



## ANALYSIS OF GROWTH IN SHARE MARKET AFTER DEMATERIALIZATION

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**Abstracts:**

Share market is the place where all financial securities are bought or sold by the investor's or traders in the stock exchange. By buying the shares you're making an investment within the company. Because the company grows, the value of your share can also increase. The first organized stock exchange in India was started by Premchand Roychand in 1875 at Bombay. Registers were maintained for recording the transactions. So there was a time lag between the trading and the time when the actual transaction took place.

To overcome this hassle a very innovative process of having Demat Account System was generated in 1996. Today, there is no paperwork involved and physical transfers of certificates are no longer cumbersome and tedious issues. The main objectives of this paper is to understand the growth of share market after dematerialization and understand the benefits accrued due to dematerialization. For this research, the researcher has used both methods of data collection i.e. Primary data and Secondary data. Questionnaire method used for the collection of primary data and secondary data collected with the help of various articles on website. This constitutes a disruptive innovation in the share market - the share market before dematerialization and the share market post dematerialization. The paper concluded that due to dematerialization the number of investors have increased and the reason for it being, it is very much easy for them to handle the transactions with the help of demat account. Even small investors can do regular investment in shares as well as trading to earn good monetary gain.

**Key Words** – Share Market, Demat, Dematerialization, Stock Exchange

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**Introduction:**

Mostly people earn income from salary or any other source, and use it for their consumption. Normally, Some of the people may regularly keeping some amount aside out of their earnings as a part of saving which will be used in future whenever required. So the savings may be in the form of investment in property, bank, gold or any other source. Some of them are investing into business or making investment in shares. If you purchase the shares of any company, ultimately you are investing your money in that company. As the company grows, the price of share too will increase. You can get profit by selling the shares in the market. The other factors also affect the price of a share.

For the expansion and growth of the companies, raising capital is veritably important, in this Share market plays a



vital part. The investors in the company can use this investment to fulfill their life pretentions. It is one of the important platform for investment as it gives circulation of money as well as provides liquidity. In share market you can buy the shares or vend the shares as per your demand. It means anytime the fiscal means can be converted into cash. It offers ample openings for wealth creation due to the increase in share prices as the company grows in hops and bounds. Share market is categorized into:

1. Primary Market
2. Secondary Market

**1. Primary Market:** In the primary market the Company or government raises money by issuing shares through the IPO process. Public or private placement follow to issue the shares.

**2. Secondary Market:** The shares bought in the primary market can be sold in the secondary market. Secondary market operates through over the counter (OTC) and exchange traded market. OTC market are informal markets wherein two parties agree on a particular transaction to be settled in future. Exchange traded markets are largely regulated.

Share market is the place where is the aggregation of buyers and merchandisers of stocks, which represent power claims on businesses; these may include securities listed on a public stock exchange as well as stock that is only traded by private companies which are vended to investors through equity crowdfunding platforms. Investment in the stock market is most frequently handled via stock brokerages and electronic trading platforms. In India, share market comprises two exchanges viz. National Stock Exchange and Bombay Stock Exchange.

Dr. M. T. Raje, et al, (2002) Generally, an investor would look for more liquidity to less liquidity in a stock. Higher liquidity means lower transaction costs and easy entry and exit options. Therefore, higher liquidity is preferred. Ownership transfer of demat shares is

quite fast. Investors would be able to churn their portfolio many a times over, contributing to the increase in turnover and liquidity. This paper attempts to measure post-demat increased level of activity (liquidity). Whenever a new product is made available, there will be an additional demand for that particular product. Dematerialised shares are definitely superior to physical (paper) form of shares. Physical form of shares are fraught with fake, forgery, stolen and

duplicate problems. Logically speaking, higher demand should emanate for demat shares, which is expected to push up (pull down to a lesser extent) shares prices resulting in higher returns (lesser losses) to the investors compared to predemat period. This higher demand will continue for sometime (adjustment period lasting, sometimes, a few months) only.

