

# THE EVOLUTION OF ONLINE TRADING PLATFORMS: ASSESSING THEIR IMPACT ON RETAIL INVESTOR BEHAVIOR AND MARKET ACCESSIBILITY AT KARVY STOCK BROKING LIMITED

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## ABSTRACT

Online trading refers to the process of buying and selling financial securities such as stocks, bonds, mutual funds, commodities, and derivatives through internet-based trading platforms. It has transformed the traditional method of trading by providing investors with direct access to financial markets from any location and at any time. The advancement of information technology, increased internet penetration, and the availability of user-friendly trading applications have significantly contributed to the growth of online trading. Online trading offers several advantages, including convenience, faster execution of transactions, lower brokerage costs, real-time market information, and greater transparency. Investors can monitor market movements, analyze stock performance, and make informed investment decisions using various analytical tools provided by trading platforms. It has also encouraged greater participation of retail investors in the capital market.

Despite its benefits, online trading involves certain risks such as market volatility, cybersecurity threats, technical failures, and the possibility of making uninformed investment decisions. Therefore, investors need adequate knowledge, awareness, and risk management strategies to ensure successful trading outcomes.

This study aims to examine the concept, features, advantages, challenges, and impact of online trading on investor behavior and financial market development. The findings of the study highlight that online trading has become an essential component of modern financial markets, contributing to increased market efficiency, liquidity, and investor participation. Proper education and regulatory measures can further enhance the effectiveness and security of online trading systems.

## I. INTRODUCTION

### INTRODUCTION TO ONLINE TRADING

Online trading is the process of buying and selling financial securities such as shares, bonds, mutual funds, commodities, and derivatives through electronic trading platforms using the internet. It has emerged as one of the most significant developments in the financial services industry, replacing traditional trading methods that required investors to place orders through brokers physically or over the telephone.

The rapid growth of information technology, internet connectivity, and digital financial services has made online trading accessible to a large number of investors. Today, investors can open trading accounts, analyze market trends, execute transactions, and monitor their investment portfolios from anywhere and at any time using computers or smartphones. This convenience has increased participation in financial markets and

has empowered individual investors to make informed investment decisions.

Online trading platforms provide various tools such as real-time market data, stock analysis reports, technical charts, and research recommendations. These features help investors evaluate investment opportunities and respond quickly to market movements. The availability of low-cost brokerage services and user-friendly mobile applications has further accelerated the adoption of online trading across different investor segments.

In India, the development of online trading has been supported by the modernization of stock exchanges such as the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), along with regulatory initiatives introduced by the Securities and Exchange Board of India (SEBI). The introduction of electronic trading systems has enhanced market transparency, efficiency, and



security while reducing transaction costs and settlement delays.

Despite its numerous advantages, online trading also presents challenges such as market volatility, cyber security risks, technical failures, and the possibility of emotional or speculative trading. Therefore, investors must possess adequate knowledge, awareness, and risk management skills to achieve their investment objectives effectively.

The increasing popularity of online trading has transformed the way financial markets operate and has become an essential component of modern investment practices. This study focuses on understanding the concept, benefits, challenges, and impact of online trading on investors and the overall financial market system.

#### **NEED FOR THE STUDY:**

The present study to review the online trading procedure a case study of **ONLINE TRADING at Karvy Stock Broking Limited.**, as the exchange has changed it's trading from it and there is need to assess the performance of the capital market.

The need for this study stems from the rapid expansion of online trading and its growing influence on the financial markets. With the advancement of technology and widespread internet usage, investors are increasingly relying on online trading platforms to buy and sell securities conveniently and efficiently. Online trading has simplified the investment process by providing real-time market information, quick transaction execution, and easy access to various financial instruments. However, along with these advantages, investors face challenges such as market fluctuations, cybersecurity risks, technical issues, and a lack of adequate investment knowledge. Therefore, it is important to examine the effectiveness of online trading, understand investor perceptions and satisfaction levels, and evaluate its impact on investment decisions. This study helps in identifying the benefits and limitations of online trading and provides valuable insights for investors, brokerage firms, and regulatory authorities to enhance the safety, efficiency, and overall performance of online trading systems.

#### **SCOPE OF THE STUDY**

The scope of this study is to analyze the concept, functioning, and effectiveness of online trading in the contemporary financial market. The study focuses on understanding investor awareness, preferences, and satisfaction regarding online trading platforms. It examines the various features and services offered by online trading systems, including real-time market information, order execution, portfolio management, and investment analysis tools. The study also evaluates the advantages of online trading, such as convenience, accessibility, speed, and cost-effectiveness, along with the challenges faced by investors, including security concerns, technical issues, and market risks.

