



## PERFORMANCE OF DEMAT ACCOUNT AND ONLINE TRADING

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### ABSTRACT

*The commencement of E-Trading & Demat has transformed the capital market in India. With the help of Demat & Trading account, buying and selling of shares has become a much faster and even process than trading with the assistance of a physical broker. It provides for the equalization of bank, broker, stock exchange & depository participants. This helps to get rid of the painstaking system of investing in stock exchange. Today, if one wants to invest in stock market, he has to contact a broker on phone or meet him personally to place order. A broker mainly gives such importance & additional service only to highnetworth customers. But the commencement of Internet trading, even a common or a small investor gets an opportunity to avail the service at an reasonably price which is much lesser than what is charged by a physical broker over the phone. Online trading has given customer a present time access to account information, stock quotes elaborated market research & interactive trading. The prerequisites of Internet trading are a computer, a modem & a telephone connection, registration with broker, a bank a/c and depository account. The begin of depository service is considered as the beginning of the trading of Stocks @ click i.e you can arrange delivery of scripts sold anytime, anywhere to anyone by click of a mouse. Dematerialization facilitates to keep the securities in electronic form in place of paper form. It offers more benefits than the physical certificate form. Despite the benefits of Dematerialization, the awareness levels among the investors relating to Demat account is not adequate because of numerous reasons. The investors are not sufficiently responsive of the concept of Demat account & the various financial institutions providing such services.*

**Keywords:** E-Trading, Demat Account, Stock Market, Depository Account, Online Trading, Dematerialization.

### INTRODUCTION

Demat refers to a dematerialized account. Just as we have to open an account with a bank if we want to save your money, make cheque payments etc., we need to open a demat account if we want to buy or sell stocks. So it is just like a bank account where actual money is replaced by shares. We have to approach the DPs (remember, they are like bank branches), to open our demat account.

Demat account allows you to buy, sell and transact shares without the endless paperwork and delays. It is also safe, secure and convenient.

Let's say our portfolio has 100 of Satyam, 50 of Suzlon, 20 of ICICI BANK, 50 of Tech Mahindra and 100 of TCS shares. All these will show in our demat account. So we don't have to possess any physical certificates showing that us own these shares. They are all held electronically in our account. As we buy and sell the shares, they are adjusted in our account. Just like a bank passbook or statement, the DP will provide you with periodic statements of holdings and transactions.

Individuals, companies, Trusts, Partnership firms, NRIs, HUF, Banks and Institutions are allowed to open a depository account with any depository through a depository participant. The investor would need to execute a standard form giving all his details, bank details, instruction details, nomination details and off-course photograph and signature. Along with this form, the investor would also have sign an agreement with the depository participant which usually forms a standard part of the account opening process. The details on the form have to be matched with a photocopy of the investor's passport, driving license etc. to certify



the mentioned details. If the investor is an NRI, then the client will have to provide overseas address, provide copy of RBI Approval, if any. The RBI Approval is not mandatory for opening of a DP. Account but is required to receive shares into the account when purchased through the secondary market

### **INDIAN E-BROKING SCENARIO**

The Indian stock broking business has gone through a sea of changes. From that of a business dominated by few individual players to institutional members, as did trading open outcry and hidden deeds to screen best and transparency. India enters the cyber-trading era to equal the current market trends taking into consideration the need to facilitate inflow of funds in the capital market. The trading system will enable all categories of investors, resident and non-resident Indian, to trade online. Online brokerage in India is still in its early days. Though the trade through online broking is very miniscule compare to total trading, the signs are that it will grow to 30%-35% in next few years.

### **EFFECT ON OFF-LINE BUSINESS**

With the emergence of e-broking, which offers many benefits like, level playing filled to all investors, comfort of the house, simplicity, low brokerage and value added services it could be possible for some of the offline trade to shift to online trade. The proportion of online broking business compare to off line broking is miniscule about less than 1%. The offline player would not be affected unless the figure reaches a minimum of 8-10%. Online trade has not started to eat the volumes of, off line business till now. But at the same time it has created new set of clients for e.g., NRI's who were not very active in the market due to lack of transparency and information, have moved to use this facility. Housewives are another new category. Net savvy student's and retired persons are the next expected category. Depository services-beginning of the era of stocks at click Today it is a practical reality that one can arrange delivery of securities (shares) sold anytime, anywhere to anyone by a „click“ of the mouse and it is possible to trade in securities and settlement of the accounts from the convenience of a sitting room or via a laptop. The depository is responsible to deliver and receive securities trade at the stock exchange, which are the business partners of the depository. It does not deal with financial aspect of the settlement of the trade. Dematerialization of securities (shares) was the commencement of the era of stocks. The beginning was made in 1996, with legislation of the depository act 1996 and SEBI regulations 1996.

