

A Study on Investors' Perception towards Online Trading

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Abstract: Online trading is basically the act of buying and selling financial products through an online trading platform. These platforms are normally provided by internet based brokers and are available to every single person who wishes to try to make money from the market. Online trading is a much easier and convenient way of trading. In spite of the numerous benefits offered, online trading is still not popular among investors due to certain factors

Keywords: Online Trading, Capital Market, Stock Broker.

I. INTRODUCTION

In the Indian context, online trading can be rightly called as a recent phenomenon which took root with the change of century that is April 2000. Earlier, trading on stock exchanges in India used to take place without use of information technology for immediate matching or recording of trades. Electronic trading eliminates the need for trading floors.

IMPORTANCE OF THE STUDY

Current developments are essentially converting offline practices to an online equivalent. The private investor who may have received a stock broker's report through the post and looked up share prices in the morning paper can access the information online with the current market price being available. The investor who might have made calculations about trends and valuations by hand can download the information from the web into a spreadsheet or a personal finance program that runs on their PC. That same private investor who usually to rings up a stock broker to buy or sell, a process that might take some time when the market is busy, can issue that same instruction online for immediate execution. The study will help an investor to understand the various aspects of online share trading.

STATEMENT OF THE PROBLEM

Online trading is a much easier and convenient way of trading. In spite of the numerous benefits offered, online trading is still not popular among investors due to certain factors. The purpose of this project is to analyze how online trading is perceived by investors, to identify the factors that influence investors while opting online trading and to find out the problems faced by investors engaged in online trading.

SCOPE OF THE STUDY

The study is based only on investors who trade online. The study is limited investors in Ernakulam.

OBJECTIVES OF THE STUDY

- To identify the perception of investors towards online share trading.
- To find out the factors that influence investors while choosing a brokerage house.
- To find out the type of trading preferred by investors.
- To study the risks involved in online trading.

II. LITERATURE REVIEW & THEORETICAL FRAMEWORK

Online Trading

When it comes to the history of online stock trading, it is no less than fascinating. Nothing short of revolutionary, in fact.

Before the internet collided with the world of electronic stock trading to give rise to this unique trade, investors and stock traders used to call up a live broker to place their trade. Similarly the brokers used to call their clients or investors to sell their purchase of a stock.

But that changed rapidly with the help of the internet. With a few clicks and keystrokes, investors can now take decisions and place their purchases or sell their stocks. Isn't it amazing?

In 1996, the Pune Stock Exchange was the first regional stock exchange to implement an online trading system to be at par with the systems in USA and mainland Europe. The project was initially undertaken by a government enterprise and was successfully completed under the name Vector System.

Process of Online Trading

Gone are the days of trading on the floor. Technology has changed the landscape of the stock markets. The look of the stock exchanges has undergone metamorphic changes in the recent years. Prior to online trading, regional stock exchange was playing a very important role in capital markets, as they were local investors. Regional SE, which was unable to interact with other SEs started developing this own screen based trading and connecting to other scrip's which were not available with them. This also helped in accessing the quotes and other market information from other stock exchange which proved vital in the functioning of the system as a whole.

The trading network is depicted in given below NSE has main computer which is connected through Very Small Aperture Terminal (VSAT) installed at its office. The main computer runs on a fault tolerant STRATUS mainframe computer at the Exchange. Brokers have terminals (identified as the PCs in the given picture) installed at their premises which are connected through VSATs/ leased lines/modems. An investor informs a broker to place an order on his behalf. The broker enters the order through his PC, which runs under Windows NT and sends signal to the satellite via VSAT/leased line/modem. The signal is directed to mainframe computer at NSE via VSAT at NSE's office. A message relating to the order activity is broadcast to the respective member. The order confirmation message is immediately displayed on the PC of the broker. This order matches with the existing passive order(S) otherwise it waits for the active orders to enter the system. On order matching, a message is broadcast to the respective member.

L L Sunil Kumar (2017) As for the future, stock trading will continue to evolve as technology keeps evolving. There will surely be more development of software applications for trading. Many brokerage firms do provide mobile based trading applications so that you can trade on the go. Along with that mobile trading services can actually provide you the same services that you would get if you access it from your desktop computer. Brokerage firms will keep improving their stock trading capabilities not only to retain customers but to make the entire process of trading stocks easier and simpler.

R V Rao (2018) With this new system in place brokers did not have to assemble themselves in the trading ring to get their orders executed. They could just conduct their trading by sitting in their cushy offices and would be connected to the main terminal of the stock exchange through a LAN or Local Area Network connection. The orders then would be compiled during the trading hours and they would match the orders. Once the trade was matched it would instantly inform the members so that they can see the trade on their screens. Along with that the system implemented transparency for investors when it came to rate of securities, market trends, liquidity etc.

