

# Niveshaks (Investors) and the journey of Capital Markets



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“There are decades when nothing happens; and there are weeks when decades happen – this quote by Vladimir Ilyich Lenin has never been more relatable. For the past 2 years, all of us have been living in such unprecedented times, that the ‘normal’ has been forgotten and a ‘new normal’ has developed. The times, as everybody keeps saying, have been changing. And the changes have been massive.

Over this phase, we have evolved and have become comfortable with virtual meetings and discussion through chat groups. While it lacks the human touch, it does help save time and effort especially in one’s corporate life. Technology has made the world smaller and operations easier. One such impact has distinctly been observed in the Indian financial eco-system. Participation and the access to the Indian capital markets has become convenient, with the help of online demat account opening. When we see the upscaled activity in the Indian financial system today, we tend to forget what it was like only a few years ago — in terms of scale, products, efficiency, and service.

From a tightly knit trading community with physical trading using the open outcry system, the capital market in India now has state-of-the art technology, institutions, systems, and processes. Starting with the setting up of the market regulator Securities and Exchange Board of India (SEBI) in 1992; the setting up of transparent screen-based, trading by Exchanges; to the setting up of the depositories and clearing corporations, the Indian capital markets today are state-of-the-art in terms of costs, efficiency, and volume of business. We have seen over a 200% increase in the number of investors since pre-pandemic period. What it signifies is not just the increase in the interest of investors in the financial markets, but also the successful efforts of SEBI and other Market Infrastructure Institutions (MIIs) to provide a trustworthy, secured and easy to access and operate markets.

However, as the market becomes both more efficient and, at the same time, more complex, we ask ourselves - How to efficiently manage operations? What roles should regulators and market infrastructure institutions play? How best to educate people so they can make informed decisions in investing? How to reinvent our business – blending requirements, innovation, and technology? The answers to these questions are ever evolving.

The crux of the answer is in the words of Shri Rabindranath Tagore - “It is simple to be happy, **but so difficult to be simple.**” The regulators & MIIs have been

focused on providing services and technology that amplifies & simplifies an investor’s experience in the Indian capital markets. In the depository space too, there have been so many transformations – be it from the physical forms to online demat account opening, from signed instruction slip to the electronic instruction platform (e-DIS), the new margin pledge/re-pledge mechanism, and so many more. All these initiatives have been executed only with one singular goal – to ensure a responsible participation by the investors. Currently, only 6-7% of the entire population of India currently holds a demat account shows that we have a long way ahead of us.

Speaking further on the statistics, most of these demat accounts – the highest growth in number of investors during the past year has been seen in the States of Bihar, Odisha & Madhya Pradesh. Furthermore, 68% of the demat accounts are held by investors of the age-group of 20–39-year. While we are aware that most of the demat account holders are either part of the service industry or business, it is interesting to note that approximately 20% of demat holders are students or housewives i.e, people with limited income and savings have now started recognizing the Indian capital markets as an investment option too. All these statistics demonstrate that the Indian capital markets have reached not only specific groups and geographies but have penetrated various age groups, tier 2 & 3 cities and diverse sections of society. While these statistics are over-whelming but as mentioned earlier, it also puts a huge responsibility on all the MIIs to ensure that the savings of all participants are safe. To achieve this, there are three focus areas:

## 1. Technology

“Change is inevitable. Growth is optional” - John C. Maxwell’s well-known quote is congruous with the growth of Technology over the past few years. As businesses adopt innovative financial solutions in payments and financing, technology is reshaping economies. Capital markets, too, have come under its realm, with the sector continually evolving and transforming.

The use of technology for trading and investments has eased the journey for any investor and with real-time information, they have the necessary tools to make informed decisions. In addition, MIIs such as Depositories have implemented sophisticated monitoring and surveillance framework to detect timely discrepancies to ensure faith of investors in the system.

Change is the only constant in capital market, which thrives on it. Capital markets are already using data and analytics to improve security, fraud detection, as well as for identity verification to meet regulatory and compliance requirements. To recapitulate, to maintain the ever-evolving nature of technology, data led transformation may be the first but certainly it won’t be the last one.

## 2. Regulatory & Supervision

As mentioned above, MIs are overwhelmed by the accelerated pace of digitalization, big data and complexity of modern financial crimes. To tackle these challenges, Indian regulators and MIs are transforming their practices by integrating RegTech (Regulatory Technology) with the markets.

RegTech is more than a buzzword, it is a very real movement that is already having an impact on regulatory compliance. RegTech promises to disrupt the regulatory landscape by providing technologically advanced solutions to the ever-increasing demands of compliance within the capital market industry.

## 3. DIY Investor services

This is probably the most important aspect of the growing penetration in the Indian Capital Markets. The Investor or as we call it “Niveshak” now want

to be informed and do their things on their own and at their own pace. We at CDSL have centered our vision around the same – to make every Niveshak Atmanirbhar i.e, self-sufficient. CDSL has for past more than two decades launched various pioneering initiatives such as easi, easiest, eDIS, e-Nomination, e-Sign and KRA amongst a few. These services make the entire system more efficient and provide ease of business.

In conclusion, technology, regulations, and investor-friendly services are important accelerators for Indian capital market reforms and the way forward is to make use of technology and apply it in novel ways to grow the markets.