### **REASONS FOR ONLINE TRADING IN INDIA**

Each investor has one or other reasons to go for online trading instead of offline trading. They are as follows:

1. They are independent. They fell they have control over their account; can make their own decisions and don't have to give reasons for their actions.
2. They have a reason to participate in the stock market and learn about it.
3. They find it interesting, cheap, easy, and fast and convenience.
4. A lot of information is online so they can keep up-to-date with what is happening in the trading world.
5. They are sure and overconfident

### **REASONS FOR THE EMERGENCE OF ONLINE TRADING IN INDIA**

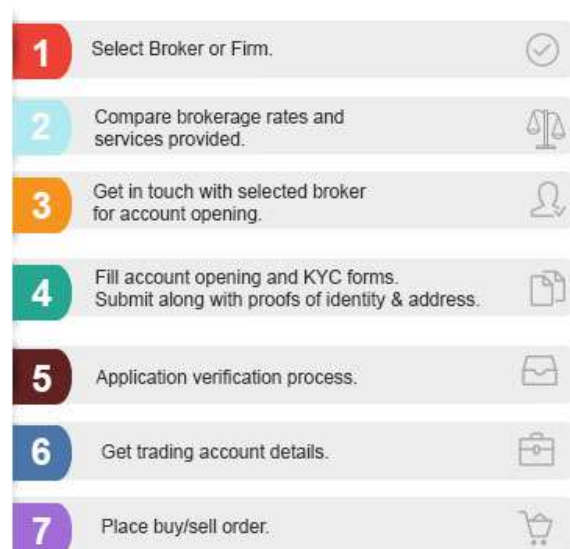
The reasons for providing online trading facility to investors by the Indian companies are various.

**They are as follows:**

1. Online trading has a very good future in India as it is not exploited properly so far.
2. Consistent increase in the number of users of interest.
3. Consistent increase in the number of personal computer users.
4. Part of diversification.
5. Less investment in technology and other areas compared to the returns.
6. More awareness in investors about the stock market

**PREPROCESS OF DEMAT ACCOUNT AND ONLINE TRADING HOW TO OPEN AN ONLINE TRADING ACCOUNT?**

Just like the demat account; a trading account is a must for investing in the stock market. This is because to trade in the stock markets, you need to be registered with the stock exchange. Stock brokers are registered members of the exchanges. They traditionally conduct trades on your behalf. Most often, stock broking firms have thousands of clients. It is not feasible to take physical orders from every client on time. So, to make this process seamless, it is advisable to open an online trading account. Using this trading account, you can place buy or sell orders either online or phone, which will automatically be directed to the exchange

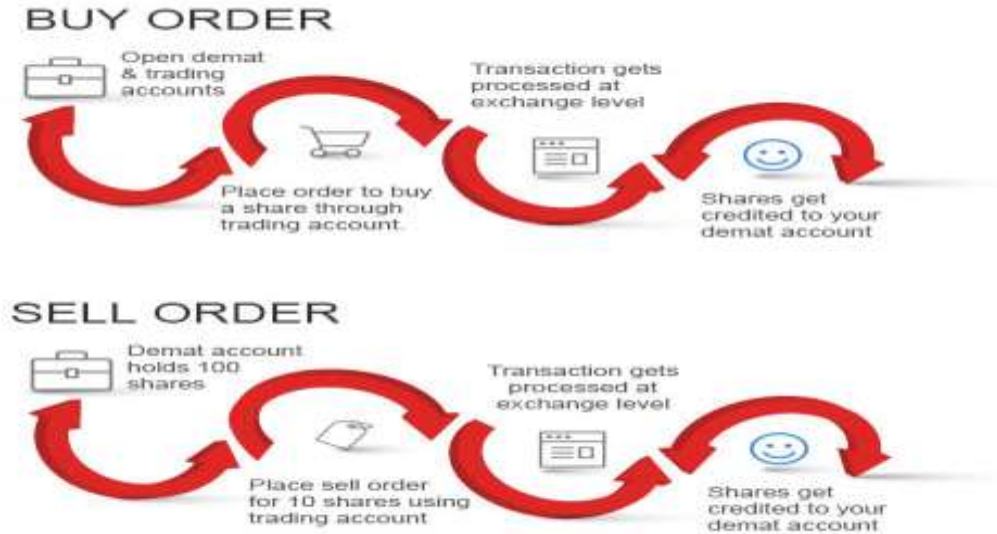


through the stock broker.

