

# To Study about Demat Account and Awareness of Online Trading among People with Respect to Mumbai

**Ms. Vijaylaxmi Gupta**

Shri G.P.M. Degree College of Science and Commerce, Andheri, Mumbai, Maharashtra

**Abstract:** *To place an order, one must now call or see a broker in person if they want to invest in the stock market. Only customers with high net worth's frequently obtain such premium treatment from brokers and additional services. However, with the introduction of online trading, even a casual or small investor has the opportunity to utilise the service for a fair charge that is far less than what is paid by a professional broker over the phone. Thanks to internet trading, customers now have real-time access to account information, stock quotes, thorough market research, and interactive trading. For Internet trading, you need a computer, a modem, a phone line, broker registration, a bank account, and a depository account. The depository service's debut is considered to mark the beginning of Stocks @ Click trading. This indicates that you may arrange for delivery of any scrips offered at anytime, anywhere, by clicking a mouse. Dematerialization makes it simpler to maintain securities in electronic form rather than paper form. It offers more advantages than a real certificate. Despite the advantages of dematerialization, there are a number of reasons why investors are not familiar with demat accounts. The concept of Demat accounts and the numerous financial organisations that provide these services are not receiving a positive response from investors. This study includes understanding the various Demat principles, investigating the investment practises of individual investors in India, and testing investor familiarity with online trading and dematerialization.*

**Keywords:** CAMEL Rating System

## I. INTRODUCTION

Trading on the stock market is pretty common these days. Trading and investing on the stock market are becoming more and more popular. This growth in stock market participation is being driven by the possibility of large gains. So, a beginner investor's first idea upon entering the stock market is, "How do I trade?" The solution is a demat account. Alternately stated. A demat account can be used to trade or buy shares and other securities. It is necessary for trading in shares or securities. No matter the size of the transaction or the broker it is routed through, the stock market's primary objective is to provide all investors in the country with an equal opportunity to trade any security. Investors now have the opportunity to complete a buy order at the country's lowest price without incurring any additional costs. Nowadays, trading is very common among young people. We have obtained both primary data and secondary data for this objective via an online survey.

Objective

- To study about Demat account
- To study about benefits of Demat account
- To know the awareness of online trading among people who live in Mumbai

## II. DISCUSSION

Demat account

### History of Demat account

Until much later in the 20th century, when the Bombay Stock Exchange (BSE) was founded, merchants would yell out the prices of the stocks they intended to purchase and sell. The exchange of funds would take place through tangible receipts known as certificates. As a result, there was a tonne of paperwork that consumed a lot of time. Settlements were further delayed by lengthy paper-based procedures since both purchasers and sellers had to submit certifications

Copyright to IJAR SCT

[www.ijarsct.co.in](http://www.ijarsct.co.in)



before the transfer procedure could begin. The moment the shareholder opened a Demat account with his broker, the revolutionary process of Dematerialization got underway. The process of converting his physical certificates into an electronic and fungible version that could be maintained with his Demat account was somewhat comparable to creating a bank account. Furthermore, there would be no identifying characteristics of any kind in this equilibrium. Since its development, the Demat account has significantly reduced the issues of faked and mismatched signatures, stolen shares, duplicated and damaged share certificates, and other transfer issues that resulted in numerous arbitration lawsuits and other investor conflicts. The Indian Government advocated a highly technological and completely automated approach for all stock exchanges that offered screen-based trading as well as depositories as the solution to all investor issues with the adoption of the Depository Ordinance 1995. Additionally, the Depositories Act of 1996's execution has assured the depository concept's success in India's capital markets and made trading and settlement, which had previously been a time-consuming and laborious procedure, available at the press of a button.

A demat account, also known as a dematerialized account, is an account that stores an individual's shares and assets in electronic form. All transactions involving a person's trading, investing, or holding of securities take place through the Demat account. Or to put it another way, exactly like banks hold people's money. Similar to how the Demat Account does, it keeps the account holder's shares and securities. When enrolling with the investment broker or sub-broker, the investor opens a demat account. For trading (buying and selling of stocks), this account is preferable since it allows for electronic settlements. To trade in equities as required by Securities and Exchange Board of India (SEBI) legislation, almost every shareholder must have this account. Without a valid demat account, it is impossible to trade stocks.

#### **Dematerialization**

The process of changing physical shares into electronic forms is called dematerialization. Open a DEMAT account with a Depository Participant if you want to dematerialize your shares. You then give up your physical shares and get electronic shares in your DEMAT account. Therefore, the fundamental principle behind dematerialization is to store the account holder's stocks, securities, and share certificates in electronic form rather than holding them in physical form.

