



A STUDY ON ONLINE TRADING

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ABSTRACT

now days all the technological changes are being made in the competitive environment. In all fields computerization has taken place. In case of stock exchange also they go for online trading. So the investor's has to be aware of online trading procedure, in order to know the minute- to-minute changes in trading in stock exchanges.

when the investor come to know the changes in the trading in stock exchanges, then only he can sell or buy the securities which give high return and in order to minimize the risk. The online trading system displays the overall changes in the world of trading per second. So the knowledge of online trading is must for every investor. The online system displays the graphs of sensx, nifty, and the risk and return of a security which the investor need to invest and displays the profile of the company, dividend declare by that company.

INTRODUCTION

“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.

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.

NEED FOR THE STUDY:

The present study to review the online trading procedure a case study of online trading at kotak. As the exchange has changed it's trading from it and there is need to assess the performance of the capital market.

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 *kotak securities* limited.

Secondary method: the secondary data collection method includes:

- The lecturers delivered by the superintendents of respective departments.
- The brochures and material provided by *kotak securities* limited.
- 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 2-3 years and present system of the trading procedure in the and the kotak securities 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.

REVIEW OF LITERATURE

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.

Requirements for net trading:**For investors:**

1. Installation of a computer with required specification
2. Installation of a modem
3. Telephone connection
4. Registration for on-line trading with broker
5. A bank account
6. Depository account
7. Compliance with sebi guidelines for net trading

The following should be produced to get a demat account and online trading account:

As identity proof & address proof any one of the following:

- Voter id card
- Driving license
 - Pan card(in case of to trade more than 50000)



- Ration card
- Bank pass book
- Telephone bill

Other requirements, which are necessary

- First page of the bank pass book and last 6 months statement.
- Bank manager's signature along with bank's seal, manager registration code on photograph.

for stock brokers:

1. Permission from stock exchange for net trading
2. Net worth of rs. 50 lac
3. Adequate back-up system
4. Secured and reliable software system
5. Adequate, experienced and trained staff
6. Communication of order (trade confirmation to investor by e-mail)
7. Use of authentication technologies
8. Issue of contract notes within 24 hours of the trade execution
9. Setting up a website.

The net is used as a medium of trading in internet trading. Orders are communicated to the stock exchange through website. 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 order routing system the client enters his requirements (security, quantity, price, and buy/sell) in broker's site. They are checked electronically against the clients account and routed electronically to the appropriate exchange for execution by the broker. The client receives a confirmation on execution of the order. The customer's portfolio and ledger accounts get updated to reflect the transaction. The user should have the user id and password to enter into the electronic ring. He should also have demat account and bank account. The system permits only a registered client to log in using user id and password. Order can be placed using place order window of the website.

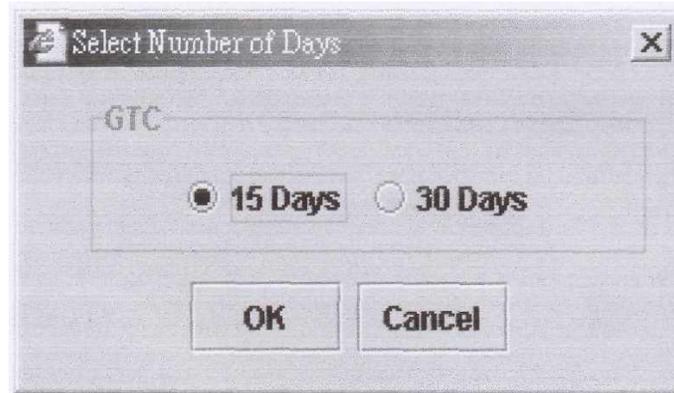
DATA ANALYSIS AND INTERPRETATION

Stock trades

The stock order entry screen, located at the top of the platform, allows you to buy, sell, and sell short. The save to basket button can save any order that you may want to place later.

To place an order

1. Click the equities tab at the top of the page. The screen will show "equities" at the top right-hand corner to let you know that you are in stock-trading mode.
3. Select buy, sell, or short from the drop-down menu below side.
3. Enter the number of shares in qty box.
- 4 enter the symbol m symbol box.
5. For a market order, click market. For a limit order, enter the limit price and click the limit button. For a good till canceled order, click gtc.
6. Click submit to send the order,
7. If it is a gtc order, select 15 days or 30 days for the gtc order. Click ok to send the order. If you do not want to send the order or if you want to make changes, click cancel.



A window will appear (as the picture) asking you to confirm the order. If all details are correct, click ok to send the order. If you do not want to send the order, or if you want to make changes, click cancel.



