

Awareness Level of Services Offered By Depository Participants In Coimbatore, Tamil Nadu

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INTRODUCTION

A major reform of the Indian stock market is the introduction of the depository system and scrip less trading mechanism that came in to vogue in the year 1996. The long prevailing scrip based system of securities transaction involves enormous paper work involving certificates and transfer deeds. Every securities transaction, in the physical scrip based system is required to be accomplished by physical movement of securities certificate along with the transfer deeds. The process beginning with the purchase of securities till getting the certificates duly transferred and endorsed in the name of the buyer is indeed quite complex and time consuming and is riddled with a wide variety of problems such as bad deliveries due to signature difference, mistake in completion of transfer deed, tearing and mutilation of certificates, fake certificates, cost of stamp duty, processing time taken by the company and postal delays. Hence, as a part of the capital market reforms in the year 1996, a need was felt for the introduction of scrip less depository system of securities movement.

In the depository system, the apex organization is the depository, which is just like a bank where a depositor / investor can deposit and withdraw the money. In a depository, an investor can deposit and withdraw his shares. A Depository Participant (DP) is an agent of the depository. A DP works as a branch of the bank with whom a deposit account has to be opened. An investor can interact only with a DP and not with the depository, for all his dealings in shares are in the electronic form. As per SEBI guidelines, the financial institutions, the share brokers, the banks etc. can become a DP after registration with SEBI. A DP is a vital link in the depository system and all transactions in the dematerialized shares are routed through a DP only.

At present, there are two Depositories in India, National Securities Depository Limited (NSDL) and Central Depository Services Limited (CDSL). NSDL was the first Indian Depository. It was inaugurated in November 1996. NSDL was set up with an initial capital of Rs.124 crore, promoted by Industrial Development Bank of India (IDBI), Unit Trust of India (UTI), National Stock Exchange (NSE) and the State Bank of India (SBI).

Central Depository Services Limited managed by professionals has been promoted by the stock exchange, Mumbai along with State Bank of India, Bank of Baroda and Bank of India as original sponsors in the year 1998. Several leading private sector banks viz. HDFC Bank, Standard Chartered Bank, Global Trust Bank and Centurion Bank are also its sponsors. Thus, Indian investors have seen two depositories functioning over a decade. Therefore, there is a need for analyzing the awareness of investors on the services offered by depositories in the Indian environment. This article makes an attempt in this direction. For this purpose, the research works carried out in this area are reviewed in the second section of this article to find out the research gap.

REVIEW OF LITERATURE

Dellarocas (2004) offered a systematic exploration of reputation mechanism design in trading environments with opportunistic sellers, imperfect monitoring of a seller's actions and two possible seller effort levels, one of which has no value to buyers. The objective of reputation mechanisms in such settings is to induce sellers to exert high effort as often as possible.

Bradley (2006) stated that changes in the market for information are challenging financial regulations by disrupting settled distinctions on which financial regulation depends. In some cases, these settled distinctions are based on explicit or implicit understandings of technological conditions; in other cases, the distinctions are based on factors independent of the state of technology. He argued that regulatory distinctions based on implicit understandings of technological conditions should be revised when the technology changes. Where rules are based on factors other than the state of technology, they should be reviewed to ensure that technological change

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do not disrupt their application. In particular, regulators should not assume that investors experience information online in the same way that they do offline information. Changing patterns of information-gathering and decision-making by investors require revisiting core assumptions of securities law: that only rational investors deserve statutory protections; that impersonal trading advice is not "investment advice"; and that it is easy to distinguish between professional and non-professional and between sophisticated and unsophisticated investors.

Glaser and Weber (2007) documented how experience affects decisions and whether biases are eliminated by trading experience and learning. A necessary condition to learn is that investors actually know what happened in the past and that the views of the past are not biased. Based on the answers of 215 online broker investors to an Internet questionnaire, we analyzed whether investors are able to correctly estimate their own realized stock portfolio performance. They showed that investors are hardly able to give a correct estimate of their own past realized stock portfolio performance and that experienced investors are better able to do so.

