

# Online Trading and Demat Account in India

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## Abstract:

The term "market" has numerous meanings. The term has two meanings: primary and secondary markets. These two markets are distinct. The market where securities are created as well as the market where investors trade them. The key to knowing how securities are traded is in their purpose. The creation of securities occurs on the main market. On this market, firms first issue new stocks and bonds to the public, or "float." The secondary market is where the majority of trading occurs; it is where securities are traded after being originally offered in the primary market.

It is simply a market in which one investor purchases an asset from another investor rather than the asset's issuing firm. The secondary market is distinguished by the transactions that investors do among themselves. For example, if you want to acquire Tesla stock, you can only do it with another investor who already owns Tesla stock. Tesla has nothing to do with the deal (the corporation).

Yet, a shift from the traditional approach of physical trading to the modernised form of online trading was noted as a result of an improvement in the trading mechanism.

**Keywords:** DEMAT, ONLINE-TRADING, SECONDARY MARKET, PRIMARY MARKET, SWAPS AND OPTIONS

## Introduction:

The term "demat" stands for "dematerialized account." To buy or sell stocks, you must open a demat account, just as you must open a bank account to keep money, make cheques, and so on. As a result, it is akin to a bank account in which shares are utilized in place of actual money. To open our demat account, we must go to the DPs (akin to bank offices).

With a demat account, you may buy, sell, and trade stocks without a lot of paperwork or delays. It is also simple, safe, and secure. Each of them is electronically saved in our account. The shares in our account fluctuate as a result of our purchases and transactions. The DP will provide you with monthly accounting of assets and transactions, similar to a bank passbook or statement. Anybody, including individuals, enterprises, trusts, partnership firms, NRIs, HUFs, banks, and institutions, can create a depository account with any depository via a depository participant. The investor would be required to sign a standard form containing all of his information, including his name, address, phone number, bank account information, instructions, nominee information, and, of course, a photograph and signature. In addition to this form, the investor would be needed to sign an

agreement with the depository participant, which is generally required as part of the account opening procedure.

The information mentioned, If the investor is an NRI, the client must present an overseas address as well as a copy of the RBI's permission. Establishing a DP Account does not need RBI permission; however, receiving shares into the account following secondary market purchases must. The centre attack has reduced the volume of online transactions. Current E-brokerage firms have created entry barriers that make it difficult for new rivals to enter the market. Dematerialization is the process of exchanging physical certificates for an equivalent number of shares in electronic form and crediting the investor's account with the depository party (DP).

Dematerialization is the process of exchanging physical certificates for an equivalent number of shares in electronic form and crediting the investor's account with the depository party (DP). Only certificates already registered in your name and on the list of securities are eligible for dematerialization at NSDL/CDSL. Demat shares are anticipated to resolve all of the concerns associated with physical trading.

### **Statement Of Problem:**

Demat and internet trading are two new concepts in the stock market. It combines economic, commercial, technological, and human factors. The interplay of these components on the stock market needs a detailed examination of pattern, technique, methods, and performance.

This study seeks to clarify the many notions around Demat, online trading, and how these things operate.

### **Need For The Study:**

Numerous stock exchanges throughout the world have stopped practicing actual trading, and India is only now catching up. With the steady stream of scams throughout the years, transparency has become a big issue Depository Participants, Depositories, and brokerage services are now available to Indian investors.

### **OBJECTIVES OF THE STUDY:**

1. Determine the extent of knowledge about various Demat and online trading topics.
2. To list the benefits of online trading and Demat.
3. To investigate the online trading savings%.

### **Methodology:**

Primary data: The data was taken from 100 respondents from various age groups, ages etc.. through questionnaire.

Secondary Data: This term refers to a market in which securities are traded after their initial public offering to the public in the main market and/or listing on the Stock Exchange. The majority of trade takes place on the secondary market. To elaborate, it trades in already issued financial instruments. A regulated secondary market for securities. The Bombay Stock Exchange (BSE), the National Stock Exchange (NSE), bond markets, over-the-counter markets, home mortgage loans, government guaranteed loans, and so on are all examples of financial markets. The secondary market is made up of equity and debt markets. The secondary market provides an effective platform for trading securities for the average investor.