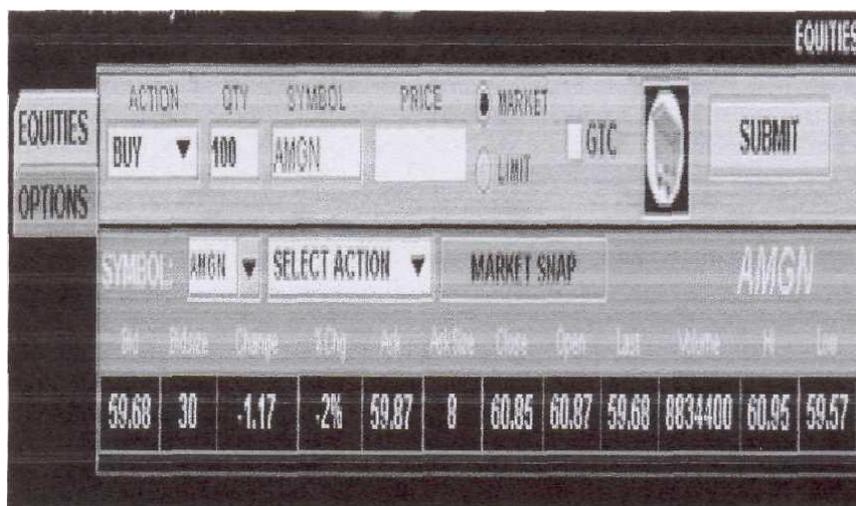


To save an order into the basket

You can enter an order and click the shopping cart icon to save it. Click basket tab to see the trades you have saved. Orders saved to the basket are not sent to the market until you decide to do so. This is not the same as placing good till canceled or other open orders.

To place an order from the watch list

You can also place an order from your watch list



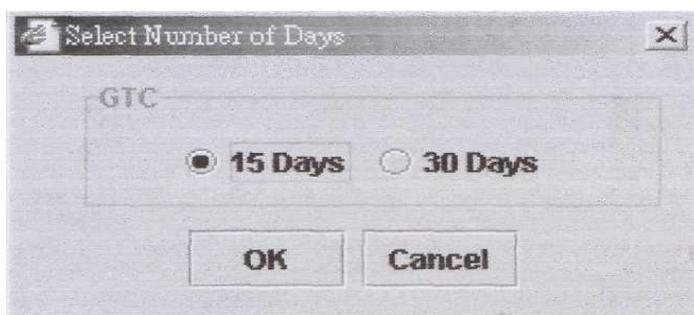
Option quotes and option trades

To get option quotes

1. Click the option chain tab to open the option quote screen.
2. Enter the stock symbol in the equity symbol field.
3. Select the strike price from by strike.
4. Select the expired month from the by exp. Month.
5. Select the range of option quotes you would like to view from calls, puts, or all
6. Click go. The screen will list all the option symbols and current market prices associated with your criteria.

7. To place an option trade

1. Click the option button at the top left hand corner to open the option order entry screen. Option will appear at the upper right-hand corner to let you know that you are in option mode.
1. Follow the above steps to open the option quote screen and get the option symbol.
2. In the option chain quote screen, double click the symbol, which you would like to place an order.
3. The option order entry screen at the top will show the real-time quote of the option.
4. Select: buy to open, sell to open, buy to close, or sell to close from the drop-down menu below side.
5. Enter the number of contracts in the # of contracts field.
6. Click market, or enter a limit price and click lim (limit). For a good till canceled order, click gtc.
7. Click submit
8. If it is a gtc order, select 15 days or 30 days for the gtc order. Click ok to send the order. If you do not want to send the order or if you want to make changes, click cancel.



9. A window will appear (as the picture) asking you to confirm your order. If the information is correct, click ok to send the order. If you click cancel, the order will not be sent to market.

Level i quote

The level i real-time streaming quote updates automatically every five seconds and continually throughout market hours.

To get quotes

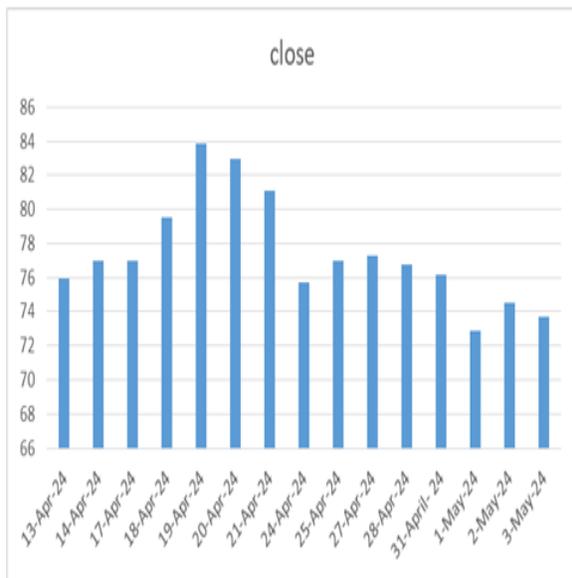


1. Enter a symbol in the field located on the left-hand side. You can also click the small arrow at the right to select a symbol you previously entered in the same day.
2. Press the enter key on your keyboard or select get quotes (under the select action drop-down menu) to display real-time streaming quotes.

