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CONTENTS

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT   67

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INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT　　68
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INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT   70

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INVESTORS PERCEPTION ABOUT INTERNET STOCK TRADING - A CONSTRAINT ANALYSIS

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ABSTRACT

In the Indian context, internet trading can be rightly called as a recent phenomenon, which took root with the change of century i.e., April 2000, and even till day internet trading is not much popular among investors for which a list of factors can be blamed. This fact is clear from the information available that where numbers of stock exchanges in India have grown from 7 exchanges in 1946 to total 23 stock exchanges till 2005 of which only two stock are providing online stock trading. There is no denying the fact that internet trading offered investors convenience of trading along with reduced cost. But simultaneously we have solid evidence of the fact that Indian investors are more conservative, they do not adopt any change easily and they have not yet fully realized the importance of using technology for stock trading. Internet trading has gained momentum, from just 0.5% of total traded volumes 5 years back, which now account for 5% of the total trading volume of approximately Rs.14,000 cr on NSE. Over the past two years, the value of all trades executed through internet on NSE has grown from less than Rs.100 cr in June 2003 to over Rs.700 cr in June 2005. Internet trading is gaining momentum as a result of trading volume growing by 150% per annum. Now NSE has 108 registered brokers, 1.054 million internet trading subscribers with 5 major companies' control 90% of the market share in internet trading. Based on this background, this paper made an empirical attempt to study the investor's perception about constraints involved on internet stock trading in Vellore District, Tamil Nadu, and India.

KEY WORDS:
Internet Stock Trading

INTRODUCTION

The internet has opened up a world of possibilities from shopping to education to financial success delivered through a wire straight to our desktops and laptops. The internet revolution has empowered the small investor to educate themselves and to make financial gains in the arena of day trading and the internet stock exchange. Internet trading refers to trading through internet. Now the time has gone where a person used to bind himself in a limited sphere. Internet trading assists investors in exchange of stock anywhere, offering platform with immense flexibility. Internet trading provides opportunity to investors to buy sitting in front of a Personal Computer (PC), offering bids to trade in stock and even entering stop limit order. National Stock Exchange (NSE) adopted National Exchange for Automated Trading (NEAT) system which is an online, order driven, screen based trading system through which a member can execute his transaction using computer mentioning quantities of securities and prices at which he will like to transact. Order of the investor is automatically executed when the system finds matching order from the counter party. The investor simply has to enter his request (securities, quantity, price and buy/sell) in broker's site, which is checked electronically to appropriate exchange for execution by the broker. At the same time customer's accounts are updated to reflect the transaction.

REVIEW OF EARLIER STUDIES

Nidhi Walia (2007) studied that Indian investors have not yet fully realized the importance of using technology for stock trading. National Stock Exchange (NSE) makes extensive use of state of the art technology for providing online trading services to its investors, for that purpose they are making effective use of satellite networks through total 2829 VSATs across 345 cities across the nation. **Subha** (2006) expressed that only a small percentage of investors invest in equities, viewing it as an investment option. Why do individual investors stay away from investing in equity shares? The main reason could be the lack of confidence in the performance of the equity shares. Investors still perceive equity as a risky investment option. There is still lack of clarity about the functioning of the capital markets and the role played by intermediaries. Some of the investors have had bitter experiences due to scams and faulty behaviour of intermediaries. **Barua** (1992) studied that speculation had dominated the share market in the given period. The existing literature shows mixed and contradictory results in relation to the Internet stock trading. Within this framework, the present study aims to analyze the constraint involved in internet stock trading in Vellore District, Tamil Nadu.

STATEMENT OF PROBLEMS

The traditional hassle of finding a broker and reaching them directly via phone or even e-mail is rapidly becoming obsolete. Online trading has advanced the average stock broker into a whole new realm. For some it's a marvelous pandemonium that has freed them from obsolete tradition. For others, online stock trading is a scary sea of the unknown and an abyss of pitfalls
Fortunately, with a little education and a little research the average stock trader can decide whether online stocks are the right tools for success or if they are more comfortable sticking with traditional venues. Exploring that education is vital even if you are already involved in online stock trading. There is always room for improvement and always more profitable ventures. Based on the above problems this paper made an attempt to study the investor's perception and constraints involved on internet stock trading in Vellore District, Tamil Nadu, and India.

OBJECTIVES OF THE STUDY

INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT   71

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1. To study the demographic profile of the respondents
2. To identify the investors perception and constraint in internet stock trading in Vellore District, Tamil Nadu, India.
3. To find out the investors satisfaction towards internet stock trading.

HYPOTHESIS

Ho: There is no significant relationship between occupation and satisfaction of the respondents towards internet stock trading.
H1: There is significant relationship between occupation and satisfaction of the respondents towards internet stock trading.

