

## Impact of Digitalization & Demonetization on Depository Participant of Stock Market

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### **Abstract**

The digitalization and demonetization had a great significant and immediate impact on the state of the Indian economy. In this paper, an attempt has been made to find impact of digitalization and demonetization on the depository participant of stock market. Samples of 100 respondents were randomly selected from tricity (Chandigarh, Panchkula & Mohali) region.

It is found that variables like interest in investment, income, qualification, share market scenario, etc. have significant association with the impact of digitalization and demonetization. It also results that digitalization and demonetization changed the all over scenario of the Indian economy, where demonetization helps to destroy black money and digitalization helps to reduce paper work and clearance of intermediates so these two also impact on the stock markets due to which stock exchanges of country, depository and depository participant also effected and adopted some changes.

**Key Words:** *Digitalization, Demonetization, Share market, Depository Participants, GST Taxation System, Demat Account, Direct Dynamic Demat Account.*

### **Introduction**

Stock market refers to a market place where investors can buy and sell shares and stocks. The market forces (i.e. demand and supply for a particular stock) determine the price at which each buying and selling transaction takes.

The market for long-term securities like bonds, equity stocks and preferred stocks is divided into primary market and secondary market. Primary market deals with the new issues of securities. Outstanding securities are traded in the secondary market, which is commonly known as stock market or stock exchange. In the secondary market, the investors can sell or buy securities. Stock markets predominantly deal in the equity shares. Well-regulated and active stock market promotes capital formation. The health of the economy is reflected by the growth of the stock market. Stock broking is a growing industry in India. The main reason is that Indian economy is one of the strongest in the world. As a result of that both foreign and domestic investors are interested in investing in Indian stock market.

### **Depository Participant (DP)**

In India, a Depository Participant (DP) is described as an Agent (law) of the depository. They are the intermediaries between the depository and the investors. The relationship between the DPs and the depository is governed by an agreement made between the two under the Depositories Act. In a strictly legal sense, a DP is an entity who is registered as such with SEBI under the sub

section 1A of Section 12 of the SEBI Act. As per the provisions of this Act, a DP can offer depository-related services only after obtaining a certificate of registration from SEBI.

## Review of Literature

A number of studies have been conducted in India and abroad on various aspects of banking especially retail banking and digitalization. Some worthwhile studies relating to the present topic are reviewed here.

According to Narain and Asha Rani in their research paper “The stability of Indian stock market after demonetization” published in 2016-2017 state that monetary and fiscal measure are unavoidable, and hence, such measures will contain the impact of demonetization for Indian stock investors within few months.

Digital records have many the same function requirements that paper ones do. In other words, the work required by professionals to transfer, process, store, and preserve files, which allows a user to retrieve the desired information, applies both to analog and digital records (Galloway, 2009) San Jose State University Research journal

According to Investarindia In the past many countries stock market effected by attempting demonetization, because some successfully and some unsuccessfully, but all of them were done when their economies were having major problems like hyper-inflation in Germany in the 1920s. Servon and Kaestner, (2008).The terms 'PC banking', 'online banking', 'internet banking', 'telephone banking' or 'mobile banking' refer to a number of ways in which customers can access their banks without having to be physically present at the bank branch

According to Patel (2012) analyzation the impact of macroeconomic determinants on the Indian stock market performance using monthly data from Jan. 1991 to Dec. 2011. He studied eight variables, namely, interest rate, inflation, exchange rate, index of industrial production, money supply, gold price, silver price & oil price and two stock market indices. Using Johansen's Co-integration, granger causality and vector error correction method, a long run relationship between macroeconomic variables and stock market indices was established. The study also found unidirectional causality from exchange rate to stock market to IIP and Oil prices. He emphatically list money supply as a major factor affecting the stock market, and urged monetary authority to actively control money supply through the operations of repo and reverse repo rates.

The Indian economy had observed such instances of withdrawal of currencies in 1946 as well as in 1978. However, the impact of such previous attempts of demonetization on Indian stock market was mixed, *inter alia*. The withdrawal of 1000 and 10,000 rupees' currency notes in January 1946 was in the backdrop of Second World War, and the stock market reacted negatively to this move. Whereas, the withdrawal of 1,000, 5,000 and 10,000 rupees' currency notes in January 1978 was with the similar motives as with the current move of demonetization. However, Indian stock markets shown the signs of positivism at that time, by this populist moves of the Janata Party coalition government.

## **Research Methodology**

### **Objectives of the Study**

1. To study the present scenario of stock market,
2. To study the effect on stock market due to digitalization & demonetization
3. To evaluate its management and make internal business decisions

### **Research Type**

The segment identified for conducting the study of impact of demonetization on stock market. The Sharekhan company is selected for this study. Other analytical study is also used to compare the Sharekhan company from their competitor.

### **Research Design**

For the proper analysis of data simple quantitative technique such as percentage were used. It helps in marketing more accurate generalization From the data available .The data which was collected from a sample of population was assumed to be representing entire population was interested .Demographic factor like age, income and educational background was used for the classification purpose.

