



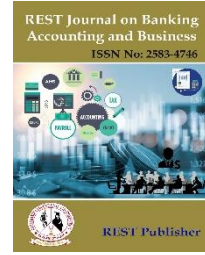
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# Bridging Financial Inclusion: Understanding the Awareness of Opening Demat Accounts Among Rural Communities

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**Abstract.** *This study investigates the level of awareness regarding the opening of Demat accounts among rural populations. With the increasing penetration of financial services into rural areas, understanding the knowledge and perceptions surrounding Demat accounts becomes crucial for promoting financial inclusion. By examining factors such as accessibility, education, and trust in financial institutions, the study aims to provide actionable recommendations for policymakers, financial institutions, and community stakeholders to enhance financial literacy and facilitate the uptake of Demat accounts among rural residents. Through this research, we seek to contribute to the ongoing efforts to bridge the urban-rural divide in financial access and empower rural communities towards greater economic participation and prosperity*

**Key words:** Demat Account, Rural areas, Financial Inclusion.

## 1. INTRODUCTION

Dematerialisation, often referred to as "demat," is the process of converting physical share certificates and other securities into electronic or digital form. It involves the transformation of physical documents representing ownership of securities into electronic records. Dematerialisation allows investors to hold and transact securities in a paperless format. This process has streamlined and simplified the trading and settlement of securities, eliminating the risks and inefficiencies associated with physical certificates. A central depository such as the Central Depository Services Ltd (CSDL) or the National Securities Depository Ltd (NSDL) is what you open a Demat Account with. These depositories designate representatives known as Depository Participants (DP), who serve as go-betweens for investors and themselves. You can open a Demat Account with your bank, such as HDFC Bank, which is a DP. You can open a Demat Account with stockbrokers and financial institutions, as they are also DPs. Similar to how a bank account stores cash, a Demat Account stores your investments digitally, making them easily accessible online with a laptop or other smart device. All you need to gain access to it is the special login ID and password. But unlike a bank account, there is no requirement for a "minimum balance" of any kind for your Demat Account. A list of DPs that you can open a Demat Account with can be found on the websites of any depositories. The ideal DP selection should be based on the yearly fees. Keep in mind that you have multiple Demat Accounts, but not all of them are associated with the same DP. Therefore, a single PAN card can be connected to numerous trading and demat accounts. In order to make the right decision, also be sure to review the prerequisites and paperwork for a Demat Account.

**Importance of Demat account:** An extensive range of investments, including bonds, equity shares, government securities, mutual funds, and exchange-traded funds (ETFs), can be held in a Demat account. A Demat account is credited or debited every time you purchase or sell company shares, just like a bank account. It simplifies the share trading process in addition to getting rid of pointless paperwork. Two depositories, Central Depository Services Limited (CDSL) and National Securities Depository Limited (NSDL), are in charge of managing all Demat accounts in India.

**How does a Demat Account work?** The nature of a Demat account is homogenous to a savings bank account. Just like one can store cash in electronic form into the savings account, the investor can store securities into the

Demat account of a depository participant (DP) associated with the NSDL or CDSL. When shares or securities are purchased, the Demat account is credited. However, the account is debited when shares or securities are sold. For transacting in equity and securities through your Demat account, it is a prerequisite to link it to your trading and savings account.

**Benefits of Demat Accounts:** There are various advantages for investors who choose to open a Demat account. The most popular advantages are listed here.

- a) The risk of physical share theft, misplacement, forgery, or damage is eliminated with demat accounts.
- b) The electronic system can be finished in a matter of hours and is also much simpler.
- c) The entire process is now more efficient and time-saving because it has eliminated a number of laborious operations. If a person has a registered net banking account with the relevant financial institution, they can benefit from remote access through demat accounts.
- d) To enable electronic fund transfers, investors can combine bank accounts and dematerialized accounts.
- e) If a customer opens an online Demat account, they are eligible to receive a nomination facility.
- f) Customers who own a certain number of securities in their portfolio may choose to have their accounts frozen for a predetermined amount of time. This may help prevent any unauthorized transactions from entering a person's Demat account.

## 2. REVIEW OF LITERATURE

**Dr. M Ganesan (2017) Investors' awareness on Demat account: A study in Sulur taluk, Coimbatore District:** This study explores the level of awareness among investors regarding Demat accounts in Sulur taluk, Coimbatore district. It investigates factors such as investors' understanding of Demat accounts, their benefits, and challenges they face. The research aims to provide insights into the knowledge and perception of investors towards Demat accounts in the specified region.