SAMPLING

One of the major important aspects of a study is the selection of sample. The Multi-stage random sampling technique is used to select the sample. The total sample size is 100 taken from investors doing internet trading in Vellore District, Tamil Nadu and India.

TOOLS USED FOR THE STUDY

Both primary and secondary data were used to collect the questionnaire. There were 16 items in the questionnaire. Out of these 16 items, 1 to 8 are perception statements and items 9 to 16 are constraint statements. For each statement, five alternate answers were given on the right side with Likert's five point scale. These were highly satisfied, satisfied, both neither satisfied nor dissatisfied, dissatisfied and highly dissatisfied. To test the reliability of the scale, alpha reliability technique was used, where correlation between the scores of statements for the respondents was computed. The value of correlation co-efficient was 0.98, which is significant, implying that the scale used in the study was reliable.

STATISTICAL TECHNIQUES

Statistical techniques like percentage analysis, Pearson's rank correlation, and one way ANOVA were used to test the formulated hypothesis.

ANALYSIS AND INTERPRETATION - I

DEMOGRAPHIC PROFILE - OCCUPATION

The data pertaining to occupation of the respondents are presented in Table 1.

Table 1. Occupation

Occupation	Frequency	Percentage
Students	53	53
Business	27	27
Professional	4	4
Self employment	6	6
Government employee	5	5
Private employee	5	5
Total	100	100

Source: Primary data

From Table 1 it is found that 53% of the respondents are students While 27% of the respondents are Business. 4% of the respondents are engaged in professional, 6% of the respondents are engaged in self employment, 5% of the respondents are engaged in Government service where as 5% of the respondents work as private employee. The same results are also exhibited in Graph 1.

Graph 1. Occupation

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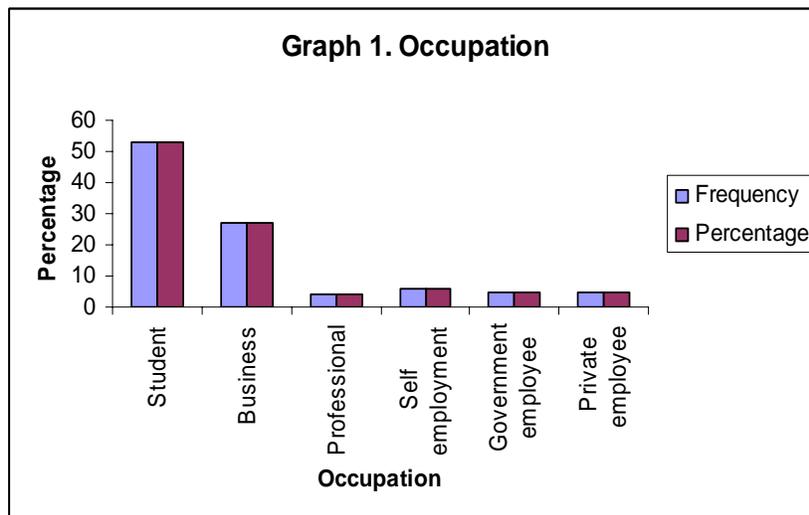
SATISFACTION

The data pertaining to satisfaction of the respondents towards internet stock trading are presented in Table 2.

Table 2. Satisfaction

Satisfaction	Frequency	Percentage
Highly satisfied	11	11
Satisfied	52	52
Neither satisfied nor dissatisfied	27	27
Dissatisfied	5	5
Highly dissatisfied	5	5
Total	**100**	**100**

Source: Primary data

From Table 2 it is found that 11% of the respondents are highly satisfied while 52% of the respondents are satisfied. 27% of the respondents are neither satisfied nor dissatisfied, 5% of the respondents are dissatisfied, and where as 5% of the respondents are highly dissatisfied. The same results are also exhibited in Graph 2.
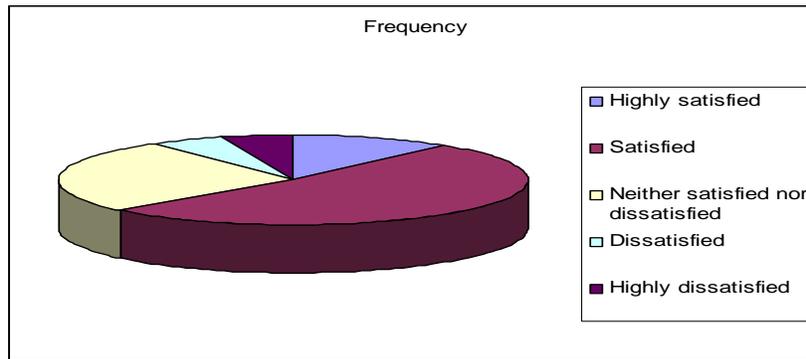
ANALYSIS AND INTERPRETATION - II