Equity trading for the month of Jan of RELIANCE

PETROLEUM LTD

Date	OPEN	HIGH	LOW	close
13-April-24	74.5	78	73.7	75.9
14-April-24	75.8	77.8	74.65	77
17-April-24	77.35	78.15	76.75	77
18-April-24	77.45	82.7	76.85	79.55
19-April-24	80.45	85.25	79	83.85
20-April-24	84.5	85.5	82.55	82.95
21-April-24	82.45	82.45	78.1	81.1
24-April-24	80.85	82.85	74.85	75.75
25-April-24	73.55	77.7	72.75	76.95
27-April-24	76.3	79	75.1	77.3
28-April-24	78.15	79.4	76.35	76.75
31-April-24	77.7	78.55	75	76.15
1-May-24	72.7	74.7	71.25	72.85
2-May-24	73.5	75.4	73	74.55
3-May-24	75	75.35	73.35	73.7



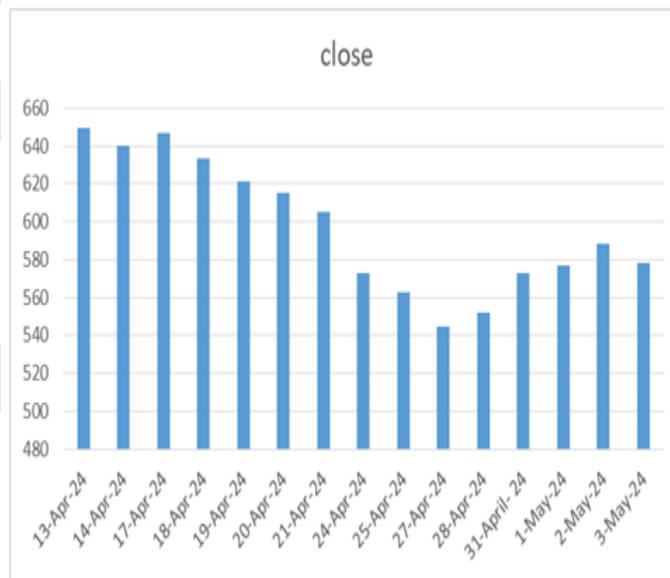
Interpretation:

the stock has shown a downtrend initially but has recovered and gave a buy signal. There is a wide fluctuation in the prices, which indicates the investor to go for long term investment. Thus it is not advised for short-term investors.

Equity trading for the month of Jan of WIPRO COMPUTERS

SERVICES TD

Date	OPEN	HIGH	LOW	close
13-April-24	663.2	666	648	649.75
14-April-24	649.25	649.25	636.5	639.8
17-April-24	639.5	651.65	633.05	646.65
18-April-24	648.9	650	631.15	633.3
19-April-24	631	631.65	619	621.15
20-April-24	620.65	622.4	610.5	615.2
21-April-24	610	611	600.8	605.05
24-April-24	605.5	605.5	568.45	572.75
25-April-24	562.5	572	550.7	562.7
27-April-24	555	556.9	537.2	544.75
28-April-24	550.1	564.95	546.65	552.15
31-April-24	569	574.4	562.55	572.6
1-May-24	579.9	582.4	566.45	576.65
2-May-24	582	590	575	588
3-May-24	584.7	588.8	576.15	578.25



Interpretation:



Overall, the stock experienced significant volatility and downward trend during this period, with intermittent periods of slight recovery. It would be essential to analyze further to understand the underlying reasons for these price movements and to assess potential future trends.

FINDINGS, SUGGESTIONS

CONCLUSION

FINDINGS:

-
- The people who are working in the stock exchange are not giving the accurate information about the share market.
- The investors are also lacking knowledge in the shares lack of awareness on online trading
- The investors are not allowed to trade the quotations directly to buy or sell their securities
- Sebi is not conducting seminars to get awareness on the share market to the investors
- I found a major fluctuation in the equity behavior of particular companies i have taken for a particular period (rpl & wipro computers).

SUGGESTIONS:

- The sebi has to conduct the regular seminar to create awareness on the share market
- The stock exchange has to permit the investors to trade their quotations directly
- they have to improve the online trading perfectly
- The online system has to advice the investor, at the time of trading which price can get him profit for a security
- In *kotak securities*. Settlement of the accounts will be improved.

CONCLUSIONS

- Due to the changes in the technology bse has changed its trading activities into online trading system. So that transactions will be performed efficiently.
- Things are changed for the better with the bse going online coupled with the endeavor to stream line the whole trading system, things have changed dramatically over the last 3 to 4 years. New and advanced technologies have been reached geographical cultural barriers, and have brought the country wide market to the door step. Birders of the regional stock exchanges (rse) have suddenly been thrown to intense competition from their counter parts across the country
- Tips are available for trading on online and invest wisely. So that the investors can avoid the fraud.



- The introduction of the online trading would influence in the investors resulting in an increase in the business of the stock exchange. It has helped the broker handling a vast amount of transactions and this can be achieved with vary delivering and settlement system with the adequate protection to investors. The trading of the bse of the first day was 1.8 crores.
- Due to the invention of the online trading there has been grater benefit to the investors as they could sell / buy shares as and when required & that to with online trading, it will inspire confidence in investors resulting in increase business of the exchange.
- The regional stock exchange has a greater scope than compared to the earlier times because of invention of online trading.
- The concept of business has changed, today this is a service oriental industry hence the survival would require them to provide the best possible to the client.
- The longer trading time had helped the investors as well as the brokers to make much interest in the trading of securities” has they got extra time to take tin the security market.

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