STATEMENT OF THE PROBLEM

"Depositories in India are witnessing an unprecedented rise in their business between October 2006 to January 2007; the NSE – promoted National Securities Depository Limited (NSDL) witnessed a 10.18 % spurt in its number of investor accounts. From Rs.42.8 lakhs on 23 October 2003, the number rose to Rs.47.2 lakhs on 17 January 2004. NSDL currently has securities worth Rs.7, 07,312 crore in its custody. The BSE – promoted Central Depository Services Limited (CDSL) too, does not lag behind. Its investor account rose 24.06% from Rs.4.11 lakh to 5.1 lakh during the same period. CDSL has securities worth Rs.96, 288 crore in its custody. The stupendous rise can largely be attributed to the fact that it is now mandatory to trade in demat shares. Since January 1999, shares can be purchased or sold in electronic form only. In fact, almost 95% of the issued capital in the market stands converted into electronic form.

But there are other reasons as well behind this phenomenal rise. BSE sensx jumped nearly 111.83% to its all time high of 6194.11 on 14 January 2004, from its low of 2924.03 on 25 April 2003. The corporate sector has shown a consistently strong growth rate. Another significant factor for the rising demat business is the revival in the primary market. Retail investors, naturally, want to ride the current market boom and are opening demat accounts. Retail investors, who had purchased stocks during 1992 Bull Run, have once again decided to tap the current market. Hence, with the increase in the number of Retail Investors and compulsion of SEBI to trade securities in demat mode, an attempt has been made to study about the "Awareness level of services offered by Depository Participants among Retail Investors" at a micro level. For this purpose, though it would be an apt act to carry out a nationwide research due to non accessibility of investors all over India, it has been decided to carry out the study in an investor intensive district. For this purpose, ten investors' intensive districts have been identified and among those districts, Coimbatore district has been selected randomly.

OBJECTIVES OF THE STUDY

The following are the specific objectives of the study:

1. To study the awareness level of Retail investors about the services offered by Depository Participants.
2. To study the benefits under depository system, which the investors find more appealing.
3. To find out the most contributing factor that influences the investor to hold a Demat account with a particular Depository Participant.
4. To examine the investors' opinion on charges for various services offered by Depository Participants and
5. To suggest suitable measures to enhance the level of awareness of investors.

METHODOLOGY

The study is exploratory in nature. With the objective of analyzing the investors awareness about the demat services, the study has been conducted with the help of the opinion collected from the investors in Coimbatore district. Here, collecting the opinion from all the investors existing in Coimbatore district is nearly not possible. Hence, it has been decided to select a representing sample from the investors of the district. For this purpose, a list of equity investors in this district has been prepared from the available records of Depository Participants such as Geojit Financial Services Limited, Coimbatore Capital Private Limited, Stock holding corporation of India limited, Karvy and DJ Stocks and shares limited. From the list prepared, a sample of one hundred investors was selected randomly by adopting the lottery method.

For collecting the opinion from the investors, a well structured questionnaire was prepared. The questionnaire invited responses on the investors' awareness of Demat Accounts and their opinion on the services offered by the

Depository participants. It also invites suggestions from the respondents to improve the awareness of Demat Accounts.

However, a pilot study was conducted before administering the questionnaire to the respondents. The purpose was to find out whether any modifications are required in the questionnaire or not. A sample of 10 respondents was selected for pre- testing. After pre- testing, it was found that there is no need for modification, so the questionnaire was used for collecting data in the main study. The data collected have been transformed into tables. After tabulating the opinions of the respondents, necessary statistical tools have been applied for analyzing the data. Thus, the study used percentage analysis as the statistical tools to describe the collected data. Chi-square tests and Analysis of Variance (ANOVA) were used to test the hypotheses formulated for the present study. Chi-square test was used to find out whether there is any association between socio-economic attributes and awareness level of investors. ANOVA was used to compare mean score of opinion on charges among investors of different educational qualifications, annual income, age and range of investments in securities. The period of study ranges from October 2008 to January 2009.