**Literature Review:**

"An Empirical Study of Online Stock Trading in India" Niche Wail and Reminder Kumar's 2021 study article investigated investors' preferences for traditional trading and online trading, investors' views of online trading, and a comparison of how online trading and offline trading are already employed.

The conclusion in this survey that just 28 out of every 100 investors trade online begs the issue of why investors failed to recognise the importance of technology in stock trading. The study's primary findings include that online trading is preferred by net traders owing to its transparency and entire control over the terminal, because Indian investors are more careful 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 divided into two categories: non-specified securities and specified securities (forward list) (cash list).. On the Indian stock exchanges, two 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 particular shares is the latter permitted.

**INDIAN E-BROKING SCENARIO:**

The Indian stock brokerage industry has changed dramatically. From a business dominated by a few individual players to institutional members, trading open outcry and hidden deeds gave way to screen best and transparency. India enters the era of electronic trading in order to stay up with current market trends and to ease capital inflows into the capital market. All investor groups, including Indian citizens and non-residents, would be allowed to undertake online trading using the trading system.

Internet broking in India is still in its infancy. Although online trading accounts for a very tiny fraction of all trading, there are estimates that it may expand to 30% to 35% within the next few years.

**Reasons For Online Trading In India:**

Each investor prefers online trading to traditional trading for a number of reasons.

They are as follows:

1. They are as follows: They felt they have authority. They control their own accounts and have the freedom to act without having to defend their decisions.
2. They are motivated to interact with and learn about the stock market.
3. People like it because it is interesting, inexpensive, easy, quick, and handy.
4. They can keep up with what is going on in the trading business because there is a multitude of information available online.
5. They are overconfident and assured.

**The Causes Of The Rise Of Online Commerce In India:**

For a variety of reasons, Indian enterprises provide internet trading to investors. These are what they are:

1. Internet trading in India has a promising future since it is underutilized.
2. Consistent increase in the number of interested users.
3. A constant increase in the number of individuals utilizing personal computers.
4. The diversification procedure.

5. Reduced spending on technology and other areas in contrast to the benefits.
6. A better grasp of the stock market among investors.

**Recent Developments:**

The bumpy Bull Run in the stock markets has slowed the number of new accounts created by depository players. Faced with a sharp decline in the number of new accounts being opened, DPs are considering strategies to attract clients. Interactive Voice Response (IVR) is offered for up-to-date information on Demat accounts and online services. These Demat accounts are generally inactive right now. The current value of an investor's portfolio, current holdings, transaction list, and so on may all be retrieved using Interactive Voice Response (IVR) devices, which a number of DPs want to launch alongside online Demat services. Customers may access their accounts and obtain a daily holdings and transaction report by using demat services, which are available online.

An investor can use online trading to:

1. Enter orders through the internet.
2. Examine your account balances and transaction history.
3. Get real-time stock quotations.
4. Get business profiles and do investigation.
5. Get the most competitive and up-to-date commission schedule.
6. Direct Floor Access-Submit trades in real time to the pit.
7. Order Entry of Institutional Quality.
8. Updating Market-to-Market Dynamic Accounts.
9. Commission Cuts - Up to 80% off commission rates.

**LIMITATIONS OF THE STUDY:**

The data is gathered from main and secondary sources, therefore it may differ somewhat from what the research covers in reality.

The research is limited to internet trading procedures. Due to time constraints and the need to keep the study within acceptable limitations, listing issues are not addressed.

A significant limiting issue was time. Forty-five days were inadequate to master even the most basic theoretical principles.

