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INNOVATIONS IN ONLINE TRADING AT SHAREKHAN

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ABSTRACT

These days, the competitive climate is undergoing all of the technological advancements. Computerisation has occurred in every sector. They use online trading for the stock market as well. Therefore, in order to keep up with the minute-by-minute fluctuations in trading on major exchanges, investors must be familiar of the online trading process.

This study's primary goal is to educate investors about internet trading practices and their drawbacks. The only way for an investor to sell or purchase assets that provide a high return and reduce risk is to be aware of changes in stock exchange activity. The total changes in the trading world are shown by the internet trading system every second. Therefore, every investor has to be knowledgeable about internet trading.

The online system shows the business profile and dividends declared by the firm, as well as the graphs of the Nifty and the senses, as well as the risk and return of a security in which the investor should invest. The investor's primary benefit is that he may purchase and sell shares from the comfort of his own home rather than phoning the broker and giving him instructions.

Transferable particular delivery forward contracts are known as futures or future contracts. These are contracts between two counter parties that set the conditions of an exchange or establish the price of an exchange that will occur between them on certain future dates.

I. INTRODUCTION

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.

Stock online trading is based on buying and selling stocks. Today stock online trading is the most popular method to trade owing to computers, because information on stocks was available only to brokers and you had to call a broker and pay brokerages for buying or selling stocks and now this information is widely available. Since this modifications occurred traders can control their investments with the help of Internet.

Stock option online trading is based on buying and selling options and very perspective financial products. This system gives traders a perfect chance to control and protect their stocks and generate their investment benefits as far as an option is an agreement to buy or to sell certain financial product. The main idea of stock option online trading is that an option you buy has its fixed price and time limitation.

Speaking about online trading it's necessary to say about safe online trading. It's obvious that in order to trade online you'll have to open your online account and choose online trading software. When you choose a certain website for your future account, you should search for information about a company you are going to fix upon and make sure that it has a trustworthy reputation. The same refers to choosing online trading software, platform and online trading portal.

In conclusion it's necessary to say that online trading is a perfect opportunity to trade and earn money but still it's obvious that online trading is not for everyone. That's why before you start trading, you should find out more about online trading pros and cons, online trading concepts and of course about online trading tips. Knowledge is a main key for your successful online trading, don't ever identify online trading with gambling because the results of such approach can be disastrous.

Ensure your finances are structured accordingly before you hit the trading floors online...If debt free advice is required...ensure you seek quality advice.

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 Internet 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 trade 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.

The online trading is simply defined as "dealing securities on net". In online trading system, from a single location anywhere, can service investors across the country.

SCOPE OF THE STUDY

- 'Investor can assess the company financial strength and factors that affect 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.

NEED AND IMPORTEENCE OF STUDY

One of the single best things you can do to further your education in trading commodities is to keep thorough records of your trades. 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.

Losing commodity traders are either too lazy to keep records or they can't stomach to look at their miserable results. You have to be able to face your problems and start working on some solutions if you want to be a successful commodities trader. If you can't look at your mistakes and put in the work necessary to learn from them, you probably shouldn't be trading commodities.

II. OBJECTIVE OF THE STUDY

This study is done to know about Primary and Secondary market (Stock exchange) activities.

- ❖ To know why the companies go to new issue market in **Sharekhan Ltd.**

- ❖ To know how the primary market intermediaries communicate companies and investors in **Sharekhan Ltd.**
- ❖ To know how the primary market activities used by the companies in their new issue shares in **Sharekhan Ltd.**
- ❖ To know how the companies listed in the stock exchanges.
- ❖ To know how trading activity is to be done.
- ❖ To know the complete awareness of secondary market (stock exchanges like NSE, BSE).

III. METHODOLOGY

The data collection methods include both the Primary and Secondary Collection methods.

1. Primary Collection Methods:

This method includes the data collected from the personal discussions with the authorized clerks and members of the Exchange.

2. Secondary Collection Methods:

The Secondary Collection Methods includes the lectures of the superintendent of the Department of Market Operations, EDP etc, and also the data collected from the News, Magazines of the NSE, HSE and different books issues of this study

LIMITATIONS OF THE PROJECT

- 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.

IV. ONLINE TRADING

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

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.

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.

V. FINDINGS

- The volume on the same dates or days volumes are decreased. Because on this session **ITC LTD** value is raised i.e. percentage of 1.10%.
- The volume on the same dates or days volumes are increased. Because on this session **MAHINDRA & MAHINDRA LTD** value is raised i.e. percentage of 10.24%.
- The volume on the same dates or days volumes are decreased. Because on

this session SYNDICATE BANK value is raised i.e. percentage of 2.59%.

- The volume on the same dates or days volumes are increased. Because totally this session TVS MOTOR COMPANY LTD. EPS value is increased i.e. percentage of 3.47 %.

VI. SUGGESTIONS

- There must be prohibition on disposal of promoters share holding, and also restrictions and the expansion without prior approval of the financial institutions for declaration of higher amount/ rate.
- The availability of derivative products in eluding index futures, index options, individual stock futures and individual stock options re-enforces the overall attractiveness of this market to foreign and domestic investors.
- Volume of paper work is small but it is very complicated to maintain data in system so tries to reduce that by regular audit and updating data.
- Most of the DPs do not have the necessary infrastructure to handle the high work load of transactions leading to may error by DPs, so by giving full infrastructure information to every DO can avoid this problem.

- The pool account doesn't know the true owner of the share and hence dividends are paid to the broker instead of owners by this the broker can do any manipulation or any fraud with the owner, for this the owner can loose his dividend.
- Hence for this try to pay the dividend directly to the owner.
- If the shares are fake/forged which delivery by the broker the share holder can loose that shares an have to receive another lot of issued shares from the broker in 21 days, this system stands abused.
- So minimize that waiting days are deliver the issued shares to the share holder as soon as Possible.

VII. CONCLUSION

- The comprehensive study of capital market instrument at Inter Connected stock exchange has been an enlightening experience stressing on the positive aspects on Dematerialization.
- And settlement of shares, derivative market and capital instruments has done in whole lot of good to the issuer, investor companies and country.
- The depository systems has reduced the lag in delivery and settlement of securities but also supported the cause of providing more liquidity to the security holder, the need for

setting up of a depository paper less trading.

- Through online trading system and settlement became inevitable and unavoidable for the smooth and the efficient functioning of the capital market.
- This system has proved its worthiness by increasing in the speed of transactions within T+3 days which are earlier T+5 days.
- Now there is a proposal that the settlement will be done within T+1 days in near future which is in it an indication of a boon in the system of demat and capital market instruments.
- It has been fairly long since derivative trading started off on the Indian Indexes.
- Actively has failed to really take off with low figures being transacted in terms of value and volumes.
- The introduction of derivative trading was hailed by the punters in the capital markets but has not really brought about a wave so as to speak.
- There are several factors, which impede the growth of the derivative markets in India.
- Of these factors the absence of clear guidelines on tax-related issues and the high cost of transactions are the most prominent.

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