**Dr. Ramesh Onkareppa Olekar (2013) Online Trading and DEMAT Account in India-Some Issues:** This paper discusses various issues related to online trading and Demat accounts in India. It likely covers topics such as regulatory challenges, technological issues, security concerns, and the impact of online trading on investors and the financial market. The research aims to identify and analyze the challenges and concerns associated with the adoption and implementation of online trading and Demat accounts in the Indian context.

**Dr. A. Mahalakshmi (2021) A Study on Investment Behaviour of demat and trading account holders in Bengaluru city :** This study focuses on analyzing the investment behavior of Demat and trading account holders in Bengaluru city. It may delve into factors influencing investment decisions, trading patterns, risk tolerance, investment preferences, and the role of demographic variables. The research aims to provide insights into the investment behavior and preferences of individuals using Demat and trading accounts in Bengaluru city.

**Dr. Surendar G' (2015)** paper explores the dematerialization of shares and its impact on retail investors in India. The study examines the process of converting physical share certificates into electronic form and its implications for retail investors. It likely discusses the benefits and challenges of dematerialization, as well as its effects on investor behaviour and market dynamics in India.

**Dr. Jitendra Upadhyay's (2020)** research focuses on investors' perceptions of the service quality provided by dematerialized (DEMAT) accounts in Nepal. The paper likely investigates factors such as reliability, efficiency, and customer support in relation to DEMAT account services. It may also explore how these perceptions influence investor trust and participation in the capital market.

**Shubham Khandal's (2022)** study examines the rise of retail investors in the Indian stock market. The paper likely analyzes trends in retail investor participation, including factors driving their increased involvement. It may also discuss the implications of this trend for market dynamics, liquidity, and investor behavior in the Indian stock market.

**Agarwal (2006)** explores the impact of compulsory demat mode on small investors in Initial Public Offerings (IPOs). The study investigates whether the mandatory dematerialization of shares is fair for small investors. It delves into issues related to accessibility, transparency, and fairness in the IPO process.

**Amsaveni and Gomathi (2012)** conduct a study on the satisfaction levels of online share traders in Coimbatore District, Tamil Nadu, India. The research examines various factors influencing trader satisfaction with online trading platforms, aiming to provide insights for improving services in the online share trading industry.

**Kumar (2015)** offers an introspective analysis of the implications of dematerialization (DEMAT) in the financial markets. The paper explores the challenges and drawbacks associated with DEMAT accounts, shedding light on the other side of the DEMAT system beyond its perceived benefits.

### 3. OBJECTIVES OF THE STUDY

This research paper accompanying the below objectives:

1. To review the current literature regarding Demat account and rural people's financial Knowledge
2. To Create awareness to rural area people about opening of Demat account.
3. To describe the financial services offered by banks to rural area people.

### 4. DATA & METHODOLOGY

This research fully based on secondary data which is from banks, Stock brokerage firms, SEBI Annual reports and various websites.

### 5. ANALYSIS & INTERPRETATION

The attractive returns from equity markets and the simplicity of the account opening process are the main reasons behind the 26 percent annual increase in the number of demat accounts, which reached 12.7 crore in August 2023. Furthermore, August saw a greater number of incremental additions of these accounts than the previous month. Furthermore, a Motilal Oswal Financial Services analysis shows that this was significantly higher than the fiscal year FY23 average of 21 lakh monthly additions. From 30 lakh additions in July to 31 lakhs in August, there was a 41% month-over-month increase in new account additions. According to the data, there were 12.7 crore demat accounts registered with the two depositories, NSDL and CDSL, at the end of August 2023, down from 10.1 crore the previous year. By July's end, there were 12.3 crore demat accounts. According to data from the Securities and Exchange Board of India (Sebi), at the end of August, 393,000 and 935,00 demat accounts, respectively, were registered with NSDL and CDSL out of the total of 12,075,000. According to market experts, the appealing returns from the equity markets and the simplicity of the account opening process provided by brokers to their clients are the main drivers of additions in dematerialized, or "demat," accounts.