The performance of the SEBI, which shows that the Indian Capital market is safe, transparent and disclosure oriented as well as with the standard of developed capital markets of the world. The Market capitalisation of the domestic stocks listed in India rose sharply from Rs.4.73 trillion to Rs.9.13 trillion during 1994-95 to 1999-00 period, registering about 93.02 per cent growth.

In this study it also showed that Compulsory trading in the demat form for all classes of investors was introduced starting from January 4, 1999 in a phased manner. In each phase, a number of companies were added to compulsory



demat category. In the first phase 12 companies on January 4, 1999, in the second phase 19 companies from February 15, in the third phase 33 more companies from April 5, and in the fourth phase 40 scrips were included with effect from May 31, 1999.

Dematerialisation does away with the concept of market lot which benefits small investor to buy high value shares. Therefore, number of shares traded per trade before and after dematerialization for each settlement also analysed. This study brings out a few important points like liquidity and confidence level of investors improved in post demat period, large number of trades took place with big deals, small investors are able to buy high value stocks. Under some circumstances even it is better than stock split, for example, if company's market lot is 100 shares under demat the investor can buy even one share i.e. onehundredth of original thus enhancing liquidity and enabling participation of small investor.

(Sabrinath, 2012) Dematerialization brought about several benefits like greater liquidity due to withdrawal of the requirement of minimum trading lot sizes and reduce “no-delivery” period, No Loss or risk on account of mutilation or loss of scrips, shorter periods of book closure for corporate actions such as dividends payments, rights or bonus issues and eliminated delays in transfer that were intended to withhold transfers so as to create an artificial shortage of scrips in the market. In this paper discussed about the benefits of the dematerialization.

**Bombay Stock Exchange:** It was established in 1875 as the Native Share and Stock Brokers' Association, BSE is Asia's first exchange and the largest securities market in India. BSE has been necessary in developing India's capital market by furnishing an effective platform for the Indian commercial sector to raise investment capital. It provides fast and effective trade prosecution and it is known for its electronic trading system. With the help of share market the investors enables to trade in equities, currencies, debt instruments, derivatives, and mutual funds. It also provides other important capital market trading services similar as threat operation, clearing, settlement and investor education. In 1995, BSE switched from an open floor to an electronic trading system.

**National Stock Exchange:** NSE was incorporated in the time 1992, to bring about transparency in the Indian equity markets. Rather of trading members being confined to a group of brokers, NSE assured that anyone who was good, educated and met the minimum fiscal conditions was allowed to trade. NSE was set up by a group of leading Indian Financial Institutions as per the orders of the Government of India to bring transparency to the Indian Capital Market. The paper grounded agreements was replaced by electronic repository grounded accounts and agreements of trades was always done on time.

**Demat Account:** With the help of Demat account or dematerialized account, shares and securities are provided in the electronic format. During online trading, shares are purchased and held in a Demat Account, therefore easing easy trade for the users. A Demat account includes all the investments an individual makes in shares, government securities, exchange traded funds, bonds and mutual funds under one roof.

**Share Market before Dematerialization:** The transfer of shares used to take months to complete before dematerialization. When there is any purchase or sale of shares, the investor has to submit the physical share certificate to the companies or registrars to make the changes in the name on the securities. As the procedure is too lengthy it takes almost a month to complete. This process is known as Rematerialization, where shares have to



be traded physically. Rematerialized shares are maintained by respective companies, physical shares are stored by individual investors and no maintenance charges have to be paid.

**Share Market after Dematerialization:** With the main aim to simplify the process and make it convenient for the investors, the Securities and Exchange Board of India introduced the electronic book keeping of shares. In dematerialization, the movement of shares is recorded electronically, the trading has to be also done electronically. All the physical shares are to be converted into an electronic form. Under the Depositories Act, 1996, the entire system for electronic book keeping and trading of shares was set up in India. The Depositories Act was passed with an aim to make transferability of shares and other securities free, fast, safe and convenient. It led to the establishment of depositories and the dematerialization of shares.

