

Mechanism and its Impact Of Demat Accounting and Online Trading In India

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Introduction

The commencement of E-Trading and Demat has transformed the capital market in India. With the help of Demat and 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 assimilation of bank, broker, stock exchange and depository participants. This helps to get rid of the painstaking procedure 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 generally gives such importance and additional service only to high net worth customers. But the introduction of Internet trading, even a common or a small investor gets an opportunity to avail the service at an affordable price which is much lesser than what is charged by a physical broker over the phone. Online trading has given customer a real time access to account information, stock quotes elaborated market research and interactive trading.

The prerequisites of Internet trading

1. Computer
2. Modem
3. Telephone connection,
4. Registration with broker,
5. Bank a/c

6. Depository account.

The introduction of depository service is considered as the beginning of the trading of Stocks @ click. This means that you can arrange delivery of scrips sold anytime, anywhere to anyone by click of a mouse. Dematerialization facilitates to keep the securities in electronic form instead of paper form. It offers more advantageous than the physical certificate form. Despite the advantages 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 and the various financial institutions providing such services. This study involves understanding the various concepts of Demat and analyzing the investment pattern of individuals in India and a study on Analysis of awareness among investors regarding On Line Trading and Dematerialization.

Demat

Definition

Dematerialization account.

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

3. Let's say our portfolio has 100 of Satyam, 50 of Castrol, 20 of ICICI bank, 50 of Tech Mahindra, 100 of TCS shares. All these will show in our demit account.
4. So we don't have to possess in physical certificates showing that we own these shares. They are all held electronically in our account.

Process of Purchasing Demat Account

The processes for purchasing Demat securities is also similar to the processes for buying physical securities; -

1. Investor instructs DP to receive credits into his account in the prescribed form. They may be one at a time or many.
2. Investor purchases securities in any of the stock exchanges linked to depository through a broker.
3. Broker receives payment from investors and arranges payment clearing corporations.
4. Broker gives instruction of DP to debit clearing account and credit client's accounts. Investors receive shares into his account by way of book entry.

Process of Selling Demats Account

The process for selling Dematerialized securities in stock exchanges is similar as selling physical securities.

The only major difference is that instead of delivering physical securities to the broker, the investor instructs his DP to debit his DEMAS account with the number of securities sold by him and credit the brokers clearing account.

The Process for Selling Dematerilized Account Given Below

1. Investor sells securities in any of the stock exchanges links to depository through a broker.
2. Investor instructs his DP to debit his demit account with the number of securities sold and credit the brokers clearing account.
3. Before the pay-in-day, broker of the investor transfer the securities to clearing corporation.
4. Broker receives payment from the stock exchange.
5. The investors receive payment from the payment for sell of securities in the same manner as received in case of sell of physical securities.

BENFITS OF DEMAT ACCOUNTS

PRIMARY BENEFITS:

SAFETY

If we are holding are shares, bonds etc in physical form, there are changes of its theft, mutilation, loss, fake paper etc. However, in DEMAT account we can keep safe from all this threats.

Convenience

When we want to sell our DEMAT share or redeem our debentures in DEMAT account, there are no has less of filling up transfer forms, time consuming paper works etc.

Other Benefits

We can park most of our investment including bonds, debentures, gold units, NSC in our DEMAT account.

1. We do not have to remember the due dates of maturity of bonds, NSC and debentures as if they are being informed to us before the schedule dates.

2. We receive all the dividends and interests directly in our linked bank account.
3. In case of bonus, rights, split, merger or any other corporate actions, everything takes place automatically. We do not have to do anything except to file the physical intimation letters sent by the Registrar and Transfer Agents
4. Nowadays with the advent of online trading, we can perform online all the activities associated with buy, sell and transfer of shares
5. With a single nomination in your DEMAT account, we are nominating our legal heirs to all the investments held by us.
6. For many public issues of bonds and debentures of reputed and trustworthy companies, it is necessary to have a DEMAT Account, as the companies do not allot securities in paper form.
7. Since most of the process of buying and selling dematerialized securities is electronic, there are no chances of signature mismatch.
 8. Elimination of problems related to selling securities on behalf of a minor.
 9. Elimination of problems related to change of address of investor, transmission etc.
 10. Reduction in handling of huge volumes of paper periodic status reports.

