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THE EVOLUTION OF ONLINE TRADING PLATFORMS: ASSESSING THEIR IMPACT ON RETAIL INVESTOR BEHAVIOR AND MARKET ACCESSIBILITY WITH REFERENCE TO INDIA INFO LINE

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ABSTRACT

These days, every technology advancement is happening in a cutthroat market. Computerisation has occurred in every industry. They also use online trading while dealing with the stock market. In order to keep up with the minute-to-minute fluctuations in trading on static exchanges, investors must be familiar with the online trading technique.

The study's overarching goal is to educate investors on the ins and outs of internet trading. Only once an investor learns about shifts in stock market trading can he sell or purchase assets that provide a high return with a low risk. The internet trading system shows the global trading market's general movement in real time. This means that every investor has to be familiar with internet trading.

Investors may see business profiles, dividend announcements, and graphs showing sense, Nifty, and the risk and return of an asset in which they are interested. Because the investor doesn't have to physically visit the broker's office to make a purchase or sale, he or she may do it all from the comfort of their own home.

Forward contracts for particular deliveries that are transferable are known as futures or future contracts. These agreements are made between two parties that agree to trade goods or services at a certain price today in order to secure such exchange for a certain future date.

I. INTRODUCTION TO ONLINE TRADING

“Change is the law of nature”. There were times when man was a wanderer or a normal. He himself had to go place to place in search of food, water and now everything is available at your doorstep just at the click of the mouse. The growth of information technology has affected almost all sectors of life. Internet has enabled us to get every information at our doorstep. When Internet has affected all sectors he could “stock markets” the most important player of the economy, has remained far behind? Like all other sectors Internet has set its feet in the stock markets also.

Online trading definition is a basic understanding of online trading processes. Since the invention of Internet people have been able to do practically everything virtually. Due to the Internet online trading has become one of the

most popular ways to trade as far as stock trading turned out to be as available to independent investors as possible. Online trading gives both beginners who've just had a single day trading course and advanced traders an opportunity to trade stocks, options, forex and futures all over the world without physical presence of a broker and with much lower commissions, because everything is done online

Internet trading commissions are clearly posted on the websites of the various services, and are typically a fixed rate charge, depending upon the type of security being traded and the size of trade. In theory, therefore, an Interest investor always knows what commission he is being charged on each trade. Internet investors can take as much time as they would like to take prior to placing a trade order. Similarly the online investor likely does not have to worry that his broker is making unauthorized trades. Since there is no individual broker making a

commission, the only person who is authorized to trace in the account is the actual investor. Furthermore, the internet investor can never become a victim of excessive trading (where for the broker) since the investor maintains total control over the number of transactions which take place in the account.

All of these positive features of internet trading may lead the unwary investor to believe that Internet trading is a way to take control of their finances and save more money in the process. Unfortunately, this is not always the case. The advantages of Internet stock trading have also its weaknesses and these weaknesses present significant drawbacks for the average investor.

First and foremost, the average investor is not an expert in the financial markets. There is a danger for allowing the autonomy of online trading to hull you into the belief that you are an expert investor. An online investor sitting at home at a personal computer also foregoes proper investment advice and financial planning, perhaps among the most valuable services provided by traditional brokers.

There are, of course, additional risks relative to performing transactions over the Internet especially on a shared computer. Those people whom investors have provided their account number and password can freely trade that account while the investor will have little, if any, resource against the brokerage firm for the breach of security.

NEED FOR THE STUDY:

The present study to review the online trading procedure a case study of ONLINE TRADING at **Indiabulls Ltd.**, as the exchange has changed it's trading from it and there is need to assess the performance of the capital market.

Maintaining good records requires discipline, just like good trading. Unfortunately, many commodity traders don't take the time to track their trading history, which can offer a wealth of information to improve their odds of success. Most professional traders, and those who

consistently make money from trading commodities, keep diligent records of their trading activity. The same cannot be said for the masses that consistently lose at trading commodities.

SCOPE OF THE STUDY

- 'Investor can assess the company financial strength and factors that effect the company. Scope of the study is limited. We can say that 70% of the analysis is proved good for the investor, but the 30% depends upon market sentiment.
- The topic is selected to analyses the factors that affect the future EPS of a company based on fundamentals of the company.
- The market standing of the company studied in the order to give a better scope to the Analysis is helpful to the investors, share holders, creditors for the rating of the company.