#### **Depository**

Since the first depository was established in Germany in 1949, the idea of a depository has been well-known across the world. By the year 2001, there were 112 depositories in use. To safeguard security holders' rights, obligations, and safety, each depository functions in accordance with the laws and regulations of the nation in which it is located. An organisation that holds investor securities electronically is known as a depository. One may relate a depository to a bank. Just as he establishes an account with a bank, he uses a depository's services. Similar to keeping money in a bank, having shares in an account. India now only has two depositories: Central Depository Services Ltd. (CDSL) and National Securities Depository Ltd. (NSDL). Three important financial organisations, Unit Trust of India, Industrial Development Bank of India, and National Stock Exchange of India Limited, are promoting NSDL, the nation's first depository. The Bombay Stock Exchange and Bank of India established the nation's second depository (CSDL) in 1999. However, the majority of the services provided by these two depositories are comparable. Today, CDS is available for practically all of the firms listed in dematerialized form with NSDL.

#### **The National Securities Depository Limited**

The National Securities Depository Limited, the first and biggest depository system in India, had a crucial part in the development of this system since one of its main goals was to provide a platform that would be comparable to the practises used by the world market in relation to the dematerialization of accounts. The National Securities Depository Limited develops settlement solutions that boost efficiency by lowering risk and costs in addition to using a variety of cutting-edge technology to guarantee the stability and safety of the Indian capital market.

#### **The Central Depository Services**

On the Bombay Stock Exchange's encouragement, The Central Depository Services (India) Ltd was founded in the month of February 1999. A collaborative venture involving nationalised banks including the State Bank of India, Bank of Baroda, and Bank of India was being attempted. Housing Development Finance Corporation, Standard Chartered Bank, and Union Bank of India. The Central Depository Services (India) Ltd.'s major goal is to offer investors affordable, acceptable, and dependable depository services. Almost all nationalised banks and private banks already

offer investors the option to create a dematerialization account. Every investor is required to have a Dematerialization Account in accordance with the regulations of the Securities Exchange Board of India, the nation's stock market regulator.

### **Types of Demat Account**

1. Regular Demat Account  
Indian traders typically utilise this kind of account. Prior to the BSDA, ordinary Demat Accounts had to be opened by all investors. Regular Demat services price more and offer more services than BSDA. All types of investors, from modest to high-value investors, are subject to AMC.
2. BSDA Basic Services Demat Account  
Small investors are the target market for this account type. It offers essential services in limited quantities and at discounted prices to small investors. Any person who owns a Demat Account or who intends to register an account in which he will be the sole owner
3. Repatriable Demat account  
This is a Demat account that NonResident Indians can use to send money abroad. An connected NRE bank account is necessary for such a Demat account.
4. Non-Repatriable Demat account  
This account is also for Indian non-residents. However, in this situation, money cannot be transferred outside of the country, and this account needs a corresponding NRO bank account.

### **Online trading**

Online trading refers to buying and selling assets through the internet utilising a brokerage's exclusive trading technologies. Limit orders, checking the status of an order, seeing real-time stock prices, reading news about firms, viewing the list of securities currently owned through the dashboard, etc. were all common uses for online trading in the middle to late 1990s. The online system allows investors to view their investment statements, confirmation statements, and investment tax forms. By connecting their bank accounts to their investment accounts, the majority of discount brokerages that are associated with banks also offer further convenience to their digital consumers. An investor may quickly start a transfer between accounts that are part of the same financial institution in this way.

Online trading by NSE & BSE

Very Small Aperture Terminals (VSATS) are used to connect the Exchange's central computer to the Brokers' workstations via satellite. Orders are put in according to price and priority. BOLT (BSE On Line Trading) and NEAT (National Exchange Automated Trading) Systems, two completely automated computerised trading systems, have replaced the open outcry trading method at both exchanges. Transparency, automated order matching, more effective processing, and quick trade execution are all made possible. 'A', 'BI', 'B2', 'C', 'F', and 'Z' categories have been created for the stocks traded on the BSE. Shares in the carry forward system are represented by the 'A' group, according to Bada. The debt market (fixed income securities) segment is represented by the 'F' group. The banned businesses are the "Z" group scrips. The "C" group, which is a major regulator overseeing Stock Exchanges and Brokers, covers the odd lot securities in the "A," "BI," and "B2" groups as well as rights renunciations. The Securities and Exchange Board of India (SEBI) Ltd. regulates depositories, depository participants, mutual funds, fills, and other market players in the Indian secondary and primary markets.

### **Features of Online Trading**

Numerous characteristics of online trading make it the best option for investors to choose. These are some of these characteristics:

1. Freedom of Information:

A new sense of control over your financial destiny may be possible thanks to the Internet. Online resources for investment knowledge are simply astonishing. Being a wired investor has many benefits, and this is one of them. For the first time in history, anybody with access to the Internet can: Know the price of any stock at any time Review the price history of any stock in chart style In-Depth Follow Market Events Get a tonne of free stock market commentary and analysis. Global markets and the economy Investigate any company's finances in depth

1. Control our money:  
Utilising an online trading account has several advantages, including the fact that you own and have full control over the account. You no longer need to telephone your broker to buy or sell shares; simply make your order in person, if he is present. Argue over the order with the broker, and pray that the transaction goes through immediately.
2. Access to the market:  
An online trading account allows you more flexibility when buying and selling stocks at the most fundamental level. This is accomplished by highly developed information streams, specialised trading platforms, and highly developed market access tools.
3. Offers greater transparency:  
By giving you an audit record, online trading gives you more transparency. This entails a fully integrated electronic chain that begins with the placing of the order, continues through clearing and settlement, and ends with a credit to your depository account. Since each of these phases is open to scrutiny, the system is made more transparent.
4. Reduces the settlement risk:  
The investor's settlement risk is decreased by this style of trading since all short sell orders are squared off at the designated cut-off time and are not permitted to be carried forward.
5. Instant trade order confirmations:  
Every transaction is instantly validated, and you will get an on-screen confirmation with the fuU information for your records after every exchange. By doing this, costly mistakes that would have been found after the fact are avoided.
6. Integrated accounts:  
For our convenience, our bank, depository, and trading accounts are merged. Many of the well-known banks are accessible through a variety of brokerage firms.