Furthermore, it seeks to assess the impact of online trading on investment behavior and decision-making processes. The findings of the study are expected to provide valuable insights into the growing role of technology in financial markets and contribute to improving online trading practices for investors and service providers.

#### **OBJECTIVES OF THE STUDY:**

- To understand the concept and functioning of online trading systems.
- To analyze the level of awareness and usage of online trading platforms among investors.
- To identify the factors influencing investors to adopt online trading.
- To examine the benefits and convenience offered by online trading compared to traditional trading methods.
- To evaluate the effectiveness of online trading platforms in facilitating investment decisions.
- To study the impact of online trading on investor behavior and market participation.
- To assess the level of investor satisfaction with online trading services.
- To identify the challenges and risks associated with online trading, such as security issues and technical problems.
- To examine the role of technology in improving the efficiency and transparency of trading activities.

- To suggest measures for enhancing the safety, reliability, and performance of online trading platforms.

## II. METH

### ODOLOGY OF THE STUDY:

The data collection methods include both primary and secondary

Collection methods.

**Primary method:** This method includes the data collected from the personal interaction with authorized members of **Karvy Stock Broking Limited**.

**Secondary method:** The secondary data collection method includes:

- The lecturers delivered by the superintendents of respective departments.
- The brochures and material provided by **Karvy Stock Broking Limited**.
- The data collected from the magazines of the NSE, economic times, etc.
- Various books relating to the investments, capital market and other related topics.

### LIMITATIONS OF THE STUDY:

- The study is limited to a specific group of investors and may not represent the views of all online traders.
- The findings are based on the responses provided by the respondents, which may be subject to personal bias and perceptions.
- The study is conducted within a limited time period; therefore, changes in market conditions and investor behavior over time are not considered.
- The accuracy of the study depends on the reliability and honesty of the information provided by the respondents.
- The research focuses only on online trading activities and does not cover all aspects of the financial market.
- Rapid technological advancements and changes in trading platforms may affect the relevance of the findings in the future.
- Market fluctuations, economic conditions, and government regulations influencing online trading are beyond the scope of this study.

- The study may not fully capture the experiences of investors who use multiple trading platforms or advanced trading strategies.

## III. LITERATURE REVIEW

### ONLINE TRADING

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

#### 1. 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.

#### 2. 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 inter change, 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.

#### **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.

#### **IV. DATA ANALYSIS & INTERPRETATION**

##### **OUTCRY SYSTEM**

The broker has to buy or sell securities for which he has received the orders. For this, the broker or his authorized representatives goes to the stock exchange. This method is called the open outcry system. Basically, the brokers shout while buying or selling the securities. The floor of the stock exchange is divided into a number of markets also known as 'post pit' or wing based on particular securities dealt there.

In the post pit or wing, the broker using 'open outcry' method makes an offer or bid price. For making the necessary bargain, he quotes his purchase or sale price, also known as offer or bid price. The dealer, to whom the price is quoted, quotes his own price when the quotation of the dealer suits the broker, he may loose the bargain. If he is not satisfied with the quote price, he may turn to some other dealer. On the close of the bargain, the dealer as well as the broker makes a brief note of the particulars of the deal. Such notes are made on some pad and on it the number of shares, the price agreed upon, the name of the party, what membership number etc., are noted.

##### **DISADVANTAGES OF OUTCRY SYSTEM:**

- It lacks transparency.
- The scope of manipulation, speculation and mal practice is more.



- Signal were more important in the outcry system any member who could not interpret the buy/sell signal correctly often landed himself in disaster situation.
- In audibility was another disadvantage of the outcry system.
- Due to the above disadvantages of the outcry system the **Networth Stock Broking Ltd** has shifted from outcry system to online trading from February 29<sup>th</sup> 1997.

## MANUAL TRADING

### Trading procedure before introduction of online trading

Trading on stock exchanges is officially done in the trading ring. In the trading ring the space is provided for specified and non-specified sections, the members and their authorized assistants have to wear a badge or carry with them an identity card given by the exchange to enter the trading ring. They carry a sauda book or confirmation memos, duly authorized by the exchange and carry a pen with them. The stock exchanges operations are floor level are technical in nature .Non-members are not permitted to enter in to stock market. Hence various stages have to be completed in executing a transaction at a stock exchange .The steps involved in this method of trading have given below:

#### Choice of broker:

The prospective investor who wants to buy shares or the investors, who wants to sell shares and transact business, have to act through member brokers only. They can also appoint their bankers for this purpose as per the present regulations.