RESEARCH DESIGN

- *Type of research:* Descriptive Research
- *Population :* Investorn in Ernakulam , who does online share trading.
- *Population Size:* 19278 (as on 8.7.2019)
- *Sample Size:* 60
- *Sampling Technique:* Convenience Sampling
- *Data Collection:* Primary Data and Secondary Data

Primary Data: Data collected using structural questionnaire.

Secondary Data: Material provided by stock Brokers , books relating to capital market and other related topics.

- *Tool for Data Collection:* Questionnaire
- *Tools for Analysis:* Percentages, graphs, diagrams etc.

III. DATA ANALYSIS AND INTERPRETATION

Table 1: Showing time period for which investors have been doing online trading.

| RESPONSE | NUMBER OF RESPONDENTS | PERCENTAGE (%) |
|-------------------|-----------------------|----------------|
| Less than 2 years | 32 | 53.33 |
| 2-3 years | 11 | 18.33 |
| 4-5 years | 10 | 16.67 |
| Above 5 years | 7 | 11.67 |
| Total | 60 | 100 |

Interpretation:

From the above table it is inferred that majority (53.33%) of the respondents have been trading online for less than 2 years and the 11.67% of the respondents have been trading for more than 5 years

Table 2: Showing the location where the investors prefer to trade from.

| RESPONSE | NO: OF RESPONDENTS | PERCENTAGE (%) |
|----------------------|--------------------|----------------|
| Home | 27 | 45 |
| Stock Broking Office | 0 | 0 |
| Office | 28 | 46.67 |
| Other Places | 5 | 8.33 |
| Total | 60 | 100 |

Interpretation: From the above table it is inferred that majority (46.67%) of the respondents prefer to trade from their office and none of the respondents preferred to trade from stock broking office.

Table 3: Showing type of trading preferred by investors.

| RESPONSE | NUMBER OF RESPONDENTS | PERCENTAGE (%) |
|----------------------|-----------------------|----------------|
| Intra-day basis | 0 | 0 |
| Derivative Market | 0 | 0 |
| Future Trading basis | 10 | 16.67 |
| Long-Term Investment | 50 | 83.33 |
| Total | 60 | 100 |

Interpretation:

From the above table it is inferred that majority of the respondents (83.33%) prefers to invest on a long term basis. None of the respondents prefers to engage in intra-day basis or derivative market type of trading.

Table 4: Showing ranking of factors influencing customers to choose a brokerage firm

| Particulars | QUICK ORDER EXECUTION | CONVENIENCE | EASY RECORD KEEPING | EASY ACCESSIBILITY | TOTAL |
|----------------|-----------------------|-------------|---------------------|--------------------|-------|
| Resoponse | 15 | 29 | 10 | 6 | 60 |
| Percentage (%) | 25 | 48.33 | 16.67 | 10 | 100 |

Interpretation:

From the table it is inferred that majority(48.33%) of the respondents consider convenience as most important factor and least(10%) considered factor is easy accessibility.

Table 5: Showing worst Risk involved in online share trading.

| RESPONSE | NO: OF RESPONDENTS | PERCENTAGE (%) |
|--------------------|--------------------|----------------|
| Network Failure | 12 | 20 |
| Software Complaint | 10 | 16.67 |
| Hacking of Data | 38 | 63.33 |
| Total | 60 | 100 |

Interpretation: From the table it is inferred that majority(63.33%) of the respondents consider hacking of data as the worst risk and minority(16.67%) of the respondents consider software complaint as the worst risk involved in online share trading.

IV. FINDINGS

- Most of the respondents have been trading online for less than 2 years.
- Most of the respondents prefer to trade online on a monthly basis and most of them prefers to trade from their respective offices.
- The type of trading largely preferred by the respondents is Long-term investment.
- Large Cap shares are not popular among respondents. Respondents prefer to invest in Small cap and Mid cap shares.
- Among the factors that influence in choosing brokerage firm majority of the respondents gave first rank to 'Convenience' factor and fourth rank to 'Easy Accessibility'.

V. SUGGESTIONS

- Proper awareness about online share trading can be given to prospective clients by conducting programs focusing on benefits of online share trading.
- Awareness about online share trading can also be given through newspapers, journals and magazines.
- Proper feedback should be collected from clients so that the areas to be improved and focused on can be found out.
- The security features can be improved by incorporating latest technology.
- Additional benefits like reduced membership fee can be introduced to attract more customers.

VI. CONCLUSION

Online trading has been proved to be the future of Bulls and Bears industry. Online trading services provide investors with a splendid range of benefits like enhanced control, ease of use and reduced transaction charges. Consequently, online services have grown rapidly and have emerged as a leading edge of service industry. My study shows that the investors who engage themselves in online share trading are comfortable in using the available technology to reap maximum benefits. Online share trading will help them trade from any part of the world. As we move closer to a more digitalized economy, online share trading can attract more customers and help in the growth of the country.

LIMITATIONS OF THE STUDY

- The sample size may not be large enough to generalize the results.

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