

Investor Education towards Online Trading Procedure on a Stock Exchange in India

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ARTICLE DETAILS

Article History

Published Online: 10 June 2019

Keywords

Stock exchange, Stock Broker, depository participant.

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ABSTRACT

This study focuses on the online trading procedure in the Indian stock market. It can help to the new and existing Investors like they are students, professionals, business man, companies, partnership firm and a house wife. They can start easily investing their money in stock market.

1. Introduction

The secondary market layer of the capital market is meant that, it has a tendency to decision about the securities market or the stock exchange. The stock market may be a virtual market where buyers and sellers interchange existing securities. It is a market accommodated by associate institute or any such government body their products are stocks, futures, options, currencies, and bonds in the Indian Stock exchange taken place. If the public companies or government companies are want to enter into the stock exchange, they must be listed there companies in the stock exchange, as per procedure given by Securities and Exchange Board of India (SEBI).

A stock market may be a forum for buyers and sellers. These can be brokers, agents, individuals. The price of the artifact is set by the principles of demand and supply provide. There are a total of twenty-one stock exchanges in India. Most of the trading happened within the Indian securities market takes place on its two stock exchanges: the Bombay stock market (BSE) and also the National Stock Exchange (NSE).

The BSE has been established in 1875 and NSE was founded in 1992 and started trading in 1994. However, every exchange follows most probably same trading mechanism, trading hours, settlement process, etc. Stock exchange operates from Monday to Friday between 9:15am and 3:30pm. In India, the foremost outstanding stock market is that the Bombay stock market and national Stock exchange.

2. Objective of the study

- To learn the online trading procedure on stock exchange in India

3. Methodology of the study

In this study secondary data is used and the information is collected on websites.

4. Online Trading Procedure on Stock Exchange in India: Theoretical Perspective

4.1 Selecting of a Stock Broker/Sub-brokers

The first step is to pick out a right broker, who will deal with buy/sell of stocks, derivatives, bonds, and IPOs on behalf of the investor. As per the SEBI norms trading of securities can only be done through registered brokers/sub-brokers. Brokers/sub-brokers may be individuals, corporate bodies, financial intuitions and partnership firms. If an investor know the details of the BSE Brokers can be took from the Member's List published by BSE and it can be view from the BSE website.

The investor will choose his stock- brokers from his comfort as well as keep in mind certain think such as service provide and charges etc.,. The stock brokers are two types

Full- Service Brokers - can be very costly; however, they provide customized service and products including advice for retirement planning, investing for tax, consistent updates of portfolio, and when to buy and when to sell investment products to his clients. Some Leading brokers in market are ICICI Securities, HDFC Securities, Share Khan, Axis Securities, Angel Broking.

Discount Brokers - usually their brokerage/commission charges, Demat account opening charges, and yearly maintenance charges much less when compare to Full-Service Brokers. In this types of brokers are **allow** clients to buy/sell of products on their own or no interface with a live broker and no suggestion related to investment advice. But, they help investment decisions through free research articles and enlightening tools to their make better to clients. Some Leading brokers in market are Zerodha, Upstox, Samco, 5Paisa, Fyers.

4.2. Opening Demat Account with depository participant

The investors should follow the steps is given below, to open a demat account.

- Step 1:** To open a demat account; investors have to approach a depository participant (DP), broker of depository, and get the application form for Demat account opening and fill up necessary details. The list of Brokers (DPs) is accessible in the webpage of

depositories: Central Depository Services India Ltd (CDSL) and National Securities Depository Ltd (NSDL).

- **Step 2:** During account opening form, the person must attach the photocopies, documents for proof of address, proof of identity and pan card is must.
- **Step 3:** the person will must to sign an agreement with broker (DP) in the depository prescribed format, which provides information about rights and duties of investor and DP. For his future reference the depository participant issue a copy of the agreement and schedule of charges.
- **Step 4:** The depository participant will then open anDemat account for you and receive unique demat account number i.e., Beneficial Owner Identification Number (BO ID). All your buying of securities will be debited to this account. If you selling your securities, it will be credited your demat account.

You can open multiple demat accounts as it your wish. You can select your depository participant as per your accessibility and there is no duress to open depository participant account with your same stock broker.

4.3. Placing the Order

The third step is an investor to make place the order with two ways: broker or himself (investor) to buy or sell his shares. Now a days broker have own website and android app, an investor using the website and android app to make trading his own. On another hand, the investor has option to trade through broker either directly visit the office or through mobile phone, telephone etc. The investor give instructions should specify the stocks/securities i.e., number of shares and price range to be buying or selling are executed. Only the securities of listed companies can be traded on the stock exchange.

The investor should be aware technical before placing order in stocks. They are .

- **Market order** is refers an order to buying or selling a stock at present market price and it will be executed immediately.
- **Limit order** is refers an order that places a perimeter on the price i.e., at what price to buying or selling a stock. Thus, an order price is executed hen its reach the perimeter otherwise it will be cancel automatically.
- **Stop Loss order** is refers help the investor to avoid his/her loss on a position hold in a stock price.
- **Good For Day (GFD)** refers the lifetime of the order (stock/price) is that trading session
- **Good Till Date (GTD)** refers the life of the order is till the number of days as specified by the order Withholding period
- **Good Till Cancelled (GTC)** refers the order (stock/price) if not executed will keep on the system till it is cancelled or the series expires time, whichever is earlier.

4.4. Executing the Order

The fourth step is executing the order as per instructions of the investor; the broker should be buys or sells stocks/securities. The broker executed the order successfully, then after broker issues a contract note to client. In that contract note contains the name of the company, number of shares and the price of shares, names of the parties, brokerage charges, etc. the system will generate automatically after executed order successfully.

4.5. Settlement

In the final stage settlement is made on the basis of buying and selling of stocks through the brokers on behalf of their client. The depends upon the contract nature the mode of settlement is made.

Table : 1 Settlement Cycle

	Activity	Day
Trading	Rolling settlement	T
Clearing	Custodial confirmation and delivery generation	T+1 working days
Settlement	Securities and funds pay-in and pay-out	T+2 working days
Post settlement	Auction	T+3 working days
	Bad delivery reporting	T+4 working days
	Auction settlement	T+5 working days
	Rectified bad delivery pay-in and pay-out	T+6 working days
	Re-bad delivery reporting and pickup	T+8 working days
	Close out of re-bad delivery and funds pay-in & pay-out	T+9 working days

There are two types of settlement.

(a) On the spot settlement:

It is refers, the settlement is done immediately and on spot settlement follows. T + 2 rolling settlement. This means any trade taking place on Tuesday gets settled by Thursday.

(b) Forward settlement:

It is refers, the settlement will take place on some future date. It can be T + 5 or T + 7, etc. Each every stock exchange has its own clearing house, which assumes all settlement will

be process through Central Depository Services India Ltd (CDSL) and National Securities Depository Ltd (NSDL).

5. Conclusion

From this study, the investor can under standard about online trading procedure of Stock Exchange. If investor ready to investment his money in share market before that they must analysis market portfolio or they have lack of knowledge in that. Then the investor must decision with financial planner or get advice from stock broker. Otherwise, the investor cannot even do that, at that point stock investing is not for you. Better they can keep their money in safe.

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