

## GROWTH OF INDIAN ONLINE TRADING INDUSTRY WITH REFERENCE TO ADITYA BIRLA GROUP

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### ABSTRACT

Online trading involves investment activity which takes place over the Internet and it does not require physical inclusion of the broker. An investor has to register with an online trading portal like ICICIdirect.com, motilaloswal.com and sharekhan.com and many companies like that and investor gets into an agreement with the firm to trade in different securities according to the terms and conditions given on the agreement. As the servers of the online trading portal are connected all the time to the stock exchanges and designated banks the order processing is done in real time and investors can also have updates on the trading. They can also check the status of their orders either through e-mail or through the interface that it cannot be accessed by a third party. Some options are usually given to users such as to link their bank account, Demat accounts and brokerage accounts into a single interface. A single window is also there for all exchanges and a single screen is therefore the complete order routing mechanism. The hardware used comprises Web and application servers, switches, routers, firewalls and security devices, and specialized appliances. There are two broad models in play in the online brokerage space-

**Keywords:** Stock Market, Online Trading.

### 1. INTRODUCTION

#### Bank-backed brokerages

Bank-backed brokerages have expanded on the basis of their brand name and the trust of investors in them. The integrated 3-in-1 accounts offered by these bank backed brokerages help their parent bank by giving it accounts along with float income. Examples of Bank-backed brokerages are ICICI direct and HDFC Securities.

**Entrepreneur-backed firms-** Entrepreneur-backed firms expanded by offering customers a mix of online and offline accounts, higher margin finance amounts and lower brokerage rates. Though the bank based has performed better but the latter have not lagged too far behind. Examples of Entrepreneur-backed firms are Sharekhan, Indiabulls, Religare and IndiaInfoline. To begin investing online you need to register as a member for an integrated 3-in-1 online trading account with any of the service providers.

The three accounts are:

Trading account, which enables you to transact online.

An Internet enabled bank account for online money transfers through Internet.

A demat account, where your shares will be deposited.

#### Factors to be considered while choosing an Online Trading account

When choosing an online trading account we have to consider the following factors

- Credibility and credentials of the institution
- Types of investments that you can make online such as equity shares, mutual funds, IPOs, etc
- Quality of information and content such as research support and tools provided by the organization
- Speed of order execution
- Choice of products to choose from
- Safety and security features inbuilt in the system
- Customer care service

Besides the above, many additional features offered may be looked into, like ability to sell shares next day before receiving delivery, SMS alerts, intraday trading in equities, etc based on your investing needs. Online trading is the act of placing buy/sell orders for financial securities and/or currencies with the use of a brokerage's internet-based proprietary trading platforms.

## 2. REVIEW OF LITERATURE

### ARTICLE: 1

**Title: A STUDY ON EVALUATION OF ONLINE TRADING**

**Author: C K Gomathy**

**Source: International Research Journal of Engineering and Technology (IRJET)**

#### Abstract

Small businesses are vital for employment and job creation in South Africa. The implementation of sound cash management practices is essential to ensure the profitability and sustainability of any successful business. The purpose of this paper is to identify the cash management challenges faced by small businesses in a developing community. This research targeted small retail businesses in the Tongaat area in KwaZulu-Natal, South Africa. The research design for this paper was descriptive, quantitative and cross-sectional. The data instrument was a questionnaire. These findings indicate a significant relationship between cash management knowledge and managing cash flow. The findings also indicate a correlation between profitability in the business and implementation of cash management practices as well as a correlation between the challenges of cash management practices and their ability to ensure profitability in their business. This paper recommends that businesses should implement cash management procedures to eliminate cash management difficulties.

Forecasting is supposed to be one of the oldest management activities. In biblical times there were frequent allusions to clairvoyants and prophets. Nowadays it is becoming increasingly necessary for companies to make forecasts; those that do not give the prospect to their competitors a clear advantage. No forecasting is a main cause of most of today's business failures. In the past, goods could be sold on company reputation alone and forecasting was not too important. In today's more competitive times, sentiment does not apply, and firms that do not challenge their selves to make an accurate forecast on which to base their future production will find it increasingly difficult to survive (Lancaster G.A. & Lomas R.A., 1985).