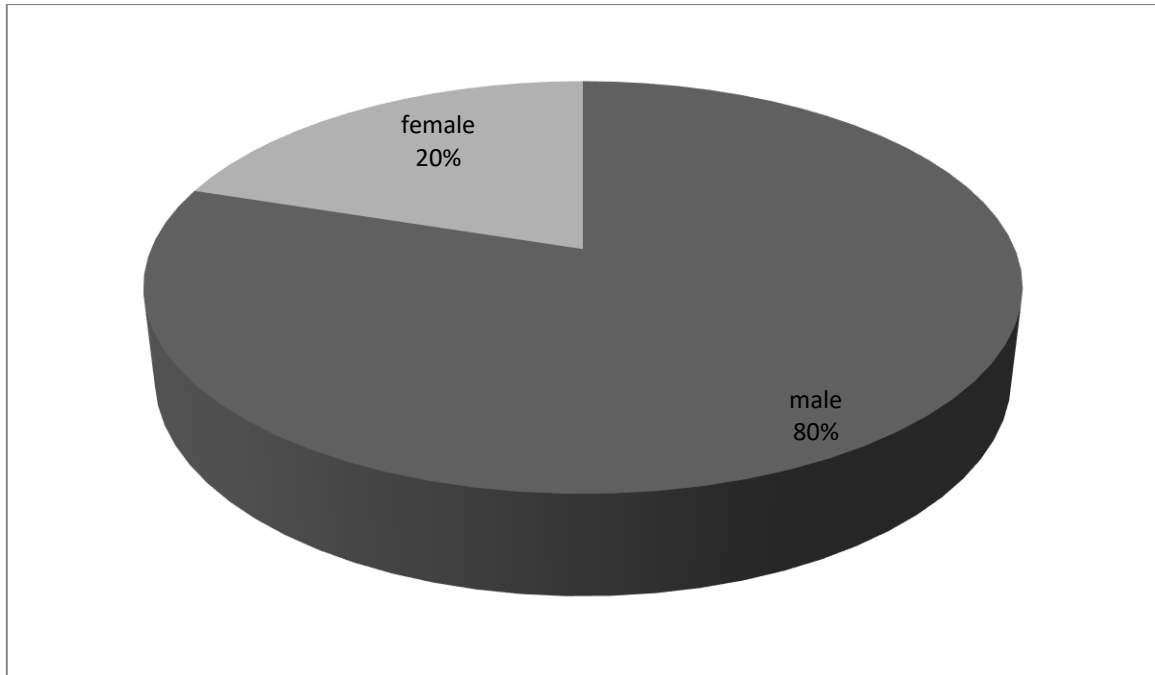
Several other strategies that could have been investigated were not pursued; Brokers lacked knowledge.

**Results and interpretation:**

Question 1:

THE GENDER OF RESPONDENTS:

Statement	No of respondents
Male	80
Female	20



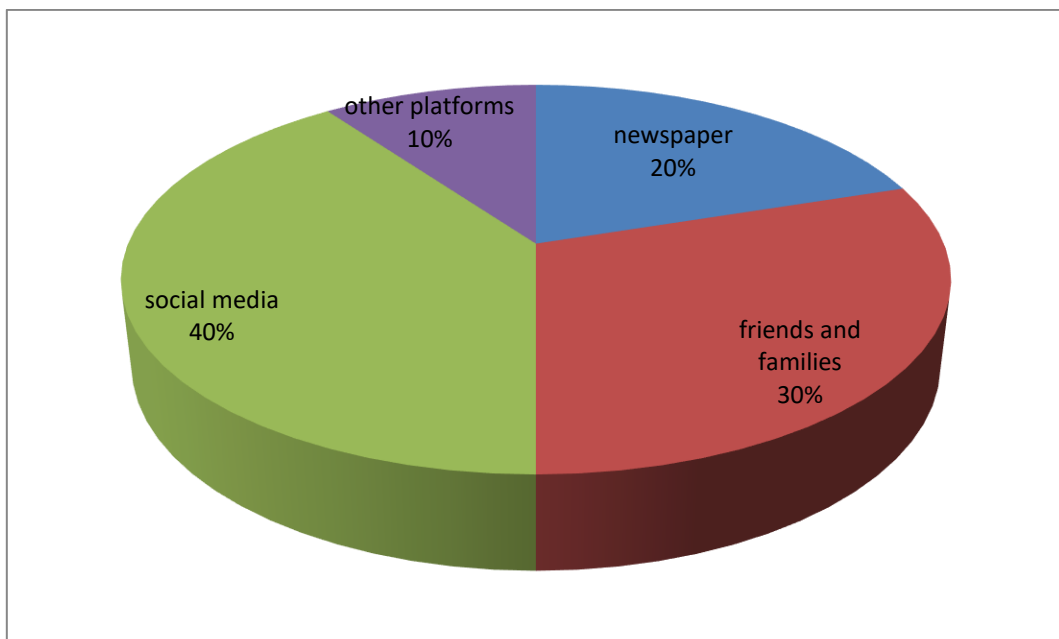
Interpretation:

20 out of 100 respondents were females and rest 80 of them were males.

