

# Periodic Research

## Customer's perception towards online share trading in Kanpur

### Abstract

Indian stock market is gaining lot of popularity in the recent years. People are aware about trading of shares in stock market. Share trading is carried out with the help of offline and online procedure. With technology up gradation, investors are shifting from offline share trading to online share trading. But still, investors are more focused towards offline share trading. As they believe offline share trading as a safer mode of investment. In 2000, NSE was dematerialized as it started online share trading procedure onshore. Although one decade has passed, investors are not inclined towards online share trading as they consider it risky and cumbersome. To understand customer perception towards online share trading, the following research is conducted in Kanpur city. This study will help to understand the reasons of disinterest among investors towards online share trading.

**Keyword:** online share trading, stock market

### Introduction

Online share trading refers to the use of internet & software platforms for facilitating trading of shares across stock exchanges. Online trading is not limited to equity trading but also extended in commodity trading & mutual fund investments. With the use of internet across various trading channels, consumers have better insight and understanding on how to make best use of their savings and plan their investments in the best possible manner. Online trading in shares, stocks, commodities is done using DEMAT account and a bank account. Both the accounts are linked. Shares, stocks are transferred in virtual format into the DEMAT account of investor.

The birth of online share trading came with the debut of the Internet. Prior to this, everyone who traded placed their order through a broker who greatly influenced their purchase decisions. As a matter of fact, only large businesses had access to it. Today, however, daily investments are made by individuals through the Internet as online trading continues to remain one of society's most popular ventures.

Internet trading started in India on 1<sup>st</sup> 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.

Where traders once had to physically call in their transactions, online trading opened a new window of opportunity. Traders were able to place their transactions independent of an external broker. Online brokerage firms became the new way to conduct business. The idea of being self-sustained as a trader was appealing. There was no need to get a broker involved and business could be conducted around the clock. If an individual was able to conduct appropriate preparatory research and had reasonable management skills, he was able to succeed online.

Applying conventional trading systems in India leads to many aspects of problems like manipulation, lot's of paperwork, insiders' illegal activities and etc. These problems cause traders' dissatisfaction and the lack of technological foundations creates an inefficient market. Stock market is growing up and the number of traders rapidly increasing, therefore following conventional method in handling and controlling the market, may in turn directs us to lose the potential power of this market in order to integrate the traders' small capital. With no doubt, traders leave the market where there is no appropriate surveillance over the activities because the unsatisfied customer will not take all the risk in stock market. So it is clear that if stock market as a supervision organization could not



**Mandakini Garg**

Assistant Professor,  
College of Management,  
Studies, Kanpur.

**Kamna Katiyar**

Research scholar,  
College of Management,  
Studies, Kanpur.

# Periodic Research

offer suitable services to the traders, market expansion is meaningless. In other words, it seems that providing and recovering service quality in this market may enhance traders' satisfaction and encourage investing more and more.

The benefits of online trading outweigh offline by a great margin. Perhaps the greatest benefit is the ability to take control of your own future. Online trading eliminates the "middleman," those sales agents who don't really have your best interests at heart. Online stock trading allows you to call your own shots. Using online trading, internet marketing and different online platforms, the trader and investor companies find it easy to spread the awareness and benefits of investments. On the other hand, the beginners and professional investors find it simple to browse through available investment policies, compare them and buy the suitable ones. With the help of this research, researchers will be able to locate the awareness of customers towards online share trading in Kanpur area. Still, there is a large segment of investors, who are not aware about the online share trading scenario.

## Review of literature

Investments are largely dependent on various factors. Investors are focused towards various factors like risk, return, marketability, tax and convenience. In support of these factors, book written by Prasanna Chandra, "The dynamics of Indian financial markets" answered many questions like what is the relationship between risk and return, what is the importance of diversified investments and how risks can be shared within the diversification.

As we are aware about the uncertainty of share market, most of the investors are conservative in nature. They try to invest their money in stock market with the help of the brokers. According to them, brokers help them to reduce risk and unpredictability of stock market. To enhance this thought, study conducted by Jyoti Shanker Sahoo (2012), reflects that most of the Indian investors believe offline trading as a safer and easiest way to trade in stock market. As investors appreciate the thinking of stock traders and invest according to their advice and research.