Forecasting is important for many aspects of the modern business. Organisations make plans which become effective at some point in the future so they need information about prevailing circumstances (Waters, 2003). This information must be forecast; but unfortunately forecasting is a difficult situation and despite its importance, progress in many areas has been limited (Waters, 2003).

According to literature forecasting can be defined:

"Forecasting is predicting, projecting, or estimating some future event or condition which is outside an organization's control and provides a basis for managerial planning" (Golden J. et.al, 1994, p.33)

"Forecasting is generally used to predict or describe what will happen (for example to sales demand, cash flow, or employment levels) given a set of circumstances or assumptions" (Waddell D., et.al, 1994, p.41) Small businesses are vital for employment and job creation in South Africa. The implementation of sound cash management practices is essential to ensure the profitability and sustainability of any successful business. The purpose of this paper is to identify the cash management challenges faced by small businesses in a developing community. This research targeted small retail businesses in the Tongaat area in KwaZulu-Natal, South Africa. The research design for this paper was descriptive, quantitative and cross-sectional. The data instrument was a questionnaire. These findings indicate a significant relationship between cash management knowledge and managing cash flow. The findings also indicate a correlation between profitability in the business and implementation of cash management practices as well as a correlation between the challenges of cash management practices and their ability to ensure profitability in their business. This paper recommends that businesses should implement cash management procedures to eliminate cash management difficulties.

A study on evaluation of online trading facilities with reference to financial services of various sectors. The main objective of the research was to evaluate the online trading facilities of which was carried out a period of specified deals. This paper study conducted is descriptive in nature and the sample size used for this study is 200. The method used for this study is Primary and secondary data collection method. For collecting the data structured questionnaire was used in this study. Percentage analysis and graphical representation were used for analyzing and interpretation. This paper mainly focuses on customer feedback and suggestions that would be useful to take necessary actions to solve them in a better manner. The findings revealed that most of the respondents are satisfied with the online trading facilities provided by the organization. The work would surely help to forecasts the customer needs and help the company to take the necessary steps

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**ARTICLE: 2**

**Title: A STUDY ON EVALUATION OF ONLINE TRADING**

**Source: International Journal for Quality Research**

**Author: Dr.C.K.Gomathy**

**Abstract:**

A study on evaluation of online trading facilities with reference to financial services of various sectors .The main objective of the research was to evaluate the online trading facilities of which was carried out a period of specified deals.This paper study conducted is descriptive in nature and the sample size used for this study is 200. The method used for this study is Primary and secondary data collection method. For collecting the data structured questionnaire was used in this study. Percentage analysis and graphical representation were used for analyzing and interpretation. This paper mainly focuses on customer feedback and suggestions that would be useful to to take necessary actions to solve them in a better manner. The findings revealed that most of the respondents are satisfied with the online trading facilities provided by the organization. The work would surely help to forecasts the customer needs and help the company to take the necessary steps.

**ARTICLE: 3**

**Title: INVESTOR ATTITUDE TOWARDS ONLINE TRADING AND OFFLINE TRADING**

**Author: CH.Deepthi**

**Source: Journal of Emerging Technologies and Innovative Research**

**Abstract**

Online trading has emerged as one of the greatest and easiest ways to invest in shares by the investors. This study sheds light on how this online trade markets work and how they are satisfying their investors. It aims at studying the investor's perception of online trading in share market and helps to find out accessing the present level of service provided by identifying the areas which require attention for improving its services. Data collected shows that the investors have referred others to online share market. The share brokers may improve services of proper response from the dealer, putting the orders without delay. Online trade markets can issue the cheque to customer earlier it would increase the customer confidence. New account processing time can be completed within 3-4 days. Each new method of trade offers an opportunity for economic agents to compare its cost and benefits relative to the status quo, such evaluation motivates sorting across market segments and reshapes the whole market place. The internet provides an excellent example as it introduces substantial search cost saving over brick and mortar retail stores but imposes new obstacle for seller to convey quality using sports card trading as a case study, we provide experiential evidence on

- (1) The sorting of product quality between the online and offline segments
- (2) The changes for retail outlet after the internet came into place, and
- (3) How supporting industries such as professional grading and card manufacturing adapted to take advantage of the new market.