Question 2:

The awareness on online trading:

Statement	No of respondents
Newspaper	20
Friends and families	30
Social media	40
Other platforms	10



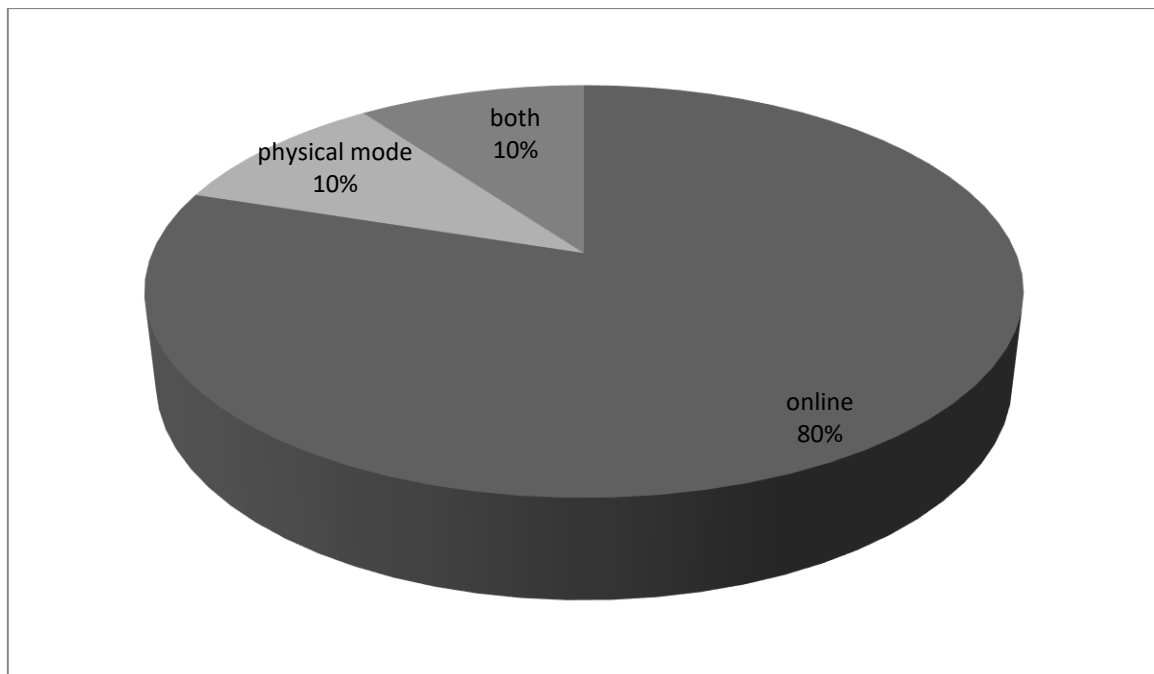
**Interpretation:**

40% of the respondents said that they have aware of online trading from social media platforms like instagram, linkdin, watsapp etc.. whereas rest of the 60% have heard fro, friends and families, newspapers, and other platforms such as television.