So with Dematerialized Securities, the entire process of transferring shares, bonds and other financial assets has become smooth and swift. DEMAT Accounts offer numerous advantages and hence it makes sense for the

retail investors to open DEMAT Accounts as early as possible

Online Trading

1. Change is the law of nature". There were times when man was wanderer or a normal. He himself had to go place to place in search of food, water and now everything is available at your doorstep just at the click of the mouse.
2. The growth of information technology has affected almost all sectors of life. Internet has enabled us to get every information at our doorstep.
3. When Internet has affected all sectors he could "stock markets" the most important player of the economy, has remained far behind? Like all other sectors Internet has set its feet in the stock markets also.
4. The Stock Market system provides single, nationwide securities.
5. It enables LAN investors in one part of the country to trade at the best quotes with an investor located in any other part of the country through the members of the stock exchange and subsequently clears and settle the trade in an efficient and cost effective manner.
6. The primary objective of the Stock Market is to provide clear opportunity to the investors throughout the country to trade any security irrespective of the size of the order or the broker through whom the order is routed.
7. This provides the facility to execute the buy order at the lowest price in the stock market located anywhere in the country without any extra cost tithe investors.
8. There will be no trading floor in the exchange. Instead, each trading member will have a computer at his own office

anywhere in India which will be connected to the central computer system at the NSE through leased line or VSATs (very small aperture terminals), for an interim transition period of 6 months & subsequently by satellite link.

9. VSATs are relatively smaller dishes similar to dish antenna for cable TV & have the benefit of not being very expensive.
10. A satellite network makes it possible to connect almost all the parts of the nation quickly as it's easy to install, as against the ground lines such as dial up modems leased lines, which are prone to disruptions, satellite links, on the other hands ensure high-speed, availability and quality of the connection. This mode of trading is known as "Online Trading"

Introduction of Online Trading In India

Online trading introduced in India in February 2000 when a couple of broker started offering an online trading platform for their customers.

Objectives of present trading system

1. Reduces and eliminates operational inefficiencies inherent in manual systems.
2. Increased trading capacity in stock market, improves market transparency.
3. Eliminates unmatched trades and delayed reporting.
4. Set up various limits, rules and controls centrally.
5. Consolidate the data on electronic media.

6. Provide analytical data for use of stock market.

Mechanism Of Online Trading

Clients Broker Stock exchange Place and order the Accept the order, Accept the order after net of the brokers' check the client's checking the script limit website through identity and place of the broker for the day the distinctive Id the order code Settlement of the deal Pays the exchange through Receives the money and (buy/sell order) get his own and receives the completes the reflected in his demat payment from the client settlement.

The client is intimated about the execution of the deal by-mail.

