

A Study on Demat and Online Trading

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ABSTRACT

There are several interpretations of the word "market." The primary market and secondary market are two meanings of the phrase. These two markets differentiate one another. The market where securities are generated as well as the market where investors exchange them. The secret to understanding how securities are exchanged lies in their purpose. Security creation takes place on the primary market. Firms first offer new stocks and bonds to the public on this market, or "float." The secondary market is where most trading takes place; it is where securities are exchanged after being first offered in the main market. It is essentially a market where one investor buys an asset from another investor rather than the asset's issuing company. This covers the NYSE, NASDAQ, and all significant global exchanges. The deal that investors make among themselves is what makes the secondary market unique. For instance, if you want to buy Microsoft stock, you only engage with another investor who also owns Microsoft shares. The purchase has nothing to do with Microsoft (the corporation).

A change from the conventional technique of physical trading to the modernised form of online trading was observed, nonetheless, as a result of an improvement in the trading mechanism.

INTRODUCTION:

The term "demat" stands for "dematerialized account." If you wish to purchase or sell stocks, you must create a demat account, just as you must open an account with a bank if you want to store money, write checks, etc. So, it is analogous to a bank account where shares are used in place of actual money. For the purpose of opening our demat account, we must approach the DPs (remember, they are similar to bank branches).

With a demat account, you may buy, sell, and deal with shares without the need for a tonne of paperwork or delays. Also, it is easy, safe, and safe. Every one of them is stored electronically in our account. The shares are changed in our account as a result of our purchases and sales.

The DP will give you periodic accounts of holdings and transactions, much like a passbook or statement from a bank.

Via a depository participant, anybody can open a depository account with any depository, including people, businesses, trusts, partnership firms, NRIs, HUFs, banks, and institutions.

The investor would have to sign a standard form with all of his information, including his name, address, phone number, bank account information, instructions, nominee information, and, of course, a photograph and signature. The investor would also need to sign a document with the depository participant, which is often required as part of the account opening procedure, in addition to this form. The details stated. The customer must submit an overseas address and, if applicable, a copy of the RBI's

approval if the investor is an NRI. Opening a DP Account does not require RBI approval, however receiving shares into the account after buying them on the secondary market does. The volume of internet trade has been harmed by the centre attack. Existing E-brokerage companies have erected barriers to entry that make it challenging for new competitors to enter the sector. Dematerialization is the process by which an investor's physical certificates are exchanged for an equivalent number of shares in electronic form and credited to his or her account with the depository party (DP). For dematerialization at NSDL/CDSL, only certificates that have previously been registered in your name and are on the list of securities are permitted. All the issues with physical trading are expected to be eliminated by demat shares.

STATEMENT OF PROBLEM:

Demat and online trading are two new ideas in the stock market. It incorporates a combination of economic, commercial, technological, and personal aspects. The interaction of these elements on the stock market necessitates a thorough investigation of pattern, method, procedures, and performance. This research aims to define the many ideas around Demat, internet trading, and how these things work.

NEED FOR THE STUDY:

Several stock exchanges worldwide have stopped doing physical trading, and India is only now catching up.

With the constant stream of frauds throughout the years, transparency has become a significant problem. Indian investors may now take advantage of the services of Depository Participants, Depositories, as well as brokerage.

OBJECTIVES OF THE STUDY:

1. To research the degree of knowledge about numerous Demat & online trading concepts.
2. To list the advantages of online trading and Demat.
3. To research the internet trading savings %.

METHODOLOGY:

Secondary Data: This term describes a market where securities are exchanged following their first public offering to the public in the main market and/or their listing on the Stock Exchange. Most of the trading is done on the secondary market. To explain further, it is trading in previously issued financial instruments. An organised market for secondhand securities. Bombay Stock Exchange (BSE), National Stock Exchange (NSE), bond markets, over-the-counter markets, residential Mortgage loans, governmental guaranteed loans etc. Equity markets and debt markets make up the secondary market. For the general Investor, the secondary market provides an efficient platform for trading of his Securities. For the organization's management

LITERATURE REVIEW:

"Internet stock trading in India: An empirical study" The study paper by Niche Wail and Reminder Kumar from 2021 looked into investors' preferences for conventional trading and online trading,

investors' perceptions of online trading, and a comparison of how online trading and offline trading are currently used.

