

A STUDY ON IMPACT OF ELECTRONIC SECURITIES ISSUANCE ON INVESTOR PARTICIPATION IN THE INDIAN CAPITAL MARKET: EVIDENCE FROM NSDL DATA**Kavita Kalkoti and Madhuridevi S.Yadav**¹Professor, Nagindas Khandwala College, Malad²Research Scholar, Nagindas Khandwala College, Malad**ABSTRACT**

The Indian capital market has undergone a significant transformation with the introduction of electronic systems for issuing and settling securities. A key driver of this change is the National Securities Depository Limited (NSDL), which has simplified and modernized securities processing through electronic credit facilities, reducing reliance on physical documents. This study examines how electronic issuance has influenced investor participation in the Indian capital market, using secondary data collected from NSDL records over a seven-year period. It covers various financial instruments such as equity and preference shares, bonds, mutual funds, government securities, and other market instruments. Investor participation is measured through the number of allottees involved in electronic transactions, reflecting market accessibility and ease of use. Using descriptive and analytical research methods, including trend analysis and growth rates, the study finds a clear increase in electronic issuance alongside rising investor participation. The findings highlight how electronic systems enhance efficiency, transparency, and investor confidence, while supporting regulatory objectives. This study is valuable for researchers and policymakers focused on strengthening and modernizing capital markets.

Keywords: *Electronic Securities issuance; Investor Participation; NSDL; Indian Capital Market; Depository System; Dematerialisation*

INTRODUCTION

The capital market plays a very significant role in the overall development of the economy of a country, particularly in the development of the Indian economy. It acts as the most significant source for the generation of long-term finance, which is then utilized for making sound investments. The Indian capital market has consistently undergone transformations based on the changes that occur in the economy or the technological shifts that are observed. What can be said to mark a sharp transition is the shift from the paper form of issuing securities to the dematerialized form of issuing securities. This change has had a very significant impact on the investor base.

Previously, securities issued and traded in the Indian market were physical in nature and hence faced various operational problems. Delays in transferring ownership and the risk of loss, damage, and forgery were some challenges faced by the investors. Documentation and procedural delays often served as an impediment to the active participation of small investors. In an effort to transform the market infrastructure and minimize the problems faced by the investors, the Indian authorities made appropriate changes.

A point of great change in this regard was the establishment of the National Securities Depository Limited. NSDL provided a safe electronic depository system for holding and transacting securities in electronic form by way of an electronic credit to the investor's account through the process of dematerialisation. This had the effect of smoothing the investment process, as such a shift reduces processing time and enhances transparency, thereby reducing transaction costs with minimal risks associated with physical securities. To the investor, such changes were a matter of greater convenience, adding to the confidence of participants in the capital market.

Investor participation is a key indicator of maturity and depth of any market. A wider and broader investor base means better liquidity, greater transparency, and more stability. The broadening of the investor base has been a long-term objective for India, which has been persuading more households to invest in formal financial instruments. The coming of electronic issuance systems has remarkably contributed to this end by enhancing market access and reliability. Information on the number of allottees or investors participating in electronic issuance of securities, which NSDL maintains, gives an idea of how technology has contributed to participation levels over time.

Electronic issuance spans various financial instruments such as equity shares, preference shares, bonds, units of the mutual fund, and government securities. Varying groups of investors are attracted to different types of financial instruments. An analysis of the issuance of different financial instruments helps understand market interest in using electronic systems.

Although the dematerialization process and the use of electronic settlement systems appear to be helpful, the literature appears to be scarce when it comes to empirical studies in the field based on realistic data to analyze the contribution of the dematerialization process and the use of electronic settlement systems to investors' participation. As markets continue to digitize rapidly in addition to the need for investor protection, the issue will be considered through the use of the dematerialization process and the use of the electronic settlement system by the NSDL for seven years to gain a clear understanding of the contribution of the system to the behavior of investors in the market.

LITERATURE REVIEW

Shah, Kajal A. (2013) The Author has found that the decision to invest in the securities market depends upon qualification and age group and return on investment. He also states that awareness is one of the reasons people are not investing in this market. Also, the investors who have bad experiences in the past try to avoid investing in the securities market.

Bhoobal, M. (2015) The Author concluded that SEBI should take meaningful steps to rebuild trust among investors who lack confidence in the securities market. By improving policies, structures, services, regulation, and safety, the market can become more reliable and transparent, helping the Indian stock market gain public trust and earn recognition alongside leading global markets.

