

Probable Reasons behind Explosive Growth in DEMAT Accounts in Indian Stock Market

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ABSTRACT

Indian stock market has experienced an explosive growth in Demat Accounts over a period of last two years, reports NSDL (National Securities Depository Limited) and CDSL (Central Depository Services India Limited) in its annual reports. A Stock market, Equity market or Share market is the aggregation of buyers and sellers of stocks (also called shares) which represent ownership claims on businesses. A Demat Account is opened by an investor with a Depository Participant to invest in securities such as stocks (shares) & bonds. The securities are held in Digital format.

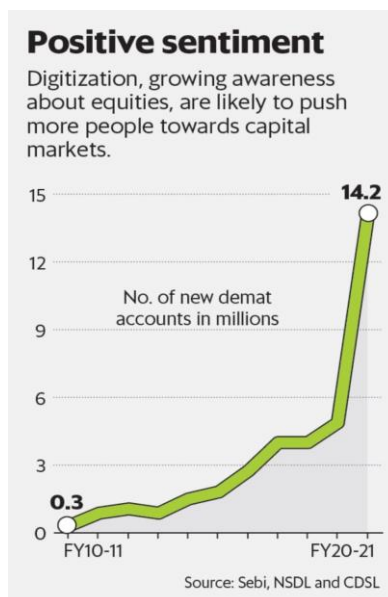
1. INTRODUCTION

It is a positive sign to grow the Indian economy. Market capital of the country's stock market is directly proportional to its economy. The growth in market capital enhances the industrialization generating the more employment opportunities which will enhance the per capita income of the country.



According to Securities and Exchange Board of India (SEBI) data, new demat accounts additions rose to an all-time high of 10.7 mn in the year 2021. In FY-20, it was 4.7mn. Around 4mn new accounts were added each in FY-19 and FY-18.

Year	Total Demat Accounts	New Demat Accounts
FY - 11	1.9 mn	0.3 mn
FY - 18	30.1 mn	6.2 mn
FY - 19	30.6 mn	6.4 mn
FY - 20	40.1 mn	7.1 mn
FY - 21	51.5 mn	10.7 mn



This is clearly indicative of a massive shift in the amount of retail participation in the Indian stock market.

2. PROBABLE REASONS BEHIND SUCH EXPLOSIVE GROWTH

There are plenty of probable reasons those may have caused this sudden and massive increase in new account openings like –

- Easier availability of smartphones, use of superior technology, increasing internet speed and access to analyst information, all these factors are facilitating easy access to stock market pushing more people in stock market.
- Several Depository participants (broking firms) are offering handy, hassle-free, easy and convenient mobile applications (Apps) which facilitate the stock market trading conveniently and very easily. The notable Apps are Groww, Zerodha, Upstocks, Sharekhan, Angelbroking, etc.
- Smooth and easy access to stock markets because of improved technology, such as e-kyc and Aadhaar e-signing helped the retail investor community to grow. Expectations of a faster recovery in the economy and better corporate earnings instilled confidence in investors, tempting them to pour more money into equities.
- With more and more broking firms adopting paperless online processes for opening demat and trading accounts, it has made easier and smoother access to the stock market.
- Factors such as digitization, growing awareness about equities, financialization and diversification of savings may have pushed more people towards the capital markets.
- Decreased fixed-deposit rates as well as rate of interest on savings that is been offered by the banks and financial institutions these days may be directing the investments to the stock market.
- One study reveals that the impact of covid on livelihoods taught people a very important lesson in financial planning and investments to ensure they are financially secure as a result more and more retail investors entering the capital markets.
- An increase in free time that many individuals had due to the string of nationwide lockdowns imposed during the first half of FY- 21. This extra time turn out to be the impetus that people needed to gain knowledge and get involved in stock trading.
- Many Academic Universities like Bangalore University has introduced stock tracking in its syllabus at Graduation level which may have pushed more youngsters in the capital market.
- The number of India's Demat accounts has huge potential to grow further due to its huge population and increased educational as well as financial literacy when compared to the other country's of the world. This huge potential had attracted more foreign investments to the Indian capital market which uplifted the benchmark indices of the Indian stock market (i.e. Sensex and Nifty) tempting more people to get involved in the stock market.
- These days, stock trading has become more gender inclusive with more female participants in the market as traders or investors as opposed to few years ago. This unprecedented trend is adding more flavour in the total.
- Work from home offered by the number of IT companies to its employees, giving them increased free time, rise in smartphone users and data penetration has increased the number of stock traders.
- Fall in brokerage rates that are being offered by the Depository Participants (Broking Firms) giving the opportunity of high-returns over the investments attracting more investors and retailers to pour more money into the capital market.
- Another major reason seems to be the lack of employment and income sources which again bore out of the lockdowns. This led to people exploring alternative sources of income guiding them straight towards the stock market.

3. CONCLUSION

An increase in stock trading gradually uplifting the benchmark indices (Sensex, Nifty) of Indian stock market which will enhance industrialization in India with the more market capitalization and generating more employment. The market with the positive approach attracts more foreign investments to grow the Indian economy, generating more employment with the enhanced productivity, increasing the per capita income of the country.