

Investor Perception towards Online Trading in Chennai

D. Anitha Kumari

Lecturer - Dept of Management Studies
Sri Ramanujar Engineering College
Vandalur, Chennai, India

G. Ramasamy

Librarian
Sri Ramanujar Engineering College
Vandalur, Chennai, India

K. Sandhya

Research scholar, Dept. of Management,
Vels University, Chennai, India.

Abstract

Online trade share market has emerged as one of the greatest and easiest ways to invest share by the investors. This study sheds light on the how these online trade market work and how they are satisfying their investors. It aims at studying the investor's perception of online trading in share market also helps to find out accessing the present level of service provided and identifying the areas which require attention for improving its services. Data collected from 113 respondents in Chennai indicated that the investor's 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.

Keywords: Online trade, Share Market, Online operations, Stock markets.

Introduction

The internet revolution has been changing the fundamentals of our society. It shapes the way we communicate and the way we do business. It brings us closer and closer to vital sources systems tailored to our specific needs; therefore, we can serve ourselves better by making our own decisions. This prevailing shift of the business paradigm is reshaping the financial industry and transforming the way people invest.

Internet stock trading can be an exciting way to trade stocks, with transactions being accomplished within minutes and sometimes seconds. Web base stock trading has become a very popular method, and internet stock brokers with specialized websites offer expedient trades trading, there is much he or she should learn and there are cautious to be observed. Web base trading can be very risky, with markets that change with the click of a button. Those interested in online stock trading will want to spend time getting their facts together and getting as much information about online trading and day trades as possible. Getting informed is getting knowledge, and getting knowledge will equate to wisdom and better earning potential.

There are many things to learn and understand about internet stock trading or day trading. First, it should be clearly understood that the choice to not get an education or obtain as much information as possible about stock trades or day trading is almost guaranteeing failure and financial loss. To effectively plan your own strategies for trading, which is important, a complete knowledge of the stock and the current market trends are a must. Many experts in the field of investing advice that new comers work with a small firm with a website for the first year or two, getting their feet wet and getting a feel for the business. Often these small internet firms will offer great advice and guidance that will help learn the industry and discover where you are most comfortable investing online.

Growth of online trading

Online trading had its origin in the US where the first E-trading of stocks began in 1983. Primarily used in the form of e-commerce to place and receive orders for commodities; slowly it entered the financial markets as an alternative to the traditional system. By the late 1990's, most of the stock exchanges had been automated, and the "open outcry" method of trading had been slowly done away with. This gradual up scaling of technology has led to the rise in popularity and acceptance of online broking as a major way of stock trading. With the boom in software technology, the online trading platform became faster and faster with a lot of sophistication and increased security. Now the thrust is on making the entire trading process completely seamless and risk free. Online trading India is the internet based investment of the broker. There are many leading online trading portals in India along with the online platforms of the biggest stock houses like National stock exchanges and the Bombay stock exchange.

Facilities of the Online Trading India

The investor has to register with an online trading portal and get into an agreement with the firm to trade in different securities following the terms and conditions listed down on the agreement. The order processing is done in correct things as the serves of the online trading portal are connected to the stock exchange s and designated banks all round the clock. They can also get updates on the trading and check the status of their orders either through e-mail or through the interface. Brokerage also provides research content on their web-sites, such that the clients can take down decisions on stocks before investing.

Review of Literature

Anil Sharma, and Neha Seth (2012) have done a study on stock market integration. The purpose of this study to organize and take stock of the present situation of research on stock market integration by reviewing the available literature, to provide quick and easy access for future researchers. Another objective of the study is to classify the literature and to provide the comprehensive bibliography on stock market integration and to analyze the findings and results of the studies taken into consideration for review. They found in their study classifies the past

literature on stock markets integration and finds that the research work on the same area has been increased during the recent time period, especially from 2005 to 2010 and coverage of stock market integration across emerging economies has increased in recent years.

Chien-Ta Bruce Ho and K.B. Oh (2008) measured online stock broking performance their results show that seven companies are CCR-efficient in their operating efficiency; five companies are CCR-efficient operating effectiveness and only two companies are CCR-efficient both in operating efficiency and effectiveness. There is no apparent correlation between efficiency and effectiveness. Mohammad Ali Ashraf and Hasanur Raihan Joarder (2009) studied the effect of the Internet on the stock market trade volume and volatility has been enquired in the case of Dhaka Stock Exchange in Bangladesh. The results show that the “Net” has a significant impact on these two parameters of volume and volatility of Dhaka stock market. Nidhi Walia and Ravinder Kumar (2007) examined the investors' preference for traditional trading and online trading, investor's perception on Online trading & comparing current usage of online trading and offline trading. This study reveals that out of every 100 investors only 28 trade online, which points out a question as why investors were not able to realize the importance of technology in stock trading. The major findings of the study are the Indian investors are more conservative, they do not change brokers for trading, whereas net traders are more comfortable with online trading for its transparency and complete control of the terminal.