OBJECTIVES OF THE STUDY:

- It is to analyze the changes in trading after the exchange shifted from outcry to online trading system.
- It is to study the functions of **INDIA INFOLINE LTD (IIFL)** through various departments.
- To know the online screen based trading system adopted by **INDIA INFOLINE LTD (IIFL)** and about its communication facilities. The appropriate configuration to set the network, which would link the **INDIA INFOLINE LTD (IIFL)** to individual / members.
- To know about the latest and future development in the stock exchange trading system.

II. METHODOLOGY OF THE STUDY:

The data collection methods include both primary and secondary Collection methods.

Primary method: This method includes the data collected from the personal interaction with authorized members of **INDIA INFOLINE LTD (IIFL)**.

Secondary method: The secondary data collection method includes:

- The lecturers delivered by the superintendents of respective departments.
- The brochures and material provided by **INDIA INFOLINE LTD (IIFL)**.
- The data collected from the magazines of the NSE, economic times, etc.
- Various books relating to the investments, capital market and other related topics.

LIMITATIONS OF THE STUDY:

The study confines to the past and present system of the trading procedure in theand the Indiainline study is confined to the coverage of all the related issues in brief. The data is collected from the primary and secondary sources and thus is subject to slight variation than what the study includes in reality.

The study is confined to online trading procedure only. Problems of listing are not covered due to limited time and to keep the study in manageable limits.

- Time constraint was a major limiting factor. Forty five days were insufficient to even grasp the theoretical concepts.
- Several other strategies that could have been studied were not done.
- Lack of knowledge with the brokers.
- Difference of theory from practice.

Absence of required knowledge and technology

III. ONLINE TRADING

Before getting in to the online trading we should know some things about the internet, e-commerce and etc.

1. Internet

Internet is a worldwide, self-governed network connecting several other smaller networks and millions of computers and persons, to mega sources of information. This technology shrinks vast distances, accelerating the pace of business reforms and revolutionizing the way companies are managed. It allows direct, ubiquitous links to anyone anywhere and anytime to build up interactive relationships.

A combination of time and space, called the Internet promises to bring unprecedented changes in our lives and business. Internet or net is an inter-connection of computer communication networks spanning the entire globe, crossing all geographical boundaries. It has re-defined the methods of communication, work study, education, business, leisure, health, trade, banking, commerce and what not it is virtually changing every thing and we are living in dot.com age. Net being an interactive two way medium, through various websites, enables participation by individuals in business to business and business to consumer commerce, visit to shopping arcades, games, etc. in cyber space even the information can be copied, downloaded and retransmitted.

The use of Internet has grown 2000 percent in last decade and is currently growing at 10 percent per month. In India, growth of Internet is of recent times. It is expected to bring changes in every functional area of business activity including management and financial services. It offers stock trading at a lower cost. Internet can change the nature and capacity of stock broking business in India.

2. E-commerce

Electronic commerce is associated with buying and selling over computer communication networks. It helps conduct traditional commerce through new way of transferring and processing of information. Information is electronically transferred from computer to computer in an automated way. E-commerce refers to the paperless exchange of business information using electronic data interchange, electronic technologies. It not only reduces manual processes and paper transactions but also helps organization move to a fully electronic environment and change the way they operated.

PC's and networking attempts to introduce banks of the tools and technologies required for electronic commerce. The computers are either workstations of individual office works or serves where large databases and information reside. Network connects both categories of computers; the various operating systems are the most basis program within a computer. It manages the resources of the computer system in a fair and efficient manner.

Now we can enter in to the concept known as **online trading**.

In the past, investors had no option but to contact their broker to get real time access to market data. The net brings data to the investor on-line and net broking enables him to trade on a click of mouse. Now information has become easily accessible to both retail as well as big investor.

EVOLUTION OF BROKING IN INDIA:

The evolution of a broking in India can be categorized in three phases -

- Stockbrokers will offer on their sites features such as live portfolio manager, live quotes, market research and news, etc. to attract more investors.
- Brokers will offer online broking and relationship management by providing and offering analysis and

information to investors during broking and non-broking hours based on their profile and needs, i.e. customized services.

- Brokers (now e-brokers) will offer value management or services like initial public offering online, on-line asset allocation, portfolio management, financial planning, tax planning, insurance services, etc. and enables the investors to take better and well considered decisions.