#### Placement of order:

The next step is the placing order for the purchase or sale of securities with a broker. The order is usually placed by telegram, telephone, letter, fax etc or in person. To avoid delay, it is placed generally over the phone. The orders may take any one of the forms such as At Best Orders, Limit Order, Immediate or Cancel Order, Limited Discretionary Order, and Open Order, Stop Loss Order.

#### Execution of order or contract:

Orders are executed in the trading ring of the BSE. This works from 11:30 to 2.30 P.M on all

working days Monday to Friday, and a special one-hour session on Saturday. The members or the authorized assistants have to wear a badge given by the exchange to enter into the trading ring. They carry a sauda Block Book or conformation memos, which are duly authorized by the exchange when the deal is struck; both broker and jobber make a note in their sauda block books. From the sauda book, the contract notes are drawn up and posted to the client. A contract note is written agreement between the broker and his clients for the transaction executed.

#### Drawing Up and Bills:

Both sale and purchase bills are prepared along with the contract note and it is posted on the same day or the next day. This in a purchase transaction, once the shares are delivered to the client effects payment for the purchases and pays the stamp fees for transfer, a bill is made out giving the total cost of purchase, including other expenses incurred by the broker in the price itself. With this, the process ends.

#### DEMATERIALIZATION:

Dematerialization is the process by which physical certificates of an investor are converted to an equipment number of securities in electronic form and credited in the investor account with his DP. In order to dematerialize the certificates, an investor has to first open an account with a DP and then request for the Dematerialization Request Form, which is DP and submit the same along with the share certificates. The investor has to ensure that he marks "Submitted for Dematerialization" on the certificates before the shares are handed over to the DP for demat. Dematerialization can only be done to those certificates, which are already registered in your name and belong to the list of securities admitted for Dematerialization at NSDL.

Most of the active scrip's in the market including all the scrip's of S&P CNX NIFTY and BSE SENSEX have already joined NSDL. This list is steadily increasing.

Briefly, the process is as follows: after completion of transfer, the investor gets the option to dematerialize such shares. Investor's willing to exercise this option sends a Demat request along with the option letter sent by the company to his



DP. The company or its R&T agent would confirm the Demat request on its receipt from the DP to reduce risk of loss in transit.

Dematerialized shares do not have any distinctive or certificate numbers. These shares are fungible-which means that 100 shares of a security are the same as any other 100 shares of the security. Odd lot shares certificates can also be dematerialized.

Dematerialization normally takes about fifteen to thirty days. To get back dematerialized securities in the physical form, request DP for Rematerialization of the same is made.

Rematerialization is the process of converting electronic shares in to physical shares.

#### **Benefits of Demat:**

- It reduces the risk of bad deliveries, in turn saving the cost and wastage of time associated with follow up for rectification. This has lead to reduction in brokerage to the extent of 0.5% by quite a few brokerage firms.
- In case of transfer of electronic shares, you save 0.5% in stamp duty. You avoid the cost of courier / notarization.
- You can receive your bonuses and rights issues into your DA as a direct credit, this eliminating risk of loss in transit.
- You can also expect a lower interest charge for loans taken against Demat shares as compared to loans against physical shares.
- There is no lost in transit, thus the overheads of getting a duplicate copy in such circumstances is reduced.
- RBI has also reduced the minimum margin to 25% for loans against dematerialized securities as against 50% for loans against physical securities.

#### **TRADING AND SETTLEMENT AT SHARE KHAN**

The NSE first introduced online trading in India. The Online trading system imparted a greater level of transparency and investors preferred exchanges that offered Online trading because of the following factors:

The ease of operation from the view of the both members and the investors.

- Increase in the confidence of the investors because of higher level of transparency.
- Facilities better monitoring of the market by the exchange.
- The best price achieved in buying and selling.

All these resulted in ever-increasing volumes on the exchanges offering the online trading.

#### **TRADING PROCEDURE AT SHARE KHAN STOCK BROCKING**

Share Khan deals in buying and selling equity shares and debentures on the National Stock Exchange (NSE), the Bombay Stock Exchange (BSE) and the Over-The-Counter Exchange of India (OTCEI).

Share Khan is provided with a computer and required software from their registered stock exchanges. These centers are called “Broker Work Stations”. These computers are connected to the server at the stock exchanges through cable.

The member or broker sitting in his office can send the quotations, orders, negotiations, deals, in-house deals, auction orders etc., through the computer. The Central trading system (CTS) will accept these orders and send it for match. If there is any mistake in the order, CTS will reject the orders and send respective error message to the member concern. All these operations are in built. The main objective of CTS is to monitor the Stock Exchanges operations.