**Question 3:**

**Mode of trading:**

Statement	No of respondent
Online	80
Physical mode	10
Both	10



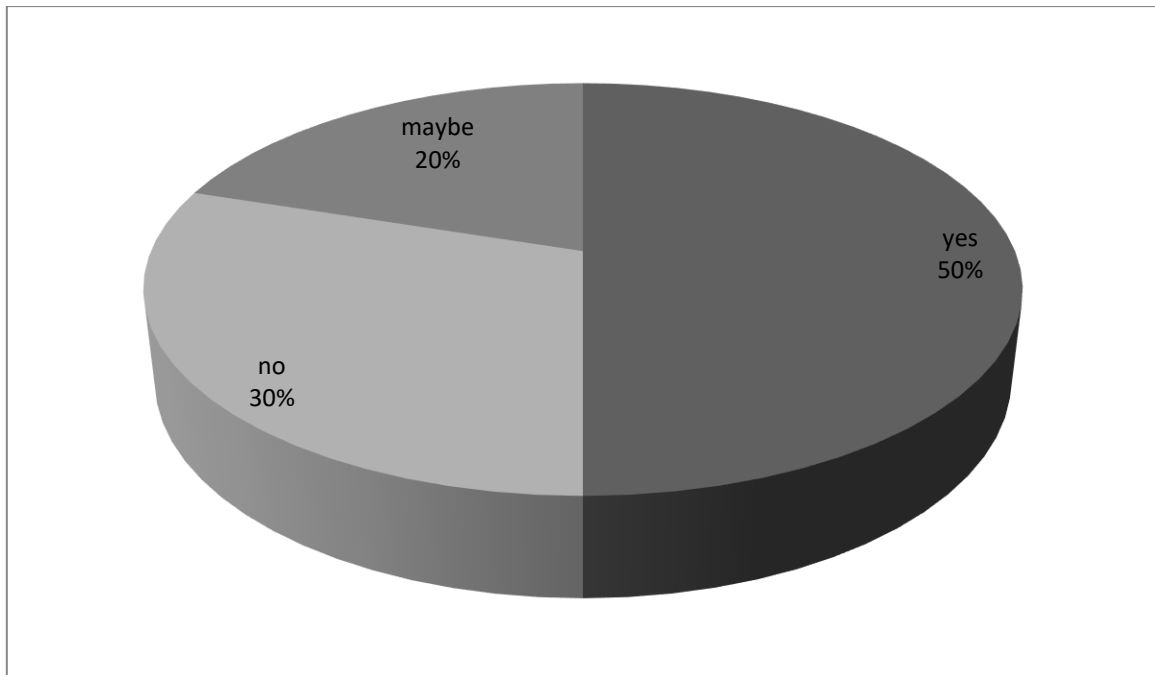
**Interpretation:**

80% of the respondents prefer online trading where as 10% prefer in offline mode and rest of the prefer both the methods.

**question 4:**

**Do you feel online trading is secure?**

Statement	No of respondents
Yes	50
No	30
maybe	20



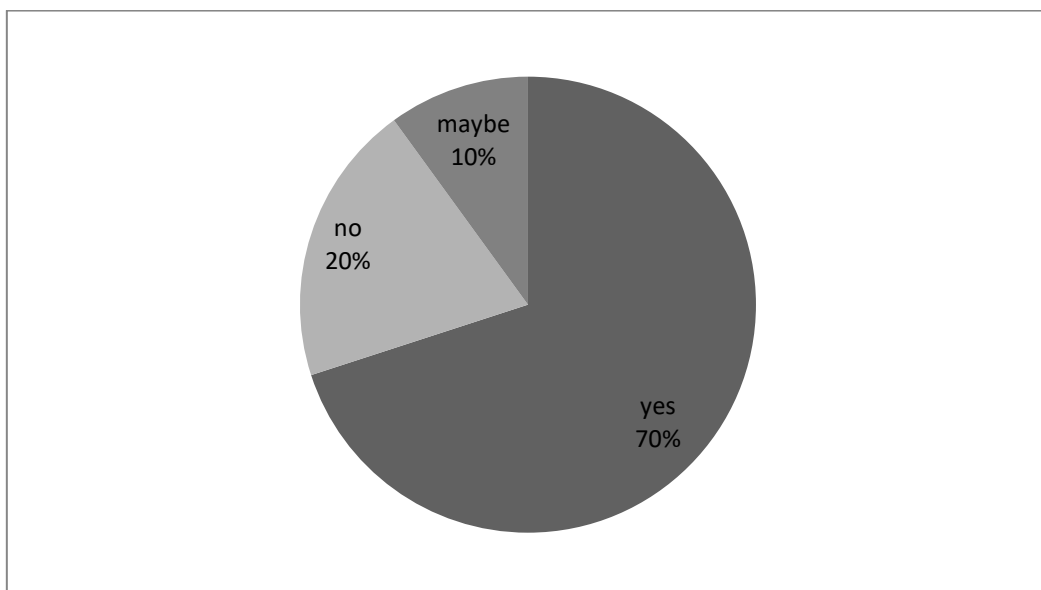
**Interpretation:**

50% of the respondents agreed that it is secure whereas 20% of them said they cannot say and 30 % of them said that it is not secure.