The actual definition of “**Online Trading**” is as explained below:

“Online trading is a service offered on the internet for purchase and sale of shares. In the real world you place orders on your stockbroker either verbally (personally or telephonically) or in a written form (fax).” In online trading, you will access a stockbroker's website through your internet enabled PC and place orders through the broker's internet based trading engine. These orders are routed to the stock exchange without manual intervention and executed thereon in a matter of a few seconds. The net is used as a mode of trading in internet trading. Orders are communicated to the stock exchange through website.

In India:

Internet trading started in India on 1st April 2000 with 79 members seeking permission for online trading. The SEBI committees on internet based securities trading services has allowed the net to be used as an Order Routing System (ORS) through registered stock brokers on behalf of their clients for execution of transaction. Under the ORS the client enters his requirements (security, quantity, price buy/sell) on broker's site.

Objectives:

Internet trading is expected to

- Increase transparency in the markets,
- Enhance market quality through improved liquidity, by increasing quote continuity and market depth,
- Reduce settlement risks due to open trades, by elimination of mismatches,
- Provide management information system,
- Introduce flexibility in system, so as to handle growing volumes easily and to support nationwide expansion of market activity.

Besides, through internet trading three fundamental objectives of securities regulation can be easily achieved, these are:

- Investor protection
- Creation of a fair and efficient market, and
- Reduction of the systematic risks.

Some of the brokers offering net trading include ICICI direct, kotakstreet, etc.

ONLINE TRADING HAS LED TO ADDITIONAL FEATURES SUCH AS:

- Limit / stop orders: orders that can be go unfilled, but there is an extra Charge for this leeway facility since one need to hold a price.
- Market orders: orders can be filled at unexpected prices, but this type is much more risky, since you have to buy stock at the given price.
- Cash account: where funds have to be available prior to placing the order.
- Margin account: where orders can be placed against stocks, to increase Purchasing power.

ADVANTAGES OF ONLINE TRADING:

- Online trading has made it possible for anyone to have easy and efficient access to more reports and charts than it was previously possible if one went to any brokers' office. Thus we have access to a lot more information online.
- Online trading has let room for smaller organizations to compete with multinational organizations since it is no

longer a leg it issue. Being online does not identify the size of any particular organization, therefore, this additional power to the underdogs.

- Online trading has allowed companies to locate themselves where they want as physical location is not an issue anymore. Companies can establish themselves according to their gains and losses, for instance where tax (sales and value added taxes) is best suited to them.
- Online trading gives control to individuals and they can exercise it over accounts thus comprehend what is going on when they trade. It is like going back to school and re-educating oneself on how to trade online.
- Individuals' benefit by saving comparatively a lot more when trading online as the cost per trade is less.
- Individuals can invest in a variety of products, unlike earlier when people bought bonds, mutual funds, and stock for long-term basis and sat on them. Now they can invest in stocks, stock and index options mutual funds, government, and even insurance.

INVESTORS REASONS TO TRADE ONLINE:

- They have control over their accounts, can make their own decisions and don't have to give reasons for their actions. They are independent.
- They have a reason to participate in the market and learn about it.
- It is interesting, cheap, easy, fast, and convenient.
- A lot of information is online so they can keep up-to-date with what is happening in the trading world.
- It will give investors a greater choice and better realization.
- The immediate impact will be competition and benefits will accrue to the investors.

- It will lead to brokerage commissions going down and brokers striving to increase business afloat.
- Investors will now go to place, which have better trading conditions and also members to offer them better facilities.
- They have access to numerous tools to invest, and can create their own portfolio.

IV. CONCLUSION

- I have learnt a lot about the good features of dematerialisation from my extensive research on capital market instruments at the Inter Connected stock exchange.
- The issuer, investor firms, and nation have all benefited greatly from the settlement of shares, derivatives, and capital instruments.
- The depository systems have not only helped decrease the time it takes for securities to be delivered and settled, but they have also backed efforts to increase liquidity for asset holders and eliminate the need for paperless trading.
- For the capital market to run smoothly and efficiently, internet trading and settlement became imperative and inescapable.
- By boosting the pace of transactions within T+3 days, which were previously T+5 days, this technology has shown its merit.
- Now there's a suggestion that the settlement may be completed in T+1 days, which bodes well for the demat and capital market instruments system.
- The beginning of derivative trading on the Indian Indexes was quite some time ago.
- Due to low transaction values and quantities, Actively has not been successful in taking off.
- People who bet on the financial markets were excited about the launch of derivative trading, but it hasn't really made a splash.
- The expansion of India's derivative markets is hindered by many causes.

- The two most noticeable reasons among them are the high cost of transactions and the lack of clear norms for tax-related matters.

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