

## **Investors' Satisfaction on Online Share Trading and Technical Problems Faced by the Investors: A Study in Coimbatore District of Tamilnadu**

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### **ABSTRACT**

*This paper investigated investors' satisfaction on online share trading and technical problems faced by the investors in Coimbatore district of Tamilnadu. The satisfaction of investors on online share trading based on brokerage houses were analysed using percentage analysis and the technical problems faced by the investors while trading shares through online using were analysed using Garrett ranking analysis. Primary data were collected from sample 620 respondents through the structured questionnaire. Data collected have been analysed and tested using SPSS.*

**Keywords:** BSE, NSE, Depository, Depository Participant

### **INTRODUCTION:**

Indian stock market behave in a unpredictable manner based on the changes in global markets as the fundamental reasons like global crude oil prices, commodity prices, investment by Foreign Institutional Investors (FIIs) in Indian stock market. India is witnessing fast economic growth in last few years and as a result India has seen large fund inflows and outflows by FIIs into Indian market from across the world. Most of these foreign funds are in large quantum and their activity in the market results in large volatility in stock markets and it also affects the exchange rate.

India has a well developed share market system, which is one of the best in the developing world. India has the second largest share holding population with around 2 crore shareholders; next only to the United States of America which has about 5 crore shareholders. India is significantly ahead of countries like Japan, United Kingdom and France in this regard, the Indian figure may look impressive, but it constitutes only 1.5 percent of the total population. The secondary capital market, on the other hand, is the market for old or already issued securities. It is composed of Industry Security Market or the stock exchange in where industrial securities are bought and sold, and the Gilt-edged Market where the government and semi-government, securities are traded. Secondary market in India got a boost when Over The Counter Exchange of India (OTCEI) and National Stock Exchange (NSE) were established. It may be noted that NSE and OTCEI have been established by the all India Financial Institution, while other stock exchanges are in the form of associations.

### **NATIONAL STOCK EXCHANGE:**

National Stock Exchange has a total market capitalization of more than US\$2.27 trillion, making it the world's 11th-largest stock exchange as of April 2018.<sup>1</sup> NSE's flagship index, the NIFTY 50, the 50 stock index is used extensively by investors in India and around the world as a barometer of the Indian capital market. Nifty 50

<sup>1</sup> <https://www.world-exchanges.org/home/index.php/monthly-reports-tool>, Retrieved on 29<sup>th</sup> May, 2018.

index was launched in 1996 by the NSE.<sup>2</sup> Unlike countries like the United States where nearly 70% of the GDP is derived from larger companies and the corporate sector, the corporate sector in India accounts for only 12-14% of the national GDP (as of October 2016). Of these only 7,800 companies are listed of which only 4000 trade on the stock exchanges at BSE and NSE.

Depository is an institution which holds securities with it, in which trading is done among shares, debentures, commodities, mutual funds, derivatives, future and options. The intermediaries are depository participants and every depository participants need to be registered under any depository in India before they begin their operation in the market. In India, there are two depositories functioning for over a decade NSDL and CDSL. As the depository network expanded the NSDL and CDSL had been granted a certificate of commencement of business by SEBI. In the research study based on the factors affecting to open demat account in depository participants. Until the late eighties, the common man kept away from capital market and thus the quantum of funds mobilized through the market was meager. A major problem, continued to plague the market. The Indian markets were drowned in shares in the form of paper and hence it was problematic to handle them. Fake and stolen shares, fake signatures and signature mismatch, duplication and mutilation of shares, transfer problems etc., the investors were scared and were under compensated for the risk borne by them. The century old system of trading and settlement requires handling of huge volumes of paper work. This has made the investors, both retail and institutional, wary of entering the capital market. However, lack of modernization become a hindrance to growth and resulted in creation of cumbersome procedures and paper work.

### **STATEMENT OF THE PROBLEM:**

Online trading is buying and selling stocks through a brokerage's internet-based proprietary trading platforms. The use of online trading increased dramatically in the mid and late '90s with the introduction of affordable high-speed computers and internet connections. Stocks, bonds, mutual funds, ETFs, options, futures, and currencies can all be traded online. Traditionally, investors and traders have to call their brokerage firms to make a trade for them with a buy order request. The broker would let know the market price and confirm the purchase order. If the investor is making a limit order, the broker has to confirm the limit price, how long to keep the order open for, what account to purchase the shares in (if investor has multiple investment accounts) etc. The investment representative must also confirm the commission costs for making the trade. When all have been established, the broker would place the trade in the system which is linked to trading floors and exchanges, such as the NSE or BSE. The present study is a modest attempt to find out answers to the following questions:

- Are the investors satisfied on online share trading regarding their brokerage houses?
- What are the major technical problems encountered by the investors while trading shares through online?