Ajay Singh (2018) Although investors possess a deep educational qualification but still the investment behavior of the investors tends to favor the investment of funds through the debt form as compared to the investment through the securities form. Pattern of investment preference regarding the securities market gets influenced by the psychographic factors that include variables like technique analysis, fundamental analysis, risk return, and taxes.

Prabakaran, V. (2014) The study aims to conduct analysis on the attitude of the investors with respect to equity investment (Stock Market). There had been a growth in the technological era of the screen-based trading system, depositories, and dematerialization, rolling settlement, derivatives, etc. It brought a good transparency in the trading process. It was found that the investors are well aware about the investment in the equity market. The monthly income and awareness about investment are the most important factors deciding the investment in the stock market. The investment satisfaction with respect to the market situation was low.

Prashant Kumar (2020) The risk-averseness of women is highly significant from the perspective of their stock market investment. Personal constraints and limited financial capabilities are the primary hurdles. Attitudinal problems, along with infrastructure problems and complicated procedures, hold women back from engaging in the securities market, thus not allowing them to invest fully in it.

Vaseemuddin (2016) The findings reveal that individuals are aware of Sensex, Nifty, BSE, NSE, and SEBI guidelines, but they have little understanding of the futures and options market. The majority of them depend on the broker, but a few carry out an analysis of the company. Improvement in the training process of technical analysis by investors is suggested.

OBJECTIVES OF THE STUDY

1. To examine the trend in the electronic issuance of securities using NSDL over the selected time period.
2. To analyze the variations that occurred in the level of investor participation for various categories of securities that are issued electronically.
3. To assess the importance of electronic securities issuance in improving accessibility and participation within the Indian capital market.
4. To evaluate the overall effect of electronic issuance on the development and composition of the securities market by secondary data.

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RESEARCH METHODOLOGY

The research relies only on secondary data sources. It is gathered through published literature such as annual reports of NSDL, publications of SEBI, stock exchange records, among others. The literature is subjected to trend analyses. It is intended to identify trends associated with the issuance of electronic securities as well as investor involvement.

SIGNIFICANCE OF THE STUDY

This research work offers key information regarding the significance of electronic securities issuance in improving investor participation in the Indian capital market. This paper ultimately assists in shaping policies regarding new issuance structures in the capital markets in a manner that makes them more efficient and accessible.

RESEARCH PROBLEM

The existing literature has studied the perception, awareness, influence, and preference of investors towards various traditional and financial sectors of investments like post office schemes, mutual funds, insurance, and equity markets. Few researchers have also identified the influence of awareness, risk behavior, SEBI rules, and demographic factors affecting the behavior of investors. There seems to be deficiency or lack of empirical studies specifically on the issue of electronic issue of securities through the Depositories, specifically NSDL on the effect of changes brought about in investors' participation over a continuous time duration. Also, the existing literature has unexplored the relationship between the issue of securities through the electronic system and changes brought about in investors' participation for the regions separately.

LIMITATIONS OF THE STUDY

The research involves only secondary data, which might not reflect how individual investors feel or how they behave. The study is based on data provided by NSDL records, excluding factors that might be difficult to measure.

DATA INTERPRETATION**Table no. 1:** Securities issued through electronic credit via NSDL (2015-16)

Description	No. of Corporate Actions	No. of Allottees	No. of securities (in crores)
Equity Shares	4,910	4,576,273	8,479.43
Preference Shares	218	2,883	790.7
Bonds & Debentures	5,179	236,731	421.82
Commercial Papers	8,887	8,887	2.83
Certificate of Deposits	2,013	3,488	5.19
Securitized Instruments	588	911	4,846.27
Mutual Fund Units	118,730	765,759	420.44
Warrants	37	170	65.48
Indian Depository Receipts	0	0	0
Total	140,562	5,595,102	15,032.16

Interpretation

The year 2015-2016 signals the first wave of widespread electronic issuance through NSDL. Equity shares led the way in corporate actions, symbolizing the acceptance level for dematerialized equity issuance. The mutual fund units registered a considerable number of allottees, which signifies the growing acceptance of the retail sector through the electronic system. The securitized instruments registered a considerable amount of securities issued, signifying the involvement of institutions. The traditional securities, such as bonds, certificates of deposit, and commercial papers, registered a moderate level of activities, signifying cautious investor behavior. It can be said that the transition level is initial, where the credit system through electronics is gaining pace in equity, mutual fund, and other securities gradually accepting the mode of electronics.