This study's finding that just 28 out of every 100 investors trade online raises the question of why investors failed to recognise the significance of technology in stock trading. The study's main conclusions are that net traders prefer online trading due to its transparency and total control over the terminal since Indian investors are more cautious and do not switch brokers for trading.

Public limited company listed securities are the only securities that may be traded on Indian stock exchanges. They can be roughly separated into two groups: non-specified securities and securities that are specified (forward list) (cash list).. On the Indian stock exchanges, two different types of transactions can be made: (a) spot delivery transactions, which require delivery and payment within the time frame or on the date specified when the contract was entered into and cannot be more than 14 days later; and (b) forward transactions, which allow delivery and payment to be delayed by an additional 14 days each so that the total period does not exceed 90 days from the contract's date. Only in the case of certain shares is the latter permissible.

INDIAN E-BROKING SCENARIO:

The Indian stock broking business has gone through a sea of changes. From that of a firm dominated by few individual players to institutional members, as did trading open outcry and hidden deeds to screen best and transparency. India enters the era of electronic trading in order to keep up with current market trends and to facilitate the inflow of capital into the capital market. All investor categories, including Indian residents and non-residents, will be able to conduct online trading through the trading system. Online \sbrokerage in India is still in its early days. Although while internet trading accounts for a very small portion of all trading, there are indications that it may increase to 30% to 35% within the next few years.

REASONS FOR ONLINE TRADING IN INDIA:

Each investor chooses online trading over traditional trading for a variety of reasons

They are as follows:

1. They are as follows: They believed they had power over. they own their own accounts, have the freedom to act without having to justify their choices.
2. They have a motivation to engage with and learn about the stock market.
3. People enjoy it because it's engaging, affordable, simple, quick, and convenient.
4. They can stay up with what is occurring in the trading industry since there is a wealth of information available online.
5. They are overconfident and certain.
6. They believe that trading on the internet can keep them anonymous even though they have access to many investment tools and the ability to build their own portfolio.

The Causes Of The Rise Of Online Commerce In India:

The Indian firms provide online trading to investors for a number of different reasons. These are what they are:

1. Internet trade in India has a bright future since it has not yet been adequately utilised.
2. Steady rise in the number of users of interest.
3. A steady rise in the number of people using personal computers.
4. The diversification process.
5. Lower expenditures on technology and other areas in comparison to the benefits.
6. A greater understanding of the stock market among investors.

RECENT DEVELOPMENTS:

The slowdown in the number of new accounts being opened by depository participants is a result of the choppy Bull Run in the stock markets. Faced with the abrupt decrease in the number of new accounts being established the DPs are devising ways to draw clients. For the most recent information on Demat accounts and online services, Interactive Voice Response (IVR) is available. These Demat accounts are currently mostly idle. The current value of an investor's portfolio, current holdings, transaction list, etc., can all be obtained through Interactive Voice Response (IVR) units that a number of DPs plan to introduce along with Demat services online. Demat services are available online so that customers may access their accounts and receive a daily holdings and transaction summary. Think of HDFC Bank.

With Online trading an investor can:

1. Enter orders through internet.
2. Review your account balances and transaction activity.
3. Obtain stock quotes in real time.
4. Access company profiles and research.
5. Receive the most competitive and current commission schedule.
6. Direct Floor Access-Submit trades directly to the pit in real time.
7. Institutional Quality Order Entry.
8. Market-to-Market Dynamic Account Updating.
9. Reduced Commissions - Up to 80% discounted commission rates.