**RESEARCH GAP:**

The study revealed that most of the respondents are satisfied with the online trading facilities provided by the organization. The work would surely help to forecasts the customer needs and help the company to take the necessary steps

**OBJECTIVES:**

- ❖ To determine the growth and future of online trading industry in India.
- ❖ To see the type of technology used by stock exchanges and by the Indian customer in online trading.
- ❖ To determine what type of products the customers deal while doing the online trading.
- ❖ To understand the presence of major online traders in the Indian market and looking about the features provided by them.
- ❖ To find out the important factor which do mostly affect to the customer

**3. RESEARCH METHODOLOGY**

**Scope Of The Study**

The year 2000 a boom in stock markets has been witnessed in the Indian Stock Market and invested the Online Trading System. Many online stock trading companies came but initially due to lack of online trading some companies vanished and some survived. The companies which survived are getting the handsome returns also attracting the foreign Investment Companies. Nowadays this sector is facing cut-throat competition and also provides

huge growth prospects. The study then goes to evaluate and analyze the findings so as to present a clear picture of the trends in the online trading sector.

#### **Need For The Study:**

- People are affected by the culture in which they live. Similarly, an individual working for any organization with a firmly established culture will be taught the values, beliefs, and expected behaviors of that organization.
- There is at least some sound evidence that variations in cultural values may have a significant impact on employee turnover and possibly employee's job performance.
- Hence the study of organizational culture is important for the understanding and practice of organizational behaviour. Leadership is also important because it sets a clear vision and communicates effectively to subordinates or colleagues.
- The clear vision gives them a better understanding of organizational direction and makes them realize their roles and responsibilities.

#### **DATA COLLECTION**

The research methodology for the project completed in two phases:

##### **First Phase is the collection of Secondary Data:**

This involves the collection of Secondary data using internet and internal sources for comparison of Online trading account of other Broking houses in the market like ICICI Direct, MOTILAL Oswald, Religare and Reliance Money etc. This also involves talking to their executives regarding various features provided to the customer along with their Brokerage structure.

##### **Second Phase is Collection of Primary Data and Analysis:**

After collecting the Secondary data the next phase will be collection of primary data using Questionnaires. The questionnaire will be filled by around 100 people who will be mainly from Hyderabad region. The sample will consist of people who are employed or work as free lancers dealing in investment options to know their financial requirements. Based on these requirements different investments will be informed to them for further perusal. The data collected will be then entered into SPSS (software) and MS-excel for analysis of the data collected.

## **4. SAMPLING METHODOLOGY**

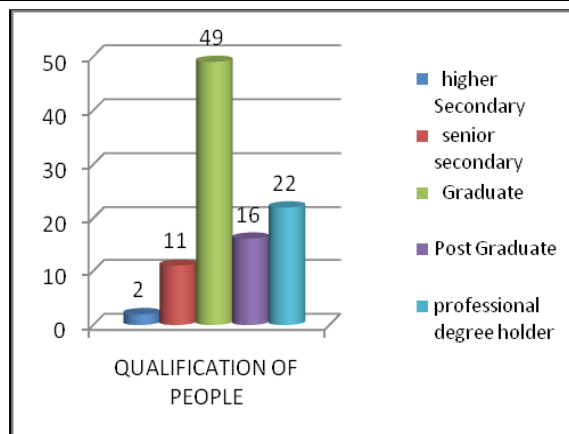
#### **Sampling Technique:**

- Initially, a rough draft was prepared a pilot study was done to check the accuracy of the Questionnaire and certain changes were done to prepare the final questionnaire to make it more judgmental.
- **Sampling Unit:**
- The respondents who were asked to fill out the questionnaire in the National Capital Region are the sampling units. These respondents comprise of the persons dealing in stock trading. The people have been interviewed in the open market, in front of the companies, telephonic interviews and through other sources also.