Need of the Study

Online trading gives first-time and low-volume investors and edge over physical broker trading in terms of convenience. Also, it is more transparent. Banks that offer trading platforms make for seamless trading and payment options. The basic need for this particular title is to submit the report on the perception of the investors in online trading of shares and in respect of the following performances in the market. The need is to evaluate the measurement of how keen the investors are ready to take the risk in making investment in specific of the different sectors. It also attracts investors and to make them use the various features provided by the company and also it would supplement this effort of the company in a small way.

Scope of the Study

This study is to analyze and understand the investor psychology on choosing the product or service so that easily the financial product can be positioned. It also helps to assess the real opinion and mindset of investors and aids to meet out their expectation in future in turn that will increases the volume of sales.

Objectives

- To study the investor perception of online trading towards share market.
- To evaluate the present level of service provided by online share market.

- To identify the investment objective of investors towards online share market provided by the brokers.
- To analyze the risk and the speculation factor that influencing the investors to make investment.
- To analyze the investors mindset about the trading system.

Limitation and Constraint

However the data collected and interpreted with utmost reliability and consistency. But due to subjectivity and prejudice of a few respondents, certain limitation like answers of the questionnaire depends upon the belief of investors, which they may differ from the reliability. The survey conducted considering the time and space constraint: Chance of wrong answer cannot be ruled out, indirect measures relied upon the customer's attitude etc.

Hypothesis

H₀: There is no significant relationship between the age of the respondents and the expected returns

H₀: There is no significant relationship between satisfaction level of online trading services and financial advisor in diversifying investments.

H₀: There is no significant relationship with the investments and investors preference of investments

Research Methodology

Descriptive research design was undertaken in this research. Judgment sampling technique was utilized from probability sampling method to select the sample from Chennai. Sample size is 103. Survey method of primary data collection using combined interview and questionnaire adopted for collection of primary data through field survey in Chennai from various customers. Collected data was analyzed through weighted average, Chi square and Correlation.

Results and Discussion

Weighted average method presents the measurement of satisfaction level among investors towards online trading service (Table 1). Where majority of the respondents satisfied about the service provided by online trading service. This will provide clear view of entire marketing status of shares to make better decision by the investors. It can be seen from the table 1 that 38% of the respondents are satisfied of online trading service, 27 % of the respondents are highly satisfied, neither satisfied nor dissatisfied, 12 % of the respondents are dissatisfied and 2% of the respondents are highly dissatisfied of online trading service.

Table 1: Weighted average method for measuring the satisfaction level of online trading service provided

Options	No of Respondents	Weight assigned	Weighted Average
Highly satisfied	31	5	155
Satisfied	42	4	168
Neither satisfied nor dissatisfied	24	3	72
Dissatisfied	13	2	26
Highly dissatisfied	3	1	3
TOTAL	113		440

Table 2: Chi Square analysis to find out the significant relationship between the age of the respondents and the expected returns

Observed Frequency (O _i)	Expected Frequency (E _i)	(O _i -E _i)	(O _i -E _i) ²	$\frac{(O-E)^2}{E}$
1	1.99115	-0.991	0.98	0.493
12	11.7257	0.274	0.08	0.006
6	7.07965	-1.08	1.17	0.165
6	4.20354	1.796	3.23	0.768
3	1.9115	1.088	1.18	0.62
9	11.2566	-2.257	5.09	0.452
8	6.79646	1.204	1.45	0.213
4	4.0354	-0.0354	0.0013	0.0003
4	3.34513	0.655	0.43	0.128
26	19.6991	6.301	39.7	2.015
10	11.8938	-1.894	3.59	0.302
2	7.06195	-5.062	25.62	3.628
1	1.75221	-0.752	0.57	0.323
6	10.3186	-4.319	18.65	1.807
8	6.23009	1.77	3.13	0.503
7	3.69912	3.301	10.9	2.946
TOTAL				14.37

Chi square analysis presents the significant relationship between the age of the respondents and the expected returns (Table 2). Null hypothesis denotes that there is no significant relationship between the age of the respondents and the expected returns and Alternative hypothesis H1 denotes there is significant relationship between the age of respondents and expected returns. It can be seen from the table 2 that the calculated value 14.37

is < than the tabulated value 16.919, we accept the null hypothesis H₀, there is no significant relationship between age and the expected returns of the respondents.

