

## An Investigation into India's Online Trading System

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### ABSTRACT

This study explores the new trend in online trading in relation to businesses and brokerages. One of the key components of the Indian economy that affects the nation's financial health and rate of economic growth is the stock market. In the modern world, there are millions of internet users, many of whom come from rural backgrounds. GPL (Globalization, Privatization, and Liberalization) and the internet have had a significant impact on people's views during the past 30 years, starting in 1991. The sole factor determining a company's success is client pleasure. The goal of the current study is to determine consumer knowledge of internet trading. The study's primary goal is to comprehend how internet trading functions. The main justification for investing in the stock market is compelling and simple to understand.

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**Keywords:** trading, business, stock market, privatization, economic growth

## I. INTRODUCTION

Online trading involves the purchasing and selling of different equities using various online platforms and methods. These companies that operate online trading platforms play a significant role in new industries, having a stronger impact on several financial institutions and the economy. Because of the internet, all of these enterprises have a successful history and will continue to have an impact for years to come. Online trading includes the purchasing and selling of bonds, shares, mutual funds, debts, gold, and many other items. Many companies have moved online in order to save time, provide consumers with convenience, and make money. This has had a significant impact on sales and establishing a successful company. This company begins offering greater discounts on a variety of goods and services, satisfying the needs of internet businesses. Additionally, it became required to compute the risk and examine the procedure. Anyone can buy and sell shares, money, and other commodities using an online trading platform from the comfort of their own home.

Anyone can use the internet platform; no special knowledge or training is required. The market's functioning and investors' methods of accessing it have changed as a result of online trading, which has been made possible by the internet. Trading has moved online almost everywhere, and the Bombay Stock Exchange and the National Stock Exchange successfully undertake online trade.

The most crucial element in internet commerce was probably connectivity, and India has made significant progress toward achieving connectivity across the country. You can use email or a mobile device to verify the status of your trade when trading online.

The diagram up top shows the percentage of internet trading in India. Online trading peaked in FY 2018 at 26%, reaching a high of 22% in 2014, then falling to 11% the following year. After 2015, online trading started to rise.

## II. LITERATURE REVIEW

The research paper "A Review of Online Trading" by Rebecca Davies and Stuart Cunningham (2012) claims that the literature is related to the roles and contributions of online trading and discusses them in a coherent, meta-analytic way. Two studies have been conducted to offer a view of the current internet trading practices in the United Kingdom (UK) in order to further advance knowledge in the field. Online surveys and interviews utilizing the Repertory Grid technique were used to gather the data. The participants' perceptions and preferences can be expressed using this method, which has roots in personal

construct psychology, in their own words or personal constructions. Abdul Rahim (2013) 2 explains the relationship between SEBI and NSE in his research paper "Problems and Prospects of Online Share Trading Practices in India, International Journal of Marketing, Financial Services, and Management Research". NSE has implemented online trading of securities in accordance with SEBI regulations. In his research, he also included the advantages of investing in stocks or equity-oriented mutual funds over a longer period of time. In his research paper "Benefits and Drawbacks Of Online Trading," Petric Loana Ancuta (2015) 3 explains that investment and financial services companies should use other factors that influence the decision to switch from traditional to online trading to guide their marketing campaigns to attract more investors to online platforms. Additionally, he asserts that when investors have extensive stock market expertise, greater education, and computer savvy, they will convert to online trading. In his work "Impact of Internet Growth on Online Stock Trading in India," Dr. Sarika Srivastava (2016) notes that the internet has reduced geographical boundaries for customers and increased their knowledge of financial products and services. This research paper's main goal is to examine how the expansion of the internet has affected stock market trades. The current condition of internet trading in India, in particular the size of the online trading market there, is also covered in the study. Professor Aadil Bade (2017) In the Department of Commerce's "Analysis: Demat Account and Online Trading," in this work, which was published in the Scholarly Research Journal for Interdisciplinary Studies, Professor Aadil Bade has examined Demat Account and Online Trading. He claimed that online trading is still in its infancy in India.

### III. THE STUDY'S OBJECTIVES

1. To research the idea behind online trading.
2. To research the state of Indian online trading.
3. To research the difficulties faced by Indian online traders.
4. To research India's internet trading SWOT analysis.

### IV. RESEARCH METHODOLOGY

Refers to the precise methods or processes utilized to locate, assess, compile, and choose relevant data. The methodology portion of a research paper aids the reader in assessing the validity of the study.

### V. ANALYSIS OF SECONDARY DATA

The secondary data are the foundation of the study. The information is gathered from a variety of places, including the Internet, books, magazines, and articles. Facilities of online trading in India, paragraph

#### 5.1 The Following Facilities Available for Online Trading

1. The investor registers with the specific online trading platform under the terms and circumstances set forth by the business.
2. The servers are linked to the relevant banks of the online trading platform as well as the stock exchange.
3. Emails and text messages are used to notify users of updates and current conditions. The client can therefore understand the procedure.
4. The consumer makes their own choice after reading and comprehending the information on the websites of the brokers.

#### 5.2 Benefits of Online Trading

Practical the manner in which ordinary people now invest in the stock market through numerous platforms has been significantly impacted by online trading. The client finds it very simple to access, peruse, and compare numerous reports and figures. Even the customer uses an online payment to complete the transaction.

Today's market and online resources are rivers of information. Clients find this information to be highly useful, but it can also occasionally cause online trading to fail. The information is sent by the brokerages via email or chat, which helps cut down on the need for middlemen like agents.

More power Small businesses now have the ability or privilege to compete with numerous large organizations in the stock trading market thanks to online trading. The size of a certain organization is irrelevant when operating online.