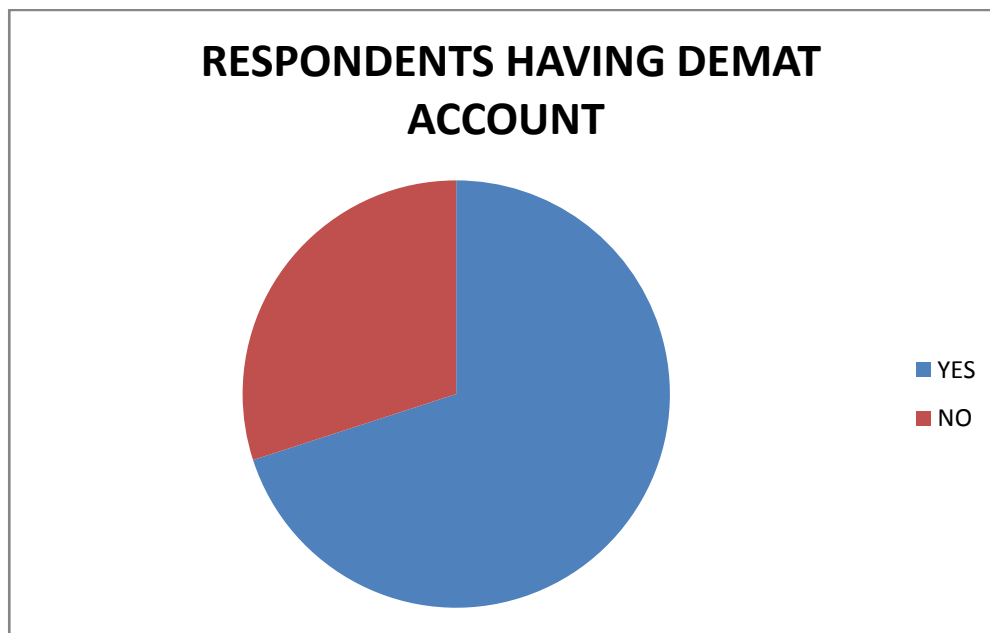
Benefits of Online Trading

1. Benefits of online are much better than that of physical trading.
2. The points of which are online trading are beneficial are given below.
3. Less costly: - It reduces the breakage cost and added value to the profit.
4. Peace of mind: - One can never have complete peace of mind but online investing does away with the hustle of feeling up instruction slips visits to the broker for handing over this slips and consequent costing.
5. Keeping records: - Easy to keep records safely and there is no fear top loss of value documents.
6. Up to we have seen the Benefits of the online accounting & Demat accoun. Here I have conducted a survey on 10 people. Let see how the views of those

Analysis of Data**1) Do you in share market?**

a) Yes [7] b) No [3]

S.No	Particulars		Percentage (%)
1	Yes	07	70
2	No	03	30
	Total	10	100

Table-1*Pie chart-1***INTERPRETATION**

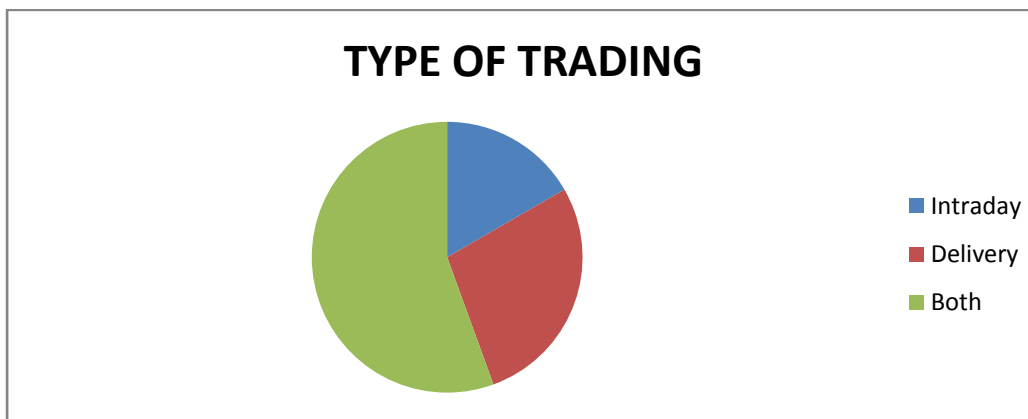
Out of 10 respondents there are 7 used to invest in Online Trading and rest of three didn't know. In the above exhibit 3 respondents have no aware of the Demat account. So it can also be possible that investors will rise in near future.

2) Please tick the following:

- 1) Intraday [3]
- 2) Delivery [5]
- 3) Both [2]

Sino	Particulars	Responded	Percentage (%)
1	Intraday	3	30
2	Delivery	5	50
3	Both	2	20
	Total	10	100

Table-2



Pie chart-2

Interpretation

Most of the respondents are preferring for the delivery in this intraday 30% and delivery 50% and both types are 20%. The above table clearly shows that from a sample

size of 10 respondents, 3 have been trading in the stock exchange on Intraday. 5 investors were trading for delivery and remaining 2 both of types.

3) Time period of investment

1) Less than 1 months [3]

2) 1-6 months[5]

3) More than 6 months[2]

Sino	Particulars	Responded	Percentage (%)
1	Less than 1 months	3	30
2	1-6 months	5	50
3	More than 6 months	2	20
	Total	10	100