INVESTORS PERCEPTION

Table 3 Investors perception about internet trading in Vellore District

S.No	Variables	SA	A	NANDA	DA	SD	Mean	Rank
1	Internet trading attracts more investors	150	148	36	26	8	3.68	1
2	Internet trading in Indian share market as become efficient	100	100	84	36	9	3.29	4
3	Upward trade in stock market is correlated with internet trading	75	104	99	36	8	3.22	6
4	Internet trading is reducing the work load of broker	50	128	87	38	10	3.13	7
5	More transparent	75	124	78	38	9	3.24	5
6	Internet trading as more future scope	85	124	90	32	6	3.37	2
7	Chances for low fraud	70	96	78	50	11	3.05	8
8	Helps more return on investment	110	120	72	14	17	3.33	3

Source: Primary data

INFERENCE

Table 3 inferences that internet trading attracts more investors ranked 1 with mean score 3.68. Internet trading as more future scope for all investors who invest his money in share market ranked 2 with mean score 3.37. The third investors perception about internet trading is helping more return on investment ranked 3 with mean score 3.33.

CONSTRAINT ANALYSIS

Table 4 Constraint in internet stock trading in Vellore District

S.No	Variables	SA	A	NANDA	DA	SD	Mean	Rank
9	Lack of Technology	120	124	75	22	9	3.50	1
10	Risk of system failure	60	108	111	36	6	3.27	4
11	Lack of Management	45	152	99	28	6	3.30	3

12	High transaction cost	35	104	111	28	7	3.25	5
13	Lack of knowledge	60	120	75	44	11	3.10	8
14	Possibilities of fraud	115	104	63	48	6	3.36	2
15	Poor communication	65	92	123	36	5	3.20	6
16	Lack of transference	55	112	96	40	9	3.12	7

Source: Primary data

INFERENCE

Table 2 inferences that lack of technology ranked 1 with mean score is 3.50. The second constraint in internet trading is a possibility of fraud ranked 2 with mean score is 3.36. Lack of management is the third constraint in internet trading ranked 3 with mean score of 3.30. The fourth constraint in internet trading is risk of system failure ranked 4 with mean score of 3.27.

ANALYSIS AND INTERPRETATION – III
INVESTOS SATISFACTION TOWARDS INTERNET STOCK TRADING
TESTING OF HYPOTHESIS

Table 5. Descriptive

	N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
Students	53	4.21	.409	.056	4.09	4.32	4	5
Business	27	3.37	.492	.095	3.18	3.57	3	4
Professional	4	3.00	.000	.000	3.00	3.00	3	3
Self-employed	6	3.00	.000	.000	3.00	3.00	3	3
Govt. employee	5	2.00	.000	.000	2.00	2.00	2	2
Private employee	5	1.00	.000	.000	1.00	1.00	1	1
Total	100	3.59	.933	.093	3.40	3.78	1	5

Source: Output of SPSS

Table 6. ANOVA

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	71.177	5	14.235	89.129	.000
Within Groups	15.013	94	.160		
Total	86.190	99			

Source: Primary data

INFERENCE

At the 0.05 significance level with 5 degrees of freedom, the hypothetical value F (0.95) = 0.05. Then, since 0.000 < 0.05, we rejected the null hypothesis that there is significant relationship between occupation and satisfaction of the respondents towards internet stock trading.

FINDINGS

1. Majority of the respondents (124 points) agree to this fact that internet stock trading process is more transparent.
2. Majority (150 points) of the respondents strongly agree that internet stock trading attract more investors in India.
3. Majority (124 points) of the respondents admitted that lack of technology affect their investment in equity capital.
4. Majority of the investors agree to this fact that internet trading has reduced the chances of low fraud.
5. Most of the investors who deal in stock trading are students, middle age, educated and have sufficient knowledge on computer.

CONCLSION

Nevertheless, internet stock trading has offered investors a platform with transparency in system. Although internet trading at NSE is considered to be at its infancy stage but success trend of internet trading predicts bright future where investors will get opportunity to buy new integrated financial products. Internet trading empowers educated investors to make their own decision with a close watch on market sensitivity by browsing through various sites. Besides, internet trading assures achievement of twin objectives of securities regulation, which are creation of efficient market to meet global requirements and investor's protection. Major impediments to growth of internet stock trading are computer illiteracy, poor infrastructure, risk adverse attitude of investors etc, so with the growth of educational investors and support from SEBI, internet trading is sure to grow at faster pace.

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INTERNATIONAL JOURNAL OF RESEARCH IN COMMERCE & MANAGEMENT   74

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