**HERE'S HOW YOU OPEN A TRADING ACCOUNT:**

- First, select the stock broker or firm. Ensure that the broker is good and will take your orders in a timely manner. Remember, time is of utmost importance in the stock market. Even a few minutes can change the market price of the stock. For this reason, ensure that you select a good broker.
- Compare brokerage rates. Every broker charges you a certain fee for processing your orders. Some may charge more, some less.
- Some give discounts on the basis of the amount of trades conducted. Take all this into account before opening an account. However, remember that it is not necessary to choose a broker who charges the lowest fees. Good quality brokerage services provided often may need higher-than-average charges.
- Next, get in touch with the brokerage firm or broker and enquire about the account opening procedure. Often, the firm would send a representative to your house with the account opening form and the Know Your Client (KYC) form
- Fill these two forms up. Submit along with two documents that serve as proof of your identity and address.

- Your application will be verified either through an in-person check or on the phone, where you will be asked to divulge your personal details.



Once processed, you will be given your trading accounts details. Congrats, you will now be able to conduct trades in the stock market

## HOW TO TRADE USING DEMAT ACCOUNT?

### STEP 1:

Link your trading and demat accounts. This way you won't have to keep supplying your demat account details for every transaction.

### STEP 2:

Place an order through your online trading account. This could be a market order, a limit or buy order, or an after-market order. If your brokerage allows you to place orders through the phone, then you will need to supply your trading account details.

### STEP 3:

The exchange will process your order. It will verify the details of the transaction, the market price, the availability of the shares in the market, and so on. It will also check the details of your demat account that is linked to your trading account. This is especially so in case of a sell order.

### STEP 4:

Once the order is processed, the shares will be either deposited in or debited from your demat account.

## CAN YOU TRANSFER SHARES USING DEMAT ACCOUNT?

- **Nomination:** Yes, nomination is possible. You can have a nominee of your choice by filling up the details in the account opening form. This enables the nominee to receive the securities after the death of the holder of the demat account.

- **Between DPs:** Transfer of shares is possible between demat accounts held with different DPs. You need to fill the Delivery Instruction Slip Book (DIS) and submit the same to your DP for transferring your shares from another demat account. However, you need to check whether the central depositories are same or not (CDSL or NSDL). If both of them are different, then you need an INTER-Depository Instruction Slip (Inter DIS). If they are same, then you need an INTRA Depository Instruction Slip (Intra DIS).

Do try to submit that DIS when the market is on. Then, the date of submission of DIS and date of execution of DIS would be the same. Otherwise, there may be a delay. You may also need to pay the broker some charges for the transfer.



## BENEFITS OF DEMATERIALIZATION ACCOUNT

- Safety: If we are holding our shares, bonds etc in physical (paper) form, there are chances of its theft, mutilation, and loss. Moreover, we are also exposed to the risks of fake papers, bad-delivery or delays at the time of transfer of physical securities. However, in DEMAT accounts; we can preserve our long-term investments safely and securely.
- Convenience: When we want to sell our dematerialized shares or redeem our debentures in DEMAT account; there are no hassles of filling up transfer forms, sending redemption requests or any other messy, costly and time-consuming paper work. We can conveniently transfer our securities through electronic transfers or just by signing one 'Delivery Instruction Slip', which nothing but our chequebook is for DEMAT Accounts.

## CONCLUSION

Based on this paper notwithstanding many problems, Indian stock market has emerged as a significant financial intermediary, assisting efficient resource allocation, providing strong support to Indian economy and help investors to realize the benefits of stock market investing. This has happened due to the tendency to avoid risk, inability to understand future market development and changes in investor preference. The absence of product diversification and a confused market situation has been made more by the absence of an innovative marketing network. Online is considered as one of the innovative network. The product range offered by stock broking firms needs to be redesigned to cater the changes in the short term, medium term and long term savings and investment markets. Management is considered to be a key for the operational efficiency of any business venture.

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