Table-3



Pie Chart-3

Interpretation

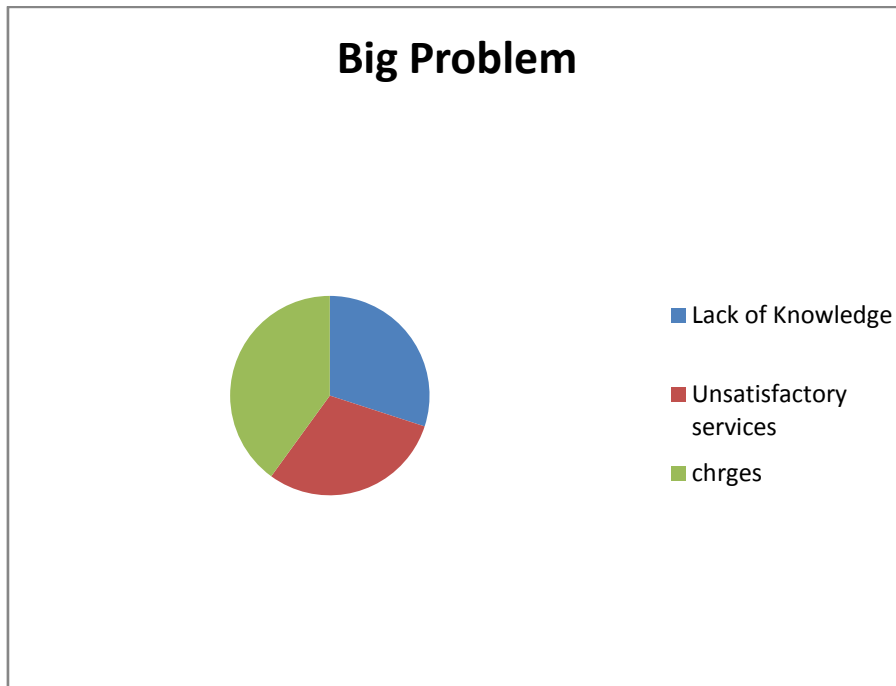
From the above Table and Pie chart we can understand that Less than 1 month 3 Respondents investing where as 1-6 months 5 Respondents and rest of 2 invests more than 6 months. Blue color represent that Less than one month, red color represent 1-6 months and rest of them more than 6 months.

4) In your option what is the biggest problem of trading?

1. Lack of proper knowledge or experience.
2. Unsatisfactory services of broking firms.
3. Charges by broking firms.

Sino	Particulars	Responded	Percentage (%)
1	Lack of proper knowledge or experience	3	30
2	Unsatisfactory services of broking firms.	3	30
3	Charges by broking firms	4	40
	Total	10	100%

Table -4



Piechart-4

Interpretation

Most of them are saying that charges by broking firms are high because of that reason respondents are not interested in the investing 4 respondents are saying charges. 3 respondents are saying services are not up to

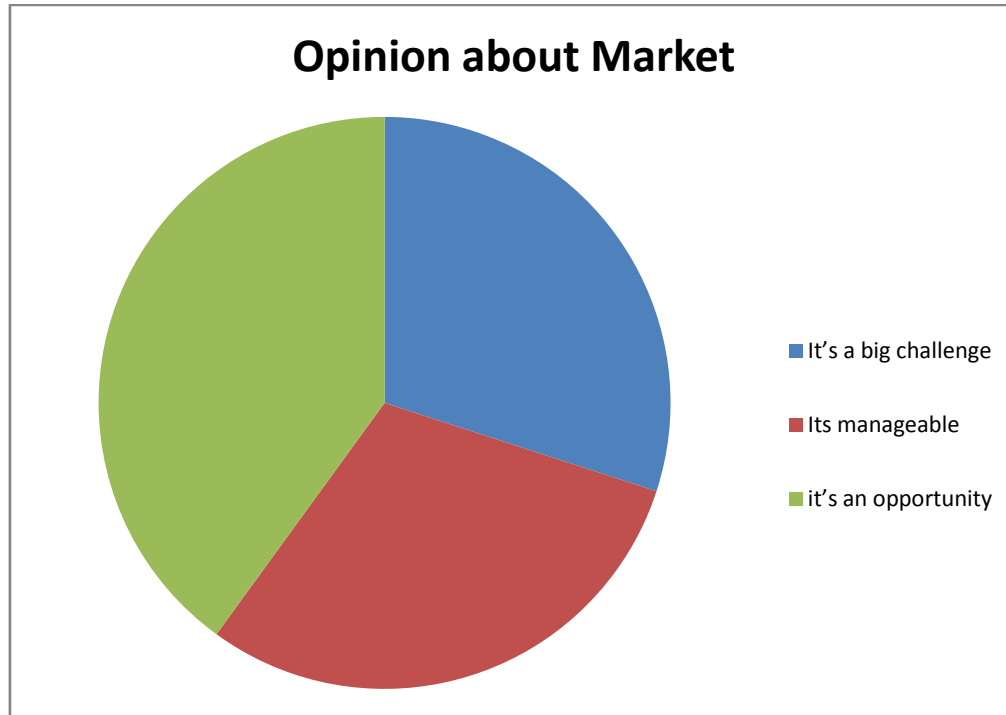
the mark. 3 respondents are saying lack of knowledge has become big barrier for them