Due to lack of exposure towards technology, investors consider online share trading as a challenging task. Investors need good knowledge and experience for operating the demat of Chinmaya (2010), most of the investors are unaware of online trading and they are not confident that they can do trading independently. But he also states that online trading has a bright future in upcoming days because of the technological development.

In the study carried out by Kasisomayajula (2012), people are facing problems for trading in stock market due to lack of information of stock market. Investors are more focused to invest their money in post office schemes, banks etc. investors are very confined towards stock market.

Technology is updating on a rapid rate, due to this investors are focusing towards demat account as it saves their time and brokerage. With the help of

online share trading, investors are able to judge their portfolio and continuously keep on upgrading it. In support of this, Researchers at Monash University's Australian Centre for Retail Studies (2009) have found easy Internet access and online retail spaces are a threat to some stores, though retail where the buying experience is required is likely to thrive. According to them, a boom in online trading and a surge in an "anti-retail movement" could spell the demise of some retail outlets by 2020 unless they revolutionise the way they do business. Moreover, manufacturers prefer to sell directly to the public and consumers opt to bypass stores and deal directly with wholesalers or even each other.

In order to increase the awareness towards online share trading various awareness programs are conducted by BSE in various cities of India. The Investor Awareness program covers extensive topics like Instruments of Investment, Portfolio approach, Mutual funds, Tax provisions, Trading, Clearing and Settlement, Rolling Settlement, Investors' Protection Fund, Trade Guarantee Fund, Dematerialization of shares, information on Debt Market, Investors' Grievance Redressal system available with SEBI, BSE & Company Law Board, information on Sensex and other Indices, workshops and Information on Derivatives, Futures and Options etc.

## Research Methodology

According to Clifford Woody, "research comprises defining and re-defining the problem, formulating hypothesis or suggesting solution, collecting, organizing, and evaluating data making deductions and reaching conclusions and at last carefully testing the conclusion to determine whether they fit the formulated hypothesis.

## Objective of the study

To study about customer awareness towards online share trading in Kanpur.

## Sources of data:

**Primary data:** Questionnaire

**Secondary data:** periodicals, journals, news papers, and website

**Type of scale:** nominal scale

**Type of sample:** probability sampling

**Type of statistical tool:** chi square

**Level of significance:** 5%

## Hypotheses :

**H<sub>0</sub>:** customer's awareness towards online share trading in Kanpur city

**H<sub>1</sub>:** customers are not aware towards online share trading in Kanpur city.

## 1.1 Awareness about online share trading

Particulars	fo	Fe	(fo-fe)	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
Yes	40	30	10	100	3.34
No	20	30	-10	100	3.34

$$X^2 = 6.67$$

**Critical value (0.05, 1) = 3.8415**

**X<sup>2</sup> > critical value so H<sub>0</sub> is rejected.**

## 1.2 Method adopted for trading in share market

# Periodic Research

Online	54	15	39	1521	101.4
Manual	2	15	-13	169	11.27
Both	3	15	-12	144	9.6
investment firm	1	15	-14	196	13.07

$X^2 = 135.33$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.3 Availability of Demat A/c with investors.

Yes	54	30	24	576	19.2
No	6	30	-24	576	19.2

$X^2 = 38.4$

**Critical value (0.05, 1) = 3.8415**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.4 Frequency of trading in share market.

Daily	22	15	7	49	3.27
Weekly	14	15	-1	1	0.07
Monthly	3	15	-12	144	9.6
according to market	21	15	6	36	2.4

$X^2 = 15.33$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.5 Duration from which investors are trading online

less than 1 year	8	15	-7	49	3.27
1-2 years	22	15	7	49	3.27
2-5 years	26	15	11	121	8.07
above 5 years	4	15	11	121	8.07

$X^2 = 22.67$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.5 Knowledge of trading timings among investors

Yes	48	30	18	324	10.8
No	12	30	-18	324	10.8

$X^2 = 21.6$

**Critical value (0.05, 1) = 3.8415**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.6 Means adopt for accessing Demat A/c.

by internet	17	15	2	4	0.27
personal meeting with broker	12	15	-3	9	0.6
by phone	30	15	15	225	15
by any other means	1	15	-	14	13.07

