ABSTRACT

A study on paperless trading in Indian Stock Markets has been undertaken to examine the past and present stock market trading. A humble effort was made to narrate the history, growth and development of stock exchanges in India and to provide a descriptive approach of dematerialisation in the Indian Stock Market. The study also undertook efforts to assess the volume of stock trading in the Indian stock market due to the present day paperless regime and to analyse the effect of dematerialisation in stock market operations. The period of the study is from 2001 to 2010 and the study is based purely on secondary data from annual reports of the concerned organisations, publications, research abstracts, journals, handbooks, websites of all Indian stock exchanges and SEBI website. Various statistical tools like simple averages, standard deviation and coefficient of variation, regression analysis and method of least squares, t test and F test were made use of for deriving meaningful analysis and conclusion.

On the basis of the data analysis it is deduced that the dematerialisation process has made the Indian stock market more reliable, efficient and faster with no bad deliveries. The number of recognised stock exchanges has come down to 20 from 24 and all of them today follow screen based trading with settlements in demat form only. There has been a considerable growth in the total number of shares delivered, shares traded and in the total value of shares traded. There is a significant linear relationship between DP locations and the corresponding demat quantity during the period under review. Under the present dematerialised system of stock trading in the Indian stock market there has a significant cost reduction apart from saving time taken for trading and settlement. Various stumbling blocks in the growth and expansion of Indian stock market like
counterfeit share certificates, bad delivery, theft etc. has been totally eliminated due to the present paperless trading in Indian stock markets.

On the basis of the study it is recommended that market misconducts and other fraudulent activities should be tackled and initiatives should be taken to prevent the recurrence of such events in the future in order to uphold investor's confidence in the Indian stock markets. The Indian capital market inorder to further enhance its efficiency should move to the era of T+0 settlement mechanism as to withstand the emerging global competition. It is also recommended to further simplify the IPO process inorder to attract new investors and fresh money into the stock markets.

Since the study is purely based on secondary data, the limitations of secondary data do apply to this study also. Non availability of data relating to the exact volumes of transactions prior to dematerialisation also affected the accuracy of data analysis.

This study may motivate future researchers to undertake in depth analysis on dematerialisation on the basis of the findings and recommendations apart from honing the interest of the common investors who hitherto has untapped the potentials of this investment avenue namely the Indian Stock Market.