5) What is your opinion about the problem of market uncertainty in trading?

- 1) It's a big challenge[3] 2) Its manageable[3] 3) it's an opportunity.[4]

ino	S	Particulars	Responded	Percentage (%)
1		It's a big challenge	3	30%
2		Its manageable	3	30%
3		it's an opportunity	4	40%
		Total	10	100%

Table-5



Piechart-5

said by 3 respondents, it can be manageable said by 3 persons and opportunity for their skill said by rest of respondents. Mixed response some of them are responding like share market risk taking and only some people can invest.

Interpretation

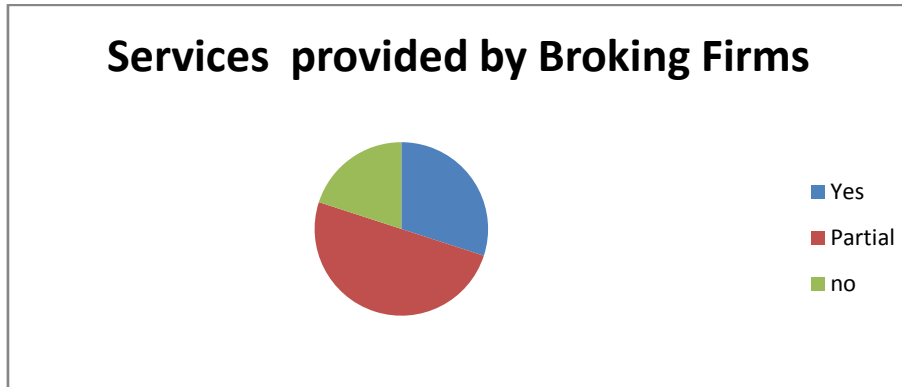
From the above table and pie chart we can say that market is a It's a big challenge

6) Does unsatisfactory services provide by the breaking firms create problems in trading?

- 1) Yes[3]
- 2) Partial[5]
- 3) No[2]

Sino	Particulars	Responded	Percentage (%)
1	Yes	3	30
2	Partial	5	50
3	No	2	20
	Total	10	100

Table-6



Piechart-6

Interpretation

From the above table and pie chart we can say that services provided the broking firms are good said by the 3 respondents and services are partially good said by the 5 respondents and rest of the respondents are saying that not good. It's also mixed

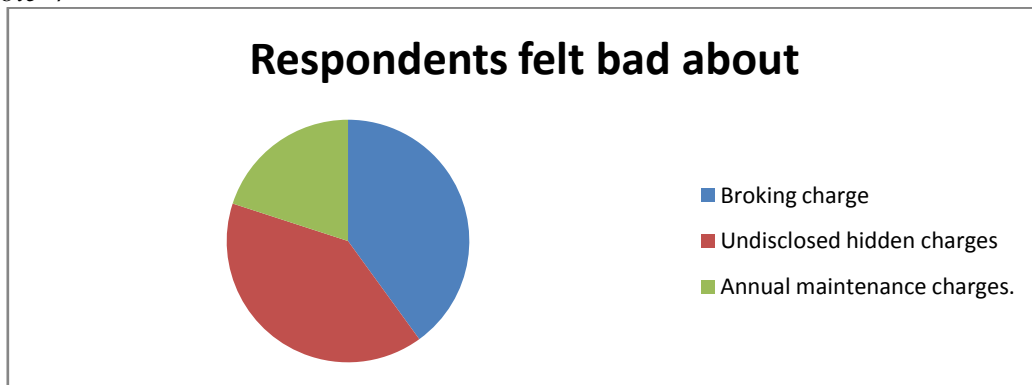
response most of them satisfied but not up to the mark what they expected

7) Which charge do you consider charged by the companies is a problem in trading?

