

Financial Literacy and Investor Awareness in Asifnagar Tehsil, Hyderabad: A Comprehensive Analysis

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Abstract

The depository system in India revolutionized securities trading by replacing physical share certificates with electronic holdings, known as dematerialized securities (or 'Demat'). As a market leader in depository and Demat services, the system ensures securities exist as digital entries in depository records, eliminating the risks and inefficiencies of paper-based transactions. The regulatory framework for this system was established under the Depositories Act (1996) and subsequent SEBI regulations. Despite its advantages, a critical question persists: How aware are investors of Demat accounts and their benefits? A recent study conducted in Asifnagar Tehsil, Hyderabad District, revealed low investor awareness regarding Demat accounts, highlighting a gap in financial literacy. This research investigates the extent of investor knowledge, challenges in adoption, and potential measures to improve awareness.

Keywords: Depository, Depository Participants, Demat Account

1. Introduction

The dematerialization of the Indian capital market marks a transformative shift, aligning it with global financial markets while enhancing efficiency, transparency, and operational standards. By converting physical share certificates into electronic holdings, dematerialization has fundamentally reshaped the market microstructure of Indian stock exchanges—altering trading, settlement, and custody processes. This system, where physical certificates are replaced by equivalent securities in electronic form, mirrors the functionality of physical shares but streamlines transactions through digital order routing, trading, and demat-based settlements. These advancements have profoundly influenced the behavior of investors, depository participants, custodians, and stock exchanges. Functionally, a depository operates akin to a bank, safeguarding shareholders' securities in electronic form through Depository Participants (DPs). Established under the Companies Act, 1956, and regulated under the SEBI Act, 1992, depositories require investors to open accounts via DPs, as mandated by Section 2(e) of the Depositories Act, 1996. This framework supports the secondary market (or stock market), comprising 23 SEBI-regulated exchanges where securities are traded through intermediaries like brokers and sub-brokers. By eliminating paper-based inefficiencies, dematerialization has not only modernized India's capital markets but also strengthened investor confidence and market integrity.

2. Statement of the Problem

When discrepancies arise in physical share certificates, investors may seek redress through the stock exchange by approaching the seller and broker for correction or replacement. However, if the transaction occurred directly with the seller, the investor must resolve the issue independently. Physical securities are susceptible to loss or misplacement, requiring investors to act swiftly by requesting the issuing company to initiate a stop transfer and apply for duplicate securities. The company may demand supporting documents such as a court order, a copy of the police FIR, indemnity bonds, affidavits, sureties, or even a public notice before processing the request. These cumbersome procedures highlight the vulnerabilities of holding physical shares and underscore the importance of safeguarding investor interests through proper measures.

The challenges outlined above—fraud risks, administrative delays, and documentation complexities—are inherent to physical shareholding and could be mitigated through dematerialization. Against this backdrop, this research seeks to address a critical question: How aware are investors of demat accounts and their advantages? By assessing investor knowledge, the study aims to identify gaps in awareness and propose solutions to encourage wider adoption of demat accounts, thereby reducing risks and enhancing efficiency in securities management.

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.”

4. Objectives of the Study

This study was conducted with the primary objective of assessing the level of awareness among investors regarding demat account services. Specifically, the research aimed to examine investors' understanding of the features, benefits, and operational aspects of demat accounts, as well as their familiarity with associated processes such as account opening procedures, transaction mechanisms, and safety measures. The investigation sought to identify knowledge gaps and barriers to demat account adoption, with the ultimate goal of providing insights that could enhance financial literacy and promote wider utilization of these digital investment tools in the securities market.

5. Scope of the Present Study

This research extends its examination beyond basic demat account awareness to investigate investors' understanding of related aspects including account operation procedures, transaction mechanisms, associated charges, and security features. The study specifically focuses on assessing investors' knowledge of the benefits of dematerialization, the process of converting physical shares to electronic form, and the safeguards available for electronic holdings. Furthermore, it explores awareness levels regarding the roles of key stakeholders in the demat ecosystem - depositories, depository participants, and regulatory bodies. The scope encompasses both functional knowledge (how to use demat accounts) and conceptual understanding (why demat accounts are important), providing a comprehensive evaluation of investor awareness in this critical area of modern securities management.

6. Hypotheses of the Study

The study employs rigorous statistical analysis to test the formulated hypotheses, utilizing the Chi-Square test as the primary analytical tool. The central null hypothesis posits that no significant relationship exists between the socio-economic characteristics of demat account holders and their level of awareness regarding demat services. This hypothesis systematically examines potential

correlations between demographic factors (such as income, education, occupation, and age) and investors' understanding of demat account features, benefits, and operational procedures. The Chi-Square test was specifically selected for its effectiveness in determining associations between categorical variables, enabling robust verification of whether socio-economic profiles influence awareness levels in the context of digital securities management.

7. 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.

8. Pilot Study and Pre-Testing

In July 2014, a pilot study was conducted with a sample of ten investors to refine the research methodology. This preliminary phase served two critical purposes: first, to pretest the interview schedule for clarity and relevance, and second, to anticipate the nature of responses in the main study. The pilot findings proved invaluable in modifying the research instrument, leading to the removal of ambiguous or redundant questions while incorporating new dimensions that emerged during the testing phase. Through this iterative process, the final interview schedule was systematically optimized to ensure robust data collection in the principal investigation. The pilot not only strengthened the research tool's validity but also provided early insights into respondent perspectives on demat account awareness.

9. 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.