Individuals' control Due to online trading, customers can access or trade independently through a portal or website, where they can also make payments, purchase and sell stocks of other firms, and engage in intraday trading.

The world market Customers now have a platform that allows them to trade freely and anywhere in the world, thanks to online trading. Boundary restrictions have been dismantled by online trading. Obtaining investment through the worldwide market is simple.

**5.3 Precautions to Observe Trading Online**

Remain calm. Every customer should be able to accept market fluctuations. If a client loses some money because he needs more cash, he shouldn't become anxious. Before continuing with his trading, he must pause for a while, get the report, and analyze it. Hold on to your investment for a while, i.e., for a month or until the stock price increases.

Avoid making significant investments. Any client shouldn't invest a lot of money when they are feeling upset. The customers should make thoughtful decisions. Wait for a market decline before purchasing shares. No one can foresee the market, so if someone makes a large investment, they may lose a lot of money because they don't know when the market will decline. To better understand the market and become an effective investor, the client should start off by investing a small amount and then gradually raise it.

Pay attention to expenses when you buy and sell shares, you must pay brokerage fees. Any client shouldn't disregard these costs because multiplying even a single rupee by hundreds will boost the total costs. In this sense, clients suffer greatly when costs are ignored.

Any client should continuously monitor the success of the fund since, without monitoring, the client cannot invest in any company. If he purchases at that time as well, he could lose money. the justification for not chasing performance by the client.

**5.4 Need for Online Trading**

Remove the trash. Never maintain a share for an extended period of time; as soon as a gain is realized, the share should be sold immediately, without giving it a second thought.

Adhere to your plan of action. No matter how many times you fail, your plan will undoubtedly succeed the last time. Even if you only made a 50% profit, you would still be successful. Follow your plan of action.

Have faith in your purchase. Clients shouldn't buy any shares only based on recommendations or tips because doing so could damage their stock market investing career. Trade logically; examine the specific firm in detail before investing just in that company.

**Table 1: SWOT analysis of online trading in India**

<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Easy to access for clients 24x7.</li> <li>• Efficient research and analysis.</li> <li>• Constant flow of information.</li> </ul>
<b>Weakness</b>	<ul style="list-style-type: none"> <li>• Lack of awareness in customers.</li> <li>• Many times, technical issues happen.</li> <li>• High risk of securities (Money Fraud)</li> </ul>
<b>Opportunity</b>	<ul style="list-style-type: none"> <li>• Can increase the number of customers by making them aware.</li> <li>• Expansion of business.</li> </ul>
<b>Threats</b>	<ul style="list-style-type: none"> <li>• Aggressive promotion strategies.</li> <li>• Various cyber-attacks.</li> <li>• More and more players are entering online trading.</li> </ul>

**5.5 Online Trade Prior to Pandemic**

Many people have managed to lose their jobs as a result of the COVID-19 outbreak and subsequent nationwide lockdowns, which has also decreased the ability of many families to earn an income. As a result, a lot of people started trading stocks in an effort to profit quickly from changes in stock prices. In reality, during March and April 2020, only two months later, almost 12 lakh new demat accounts were opened. The National Stock Exchange's (NSE) retail investor trading volumes have also increased significantly. This demonstrates unequivocally that, despite the pandemic, stock trading has picked up nicely. It was discovered that young individuals who were relatively new to the trading and investment world made up a sizable portion of those entering the stock market. They are probably unfamiliar with the workings of the stock market because they are just beginning their journey into investing. Here are some things you should be aware of before you begin trading if you are a novice or young investor.

During a pandemic, online trading since the start of the coronavirus pandemic, day trading has gained a lot of attention and popularity around the world. Compared to the same quarter in 2019, activity "increased dramatically" in the 2020 quarter. According to TD Ameritrade, the number of people visiting its website for stock trading advice has almost doubled since

January. Trading apps like Robin Hood are experiencing a boom in demand. Many unemployed individuals "feel it is a method they can use to replace the lost income," he said. He added that because of all the extra time, people are engaging in activities they ordinarily wouldn't.

### 5.6 Challenges in Indian Online Trading, Paragraph

1. Blindly adhering to trends the average person generally lacks knowledge of the stock market and confidence in their own judgment. Therefore, they rely primarily on the judgment of the audience. Investors struggle at this time and end up falling into the trap of purchasing irrational stocks.
2. Insufficient data on the mentioned firms the investor typically lacks knowledge about a specific company. Small and medium-sized short-listed companies frequently experience this, and many even feel that conducting research is not necessary. Many investors are unaware of the fluctuations in stock values.
3. Worldwide Impacts In the current global environment, stock markets are interwoven with global markets. The Indian stock market is impacted by any form of change in the world market. This kind of impact can be both direct and indirect.

## VI. RESULTS

1. Online trading's market share has increased since 2015.
2. Online trading must adhere to a well-structured methodology.
3. Online trading is simple to manage but involves some risk.
4. Across all organizations, the number of people using online commerce for the first time is rising in 2019.
5. There is a lack of awareness of online trading in India.

## VII. CONCLUSION

Contribution to the capital market is crucial because it closes the gap between capital revenue and deficit. Therefore, we need to enhance the variety of ways we invest. Everyone should support internet trade since it is essential to the growth of the economy. Online trading is drawing an increasing number of investors looking for profits. Tax advantage. To educate the client about online trading, numerous educational programs should be established. Online transactions must always be safe and have a sufficient backup and recovery plan. Access should be made fair and open as the primary goal. The investor should become knowledgeable about market developments. Investors should be aware that trading can have both positive and negative impacts before making an investment in the stock market.

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