**Dematerialization:** Dematerialization is the conversion of physical certificates into an electronic form to enable electronic trading. Depositories are the entities tasked with the storage and dematerialized securities as unlike physical securities, electronic shares cannot be stored in lockers. Depositories provide virtual lockers to investors, which is used to store their respective securities.

#### Review of Literature:

The paper titled “Online Trading & Demat Account in India –some issues; the authors talked about the pattern process and procedures and performance of the share market in India. This study is intended to identify the various concepts about Demat and the online trading and its way of functioning. In this paper, they discussed about the benefits of Demat like trading in Demat helps to eliminate completely the risk of bad deliveries, which in turn eliminates all cost & wastage of time. The investors need not have to follow up with their broker for shares returned for company objection. It also leads to reduction in brokerage and saved 0.5% stamp duty. The finding of the study after the introduction of dematerialization are the stock market becomes more transparent and it attracts more investors day by day. Because when investors buy physical shares from stock market, they can never obtain validity of the title of shares. There were many reasons the sellers signature did not match or the certificate were fake, forged or stolen and so on. The study concluded that the growing importance of the Indian Stock Market place may be noted in terms of increased mobilization of funds and growing number of investors account. SEBI’s steps like dematerializing, and trading through net has increased the transparency of the trading than before.

Kumar Nishikant & Anil Kumar Dora, in paper “The Other Side of Demat – An Introspection “

talked about the Demat account and total investor population of India. The main objectives of the study are to find the factors responsible for low turnover of DEMAT account holder for investment in Stock Market, to know the employees perception towards the various factors and also to provide some suggestions to boost the investment in stock market. The study concluded by giving some suggestions to the organization to take every step to motivate and encourage the people to invest in share market by opening Demat account which gives more transparency in dealing.

#### Objectives of the Study:

1. To understand the growth of share market after dematerialization.
2. To understand the benefits enjoyed by the investors after dematerialization.

**Limitation of the Study:**

- Due to non availability of time, the data was collected from the limited number of respondent.
- Only investors in shares are the respondents of the study.

**Data Collection:**

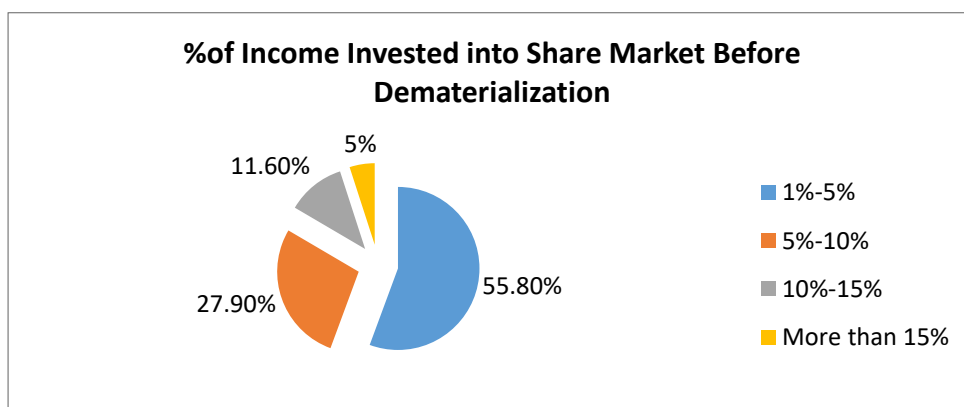
The sources of data collection are primary and secondary. Primary data includes the questionnaire which was prepared in Google form. It includes the questions related with basic information of respondents, Number of years invested into share market, percentage of income invested into share market before dematerialization and after dematerialization, benefits enjoyed after dematerialization, etc. Secondary data includes articles, websites, research papers etc.

The growth of the share market is understood by studying the individual investors investment into the share market. Due to dematerialization, there was increased in investment in share market. Now a days, small investors as well as middlemen are investing into the share market.