LIMITATIONS OF THE STUDY

The study is confined to Coimbatore district only. This is because covering other districts in Tamil Nadu will definitely involve high cost and time. Considering cost and time, only Coimbatore district has been taken for the analysis. Barring this limitation, other usual limitations of any survey study such as opinions of the respondents depends on the environment and the like.

ANALYSIS AND INTERPRETATION OF DATA

EDUCATIONAL QUALIFICATION

The respondents were asked about their educational qualification with the objective of finding its relation with their awareness. The table below shows the educational qualification wise distribution of the respondents.

TABLE 1
EDUCATIONAL QUALIFICATION-WISE DISTRIBUTION OF THE RESPONDENTS

Sl. No.	Educational Qualification	Number of respondents	Percentage
1.	Post Graduate	27	27.00
2.	Under Graduate	46	46.00
3.	Diploma	9	9.00
4.	High School	18	18.00
	TOTAL	100	100.00

Source: Primary Data

INCOME PER MONTH: The respondents were asked about their annual income and the options given to them were less than Rs.75,000; Rs.75,001 – Rs.1,50,000; Rs.1,50,001 – Rs.2,50,000 and more than Rs.2,50,000.

TABLE 2
ANNUAL INCOME WISE DISTRIBUTION OF THE RESPONDENTS

Sl. No.	Annual Income	Number of respondents	Percentage
1.	Less than Rs.75, 000	39	39.00
2.	Rs.75,001 – Rs.1,50,000	42	42.00
3.	Rs.1,50,001 – Rs.2,50,000	13	13.00
4.	More than Rs.2,50,000	6	6.00
	TOTAL	100	100.0

Source: Primary Data

Table shows that out of 100 respondents, 39% of the respondents have an income less than Rs.75,000, 42% of the respondents are in the income group between Rs.75,0001 and Rs.1,50,000 , 13% of respondents' income is in the range of Rs.1,50,001 to Rs.2,50,000 and 6% of the respondents have an annual income of more than Rs.2,50,000.

AGE: The respondents were asked about their present age with the objective of finding its relation with their usage of Demat accounts. The table below shows the distribution of respondents' age group.

TABLE 3: AGE -WISE DISTRIBUTION OF THE RESPONDENTS

Sl. No.	Age Group	Number of respondents	Percentage
1.	20-30 years	30	30.00
2.	31-40 years	27	27.00
3.	41-50 years	15	15.00
4.	51-60 years	21	21.00
5.	Above 60 years	7	7.00
	TOTAL	100	100.00

Source: Primary Data

Age is one of the crucial factors in determining the extent of risk taken by the investors in investing in securities. The above table shows that out of 100 respondents, 30% of the respondents are in the age group of 20 to 30 years, 27% of the respondents are in the age group between 31 and 40 years, 15% are between 41 to 50 years, 21% are between 51-60 years and 7% of the respondents are above 60 years of age.

GENDER: The respondents were asked their gender and the distribution of responses is shown in the Table 4.

TABLE 4: GENDER WISE DISTRIBUTION OF THE RESPONDENTS

Sl. No.	Gender	Number of respondents	Percentage
1.	Male	84	84.00
2.	Female	16	16.00
	TOTAL	100	100.00

Source: Primary Data

More than three-fourths of the respondents are male, while only 16% of the respondents are female.

RANGE OF INVESTMENTS IN SECURITIES

The amounts of investments made by the investors were enquired and the distribution is as follows:

TABLE 5: DISTRIBUTION OF RANGE OF INVESTMENT IN SECURITIES

Sl. No.	Range of Investment	Number of respondents	Percentage
1.	Less than Rs.10, 000	13	13.00
2.	Rs.10,001 – Rs.30,000	33	33.00
3.	Rs.30,001 – Rs.50,000	15	15.00
4.	Rs.50,001 – Rs.70,000	11	11.00
5.	Rs.70,001- Rs.1,00,000	10	10.00
6.	Above Rs.1,00,000	18	18.00
	TOTAL	100	100.00

Source: Primary Data

The above table shows the range of investment in securities. Out of 100 respondents, 13% of the respondents invest less than Rs.10,000 in securities; 33% are in the range of investment between Rs.10,001 and Rs.30,000; 15% of respondents' investment range is between Rs.30,001 and 50,000; 11% are in the investment range between Rs.50,001 and Rs.70,000; 10% invest between Rs.70,001 and Rs.1,00,000. 18% of the respondents invest above Rs.1, 00,000 in securities.