$X^2 = 13.93$

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.7 Collection of cash after placement of order

received immediately	0	15	-15	225	15
T+2 days	42	15	27	729	48.6
don't answer	12	15	-3	9	0.6
no answer	6	15	-9	81	5.4

$X^2 = 69.6$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.8 Confirmation of trading received through

by email directly	27	15	12	144	9.6
by SMS	9	15	-6	36	2.4
by brokers email	18	15	3	9	0.6
any other means	6	15	-9	81	5.4

$X^2 = 18$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.9 Online trading helps to attract new investors

Often	21	15	6	36	2.4
Sometimes	27	15	12	144	9.6
Seldom	10	15	-5	25	1.67
Never	2	15	-13	169	11.27

$X^2 = 24.93$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.10 Reason for adopting online system for trading

time suitability	9	15	-6	36	2.4
user friendly	18	15	3	9	0.6
place convenience	26	15	11	121	8.07
all of above	7	15	-8	64	4.27

$X^2 = 15.33$

**Critical value (0.05, 3) = 7.8147**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.11 Transparency in online system of trading

yes	47	30	17	289	9.63
no	13	30	-17	289	9.63

$X^2 = 19.26$

**Critical value (0.05, 1) = 3.8415**

$X^2 >$  critical value so  $H_0$  is rejected.

### 1.12 Electronic trading is an easy and fast way of trading

Yes	49	30	19	361	12.03
No	11	30	-19	361	12.03

$X^2 = 24.06$

**Critical value (0.05, 1) = 3.8415**

$X^2 >$  critical value so  $H_0$  is rejected.

With the above research, null hypothesis of the study is rejected. Investors are not aware about online share trading and their advantages.

### Recommendations

Even through the exchanges were mechanized, they are to be accessible to rural areas and such the capital market should be made more rural friendly. There is a recommendation to the exchange authorities to take steps to educate Investors about their rights and duties to increase the investors' confidences. Still, there is lack of awareness in the rural area as investors are less technology addicted. Different training programs should be conducted in different areas in order to increase the practical knowledge of online share trading. Retail investors should focus on the regular income and regular investments. Different advertisements should float on the various media like televisions, radio, newspaper etc.

### Conclusion

Online investing has benefits to offer investors as well as brokers. These benefits include low transaction costs, convenience, speed, boundary spanning, improved communication, and risk management. However, these benefits do not come without costs. Some costs of online trading include information-processing costs, unobservable costs, information illusion, and smaller commissions for brokers. Although online investing is gaining prominence, it will not be for everyone. Some will not trust the security of trading online and others will not have the time to do the research required and will prefer to have traditional brokers invest for them. Overall, online investing will only encourage new investors to trade in the stock market, bringing together buyers and sellers to make the market more efficient. After some of the kinks are worked out of online trading, it will tend to be more beneficial to the financial industry in the long run without many negative effects. Even though online trading has slowed down somewhat at the present time, it is our belief that it will pick up speed in the future. Once investors have become more comfortable with the current economic conditions and foresee brighter economic conditions they will return.

### References

1. Bao, Y. (2001). *online share trading*. University of Bridgeport.
2. Black, K. (2010). *Business Statistics* (fifth ed.). New Delhi: John Wiley & Sons inc.
3. Chinmaya, H. P. (2010). study on the attitude of investors towards online trading. *thesis* .
4. Cooper, D. R. (2007). *Business Research Methods* (2006 ed.). New Delhi, India: Tata McGraw-Hill Edition .
5. G, C. G. *A study of online trading and stock broking*.
6. Kasisomayajula, S. R. (2012). A study on investor's awareness: an analytical approach to investing in secondary market. *IJEMr* , 2 (7), 1-10.
7. PTI. (2009, aug 19). *www.timesofindia.com*. Retrieved aug 19, 2009, from

[http://articles.timesofindia.indiatimes.com/2009-08-19/trends/28194715\\_1\\_retail-outlets-consumer-computers](http://articles.timesofindia.indiatimes.com/2009-08-19/trends/28194715_1_retail-outlets-consumer-computers)

8. Sahoo, J. S. (2012). Customer perception towards secondary market trading in India. *International journal of business and management tomorrow* , 2 (3), 1-10.
9. Shaminder Kaur, A. K. (2012). investors' perception towards investment objectives with regard to internet stock trading in India. *national conference on emerging challenges for sustainable business* , 181-195.