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## A STUDY ON CUSTOMER AWARENESS TOWARDS ONLINE TRADING

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### **ABSTRACT:**

This research note examines the trends in the online trading industry, as well as the competing business models of traditional and online brokerage firms. The stock market is one of the gripping determinants of the economy and plays an important role in the country's financial state. In today's dynamic environment billion of people are connected to the Internet. During the last twenty years, the technology revolution has had an intense and irreversible impact on the world and Indian stock market has also witnessed these changes. The study of customer satisfaction is of paramount importance for the success of any organization. The present study attempts to find out the satisfaction level of online share traders. The primary data was collected from 60 respondents through a well-structured questionnaire. The main objectives of the study are to understand the attitude of online share traders, to measure the effectiveness of broking sites and to examine the problems faced by online share traders. Online trading is been preferred by customers rather than Offline trading. Major reason for customers to invest in online trading is its conveyance and user friendly.

**Keywords:** Indian Stock Market, Internet, Online Stock Trading, Stock Brokers.

### **INTRODUCTION:**

Online trading is conducting stock transactions on the internet via several websites. Such businesses have a great role in emerging trends and online business has a great impact over many financial services consists of check writing, credit and debit cards, electronic bill paying. Over years the emerging businesses have a brief history of success all due to internet. The online transaction processes of finance inclusive of buying and selling of bonds, stocks and other investments, these all comes under online trading. The actual scenario of all the business trends has diversified their business into online transaction of their goods and services and literally it has a great impact on their sale of business. For instance we can take the example of any website which deals in several goods and services provided by them over the website and we see that all the perspective relating to the business is avail on the website whether it may concern to the discount, sum amount, certain taxes, etc. Consumers play an important role and their zest, zeal and desire are being fulfilled by online business. This is the reason why the online trading



businesses are on the pace to the success. Moreover analyzation of the process becomes out of risk and risk management process is easily handled time to time.

### LITERATURE REVIEW:

**Walia N. and Kumar R. (2012)** Research report examined the investors' preference for traditional trading and online trading, investor's perception on Online trading & comparing current usage of online trading and offline trading. This study reveals that out of every 100 investors only 28 trade online, which points out a question as why investors were not able to realize the importance of technology in stock trading. • The major findings of the study are the Indian investors are more conservative, they do not change brokers for trading, whereas net traders are more comfortable with online trading for its transparency and complete control of the terminal.

**Rebecca Davies and Stuart Cunningham (2012)** this work ties together existing literature relating to the functions and contributions of eBay and online trading, discussing them in a cohesive, meta-analytic fashion. To further increase knowledge in the field, two studies have been undertaken to present a view of current online trading practices in the United Kingdom (UK). Data was collected by conducting online questionnaires and performing interviews using the Repertory Grid technique. This method has its roots in Personal Construct Psychology and allows for the expression of participants' perceptions and preferences in their own terms or personal constructs.

**Jaiswal M., Vashist D. and Kumar A (2009)** traces the growth of online trading from the year 2000 using statistics on volume of online trading from the year 2000 using statistics on volume of online trading, number of e- broking firms, brokerages and demographic patterns. Online trading has dramatically changed the way stock business has been conducted over the years.

### OBJECTIVES:

1. To know the people perception regarding the online trading
2. To know the preference of people in regard of the Online Trading
3. To analyses the facilities available from different stock traders
4. To study the investor's awareness in the ONLINE trading.
5. To study the Do's And Don'ts Of Online Trading

**CONCEPT OF ONLINE TRADING:** Online trading has become very popular in the last couple of years because of the convenience of ease and use. Numerous companies have gone online to meet their customers'" demands, enabling them to trade when they want and how they



want to. Trading has existed for as long as we can remember and when we talk about it, we are refereeing to trade as in financial dealings. Trading is the buying and selling of goods and services, but in the current context, it is the buying and selling of financial services, including securities, through the World Wide Web.

“On-line trading” is broadly defined as a trading mechanism where investors place orders and confirm trading results via electronic communication channels, such as the Internet, mobile phones, and Personal Digital Assistants (PDA). In Korea, the whole process of securities transactions, from order placement and routing, order execution, to trade confirmation, is fully automated, thus enabling the investors who have placed orders to confirm their trading results within a few seconds.

### **HISTORY OF ONLINE TRADING:**

The history of e-trading began in 1983, when a doctor in Michigan placed the first online trade using E-TRADE technology. What began with a single click over 16 years ago has now taken the world by storm. The concept was visualized by one Bill Porter, a physicist and inventor with more than a dozen patents to his credit, who provided online quotes and trading services to Fidelity, Charles Schwab, and Quick and Reilly. This led Bill to wonder why, as an individual investor, he had to pay a broker hundreds of dollars for stock transactions. With incredible foresight, he saw the solution at hand: Someday, everyone would own computers and invest through them with unprecedented efficiency and control.