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Table no. 2: Securities issued by way of electronic credit through NSDL (2016-17)

Description	No. of Corporate Actions	No. of Allottees (in hundreds)	No. of securities (in Crore)
Equity Shares	6,046	88,142.33	13,765.68
Preference Shares	276	891.25	1,169.06
Bonds & Debentures	5105	1,547.51	552.34
Commercial Papers	11,731	117.41	4.18
Certificate of Deposits	1,441	25.28	3.96
Securitized Instruments	709	10.3	11804.76
Mutual Fund Units	171,976	13,844.06	932.24
Warrants	45	1.96	87.53
Total	197,329.00	104,580.10	28,319.75

Interpretation

The year 2016-17 reported visible growth in the case of electronic issuance via NSDL for most instruments. Equity shares reported an increase in corporate actions as well as issuance of securities, symbolizing greater investor confidence in the instruments used by the electronic platform.

Units of mutual funds continued to receive a huge number of allottees, symbolizing continued retail participation. Securitization instruments reported a huge increase in terms of issuance of securities, solidifying the importance played by electronic platforms during large-value transactions. Commercial papers as well as bonds reported Continued Activity. The overall increase reported by the total issuance of securities indicates better infrastructure, greater transparency, and increased dependence upon the Depository-based System at the Indian capital market.

Table no. 3: Securities issued by way of electronic credit through NSDL (2017-18)

Description	No. of Corporate Actions	No. of Allottees (in hundred)	No. of securities (in crore)
Equity Shares	8,510	198,050.35	16,054.63
Preference Shares	288	1,591.64	1,083.01
Bonds	4,138	593.7	1,355.30
Commercial Papers	11,094	110.94	5.19
Certificate of Deposits	1,153	22.56	5
Securitized Instruments	748	11.92	12,249.44
Mutual Fund Units	227,386	15,197.07	965.53
Government Securities	124	525.4	0.15
Warrants	72	2.68	71.57
Infrastructure Investment Trust	7	79.44	88.75
Alternative Investment Fund	2	0.02	0
Total	253,522	216,185.72	31,878.58

Interpretation

The year 2017-18 saw a large increase in growth within the online securities issuing framework. Equity shares and mutual fund units registered significant participation, symbolizing greater ease of access facilitated through online credit. The dramatic increase in securitized products signifies a higher adoption level of institutional players utilizing online platforms. Government securities and infrastructure investment trusts also started gaining raspberrypage, albeit at a low level. The total number of allottees registered a large increase, thus symbolizing a deeper reach into markets. This year symbolizes a consolidating level where online issuing began no longer focusing exclusively on equity shares or mutual fund units but getting increasingly ingrained within a multitude of different securities.

Table no. 4: Securities issued by way of electronic credit through NSDL (2018-19)

Description	No. of Corporate Actions	No. of Allottees (in hundred)	No. of securities (in crore)
Equity Shares	9,024	92,407.82	19,373.31
Preference Shares	330	86.84	3,472.70
Bonds	4,040	3,118.03	493.44
Commercial Papers	10,336	103.36	5.22
Certificate of Deposits	1,828	33.94	6.91
Securitized Instruments	939	18.84	20,727.37
Mutual Fund Units	2,537,370	20,444.21	2,511.66
Government Securities	884	224.13	0.92
Warrants	46	2.13	95.34
Infrastructure Investment Trust	10	0.33	113.41
Alternative Investment Fund	1	0.18	0.49
Real Estate Investment Trust	3	30.05	128.64
Total	284,811	116,470	46,929

Interpretation

During the year 2018–19, electronic issuance through NSDL manifested diversification into different investment instruments. Equity shares and units of mutual funds continued their leading positions in respect of investor participation. Securitized instruments accounted for the lions' share of the total issues, reflecting their prime importance in electronic issuance. Bonds and commercial papers registered moderate growth with stability, reflecting institutional confidence.

The emergence and participation in REITs and Infrastructure Investment Trusts reveal gradual expansion towards alternative avenues for investments. Overall, the data reflects a mature phase of electronic issuance manifesting increased product diversity and wider investor inclusion.