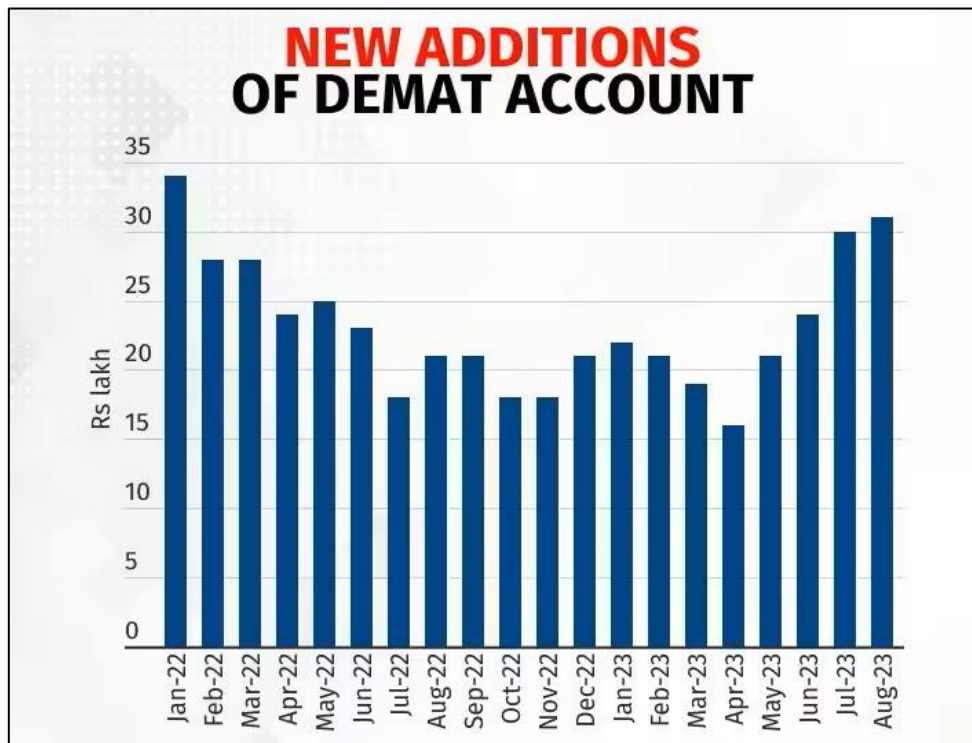


FIGURE. 1 New Additions of Demat Account in 2022-23

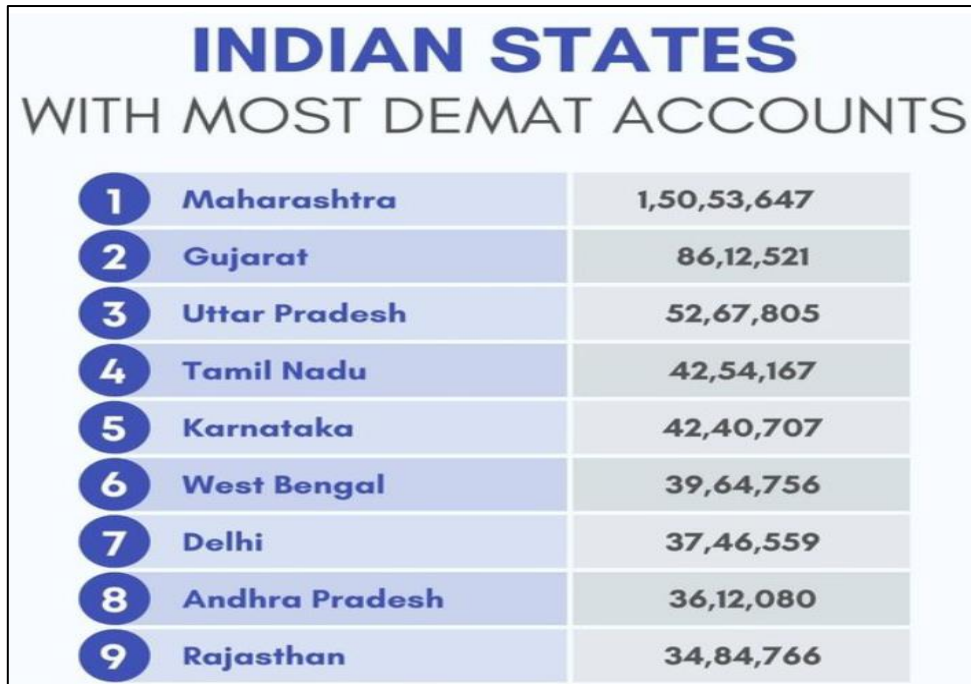


FIGURE 2. Indian States with Most Demat Accounts

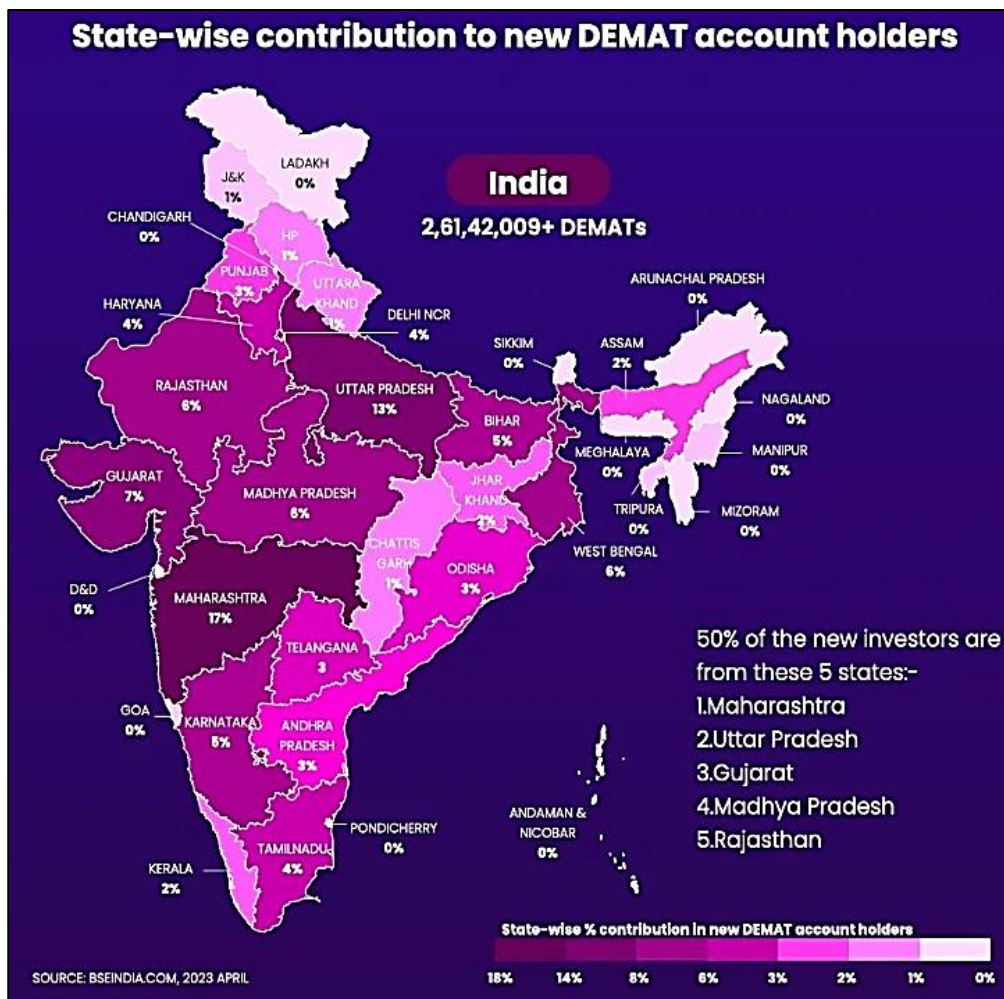


FIGURE 3. State Wise Contribution to New Demat Account Holders

## 6. FINDINGS

A few potential key findings the study may have included:

- a) Levels of awareness about Demat accounts and their purpose among rural communities.
- b) Barriers to opening or accessing Demat accounts faced by rural communities, such as lack of access, low literacy/financial literacy, complex processes.
- c) Demographic and socioeconomic differences in awareness and access within rural communities.
- d) Effectiveness of any existing programs or campaigns aiming to promote Demat account adoption in rural areas.
- e) Recommendations for improving awareness and adoption rates of Demat accounts among financially excluded rural populations.

## 7. CONCLUSION

There are significant gaps in awareness and understanding of Demat accounts among rural communities in India, contributing to financial exclusion. Specific demographic groups (women, lower incomes, less education, etc.) within rural areas tend to have even lower levels of Demat account awareness and adoption. Simply having access to financial services like Demat accounts is not enough - lack of awareness, financial literacy, digital access/skills are also barriers preventing utilization. Targeted campaigns and educational programs to raise awareness of the purpose/benefits of Demat accounts could promote greater adoption in rural areas.

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