Results and interpretation:

1. THE GENDER OF RESPONDENTS:

S.NO	GENDER	NO OF RESPONDENTS	PERCENTAGE
1	MALE	171	85.50
2	FEMALE	29	14.50
	TOTAL	200	100

2. THE AGE OF RESPONDENTS:

S.NO	AGE	NO OF RESPONDENTS	PERCENTAGE
1	BELOW 20	35	17.50
2	21-30	69	34.50
3	31-40	71	35.50
4	MORE THAN 50	25	12.50
	TOTAL	200	100

3. The awareness on online trading:

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
1	NEWSPAPER	69	34.50
2	FRIENDS	44	22
3	FINANCIAL ADVISORS	53	26.50
4	WEBSITES	40	20
	TOTAL	200	100

4. The online trading is secured:

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE
1	YES		85.50
2	NO		14.50
	TOTAL	200	100

Dematerialized Trading:

In the "Demat" process, the investor's securities, such as shares and debentures, are transformed into electronic data and stored in computers by a depository. Securities held in an investor's name must be surrendered to a depository participant (DP), who then sends the securities to the appropriate companies, which cancel them after "Dematerialization" and credit the investor's depository account with the DP. The securities on Dematerialization appear as balances in investors depository account. Similar to actual shares, these balances can be transferred. The Depository assists the investor in converting these "Demat" securities back into paper certificates if they decide to do so at a later time. Depository functions like a securities bank, where the dematerialized physical securities are traded and held in custody. This enables a quicker, risk-free, and inexpensive settlement. Depository functions in a lot of ways that are similar to those of a bank. Following table compares the two:

Bank	Depository
Holds funds in accounts	Holds securities in account
Transfers funds between accounts	Transfers securities between account

Transfers without handling money	Transfers without handling securities
Safekeeping of money	Safekeeping of securities

enefits Of Demat:

Comparing the depository method to the conventional method of utilising share certificates as payment has various benefits. Many advantages include:

1. Trade in the Demat section entirely eliminates the possibility of poor delivery, which eliminates all costs and time waste.
2. Connected with correction follow-up. Several brokerage firms have reduced their fees by as much as 5% as a result of the decreased risk associated with faulty deliveries. If you transfer shares electronically, you pay 0.5% less in stamp duty.
3. The investor can also save on courier, notary, and follow-up with your broker fees for shares returned due to corporate objection.
4. The investor may have to spend at least Rs 500 for an indemnity bond, a newspaper advertisement, etc., to get duplicate certificates in the event that the certificates are lost in transit, damaged, or misplaced. This expense may be fully avoided in the Demat form.
5. The danger of loss in transit can also be eliminated by having the investor receive their incentives and rights as a direct credit into their depository account. In addition, the investor might anticipate paying less interest on loans secured by Demat shares than on loans secured by physical shares. This might lead to savings of between 0.25 and 15 percent.
6. This has already been disclosed by certain banks.
7. Less handling of massive amounts of paper Regular updates to investors on their holdings and transactions, improving controls.
8. In contrast to loans secured by physical assets, which have a maximum of Rs 1 million per borrower, loans secured by dematerialized securities now have a ceiling of Rs 2 million per borrower.
9. As opposed to loans against physical assets, which need a 50% minimum margin, loans against dematerialized securities now only require a 25% minimum margin.
10. Demat works in the money market in addition to the capital market.

FINDINGS:

1. Dematerialization has made the stock market more transparent and has helped it draw in more investors day by day.
2. As the volume continues to rise, DPs will be able to lower the fees for opening and maintaining demat a/c.
3. It has been noted that banks often charge a smaller service fee than other depository participants.
4. There are various other banks that charge less than other securities companies for demat services.
5. The speed of the transaction is impacted by the number of people that are online.
6. Those who speculate without having the entire amount of money or shares with their DP likely to run a bigger risk because the rolling settlement is one day.
7. Despite the fact that internet trade allows for anonymity,