- 1) Broking charge[4]
- 2) Undisclosed hidden charges [4]
- 3) Annual maintenance charges.[2]

	Particulars	Responded	Percentage (%)
Sino			
1	Broking charge	4	40%
2	Undisclosed hidden charges	4	40%
3	Annual maintenance charges.	2	20%
	Total	10	100%

Table -7



Pie chart -7

Interpretation

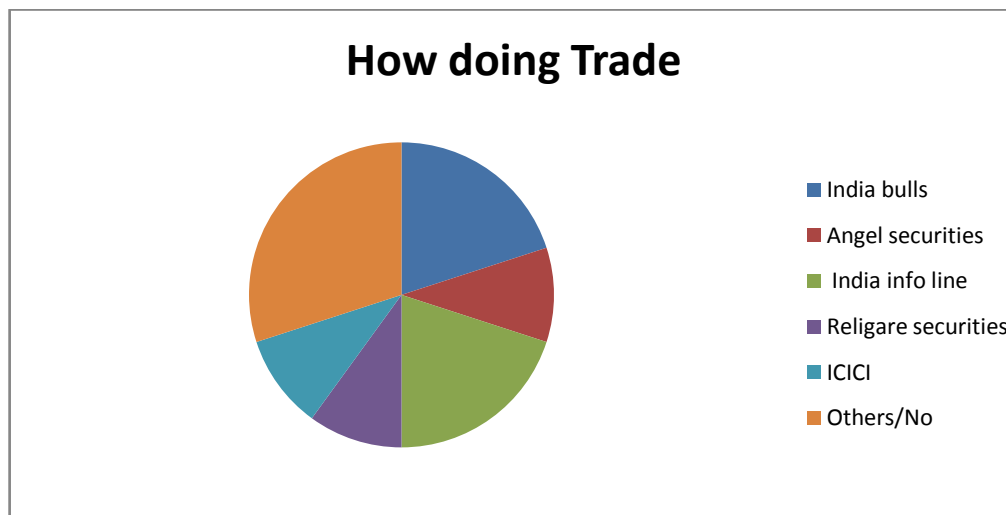
From the above table and pie chart we can say that, Broking & Undisclosed hidden charges are felt bad about these two charges out of the 10 respondents 8 are saying which are bad. Rest of two are saying Annual M maintenance charges are bad.

- 1) India bulls[2]
- 2) Angel securities[1]
- 3) India info line[2]
- 4) Religare securities[2]
- 5) ICICI [1]
- 6) Others[2]

8) Name of the company with which you are making your investment?

	Particulars	Responded	Percentage (%)
Sino			
1	India bulls	2	20%
2	Angel securities	1	10%
3	India info line	2	20%
4	Religare securities	1	20%
5	ICICI	1	10%
6	Others/No	3	20%
	Total	10	100%

Table -8



Pie chart -8

Interpretation

Stock Market is the best example for the Perfect Competition. The main players are India bulls Angel securities, India info

line, Religare securities, ICICI. 3 Respondents are having no idea about

this. The survey conducted on 10 people but if we extend we can get who is Giant.

9) Are you satisfied in trading with your broking firm?

1.) Highly Satisfied [1]

2.) Satisfied [3]

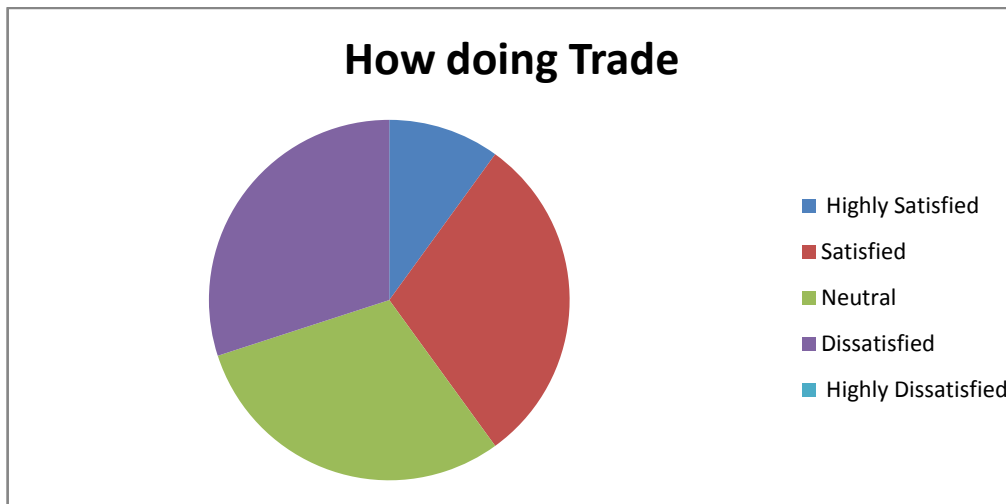
3) Neutral [3]