### **REVIEW OF LITERATURE:**

Mamunur Rashid and Ainun Nishat (2009) emphasised that most investors were young and inexperienced but educated, with shortages of skills and income. The study suggests the importance of effective regulation, disclosure requirements to ensure a supply of quality information, investor education and technology driven trading in brokerage houses for overall investor satisfaction.

Ganapathi and Ramasamy (2007) found that Karvy was the most preferred share broker and the customers are expecting main services of proper response from the dealer, executing the order without delay, timely advice and guidance and giving exposures properly from their brokers. They also found that share brokers and their experience have a significant influence on the level of satisfaction of the customers.

Nidhi Walia and Ravinder Kumar (2007) found that 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.

Panda et al. (2011) revealed that majority of the investors relied on newspapers as the source of information. Financial journals and business magazines were ranked next to newspapers. A large number of investors were of the opinion that they were not in a position to get the required information from the company in time. A sizable number of investors were found to face problems while selling securities. 'Safety and Regular Return' stood first and second with regard to the factors associated with investment activities. Equity shares were preferred for their higher rate of return by the investors.

Kasisomayajula (2012) found that investors are facing problems for trading in stock market due to lack of

<sup>2</sup> [https://www.nseindia.com/global/content/about\\_us/history\\_milestones.htm](https://www.nseindia.com/global/content/about_us/history_milestones.htm), Retrieved on 29<sup>th</sup> May, 2018.

information of stock market. Investors are more focused to invest their money in post office schemes, banks etc. and they are very confined towards stock market.

Abdhul Rahim (2013) analysed the problems and prospects of online share trading practices in India and found that the main benefit derived out of online share trading is wider choice followed by better value and source of information. Results also revealed that inadequate technology is the major problem faced by online share traders followed by lack of professional management.

Mohita Mathur (2014) found that majority of the respondents felt online trading is more convenient than mobile trading, online trading is still considered a better option as far as the availability of features is concerned, online trading to be more suitable mode as it is holding better techniques for analysis, processing speed is faster in case of online trading, online trading is providing more and better application software, online trading provides better visibility than mobile trading and reviewing process is easier in terms of online trading than mobile trading.

Bhuvanam and Sivarethina Mohan (2015) concluded that the strongest predictors towards customers perception towards online share trading is ease of use, behavioral intentions, and followed by perceived usefulness. Perceived trust and security were the weakest predictors in this study. Perceived privacy created negative influence towards customers' perception on online share trading. Result also revealed majority of the respondents agree that online trading systems have sufficient technical capacity to ensure that the data cannot be modified by any third party.

Krishna Mohan Vaddadi and Merugu Pratima (2016) revealed that majority of the respondents do online trading on a daily basis and capital appreciation is the primary objective driving online investors, followed by earning regular income, investment diversification, tax savings and stock safety. Results also revealed that majority of online investors prefer to invest around one to two lakhs and business news channels like CNBC, NDTV and stock trading tools provided by online stock broking sites are the preferred information source assisting the online investors' in their investment decisions and age of the respondent influences the online trading frequency of the respondents.

Prabakaran (2017) found that all investors considered other relevant information in relating to share market before entering into the online share trading and the higher income people make the investment in shares via online trading, because that they knew the all kinds of information as well as facing their risk.

## **METHODOLOGY:**

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

1. To find out the satisfaction of investors on online share trading and satisfaction of investors on online share trading regarding brokerage houses.
2. To figure out the major technical problems faced by the investors while trading shares through online.

### **PERIOD AND AREA OF THE STUDY:**

The study includes both primary and secondary data. The required primary and secondary data collected from the investors residing at Coimbatore District from July 2017 to February 2018. The area of the study is confined to Coimbatore District only.

### **SAMPLING DESIGN:**

This study is an empirical research based on survey method. The present study is confined to Coimbatore District of Tamil Nadu. Coimbatore District, being one of the largest industrial districts and the second largest district in terms of area and population in Tamil Nadu state, has been purposively chosen for the study. Non-probability Purposive sampling method based on convenience sampling has been employed in this study to select the area from where the samples to be drawn and to select the required online share trading investors from Ten Taluks.

### **COLLECTION OF DATA :**

For the purpose of the research study, both primary and secondary data have been used. Required primary data have been collected from the investors with the pre-tested, well structured and non-disguised Questionnaire. Required secondary data used for analysis have been collected from the websites relating to the theoretical portions have been collected from various books, journals, magazines, working papers, newspapers and websites.

## TOOLS USED FOR DATA ANALYSIS:

The statistical tools used for analysing the data are Mean, Sum, Garrett Ranking Analysis and Percentage Analysis.

## FINDINGS AND DISCUSSION:

### Satisfaction of Investors towards Online Share Trading Based on Brokerage Houses:

The following table discloses the results of overall satisfaction of investors on online share trading based on brokerage houses using simple percentage analysis.