INVESTORS' CHOICE OF INVESTMENT: The investors were given options to choose the type of investment. They include Equity, Debentures, Government Securities, Initial Public Offerings and Mutual Funds.

TABLE 6: INVESTORS' CHOICE OF INVESTMENT

Sl. No.	Choice of Security	Number of respondents	Percentage
1.	Equity	18	18.00
2.	Debentures	3	3.00
3.	Government Securities	8	8.00
4.	Initial Public Offerings	54	54.00
5.	Mutual Funds	17	17.00
	TOTAL	100	100.00

Source: Primary Data

Out of 100 respondents, 18% of the respondents invest in equity shares, 3% of the respondents invest in debentures, 8% invest in Government securities, 54% invest in initial public offerings and 17% respondents invest in mutual funds.

EDUCATIONAL QUALIFICATION AND AWARENESS ABOUT SERVICES PROVIDED BY DEPOSITORY PARTICIPANTS

In order to find out the association between the educational qualification of the respondents and their awareness about services provided by depository participants, Chi-square test is applied.

TABLE 7: EDUCATIONAL QUALIFICATION AND AWARENESS ABOUT SERVICES PROVIDED BY DEPOSITORY PARTICIPANTS

Level of Awareness	Educational Qualification			Total
	Schooling	Degree / Diploma	PG	
Low awareness (1 - 2)	13 (12.42)	39 (37.95)	17 (18.63)	69
Moderate awareness (3)	3 (3.24)	9 (9.9)	6 (4.86)	18
High awareness (4 - 5)	2 (2.34)	7 (7.15)	4 (3.51)	13
TOTAL	18	55	27	100

Source: Primary Data

(Figures given in the brackets represent the Expected Frequency)

Null Hypothesis: The association between the educational qualification of the respondents and their level of awareness towards services provided by depository participant is not significant.

As the calculated chi-square value (0.542) is less than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the educational qualification of the respondents and their level of awareness towards services provided by depository participant is not significant. Awareness level is less among all the group of investors, whether they are highly qualified or have low qualification.

ANNUAL INCOME AND AWARENESS ABOUT DIFFERENT SERVICES

In order to find out the association between the annual income of the respondents and their awareness about services provided by depository participants, Chi-square test is applied.

TABLE 8: ANNUAL INCOME AND AWARENESS ABOUT SERVICES PROVIDED BY DEPOSITORY PARTICIPANTS

Level of Awareness	Annual Income			Total
	Less than Rs.75000	Rs.75001 to 150000	More than Rs.150000	
Low awareness (1 - 2)	29 (26.91)	26 (28.98)	14 (13.11)	69
Moderate awareness (3)	8 (7.02)	7 (7.56)	3 (3.42)	18
High awareness (4 - 5)	2 (5.07)	9 (5.46)	2 (2.47)	13
TOTAL	39	42	19	100

Source: Primary Data

(Figures given in the brackets represent the Expected Frequency)

Null Hypothesis: The association between the annual income of the respondents and their level of awareness towards services provided by depository participants is not significant.

As the calculated chi-square value (4.998) is less than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the annual income of the respondents and their level of awareness towards services provided by depository participant is not significant.

AGE GROUP AND AWARENESS ABOUT DIFFERENT SERVICES

In order to find out the association between the age group of the respondents and their awareness about services provided by depository participants, Chi-square test is applied.