4) Dissatisfied [3]

5) Highly Dissatisfied [0]

Sino	Particulars	Responded	Percentage
1	Highly Satisfied	1	10%
2	Satisfied	3	30%
3	Neutral	3	30%
4	Dissatisfied	3	30%
5	Highly Dissatisfied	0	0%
	Total	10	100%

Table-9



Piechart-9

Interpretation

This is about the how is satisfaction levels of the customers. The services provided by the companies how they are working. In this exhibit we can see Highly Satisfied to Highly Dissatisfied. In this no one is Highly Dissatisfied.

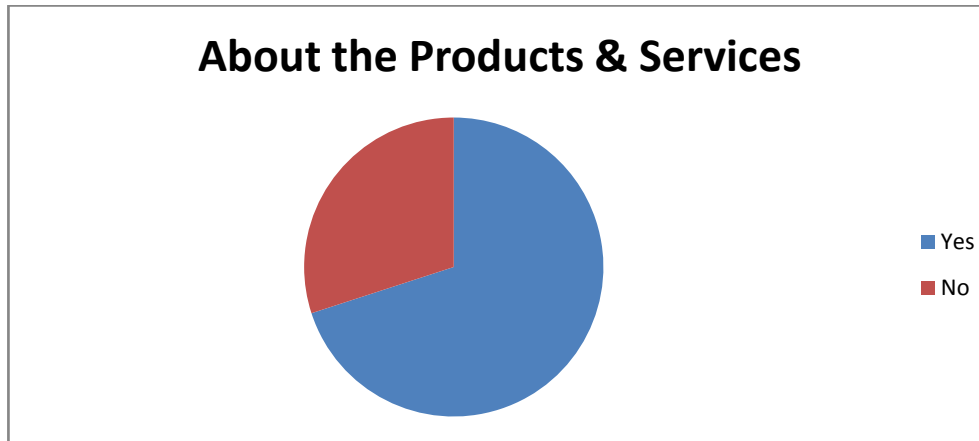
10) Are you aware of products and services offered by Indian Trading companies?

1.) Yes [7]

2.) No [3]

Slnos	Particulars	Responded	Percentage
1	Yes	7	70%
2	No	3	30%
	Total	10	100%

Table -10



Piechart-10

Interpretation

The products and services are provided by the companies 7 respondents are aware about them where as 3 respondents are not aware about it. Most of them are aware of that without won't invest.

1) Are you satisfied with the charges charged by Indian firms for opening D-Mat account (with annual maintenance charge)?

1.) Highly Satisfied [2]

2.) Satisfied [2]