#### **DATA ANALYSIS & INTERPRETATION:**

##### **Education Qualification**

S.NO	PATICULERS	NO.OF RESPONS
1	higher Secondary	2
2	senior secondary	11
3	Graduate	49
4	Post Graduate	16
5	professional degree holder	22
	TOTAL	100

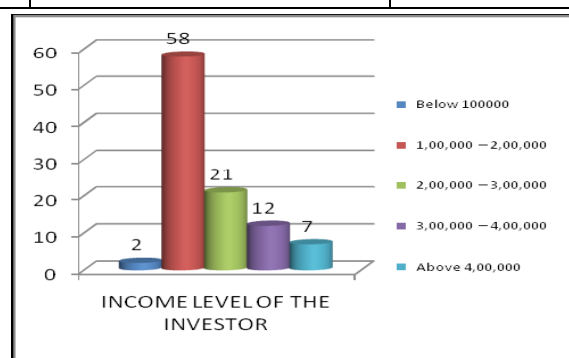


#### Interpretation:

The people who are dealing with the stock market either online or offline. most of them are graduate, 49% of the total respondent who are dealing with the stock market are graduate, then 16% are post graduate and 22% people is having professional degree. So here this is showing that qualification up to graduation or more than that is in the favor of the online trading pattern.

#### Annual Income

S.NO	PATICULERS	NO.OF RESPONS
1	higher Secondary	2
2	senior secondary	11
3	Graduate	49
4	Post Graduate	16
5	professional degree holder	22
	TOTAL	100

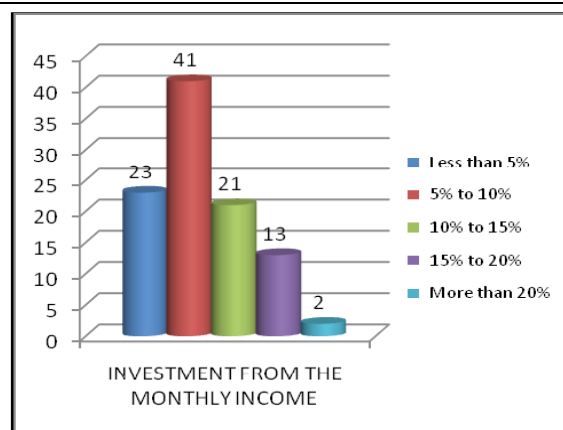


#### Interpretation:

58% respondent are having the income level of 100000-200000, 21% is having 200000-300000, 12% in having 300000-400000, 7% of the total respondent are having income more than 400000 per annum and only 2% are having less than 100000 per annum.

#### Annual Income

S.NO	PATICULERS	NO.OF RESPONS
1	Less than 5%	23
2	5% to 10%	41
3	10% to 15%	21
4	15% to 20%	13
5	More than 20%	2
	TOTAL	100



#### **Interpretation:**

According to the data 23% of the total respondent invest less than 5% of their income, 41% respondents are saying that they invest 5%-10% of their monthly income (which is highest) Whereas the 21% investor do the investment 10%-15% of their total monthly income, 13 invest between 15%-20% of the total income and only 2% does more than 20% of their income invest in the market

### **5. CONCLUSIONS**

The online trading is growing with a rapid pace with the rising level of education among the customers. The other factors being that the Indian Investor nowadays wants to deal himself in trading rather than depending upon other middlemen. They also consider the factors like time saving in doing the online transactions, convenience etc. Although some people feel that online trading is not secure but the people doing the trading online is happy about the increasing security concerns among the companies.

The year 2021 has not been so good for the stock market and the Sensex and Nifty has been dipping and affecting the business negatively for these companies. This is due to the fact that at these times people do not prefer to open the DMAT and Trading accounts. So the companies have to reduce their account opening fees to attract more and more customers. Also people trade very less in the bearish market and the company's profits against brokerage fees soars downwards. It is also a found fact that during the bearish market the ratio of online trading becomes very less. Also there is an intense competition among the companies and the companies come up with new and new promotion schemes such as discounted and negotiable brokerages, Zero balance accounts, waiving a/c opening fee and AMC etc. As the internet penetration is growing in India this business holds a huge potential for growth.

Now if the existing company will have to capture the market they will have to look for the Innovation in their product as well as service mix

The mantra for success in the current situation will be educating the customers about the benefits of online trading and the amount of ROI that can be generated through it.

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