### **Facilities of The Online Trading In India:**

In online trading, there are various facilities in India like,

- The investor has to register with an online trading portal and get into an agreement with the firm to trade in different securities following the terms and conditions listed down on the agreement.
- The order processing is done in correct timings as the servers of the online trading portal are connected to the stock exchanges and designated banks all round the clock.
- They can also get updates on the trading and check the current status of their orders either through e-mail or through the interface.
- Brokerages also provide research content on their websites, such that the clients can take their own decisions on stocks before investing.



### **The Role of Depositories In Online Trading:**

Technology has changed the face of the Indian stock markets in the post-liberalization era. Competition amongst the stock exchanges, increase in the number of players, and changes in the trading system led to a tremendous increase in the volume of activity. The traditional settlement and clearing system proved to be inadequate due to operational inefficiencies. Hence, there emerged a need to replace this traditional system with a new system called the “Depository System”.

Depository, in very simple terms, means a place where something is deposited for safekeeping. A depository is an organization which holds securities of a shareholder in an organization which holds securities of a shareholder in an electronic form and facilitates the transfer of ownership of securities on the settlement dates. Cash deposits and withdrawals are made in a bank, in lieu of which a receipt and bank passbook are given, while in depositories, scrips are debited and credited and an account statement is issued to the investor from time to time. An investor in a bank deals directly with the bank while an investor deals through a depository participant in depository.

### **BENEFITS OF ONLINE TRADING:**

**Easy and Efficient:** 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; discount broker’s office. Investors can benefit from the discounted brokerage fees charged on electronic transactions.

**Information:** We have access to a lot more information online to self teaches ourselves. Online trading also provides the information for the Customer service through Email or Chat. Through the online tools like market watch, graphs and recommendations to do analysis of stocks. Eliminates bad deliveries, counterfeit signatures, theft and mutation of shares, being the major problems that plague trading of securities

**Additional Power:** Online trading has left room for smaller organizations to compete with multinational organizations since size is no longer a legit issue. Being online does not identify the size of any particular organization; therefore, this gives additional power to the underdogs.

**Control to Individuals:** Online trading gives control to individuals and they can exercise it over their 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.



**Trading In Global Market:** Online trading has made it possible for one to find investment options that were not available on a regular basis, like offbeat net stocks, eccentric unique things and trading in global market

## RESEARCH METHODOLOGY

Structured questionnaires are used to collect the data from 60 respondents based on convenience method. The tools used for analysis regression, percentage analysis.

Table 1: Analysis on different variables of the customer's satisfaction

	variables	No. Of Respondents	%age of respondent
Age	24 & below	6	10%
	25 to 34	10	17%
	35 to 49	16	27%
	50 & above	28	46%
Gender	Male	40	67%
	Female	20	33%
Occupation	Public	20	33%
	Private	34	57%
	Business	3	5%
	Others	3	5%
Education Qualification of Investor	School	6	10%
	UG	16	27%
	PG	28	46%
	Others	0	0%
	Professional	10	17%
Financial Instrument	SHARES	16	46%
	MUTUAL FUNDS	28	27%
	BONDS	10	17%
	OTHERS	6	10%
Type of Trading Of Investor	Online	52	87%
	Offline	8	13%
	Not applicable	0	0
Customer's Reason to invest on Online trading.	PRIVACY	18	30%
	USER FRIENDLY & TIME SAVING	40	67%
	CONVIENCE	2	3%
Factors That Motivates Investors To Invest In	NEW IPO	24	40%
	ENTRY OF FIIS	18	30%
	MORE RETURNS IN	12	20%



Securities.	LESS TIME		
	OTHERS	6	10%
awareness about Retail Brokerage	YES	38	63%
	NO	22	37%
Customer's level of Frequency of Trading	DAILY	19	31%
	WEEKLY	10	17%
	MONTHLY	15	25%
	YEARLY	16	27%
investor's income category	0-15000	19	32%
	15000- 35000	10	17%
	35000- 60000	11	18%
	ABOVE 60000	20	33%

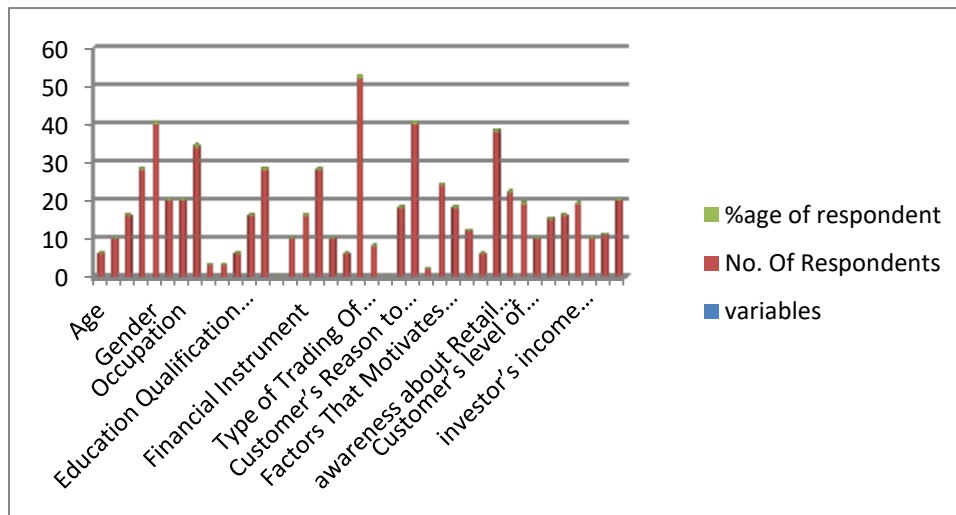


Table 2: Analysis of occupation and preference of Attributes of a share trading company

