

A Study On Demat Account

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Abstract- Securities cannot be exchanged without a legitimate demat account. Your demat account holds all your shares and investments electronically or dematerialized. It contains all government bonds, bonds, stocks, mutual funds and exchange-traded funds (ETFs).

OBJECTIVE:

The fact that Demat accounts allow the investor to hold shares electronically eliminates the risk of loss, damage, theft and counterfeiting, as is the case with physical shares.

I. INTRODUCTION

The investor opens a demat account when registering with the investment broker or sub-broker. This account is preferred for trading (buying and selling of shares) to allow for electronic settlement. Almost all shareholders must have this account to trade shares as required by the laws of the Securities and Exchange Board of India (SEBI).

II. DEMAT ACCOUNT OPENING PROCEDURE

Your demat account holds all your shares and investments electronically or dematerialized. It contains all government bonds, bonds, stocks, mutual funds and exchange-traded funds (ETFs). It is important to understand some bodies and processes to understand the full functioning of a demat account. How a demat account works is explained here.

- **CENTRAL REPOSITORY:** the two main custodians in the country are the central repository of Securities Ltd. (CDSL) and the national repository of Securities Ltd. (NDSL). They contain your account details on your behalf. It works similarly to a bank.
- **UNIQUE IDENTIFICATION:** each demat account has a unique verification number for identification and is useful in various situations. This can be used for transactions or used for the stock exchange to help companies identify and credit securities on their account.

III. DEMAT ACCOUNT WORKING PROCESS

A demat account can be opened without any action. It does not require any minimum balance. The first step to open a demat account is to select a DP, fill in the account opening

form and send the document. Having a PAN card is a mandatory requirement to open a demat account. The rest of the steps are explained here.

- Once you submit the form, you will receive a copy of the rules and regulations, the terms of the agreement and the charges you will incur.
- Verification in person is also required. A DP staff member will contact the person to verify the details provided on the account opening form.
- After verification, the DP person will provide an account number or customer ID. You can also verify these details by checking the details of your online account.
- An annual maintenance fee has been paid for a customer account. This fee covers the account transaction fees. The charge is applied monthly to the debit values to and from the account. The charges are subject to your choice of DP. Some DPs charge based on the transaction amount, while others charge a fixed fee equal to each transaction.

IV. ADVANTAGES OF THE DEMAT ACCOUNT

• RISK REDUCTION:

Physical values carry a high risk of theft, theft and damage. With a demat account, this risk is completely eliminated since certificates cannot be stolen or falsified because they are stored electronically. In addition, with a demat account, you also eliminate the risk of false values and incorrect deliveries.

• COST SAVINGS:

Since no physical values are involved, the demat account is free of various additional costs, such as stamp duties, management fees and other similar expenses. This reduces the overall cost to the investor and makes the demat account profitable.

• TIME SAVINGS:

The Demat account completely deletes the documents that lead to completing a transaction much faster than before. The time saved helps the investor to buy and sell more securities in less time and with greater efficiency.

- **SEAMLESS PROCESS**

The Demat account combined with Internet banking and online trading makes the whole trading process very convenient and hassle free. Create a continuous chain of fast and efficient transactions. When you purchase shares in your trading account, your bank account is automatically debited and then your Demat account is automatically credited without your personal participation. The same is true when you sell shares in your trading account.

- **OPERATE WITH A SINGLE ACCOUNT:**

The Demat account offers you the flexibility to keep and track all your investments through a single account. It is no longer necessary to open separate accounts to purchase ENTS, tax-exempt bonds, etc.

Most of your tools can be stored in one place, like your demat account. In addition, it is convenient to track the performance of your portfolio.

- **SOLVE THE ODD LOT PROBLEM:**

Before the introduction of the demat account, traders could not buy or sell odd-lot shares. They had to buy or sell a specific amount that was a big hassle for them on physical certificates. The Demat account solves this problem and allows traders to buy or sell even a single share.

- **IMMEDIATE TRANSFER OF SHARES:**

Before demat accounts existed, the shares had to be sent to the company or the registrar to obtain the transfer of the shares in their own name. This process took a long time and sometimes took months to transfer the shares. With a demat account, shares can be transferred instantly in no time. Also, the stamp duty on securities transfers is now unnecessary.

- **INVESTMENT EARNINGS:**

This may be your best chance to grow your money as fast as possible. Although stock prices rise and fall every day. The overall value of the stock market eventually increases. Investments made in stable and reliable companies always grow and tend to make a lot of money. In addition, investing in different types of securities allows you to target multiple sectors and take advantage of growth. This can be good business even if some of your titles lose their value.

- **DIVIDEND INCOME:**

Some securities offer income in the form of dividends. They provide annual payments to investors based on the dividend declared by the company on its shares. Dividends can help you build a retirement corpus or increase your investment.

- **DIVERSIFICATION:**

An investment in the stock market always offers diversified investments for investors. Stock prices continue to rise and fall, which means you need to have a diversified portfolio of stocks so you don't lose money in the event that one or two of your stocks lose ground in prices due to the performance of the company or sector, or for any other reason.

- **PROPERTIES:**

Stocks or shares indicate that you own the chosen company. This can be a great advantage since a profitable and stable company means that you can always make money through these actions. Owning a stock in the company you work for also expresses your loyalty to the company and links your personal finances to the success of the entire company.

V. DISADVANTAGES OF THE DEMAT ACCOUNT

- Securities trading may not be controlled in the case of dematerialized securities.
- It is the responsibility of the capital market regulator to monitor trade in dematerialized securities and to ensure that trade is not detrimental to investors.
- For dematerialized securities, the role of major market players, such as stockbrokers, must be controlled as they have the ability to manipulate the market.

VI. CONCLUSION

A demat account has many advantages. You can trade digitally on the stock market. Your documents remain secure and there is little room for fraudulent transactions. All in all, a demat account offers you many advantages. Access to the dematerialized account requires an Internet password and a transaction password.