27 (64)	15 (36)	42	2	5.99	1.995
		Middle	34 (74)	12 (26)	(100)			
		Old	82 (82)	2 (17)	46			
		Total	71 (71)	29 (29)	100			
2.	Gender	Male	60 (72)	23 (28)	83	1	3.84	0.111
		Female	11 (65)	6 (35)	(100)			
		Total	71 (71)	29 (29)	100			
3.	Educational Qualification	Illiterate	3 (37)	5 (63)	8 (100)	3	7.81	0.947
		School level	21 (81)	5 (19)	26			
		College level	33 (67)	16 (33)	(100)			
		Professional level						
		Total	71 (71)	29 (29)	100			
4.	Occupation	Agricultural people	17 (65)	9 (35)	26	3	7.81	3.170
		Private employee	25 (66)	13 (34)	(100)			
		Govt. employee	15 (75)	5 (25)	38			
		Business &	11 (66)	2 (12)	(100)			
		Total	71 (71)	29 (29)	100			

5.	Marital Status	Married	55 (75)	18 (25)	73	1	3.84	1.756
		Unmarried	16 (59)	11 (41)	(100)			
		Total	71 (71)	29 (29)	100			
6.	Nature of Family	Nuclear Joint	45 (70)	19 (30)	64	1	3.84	0.000
		Total	26 (72)	10 (28)	(100)			
		Total	71 (71)	29 (29)	100			
7.	Nature of Domicile	Town Village	54 (69)	24 (31)	78	1	3.84	0.219
		Total	17 (77)	5 (23)	(100)			
		Total	71 (71)	29 (29)	100			
8.	Family Size	Upto 3	18 (60)	12 (40)	30	2	5.99	2.539
		4 to 6	46 (75)	15 (25)	(100)			
		Above 6	71 (71)	29 (29)	100			
9.	Earning Size	Single	23 (74)	8 (26)	31	2	5.99	2.539
		Two	33 (70)	14 (30)	(100)			
		Above two	15 (68)	7 (22)	47			
10.	Monthly Income of the Respondents	Total	71 (71)	29 (29)	100	3	7.81	5.033
		Upto Rs.5000	20 (63)	12 (37)	32			
		Rs.5001 to Rs.10000	18 (64)	10 (36)	(100)			
11.	Family Income (Annual)	Rs.10001 to Rs.15000	21 (88)	3 (12)	28	3	7.81	4.225
		Total	71 (71)	29 (29)	100			
		Upto Rs.100000	29 (73)	11 (27)	40			
		Rs.100001 to Rs.250000	25 (74)	9 (26)	(100)	3	7.81	4.225
		Rs.250000 to Rs.250001	12 (80)	3 (20)	34			
		Total	71 (71)	29 (29)	100			

Table 2: The details regarding Socio-Economic Characteristics and their Awareness Level: χ^2 -test
 Figures in the parentheses denote percentage.

1.5 Findings

Table 1.2 presents the socio-economic profile and awareness levels of 100 sampled investors regarding demat accounts. The data reveals that a majority of respondents with high awareness fall into specific demographic categories: 83% are from the older age group, 72% are male, and 82% hold professional qualifications. Occupation-wise, 88% are business professionals, while 75% are married, and 72% belong to nuclear families. Geographically, 77% reside in villages, and a significant proportion (88%) come from households with more than six family members. In terms of financial background, 70% have two earning members in their family, 88% fall within the monthly income bracket of ₹10,001–₹15,000, and 80% report an annual income between ₹250,001 and ₹500,000. Despite these trends, the Chi-Square test indicates **no** statistically significant relationship between socio-economic characteristics and awareness levels about demat accounts. This suggests that while certain groups exhibit higher awareness, demographic factors alone do not strongly predict an investor's understanding of demat services. The findings highlight the need for broader financial literacy initiatives across diverse investor segments.

12. Conclusion

India's economic integration into the global marketplace has interconnected its capital markets with international

financial systems, inviting greater investor participation. This shift necessitates aligning India's capital market operations with global standards of efficiency and transparency. The adoption of dematerialized trading has been transformative, offering significant advantages to investors, brokers, and corporations alike.

The transition to online automated trading introduced sweeping improvements in market operations, enhancing the efficiency and effectiveness of all stakeholders—from individual investors to institutional players. Coupled with this, the advent of depository services streamlined market access, making transactions faster, more secure, and more convenient for investors.

However, despite these advancements, a critical gap persists: a large segment of investors utilizing depository services remains inadequately informed about their functionalities and associated benefits. This knowledge gap underscores the need for targeted financial education initiatives to ensure that market participants can fully leverage the opportunities presented by a modernized, dematerialized capital market system.

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