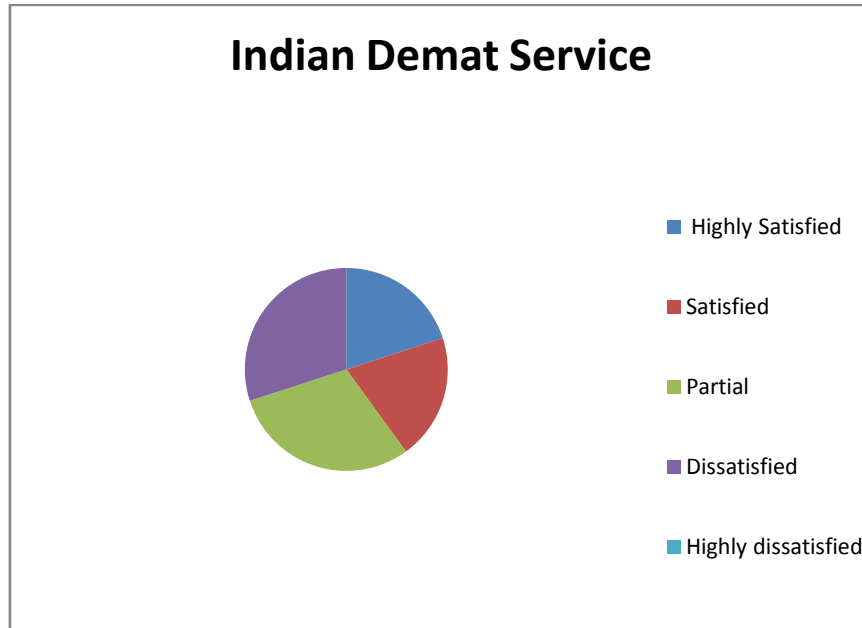
3.) Partial [3]

4) Dissatisfied [3]

5) Highly dissatisfied

Sino	Particulars	Responded	Percentage (%)
1	Highly Satisfied	2	20%
2	Satisfied	2	20%
3	Partial	3	30%
4	Dissatisfied	3	30%
5	Highly dissatisfied	0	0%
	Total	10	100%

Table-11



Piechart-11

Interpretation

Indian demat services are at Satisfied level but India will improve in near future. It's also mixed response why because the people who invests in large amount it may not big problem. Dissatisfied respondents are only 3.

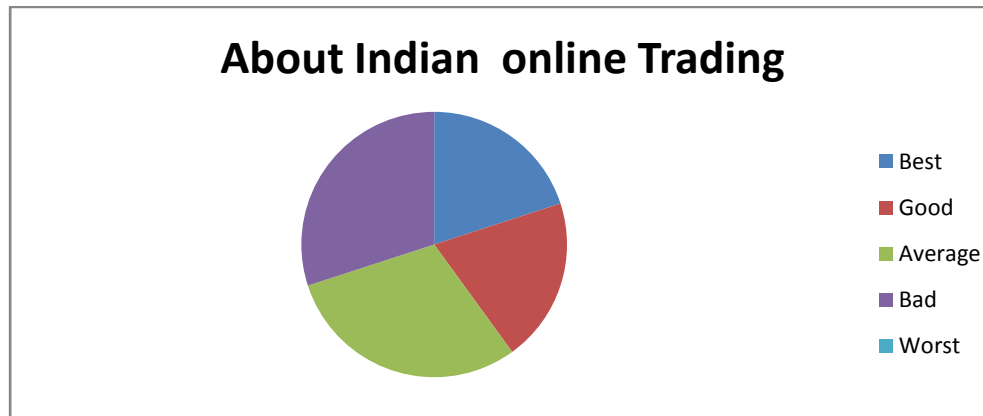
- 1.) Best [2]
- 2) Good [2]
- 3.) Average [3]
- 4) Bad [3]
- 5) Worst [0].

Q.12) what is your perception regarding India online trading Companies?

Table-12

S.NO	Particulars	Responded	Percentage (%)
1	Best	2	20%
2	Good	2	20%
3	Average	3	30%
4	Bad	3	30%
5	Worst	0	0%
	Total	10	100%

Piechart-12



Interpretation

From the Table and Pie Chart we can understand that how is Indian online trading. In the respondents point of view the services which are provided in the context are satisfied level out of 10 people 8 respondents are feeling that services are good whereas the no satisfaction is no in the 3 respondents.

Conclusion

Post economic liberalization in 1991 the Indian financial services industry has experienced significant growth. Exposure to global practices has made the Indian customer more demanding. As a result of

falling interest rates, bank deposits, other traditional investment opportunities are losing their attraction. Thus, Indian investors are getting attracted towards alternate investments such as the Retail Security Market and are looking for newer financial products. As the Indian Retail Security Market is still in a nascent stage and as a lot of potential for growth, it's a very good opportunity for companies like India bulls, kotak securities etc to increase their market presence. They will have to concentrate more on the Research and Development and come up with strategies which are beneficial for the company.

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| http://www.theonlinetradingguide.com/ | http://www.trdpoint.com/ |