Correlation is a statistical tool which studies the relationship between two variables, and correlation analysis involves various methods and techniques used for studying and measuring the extent of the relationship between two variables. Null hypothesis H₀ denotes that there is no significant relationship between Satisfaction level of online trading services and financial advisor in diversifying investments and Alternative hypothesis H₁ denotes is significant relationship between Satisfaction level of online trading services and financial advisor in diversifying investments. It can be seen from the table 3 that there is a positive correlation (0.97) between online trading services and financial advisors in diversifying investments.

Table 3: Correlation analysis of online trading services and financial advisors in diversifying investments

X	Y	XY	X ²	Y ²
31	28	868	961	784
42	41	1722	1764	1681
24	19	456	576	361
13	18	234	169	324
3	7	21	9	49
113	113	3301	3479	3199

$$\begin{aligned} \bar{X} &= 113 / 5 = 22.6 \\ \bar{y} &= 113 / 5 = 22.6 \\ \bar{x y} &= 510.76 \\ \sigma X &= \sqrt{\sum X^2/n - \bar{xy}} = \sqrt{3479/5 - 510.76} = 13.60 \\ \sigma Y &= \sqrt{\sum Y^2/n - \bar{xy}} = \sqrt{3199/5 - 510.76} = 11.35 \end{aligned}$$

$$\begin{aligned} r(X,Y) &= \frac{1/n \sum XY - X.Y}{\sigma X . \sigma Y} \\ &= \frac{1/5 * 3301 - 510.76}{13.60 * 11.35} \\ &= \frac{149.44}{154.36} \\ &= 0.968 \end{aligned}$$

Table 4: Correlation analysis of investment plans and investors preference of investments

X	Y	XY	X ²	Y ²
38	30	1140	1444	900
26	35	910	676	1225
13	15	195	169	225
21	18	378	441	324
15	15	225	225	225
113	113	2848	2955	2899

$$\begin{aligned} \bar{X} &= 113 / 5 = 22.6 \\ \bar{y} &= 113 / 5 = 22.6 \\ \overline{xy} &= 510.76 \end{aligned}$$

$$\begin{aligned} \sigma X &= \sqrt{\sum X^2/n - \bar{xy}} = \sqrt{2955/5 - 510.76} = 8.957 \\ \sigma Y &= \sqrt{\sum Y^2/n - \bar{xy}} = \sqrt{2899/5 - 510.76} = 8.309 \end{aligned}$$

$$\begin{aligned} r(X,Y) &= \frac{1/n \sum XY - X.Y}{\sigma X . \sigma Y} \\ &= \frac{1/5 * 2848 - 510.76}{8.957*8.309} \\ &= 0.790 \end{aligned}$$

Null hypothesis Ho denotes there is no significant relationship with the investments plans and investors preference of investments and alternative hypothesis denotes there is significant relationship with the investment plans and investors preference of investments. It can be seen from the Table 4 that there is a positive correlation between investment plans and investors preference of investments.

Findings

After the data analysis the researcher had found that the weighted average analysis, most of the respondents of Karvy are satisfied with the online trading services provided to them. Chi square analysis indicates that there is no significant relationship between the age of the investor and the expected returns. The correlation analysis states that there is a positive correlation between online trading services and financial advisors in diversifying investments. The correlation highlights that there is a positive correlation between the investment plans and preference of investments.

Conclusion and Suggestions

The onset of online trading changed the traditional value proposition of trading, allowing online brokers to supply investors with rich, interactive information in real time including market updates, investment research and robust analytics. This study helps to ascertain the investor's perception of online trading of shares in share market also identify the investor's perception and to improve the quality of service according to the investor's expectation. It revealed the fact that the investors satisfaction level from their share brokers.

The share brokers may improve services of proper response from the dealer, putting the orders without delay. The online trade markets can issue the cheque within 3days after selling the customer shares for increasing the customer confidence towards the share broker. New account processing time can be completed within 3-4 days. It will increase the customer's confidence level to invest a big amount to the share broker. Advertisement may be done in various medias. Share brokers can arrange for awareness program like free seminars regarding share market and other corresponding investment products, making presentations in online itself to help in acquiring effective new customers.

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