**Table 1: Satisfaction of Investors on Online Share Trading based on Brokerage Houses**

Brokerage House	Satisfied	Not Satisfied	Total
Coimbatore Capital Limited	44 (7.6%)	5 (12.5%)	49 (7.9%)
Karvy Stock Broking Limited	49 (8.4%)	0 (0.0%)	49 (7.9%)
ISE Securities Limited	16 (2.8%)	6 (15.0%)	22 (3.5%)
Religare Securities Limited	35 (6.0%)	3 (7.5%)	38 (6.1%)
Sharekhan Limited	49 (8.4%)	0 (0.0%)	49 (7.9%)
Zerodha	43 (7.4%)	3 (7.5%)	46 (7.4%)
Axis Bank Securities Limited	39 (6.7%)	4 (10.0%)	43 (6.9%)
Aditya Birla Money Ltd	27 (4.7%)	1 (2.5%)	28 (4.5%)
Motilal Oswal Securities Limited	45 (7.8%)	2 (5.0%)	47 (7.6%)
Kotak Securities Limited	35 (6.0%)	1 (2.5%)	36 (5.8%)
Angel Broking Private Limited	34 (5.9%)	3 (7.5%)	37 (6.0%)
Bonanza Portfolio Limited	31 (5.3%)	2 (5.0%)	33 (5.3%)
Reliance Capital Limited	43 (7.4%)	5 (12.5%)	48 (7.7%)
India Info Line Finance Limited	44 (7.6%)	3 (7.5%)	47 (7.6%)
Trade Plus	17 (2.9%)	0 (0.0%)	17 (2.7%)
IFCI financial services limited	29 (5.0%)	2 (5.0%)	31 (5.0%)
<b>Total</b>	<b>580 (100.0%)</b>	<b>40 (100.0%)</b>	<b>620 (100.0%)</b>

Table 1 discloses that among satisfied investors majority of them are from Sharekhan Limited (8.4 per cent) and Karvy Stock Broking Limited (8.4 per cent) followed by Motilal Oswal Securities Limited (7.8 per cent), Coimbatore Capital Limited (7.6 per cent) and India Info Line Finance Limited (7.6 per cent) and among the investors not satisfied majority of them are from ISE Securities Limited (15.0 per cent) followed by Coimbatore Capital Limited (12.5 per cent) and Axis Bank Securities Limited (10.0 per cent).

### Technical Problems Faced by the Investors while Trading Shares Through Online – Garrett Ranking Analysis:

An attempt here is made to analyse the technical problems faced by the investors doing online share trading at NSE. Technical problems such as Misuse of password (F1), Internet frauds (F2), Network congestion (F3), Network problem (F4), E-mail association (F5), Lack of analytical skills (F6), System failure (F7), Failure of the software (F8), Mistakes & errors (F9), Hacking (F10), Lack of knowledge in technical analysis (F11), Forgetting passwords (F12), Computer illiteracy (F13), Operational difficulties (F14) and Electricity failure (F15) are found common while adopting the online share trading and these are analysed with the help of Garrett Ranking Analysis. By referring the Garrett's Table, the per cent position estimated is converted into scores. Accordingly, score value as per Garrett Ranking Analysis for first rank to fifteenth rank is as 85, 75, 70, 64, 60, 57, 53, 50, 47, 43, 40, 36, 31, 25 and 15 respectively. Then for each factor, the scores of each investor are added and then mean value is calculated. The factor which has the highest mean value is considered to be the first. Table 2 depicts the technical problems faced by the investors while trading shares through online.

### Garrett Ranking Technique:

As per this method, respondents have been asked to assign the rank for all the factors and outcome of such ranking have been converted into score value with the help of the following formula:

$$\text{Per cent position} = \frac{100(R_{ij} - 0.5)}{N_j}$$

Where  $R_{ij}$  = Rank given for the  $i^{th}$  factor by the  $j^{th}$  respondents.  $N_j$  = Number of factors ranked by  $j^{th}$  respondents