RANKS				
	Occupation of the investor	N	H-TEST	P-VALUE
CUSTOMER SERVICE	Public	20	48.000	.863
	Others	5		
	Total	25		
PROPER GUIDANCE	Public	20	42.500	.552
	Others	5		
	Total	25		
REGULAR UPDATES	Public	20	47.500	.858
	Others	5		



	Total	25		
TRUSTWORTHINESS	Public	20	37.500	.385
	Others	5		
	Total	25		
BROKERAGE CHARGES	Public	20	36.500	.283
	Others	5		
	Total	25		2.915

## DO'S AND DONT'S OF ONLINE TRADING

### What you must NOT do

**Don't panic:** The market is volatile. Accept that. It will keep fluctuating. Don't panic. If the prices of your shares have plummeted, there is no reason to want to get rid of them in a hurry. Stay invested if nothing fundamental about your company has changed same with your mutual fund. Does the Net Asset Value deep dipping and then rising slightly? Hold on. Don't sell unnecessarily.

**Don't make huge investments:** When the market dips, go ahead and buy some stocks. But don't invest huge amounts. Pick up the shares in stages. Keep some money aside and zero in on a few companies you believe in. When the market dips --buy them. When the market dips again, you can pick up some more. Keep buying the shares periodically. Everyone knows that they should buy when the market has reached its lowest and sell the shares when the market peaks. But the fact remains; no one can time the market. It is impossible for an individual to state when the share price has reached rock bottom. Instead, buy shares over a period of time; this way, you will average your costs. Pick a few stocks and invest in them gradually same with a mutual fund. Invest small amounts gradually via a Systematic Investment Plan. Here, you invest a fixed amount every month into your fund and you get units allocated to you.

**Don't ignore expenses:** When you buy and sell shares, you will have to pay a brokerage fee and a Securities Transaction Tax. This could nip into your profits specially if you are selling for small gains (where the price of stock has risen by a few rupees). With mutual funds, if you have already paid an entry load, then you most probably won't have to pay an exit load. Entry loads and exit loads are fees levied on the Net Asset Value (price of a unit of a fund). Entry load is levied when you buy units and an exit load when you sell them. If you sell your shares of equity funds within a year of buying, you end up paying a short-term capital gains tax of 10% on your profit. If you sell after a year, you pay no tax (long-term capital gains tax is nil).





**Don't chase performance:** A stock does not become a good buy simply because its price has been rising phenomenally. Once investors start selling, the price will drop drastically. Same with a mutual fund. Every fund will show a great return in the current bull run. That does not make it a good fund. Track the performance of the fund over a bull and bear market; only then make your choice

### **What you MUST do**

**Get rid of the junk:** Any shares you bought but no longer want to keep? If they are showing a profit, you could consider selling them. Even if they are not going to give you a substantial profit, it is time to dump them and utilize the money elsewhere if you no longer believe in them. Similarly with a dud fund; sell the units and deploy the money in a more fruitful investment.

**Stick to your strategy:** If you decided you only want 60% of all your investments in equity, don't over-exceed that limit because the stock market has been delivering great returns. Stick to your allocation.

**Believe in your investment:** Don't invest in shares based on a tip, no matter who gives it to you. Trade cautiously. Invest in stocks you truly believe in. Look at the fundamentals. Analyze the company and ask yourself if you want to be part of it. Are you happy with the way a particular fund manager manages his fund and the objective of the fund? If yes, consider investing in it.

### **CONCLUSION:**

The stock business of online trading business have been increasing since its existence in India, at the start it has an gradual improve but later on it has have expanded a lot much and even market share of online traders is increasing. Proposals of joint ventures with the MNC's from other big countries are being approached on a higher level and value of online traders in India keep on increasing as you can see the whole scenarios of past and present at the earliest written report. Stock exchange business is now rightfully going to take peace place in the business world as it has been lowered with its substantive costs, various expenditures, etc. There is no significant difference between the Genders with respect to preference of attributes of share trading company. There is no significant difference among the Occupations, Educational qualification with respect to preference of attributes of share trading company. Customers invest in mutual funds as its risk is low and returns are more rather than bonds and shares. Online trading is been preferred by customers rather than Offline trading. Major reason for customers to invest in online trading is its conveyance and user friendly.

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