10. Period of the Study

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

11. Limitation of the Study

1. The sample size of present study is 100 respondents. They were selected by using convenience sampling method. This method of sampling has its own limitations.
2. This study is confined only Asifnagar Tehsil. Hence, the findings and suggestions of this study may not be applicable to other geographical areas.
3. Time is a limiting factor for the study.

12. Results and discussion

12.1 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.

12.2 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.

12.3 Awareness Level

Demat account has become significant one in the present days. In this paper is devoted by the investors' awareness about demat account. For measuring the investors' awareness about demat account, the following services are considered such as Account maintenance, Dematerialisation, Rematerialization, Market transfers, Off market transfers, Inter depository transfers, Pledge, Transmission/nomination, Corporate action, Value added services, Account opening charges, Custody charges, Transaction charges, Off market trades, Dematerialisation charges, Rematerialization charges and Annual membership fees. For assessing the awareness level of investors, the following scoring procedure is followed: a two point scale was used to measure the level of awareness about demat account. The score of 100 sample respondents were calculated by adopting the scoring procedure i.e., if the respondents was "Aware" two points and one point for "Unaware" has been assigned. The table 1 shows the distribution of sample respondents on the basis of their level of awareness.

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.

12.4 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.	Factors	Classifications	Awareness level		Total	D.F	Table	Calculate
1.	Age	Young Middle Old Total	27 (64) 34 (74) 10 (22) 71 (71)	15 (36) 12 (26) 2 (4) 29 (29)	42 (100) 100	2	5.99	1.995
2.	Gender	Male Female Total	60 (72) 11 (65) 71 (71)	23 (28) 6 (35) 29 (29)	83 (100) 100	1	3.84 1	0.111 8
3.	Educational Qualification	Illiterate School level College level Professional level Total	3 (37) 21 (81) 33 (67) 71 (71)	5 (63) 5 (19) 16 (33) 29 (29)	8 (100) 26 100	3	7.81 5	0.947 3
4.	Occupation	Agricultural people Private employee Govt. employee Business &	17 (65) 25 (66) 15 (75) 71 (71)	9 (35) 13 (34) 5 (25) 29 (29)	26 (100) 38 (100) 100	3	7.81 5	3.170 2
5.	Marital Status	Married Unmarried Total	55 (75) 16 (59) 71 (71)	18 (25) 11 (41) 29 (29)	73 (100) 100	1	3.84 1	1.756 6
6.	Nature of Family	Nuclear Joint Total	45 (70) 26 (72) 71 (71)	19 (30) 10 (28) 29 (29)	64 (100) 100	1	3.84 1	0.000 8
7.	Nature of Domicile	Town Village Total	54 (69) 17 (77) 71 (71)	24 (31) 5 (23) 29 (29)	78 (100) 100	1	3.84 1	0.219 2
8.	Family Size	Upto 3 4 to 6 Above 6 Total	18 (60) 46 (75) 71 (71)	12 (40) 15 (25) 29 (29)	30 (100) 100	2	5.99	2.539
9.	Earning Size	Single Two Above two Total	23 (74) 33 (70) 15 (68) 71 (71)	8 (26) 14 (30) 7 (23) 29 (29)	31 (100) 47 (100) 100	2	5.99 1	2.539 9
10.	Monthly Income of the Respondents	Upto Rs.5000 Rs.5001 to Rs.10000 Rs.10001 to Rs.15000 Total	20 (63) 18 (64) 21 (88) 71 (71)	12 (37) 10 (36) 3 (12) 29 (29)	32 (100) 28 (100) 100	3	7.81 5	5.033 7

11.	Family Income (Annual)	Upto Rs.100000	29 (73)	11 (27)	40	3	7.81	4.225
		Rs.100001 to	25 (74)	9 (26)	(100)			
		Rs.250000	12 (80)	3 (20)	34			
		Rs.250001 to	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.

12.5 Findings

Regarding socio-economic characteristics and their awareness level about demat account investors'; table 1.2 reveals that in a sample of 100 respondents. 83 per cent of the respondents are belonging old age category, 72 per cent of the respondents are belonging to male investors, 82 per cent of the respondents are belonging to professional qualification level, 88 per cent of the respondents are belonging to business & professional occupation people, 75 per cent of the respondents are belonging to married, 72 per cent of the respondents are belonging to nuclear family, 77 per cent of the respondents are belonging to village investors, 88 per cent of the respondents are belonging from above 6 members in the family, 70 per cent of the respondents are belonging to two earning members, 88 per cent of the respondents are belonging from Rs.10001 to Rs.15000 monthly income group, 80 per cent of the sample respondents are belonging to from Rs.250001 to Rs.500000 annual income group have high level of awareness about demat account. Chi-Square test reveals that there is no significant relationship between the socio-economic characteristics and their level of awareness about demat account.

13. Conclusion

The integration of the Indian economy into global financial markets has necessitated the alignment of its capital markets with international standards of efficiency and transparency. This shift has encouraged greater investor participation while demanding more robust and streamlined market mechanisms. The advent of dematerialized trading has revolutionized market operations, offering significant advantages to investors, brokers, and corporations alike. The transition to online automated trading further enhanced the efficiency of capital market transactions, benefiting all stakeholders, including intermediaries and institutional players. A pivotal development in this transformation has been the introduction of depository services, which provide investors with seamless and secure access to the capital market. However, despite these advancements, studies indicate that a substantial proportion of investors remain inadequately informed about depository services and their associated benefits. This gap in awareness underscores the need for targeted financial literacy initiatives to ensure that market participants can fully leverage the opportunities presented by a modernized and globalized capital market ecosystem.

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