**Benefits of online trading**

1. Less Costly  
The cost savings associated with brokerage are the main benefit of internet trading. Due to the power of the Internet, everybody has the opportunity to become a customer of truly large brokerages and profit from the low fees that were previously available only to the major companies. The majority of players do not impose a minimum transaction fee due to the DP account's connection to the trading account, making it possible to buy a single share and obtain considerable rupee price averaging regardless of your purchasing power.
2. Peace of mind  
Even if there is no such thing as absolute peace of mind, investing online eliminates the hassles of filling out instruction slips, making trips to the broker to deliver these slips, and the charges that go along with them.
3. Keeping Records  
The trading platform keeps track of all transactions, even cancelled and unexecuted orders, keeping you up to date with all of your transactions around-the-clock. The absence of paperwork frees up more time for study and analysis.
4. Ease of trade  
With a single mouse click, one may purchase or sell any dematerialized share while transacting over the internet. In addition to the benefits already outlined, Internet trading benefits brokers, investors, and the nation as a whole by channelling resources. Net trading would boost market competitiveness and, as a result, investors' negotiating strength.

**Top 5 stock brokers and there market share**

Name of stock broker	Market share
Zerodha brokerage limited	17.42%
UPSTOX RKS SV SECURITIES INDIA PRIVATE LIMITED	14.47%
(GROWW) NEXTBILLION TECHONOLGY PRIVATE LIMITED	10.68%
Angel one limited	10.15%

ICICI securities limited	8.41%
--------------------------	-------

Data analysis

Age of the responders

Particular	No. of responses
18-25	55
25-40	05
40-60	0

Occupation

Particular	No. of responses
Service	50
Business	05
students	05

Respondent know about online trading

Particular	No. of responses
Yes	40
No	20

According to you it is easy to trade online

Particular	No. of responses
Yes	50
No	10

Do you have demat account

Particular	No. of responses
Yes	30
No	30

Are you trade online

Particular	No. of responses
Yes	25
No	35

When you trade online what type, of difficulty you face

Particular	No. of responses
Transaction issue	2
Didn't understand the function	0
No, did not face any issue	23

If you are not trading online what is the reason behind that

Particular	No. of responses
You think this is riskier	6
Fear of money loss	9
Lack of knowledge and experience	15
Not interested in trading	5

Your opinion about online trading

Particular	No. of responses
useful	40
Not useful	20

My sample size for this study is 60 participants. My replies indicate that the majority of survey respondents are young adults between the ages of 18 and 25, a population that is very knowledgeable with internet trading. The majority of the respondents to my poll are employed, so I can infer that they are knowledgeable about available investment possibilities

and the current trend, which is the stock market. There are 40 persons that are familiar with internet trading. Twenty-five individuals trade online during the next 40. With the aid of the respondents, I can claim that 50 of them think trading online is simple, compared to 10 who think it's challenging. I may conclude from this study that those who don't trade online do so because they lack information and expertise. Overall, the majority of individuals believe that trading online is beneficial, despite the fact that 20 of them are unsatisfied.

### **III. CONCLUSION**

The operation of a Demat account is comparable to that of a bank savings account. Just as one would hold electronic cash in a savings account, an investor can maintain securities in the Demat account of a depository participant (DP) connected to the NSDL or CDSL. When shares or securities are purchased, the Demat account is credited. When shares or other securities are sold, the account is, nevertheless, debited. It is a must to link your Demat account to your trading and savings accounts in order to engage in equity and securities through it. In India, a stock exchange frequently has a significant impact on the financial industry of the nation. Their aggregate accomplishments end up determining economic progress.

Additionally, because all major stock exchanges are interconnected, the collapse of one will have repercussions for all other major markets throughout the world.

For instance, if the index of the Bombay Stock Exchange declines, stock markets such as the New York Stock Exchange, Tokyo Stock Exchange, Shanghai Stock Exchange, etc. will also be affected.

Since internet trading is advantageous, more individuals should begin engaging in it. Everyone should be familiar with and have expertise with internet trading. For internet trading, people should have a demat account.

### **REFERENCES**

- [1]. <https://tradebrains.in/biggest-stockbrokers-india-with-highest-clients/> [www.infinitytradingacademy.com](http://www.infinitytradingacademy.com)
- [2]. [www.stock-tracing-infocenter.com](http://www.stock-tracing-infocenter.com)