**Table 1 : Percentage of Income invested into Share Market before dematerialization**

% on Income invested into Share Market	Respondent %
1%-5%	55.80%
5%-10%	27.90%
10%-15%	11.60%
More than 15%	5%
TOTAL	100%

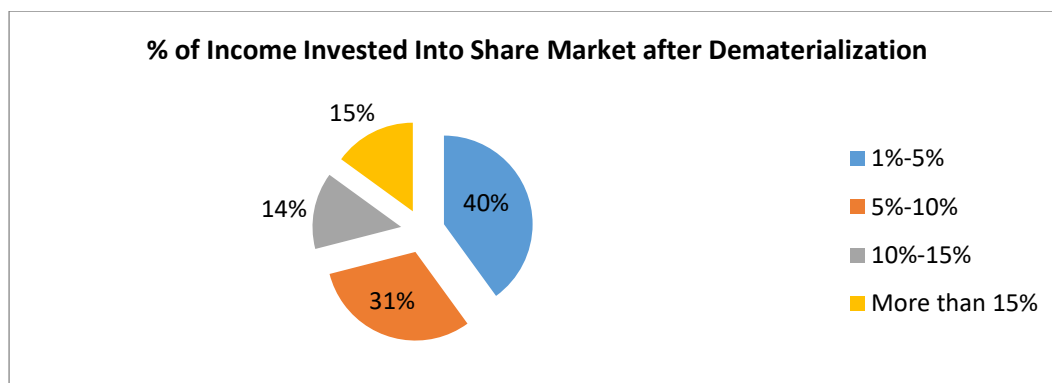
From the above table 1, it is clear that 55.80% respondents invested only up to 5% investment into share market, 27.90% between 5% - 10%, 11.60% between 10%-15% and only 5% respondents investing more than 15% of their income in shares before dematerialization.

**Table 2 : Percentage of Income invested into Share Market after dematerialization**

% on Income invested into Share Market	Respondent %
1%-5%	40%
5%-10%	31%
10%-15%	14%
More than 15%	15%



From the above table 2, it is clear that 40% respondents invested only up to 5% investment into share market, 31% between 5% - 10%, 14% between 10%-15% and 15% respondents investing more than 15% income before dematerialization.



After analyzing data, it is very much clear that earlier more than 50% people invested only up to 5% of their income into share market and after dematerialization it was decreased to 40%. Ultimately it shows that before dematerialization only 5% respondents invested more than 15% their income into share market and after dematerialization it increased to 15%.

#### Findings:

With help of data analysis it was found that there was increased in the transactions after opening demat account. Demat accounts helps the investors to deal with the transactions very easily. The investor are very satisfied with the services provided by demat services. During olden days, investors facing lot of problem while dealing in shares, lots of paper work required to do the particular procedure. It was very time consuming. Partly transfer, sales are not possible in olden days even it used to take a plenty of time for transferring the shares. During that period, even transparency is not possible to complete the transaction. Now a days, its very much possible to keep a track on individual transaction of the shares. The investors are able to deal in shares personally. There is no need to take the help of brokers which ultimately saved the time of individual.

#### Conclusion:

With the help of Demat account people enjoying a lot of benefits like it saves time, no need to do paper work, online trading is possible no need to visit to the brokers office, individual are able to do the online transactions without taking the help of brokers. Even partly transactions are possible. It means when the investors are interested to sold partly shares or transferred they can do. There is no need to deal in physical cash due to online payment facility. Dealing in shares which include sales, resale, transfer at each and every stage transparency is maintained. Some of the investors are trying to invest more as it gives higher return. Middle class income group people are not ready to invest more due to high risk. Due to online trading no need to visit the office personally as results in increase in sales or trading in shares as well as increased in number of investors.



**Suggestions:**

- People should start investing in share market as it gives higher returns.
- Different workshops should be conducted to motivate other people to invest in share market as well as to give them proper guidance.
- Proper training should be given about how to use demat account or to dealing in online trading.

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