TABLE 9: AGE GROUP AND AWARENESS ABOUT SERVICES PROVIDED BY DEPOSITORY PARTICIPANTS

Level of Awareness	Age Group				Total
	21 – 30 years	31 – 40 years	41 – 50 years	Above 50 years	
Low awareness (1 - 2)	21 (20.7)	16 (18.63)	13 (10.35)	19 (19.32)	69
Moderate awareness (3)	8 (5.4)	4 (4.86)	2 (2.7)	4 (5.04)	18
High awareness (4 - 5)	1 (3.9)	7 (3.51)	0 (1.95)	5 (3.64)	13
TOTAL	30	27	15	28	100

Source: Primary Data

(Figures given in the brackets represent the Expected Frequency)

Null Hypothesis: The association between the age group of the respondents and their level of awareness towards services provided by depository participant is not significant.

As the calculated chi-square value (11.338) is less than the table value (12.592) at 5% level of significance for 6 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the age group of the respondents and their level of awareness towards services provided by the depository participant is not significant.

RANGE OF INVESTMENT IN SECURITIES AND AWARENESS ABOUT DIFFERENT SERVICES

In order to find out the association between the range of investment of securities of the respondents and their awareness about services provided by depository participants, Chi-square test is applied.

TABLE 10: RANGE OF INVESTMENT AND AWARENESS ABOUT SERVICES PROVIDED BY DEPOSITORY PARTICIPANTS

Level of Awareness	Range of Investment in Securities			Total
	Less than Rs.30000	Rs.30001 -70000	Above Rs.70000	
Low awareness (1 – 2)	33 (31.74)	16 (17.94)	20 (19.32)	69
Moderate awareness (3)	10 (8.28)	5 (4.68)	3 (5.04)	18
High awareness (4 - 5)	3 (5.98)	5 (3.38)	5 (3.64)	13
TOTAL	46	26	28	100

Source: Primary Data

(Figures given in the brackets represent the Expected Frequency)

Null Hypothesis: The association between the range of investment of the respondents and their level of awareness towards services provided by depository participant is not significant.

As the calculated chi-square value (5.48) is less than the table value (9.488) at 5% level of significance for 4 degrees of freedom, the null hypothesis is accepted and it could be concluded that the association between the range of investment of the respondents and their level of awareness towards services provided by depository participants is not significant.

COMPARISON OF MEAN SCORE OF OPINION ON CHARGES AMONG INVESTORS OF DIFFERENT EDUCATIONAL LEVELS

Null Hypothesis: There is no significant difference between mean score of opinion on charges among investors of different educational qualifications.

**TABLE 11
EDUCATIONAL QUALIFICATION AND OPINION SCORE ON CHARGES**

Educational Qualification	Opinion Score on Charges		Number of Respondents
	Mean	Standard Deviation	
Schooling	8.56	1.65	18
Degree / Diploma	7.93	1.62	55
Post Graduate	9.04	1.09	27
TOTAL	8.34	1.56	100

ANOVA FOR OPINION SCORE ON CHARGES

	Sum of Squares	Degrees of freedom	Mean Square	F	Sig.
Between Groups	23.324	2	11.662	5.163	**
Within Groups	219.116	97	2.259		
TOTAL	242.440	99			

Source: Primary Data

ANOVA was applied to test whether respondents with different educational background vary in their mean scores on opinion regarding charges. The ANOVA result shows that the calculated F ratio value is 5.163, which is greater than tabulated value of 4.83 at 1% level of significance. Since the calculated value is greater than the tabulated value, null hypothesis is rejected and it may be concluded that there exists significant difference between respondents of different educational backgrounds in their average scores on opinion regarding charges.

COMPARISON OF MEAN SCORE OF OPINION ON CHARGES AMONG INVESTORS OF DIFFERENT ANNUAL INCOME

Null Hypothesis: There is no significant difference between mean score of opinion on charges among investors of different annual incomes.