**Question 5:**

Will you do online trading for future?

Statement	No of respondents
Yes	70
No	20
maybe	10



Interpretation:

70% of the respondents said that they will trade online for future where as remaining said that no they will not do online trade for future.

**Dematerialized Trading:**

A depository converts the investor's securities, such as shares and debentures, into electronic data and stores it in computers during the "Demat" process. Securities held in the name of an investor must be surrendered to a depository participant (DP), who subsequently forwards the shares to the proper firms, which cancels them following "Dematerialization" and credits the investor's depository account with the DP.

Dematerialized securities show as balances in investors' depository accounts. These balances, like genuine shares, can be transferred. If the investor decides to convert these "Demat" securities back into paper certificates later, the Depository will assist them.

Depository acts similarly to a securities bank in that dematerialized physical securities are exchanged and maintained in custody. This allows for a speedier, risk-free, and low-cost settlement. A depository operates in many ways that are comparable to those of a bank. The table below compares the two:

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

**Advantages of demat account:**

1. Trade in the Demat area completely eliminates the danger of faulty delivery, which eliminates all expenses and time waste.
2. Connected with corrective follow-up. As a result of the lower chance of incorrect delivery, some brokerage firms have cut their costs by up to 5%. When you transfer shares electronically, you save 0.5% on stamp duty.
3. The investor can also save money on courier, notary, and follow-up with your broker costs for shares returned due to corporate objection.
4. The investor may be required to pay at least Rs 500 for an indemnity bond, a newspaper advertising, or other means of obtaining duplicate certificates in the event that the certificates are lost in transit, damaged, or misplaced. In the Demat version, this expenditure can be completely eliminated.
5. The risk of loss in transit can also be removed by having the investor receive their incentives and rights as a direct credit into their depository account. Therefore, the investor may expect to pay less interest on loans secured by Demat shares than on loans backed by physical shares. This might result in savings of 0.25 to 15%.
6. Several banks have previously reported this.
7. Less handling of enormous volumes of paper Investors are given regular reports on their holdings and transactions, and controls are improved.
8. Unlike loans secured by tangible assets, which have a maximum of Rs 1 million per borrower, loans secured by dematerialized securities now have a maximum of Rs 2 million per borrower.



### Findings:

1. Dematerialization has made the stock market more transparent, attracting more investors on a daily basis.
2. As demand grows, DPs will be able to cut the fees for creating and maintaining demat accounts.
3. It has been observed that banks frequently charge a lower service cost than other depository participants.
4. Other banks charge less for demat services than other securities firms.
5. The amount of individuals online influences transaction speed.
6. Those who speculate without having the complete amount of money or shares with their DP run a higher risk because the rolling settlement is one day.

### Conclusion:

Online trading is a new concept in the stock market. Internet business in India is still in its infancy. Online trading has simplified stock market trading by allowing customers to trade from the comfort of their own homes. The stock market is now readily accessible to the ordinary people. There are several factors to consider while doing business online. Investor loyalty to established brokers and reliance on their recommendations are two important concerns that online traders must address.

Another big difficulty is that not everyone is properly aware about online trading. Nonetheless, considering the rising proportion of deals made online, it is reasonable to assume that internet trading has a bright future. Yet, in India, this has mostly gone unreported. The majority of brokerage operations in India are founded by small investors, and efforts are concentrated on providing excellent service to them. As a result of their ability to reach the final mile, allowing them to be a good intermediary for many financial services.

SEBI has greatly contributed in the regulation of the stock market. Among other SEBI measures, dematerialization and internet trading have increased trade transparency. In the global economy, no industry can afford to be affected by lethargy. Nonetheless, the success of every business activity is dependent on management.

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