Table no. 5 Securities issued by way of electronic credit through NSDL (2019-20)

Description	No. of Corporate Actions	No. of Allottees (in hundred)	No. of securities (in crore)
Equity Shares	9,075	81,354.04	20,536.90
Preference Shares	617	335.61	39,936.14
Bonds	3,884	3,376.36	1,544.54
Commercial Papers	7,191	71.91	4.21
Certificate Of Deposits	1,118	25.83	4.9
Securitized Instruments	972	18.56	21,416.99
Mutual Fund Units	2,927,763	20,962.17	2,510.74
Government Securities	1,078	520.93	1.4
Warrants	31	0.92	226.32
Infrastructure Investment Trust	14	0.58	284.96
Alternative Investment Fund	3	0.08	0.0003
Real Estate Investment Trust	2	0.02	3.42
Rights Entitlements	2	651.47	1.9
Total	316,750	107,318.48	86,472.44

Interpretation

The NSDL system’s strength can also be observed through the considerable rise in the total number of securities issued through the electronic route for the 2019-2020 year. The equity and preference stocks issued showed substantial volume, which demonstrates the dependence of companies on electronic credit for raising finance.

The mutual fund units, as usual, remained associated with a large number of allottees. The securitized segment has been a big contributor to the total volume of securities issued, and the dominance of the same segment has been emphasized. The smaller number of corporate activities has still resulted in the issuance of a large volume of warrants and infrastructure security.

Table no. 6: Securities issued by way of electronic credit through NSDL (2020-21)

Description	No. of Corporate Actions	No. of Allottees (in thousands)	No. of securities (in crores)
Equity Shares	9,192	69,003	26,674
Preference Shares	541	52	1,977
Bonds	4,250	974	739
Commercial Papers	4136	86	3
Certificate of Deposits	318	10	605
Mutual Fund Units	33,435	18,469	1,028
Government Securities	1,690	3,361	6
Warrants	60	19	910
Alternative Investment Fund	8	0	0
Infrastructure Trust	4	0	630
Real Estate Investment Trust	14	115	152
Rights Entitlements	64	2,175	195
Total Entitlements	354,990	1,124,706	62,816.00

Interpretation

In the year 2020-21, electronic issuance continues to record high figures despite the prevailing market uncertainty. Equity shares experienced an exponential rise in the number of securities issued. This depicts the rising market activities. Units of mutual funds continued to attract immense investor participation. This reveals the confidence reposed in investment options managed electronically. Government securities and infrastructure trusts recorded an improvement in the number of issues. Rights entitlements came to the forefront.

Table no. 7: Securities issued by way of electronic credit through NSDL (2021-22)

Description	No. of Corporate Actions	No. of Allottees (in thousands)	No. of securities (in crores)
Equity Shares	12,957	149,876	34,699.44
Preference Shares	823	24.74	2,460.19
Bonds	4,989	3,063.57	17,038.05
Commercial Papers	4,563	1,840.28	9.99
Certificate of Deposits	487	16.58	0.8
Mutual Fund Units	4,075.47	42,972.97	2,987.51
Government Securities	1,954	2,935.53	9.54
Warrants	94	3.81	364.62
Alternative Investment Fund	19	0.25	0.02
Infrastructure Investment Trust	23	149.07	308.22
Real Estate Investment Trust	8	0.13	11.17
Rights Entitlements	690	7,831.15	2,029.57
Total	463,649	172,414.13	47,960.07

Interpretation

2021-22 is a peak stage for the issuing of electronic securities through NSDL. The equity shares had the maximum number of corporate actions done, hence maximum securities issued. This expresses strong market confidence. The growth in bonds, securitizations, was remarkable, expressing institutional activity. The retail segment had massive participation through mutual fund units. Rights entitlements had a remarkable increase, demonstrating the efficacy of technology in managing complex corporate actions. Alternative investment funds,

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REITs, infrastructure trusts had a remarkable increase too. The evidence proves maturity and adoption of this technology aspect of the capital markets of India.

CONCLUSION

The number of people using electronic credit for the issue of securities through NSDL has gradually increased over the years and reflects the increasing modernization of the Indian financial markets. The equity shares and mutual funds have recorded the highest levels of growth and confirm the increasing levels of faith and confidence reposed by investors. The other financial tools, including bonds and the securitized instruments, are also gradually becoming popular, which reflects the increasing acceptance of electronic trading. The trend confirms that technology has brought efficiency and ease to the investing world and has enabled more people to take advantage of the Indian economy's rapid growth.

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