TABLE 12
ANNUAL INCOME AND OPINION SCORE ON CHARGES

Annual Income	Opinion Score on Charges		Number of Respondents
	Mean	Standard Deviation	
Less than Rs.75,000	8.18	1.78	39
Rs.75,001 to Rs.1,50,000	8.45	1.53	42
More than Rs.1,50,000	8.42	1.17	19
TOTAL	8.34	1.56	100

ANOVA FOR OPINION SCORE ON CHARGES

	Sum of Squares	Degrees of freedom	Mean Square	F	Sig.
Between Groups	1.660	2	0.830	0.334	No significance
Within Groups	240.780	97	2.482		
TOTAL	242.440	99			

Source: Primary Data

ANOVA was applied to test whether respondents with different annual income vary in their mean scores on opinion regarding charges. The ANOVA result shows that the calculated F ratio value is 0.334, which is less than tabulated value of 3.09 at 5% level of significance. Since the calculated value is less than tabulated value, null hypothesis is accepted and it may be concluded that there exists no significant difference between respondents of different annual income in their average scores on opinion regarding charges.

COMPARISON OF MEAN SCORE OF OPINION ON CHARGES AMONG INVESTORS OF DIFFERENT RANGE OF INVESTMENT IN SECURITIES

Null Hypothesis: There is no significant difference between mean score of opinion on charges among investors of different range of investment in securities.

TABLE 13
RANGE OF INVESTMENT AND OPINION SCORE ON CHARGES

Annual Income	Opinion Score on Charges		Number of Respondents
	Mean	Standard Deviation	
Less than Rs.30,000	8.15	1.48	46
Rs.30,001 – Rs.70,000	8.85	1.80	26
Above Rs.70,000	8.18	1.42	28
TOTAL	8.34	1.56	100

ANOVA FOR OPINION SCORE ON CHARGES

	Sum of Squares	Degrees of freedom	Mean Square	F	Sig.
Between Groups	9.013	2	4.507	1.873	No significance
Within Groups	233.427	97	2.406		
TOTAL	242.440	99			

Source: Primary Data

ANOVA was applied to test whether respondents with different range of investment in securities vary in their mean scores on opinion regarding charges. The ANOVA result shows that the calculated F ratio value is 1.873, which is less than the tabulated value of 3.09 at 5% level of significance. Since the calculated value is less than tabulated value, null hypothesis is accepted and it may be concluded that there exists no significant difference between respondents of different range of investment in securities in their average scores on opinion regarding charges.

SUGGESTIONS

1. Investors' awareness programme should be organized by Depository Participants to provide the investors with information about the various services offered by the depository participants.
2. Day-to-day trends in stock markets, industries and economy can be provided to the investors that would make them more cautious while trading in securities.
3. Investors must be made aware about both the Depositories – NSDL and CDSL that is operating in the country, since most of the investors are only aware about NSDL.
4. Investors must be made aware about the usage of internet based services to know about their transaction details.
5. Apart from nomination facility, other facilities that are provided by the Depository participants like Transposition-cum-Demat facility, Transmission facility, client-level-pay-in facility, Rematerialization must be made known to the investors.
6. SEBI's (Securities and Exchange Board of India) announcement on curtailing of account opening charges and maintaining charges should be implemented quickly.
7. Investors must be made aware about the circumstances under which a Depository Participant can terminate their Demat account.
8. The Depository Participants can provide better infrastructure facilities with more computer terminals for easier and convenient transactions.

CONCLUSION

The findings from the chi-square test shows that the investors' awareness level is less about the services offered by Depository Participants, closing of their demat accounts and termination of demat account though the investors vary in their educational qualification, age, income group and range of investment. Awareness level is found to be similar for all investors though they vary in socio-economic profiles. However, the findings from ANOVA test reveals that charges imposed by Depository Participants for different services are reasonable. This piece of research made an attempt to find out the awareness level of investors about the services, which are available to them through depository participants. Primary data was collected for this purpose and was analyzed using appropriate statistical tools. The analysis of data provided the conclusion that most of the investors are not aware about different service schemes due to lack of information and lack of investors' education. The results of this study will be a sort of feedback for the investors, brokers and regulatory bodies as to what extent the investor's education programme have reached the investors. It is, therefore, a matter of paramount importance that the investors are empowered through education on functioning of the market, obligation of the intermediaries like depository participants, the operational intricacies and the risks and pitfalls involved in securities trading.

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