Order placed by the broker will be sent for a match and if the match is found suitable, the transaction will be executed. Otherwise, the order will be deleted automatically after completion of trading time. The carry forward transactions (Good Till cancellation) are forwarded to the next day. Even if the match is not found with in the prescribed period, the order will not cancel.

#### **TRADING SESSION**

Trading timings are from 9:55 A.M. to 3:30 P.M. on all 5 days of the trading period. Monday to Friday is the trading period in all the stock exchanges. SEBI has stipulated that all the stock exchanges in India must have same trading period.

#### **BROKER WORK STATION:**



At the broker workstation the BBO's, the last traded price, the day's opening price, previous day's closing price, highest and lowest prices, the weighted average price and total trade value will be available continuously, as the BBO for each scrip.

Other information will be available on query from the BWS. These include top gainers /losers of the day. Trader-wise, scrip wise net position, client wise net position, top scrip by the volume/value, market summary etc.

Brokers are also provided with information relating to the companies in the matter of Book closure, Dividend declarations, resolutions in board meeting, information about liquidated companies, company report etc.

#### **ORDERS:**

- Orders can be done one at a time or in a batch mode.
- The submitted order will be accepted at the CTS, after validation if it finds any invalid reason the order is return back to the BWS, with the appropriate error message.
- If Accepted at the CTS it will be added to the local pending order book.
- The order will then be taken up for matching, if it is a buy order the system tries to find a sell order, which fits the requirement of the buy order, when such match is found a trade gets executed. Each trade involves two brokers and respective traders who sent the order. Both these traders are informed of the trade being executed at their respective BWS.
- At the BWS the trade is added to the local trade book.

Orders sent by the brokers are two types:

- Good for the day (GFD)
- Good till cancellation(GTC)

#### **Good for the day:**

This is also called as "market order". For an order if the member selects the deal as good for the day, the order is treated as market order. If a "best bid" founds match with "best order" then the transaction gets executed. If the match is not found

then after trade time the order gets cancelled that day. Next day he has to place a new order.

For example if a member wants to purchase 1000 shares of Wipro info @ 400 each through Good for Day order. If the correct match is not found, order gets cancelled automatically and new quotation has to be placed the next day.

#### **Good till cancellation:**

This order is forwarded to the last trading day of that settlement period. This is also called as carry forward order like GFD; broker has to select the option of GTC for the order. If the order finds match with in the trading settlement period, the order is executed. If no match is found, the order is cancelled on the last day of settlement period. This order is not carried forward to the next settlement period.

For example, if a member a place purchase order of 500 shares of SBI @ 690 per share and selects the order as GTC and place an order. If the match is not found on that day it will be forwarded to the next day until trading settlement period day.

#### **SETTLEMENT OF TRANSACTIONS:**

Clearing of transaction in the form of shares and cash is called settlement. Buyers will take the delivery of shares through the depository participants like **Networth Stock Broking Ltd** and others.

Finally, the settlement is made by means of delivering the share certificates along with the transfer deeds. The transferor (or the seller) duly signed transfer deed. It bears a stamp of the selling broker. The buyer then fills up the certificates fills up the particulars in the transfer deed. Settlement can be done in the following way.

**Spot settlement:** under this method, the delivery of securities and payment for them are affected on the day of the contract itself.

**Rolling settlement:** Under this rolling settlement the trading is on "T+2",basis i.e. if Monday is trading day then Wednesday is the paying day . In case on non-delivery, the securities will go for auction.

#### **DETAILS OF PROCEDURES:**

**Delivery in :** The members who are in pay-out position delivers share certificates in to clearing house within the settlement period along with the



delivery Chelan filled in with the details of share certificates which has folio numbers or distinctive numbers etc.

**Delivery out:** The buyer of shares who made pay in position will take delivery of shares from the clearing house.

**Pay-in:** The member who is in paying position shall pay for value of shares with in the trading settlement period (T+2).

**Payout:** The cheques paid in the clearinghouse will be paid to members who are in paying position.

All disputes arising between members regarding non-deliveries, non-payments, good and bad deliveries pertaining to the settlement will be settled by the settlement committee of the exchange.

#### V. FINDINGS

- The volume on the same dates or days volumes are increased. Because totally this session. MARUTI SUZUKI INDIA LTD. EPS value is increased i.e. percentage of 7.88%.
- The volume on the same dates or days volumes are increased. Because on this session BHARAT HEAVY ELECTRICALS LTD value is raised i.e. percentage of 1.62 %.
- The volume on the same dates or days volumes are increased. Because totally this session CIPLA LTD. EPS value is increased i.e. percentage of 2.57%.
- 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%.

#### VI. 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+1days 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.

#### VII. 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.

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