**Table 2: Technical Problems Faced by the Investors while Trading Shares through Online – Garrett Ranking Analysis**

Factors/ GV- x	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12	R13	R14	R15	Total Score	Mean Score	Rank	
F1	fx	1530	2175	2450	1920	1860	2280	2014	2050	2115	2451	2400	1440	1612	1225	825	28347	45.72	15
	f	18	29	35	30	31	40	38	41	45	57	60	40	52	49	55	620		
F2	fx	5865	2475	3640	3584	2400	1881	2067	2500	1833	1677	1760	1116	1209	775	375	33157	53.48	4
	f	69	33	52	56	40	33	39	50	39	39	44	31	39	31	25	620		
F3	fx	5355	3075	2520	2816	3420	2622	1961	1500	1786	1720	1560	1260	1302	950	510	32357	52.19	5
	f	63	41	36	44	57	46	37	30	38	40	39	35	42	38	34	620		
F4	fx	3655	3075	2590	2112	2880	1710	2491	2650	1457	1978	1560	2268	806	1050	615	30897	49.83	7
	f	43	41	37	33	48	30	47	53	31	46	39	63	26	42	41	620		
F5	fx	4760	4275	4270	1664	3060	2508	2067	1850	2068	1892	1680	972	1023	775	420	33284	53.68	2
	f	56	57	61	26	51	44	39	37	44	44	42	27	33	31	28	620		
F6	fx	2890	4275	4130	4288	2220	2508	2703	2450	1974	1548	1680	972	558	425	600	33221	53.58	3
	f	34	57	59	67	37	44	51	49	42	36	42	27	18	17	40	620		
F7	fx	2720	1800	3080	3200	1560	2622	2597	2350	2115	1806	2600	1332	1395	900	480	30557	49.29	8
	f	32	24	44	50	26	46	49	47	45	42	65	37	45	36	32	620		
F8	fx	1530	2850	2660	2624	2700	2280	2173	2150	2397	1892	1840	1800	1178	1025	690	29789	48.05	11
	f	18	38	38	41	45	40	41	43	51	44	46	50	38	41	46	620		
F9	fx	1785	3600	2170	3264	1920	2622	2332	1850	1927	1763	1680	1800	1674	1125	555	30067	48.50	10
	f	21	48	31	51	32	46	44	37	41	41	42	50	54	45	37	620		
F10	fx	3145	3525	3290	1984	2280	1881	1537	1950	1739	1720	1800	1512	1829	1375	615	30182	48.68	9
	f	37	47	47	31	38	33	29	39	37	40	45	42	59	55	41	620		
F11	fx	2975	2700	2030	2560	1980	2850	2173	1650	1786	2236	1360	1620	1643	1325	720	29608	47.75	13
	f	35	36	29	40	33	50	41	33	38	52	34	45	53	53	48	620		
F12	fx	2550	2850	2240	2816	2220	1824	2597	2150	2256	1204	1160	1836	1519	1825	555	29602	47.75	12
	f	30	38	32	44	37	32	49	43	48	28	29	51	49	73	37	620		
F13	fx	1445	2100	2380	2496	2280	2394	2385	2700	2068	1591	1480	2160	1426	1225	750	28880	46.58	14
	f	17	28	34	39	38	42	45	54	44	37	37	60	46	49	50	620		
F14	fx	8840	5700	3360	1664	3360	2223	1855	1400	1551	1376	760	648	651	500	975	34863	56.23	1
	f	104	76	48	26	56	39	35	28	33	32	19	18	21	20	65	620		
F15	fx	3910	2475	3150	2752	2820	3021	2120	1750	1974	1849	1560	1440	1209	950	555	31535	50.86	6
	f	46	33	45	43	47	53	40	35	42	43	39	40	39	38	37	620		

Table 2 describes that Operational difficulties has been identified as the most important technical problem faced by the investors in online share trading with the highest mean score of 56.23 as they have experienced with this problem often. E-mail association and Lack of analytical skills are identified as the second and third major problems of investors with the mean scores of 53.68 and 53.58 respectively. The problems such as Internet frauds, Network congestion, Electricity failure, Network problem and System failure are ranked fourth, fifth, sixth, seventh and eighth problems respectively. Misuse of password and Computer illiteracy are considered as the least technical problems faced by the investors.

**SUGGESTIONS OF THE STUDY:**

It is found that majority of the investors are highly satisfied with the services of Sharekhan Ltd., Karvy Stock Broking Ltd., Coimbatore Capital Ltd and Motilal Oswal Securities Limited in the study area. It is suggested that all other brokerage houses in the study region should design and improve their services in terms of procedures, charges, facilities and benefits, in such a way to supersede the above mentioned leading stock brokers sooner or later.

It is found that Operational difficulties, E-mail association and Lack of analytical skills are the most important technical problems faced by the investors in online share trading. It is suggested that organising awareness campaign and workshops to impart the operational methods in online trading and equipping the investors in stock market analytical skills by accessing various tools relating to technical analysis and ensuring the instant e-

mail messages for each and every stage of transaction and other aspects would obviously remove the major technical difficulties and improve the online trading system and satisfaction level of investors.

### CONCLUSION:

Based on the findings of the study, quite a few practical and productive suggestions have been offered. If these suggestions are appropriately taken into consideration by concerned authorities and investors, satisfaction on online share trading system in the study area would be undoubtedly improved and stock market growth and our country's economic development would ultimately also be achieved.

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