### **Data Collection**

#### **Primary Data**

This includes the data collected from the personal interaction with the branch employees and customers through observation and interview method.

#### **Secondary Data**

The secondary data collection method includes the brochures and material provided by Sharekhan records and books, newspapers and magazines. I had to choose both primary and secondary data for the research to see the effect on customers and the Depository participant.

#### **Qualitative Research**

The information which is collected as descriptions and characteristics. This research is done by taking information from people.

#### **Data Analysis and Interpretation**

##### **1. Do you know about Investment options available?**

<b>Investment</b>	<b>%</b>
Yes	78%
no	22%

#### **Interpretation**

Only 78% are interested while remaining 22% are not interested.

## 2. Most preferable investment scenario?

Investments	%
Real estate	20%
Banks,	24%
Mutual funds & securities market	28%
Insurance & policy	4%
Bonds	20%
Others	4%

### Interpretation

Today in the changing scenario, people are more interested in Banks and Mutual fund Securities markets. According to the above graph, it can be seen that out of total responses, 28% goes in favor of Mutual funds & securities market. 24% are interested in bank securities, 20% are interested in bonds and real estate, and a very small amount of customers is interested into insurance securities.

## 3. What is the basic purpose of your investment?

Investments Purpose	Percentage
Liquidity	30%
Returns	25%
Capital appreciation	10%
Tax benefits	20%
Others	10%

### Interpretation

30% people are interested in liquidity, returns and tax benefits. And remaining 10% are interested in capital appreciation, risk covering.

## 4. What are the most important things you take into account, while making any investment?

Risk	27 %
Return	25 %
Both	48%

### Interpretation

48% population wants only good return, 27% population also know about risk and 25% take care of both risk and return.

## 5. Have you made any investment after demonetization?

Yes	19 %
no	81 %

### Interpretation

19% Make investment just after demonetization but 81% of population have not made any investment.

## **6. How much amount of money you have invested after demonetization?**

Investment	%
Below 2 lac	58%
2 lac - 5 lac	23%
5 lac -10 lac	16%
10 lac- above	03%

### **Interpretation**

58% of population invested amount below than 2 lac, 23% of population invest 2 lac to 5 lac , 16% of population invest 5 lac to 10 lac and 3 % of population invest 10 lac amount

## **7. Do you have knowledge about the present scenario of share markets?**

57% of population has partial knowledge of present scenario of stock market, 26% of population have complete knowledge of market and 17% of population don't have knowledge of market,

## **8. The Bankers Digitalize Dynamic mutual funds scheme?**

Yes	68 %
no	32 %

### **Interpretation**

68% of population respond that they know about the Bankers Digitalize dynamic mutual fund scheme and 32% of population respond that they don't know about Bankers Digitalize dynamic mutual fund scheme,

## **9. Do you have any Demat or Dynamic Trading account?**

Yes	74 %
no	26 %

### **Interpretation**

74% of population respond that they know about the dynamic demat account and 26% of population respond that they don't know about Dynamic mutual funds,

## **10. In which company you have Demat or Dynamic Trading account?**

Sharekhan ltd.	21%
Axis dynamic	17%
ICICI direct	23%
India bulls	5%
HDFC securities	3%
Other	31%

### **Interpretation**

21% of people have their demat account in sharekhan ltd., 17% of population has their account in Axis direct,23% have in ICICI direct, 5 % in India bulls, 3 % in HDFC securities and other are 31%.

## 11. From where you get knowledge about this brokerage company?

Advertisements	11%
Newspaper	22%
References	16%
Through any agent	27%
Other	24%

### Interpretation

11 % of population get know from advertisement, 22% from newspaper, 16% from references, 27% from agent, and 24 % of population get known from other sources.

## 12. Are you going to make any fresh investment in mutual funds?

Yes	36 %
no	64 %

### Interpretation

36% of population wants to make fresh investment while 64% of population doesn't want to make any investment yet.

### Conclusion

Demonetization had shown many impact good and bad impact upon the Indian economy , many investors of stock market withdraw their many but some people find it as an opportunity to invest in the stock securities, Digitalization is the next step taken by the Indian Government, which also influence upon many sectors. In securities market it shows a positive change because the banking sector grab the opportunity to hold the interested investor from there same saving accounts, These accounts which are introduced by the banks for new customer named as Dynamic Demat account or online s is very much useful and convenient for the customers, they prefer as well as recommend others to go for online mobile application and Dynamic Demat account and its services.

In this research I found that majority users on online applications of newly launched ICICI Direct and AXIS Dynamic were the service class and the students basically. People generally prefer online services as it saves there time, costs low, less paper work, and can be done anywhere and anytime. People responded that they feel online mutual funds services and trading account is good because they can do several things at one point of time in dynamic service has different payments, bookings, any online orders and many more.

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