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"RECENNT PROSPERITY OF E-COMMERCE IN INDIA" (IT'S IMPACT ON ECONOMICAL DEVELOPMENT)

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Abstract:

Electronic trading is buying and selling securities through Internet or other electronic means such as touch-tone telephones, wireless access and other new technologies. Transaction shave traditionally been handled manually, between brokers or counterparties. However, starting in the 1970s, a greater portion of transactions have migrated to electronic trading platforms. The first electronic trading platforms were typically associated with stock exchanges and allowed brokers to place orders remotely using private dedicated networks and dumb terminals. Early systems would not always provide live streaming prices and instead allowed brokers or clients to place an order which would be confirmed some time later; these were known as 'request for quote' based systems.

Keywords:- Online trade, Internet, stock exchange, broker

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Introduction:

Online trading is fast and inexpensive. You can place trades from the convenience of your home without ever having to speak to a live agent. However, the speed and efficiency of online trading platforms depend entirely on the supporting technology infrastructure, which could malfunction at critical moments. Other potential areas of concern include customer service and feedback for investment decisions.

For many years stock exchanges were physical locations where buyers and sellers met and negotiated. Exchange trading would typically happen on the floor of an exchange, where traders in brightly colored jackets (to identify which firm they worked for) would shout and gesticulate at one another – a process known as open outcry or pit trading (the exchange floors were often pit-shaped – circular, sloping downwards to the centre, so that the traders could see one another). With the improvement in communications technology in the late 20th century, the need for a physical location became less important and traders started to transact from remote locations in what became known as electronic trading. Electronic trading made transactions easier to complete, monitor, clear, and settle and this helped spur on its development.

Electronic trading, sometimes called E-trading, is a method of trading securities (such as stocks, and bonds), foreign exchange or financial derivatives electronically. Information technology is used to bring together buyers and sellers through an electronic trading platform and network to create virtual market places. They can include various exchange-based systems, such as NASDAQ, NYSE,Arca and Globex, as well as other types of trading platforms, such as electronic communication networks (ECNs), alternative trading systems, crossing networks and "dark pools." Electronic trading is rapidly replacing human trading in global securities markets.By 2011 investment firms on both the buy side and sell side were increasing their spending on technology for electronic trading. With the result that many floor traders and brokers were removed from the trading process. Traders also increasingly started to rely on algorithms to analyze market conditions and then execute their orders automatically. The move to electronic trading compared to floor trading continued to increase with many of the major exchanges around the world moving from floor trading to completely electronic trading. Trading in the financial markets can broadly be split into two groups:

- Business-to-business (B2B) trading, often conducted on exchanges, where large investment banks and brokers trade directly with one another, transacting large amounts of securities, and
- Business-to-consumer (B2C) trading, where retail (e.g. individuals buying and selling relatively small amounts of stocks and shares) and institutional clients (e.g. hedge funds, fund managers or insurance companies, trading far larger amounts of securities) buy and sell from brokers or "dealers", who act as middle-men between the clients and the B2B markets.

Objectives of Study:

1. To study and understand the concept of E-Trading.
2. The objectives of the study is to highlight the merits and demerits of E-Trading.

Research Methodology:

This Study is based on secondary data. The required data have been collected fromjournals, articles, newspapers, internets etc.

Advantages of E-Trading:

1) Reduced cost of transactions – By automating as much of the process as possible (often referred to as "straight-through processing" or STP), costs are brought down. The goal is to reduce the incremental cost of trades as close to zero as possible, so that increased trading volumes don't lead to significantly increased costs. This has translated to lower costs for investors.

2) Increased transparency – Electronic trading has meant that the markets are less opaque. It's easier to find out the price of securities when that information is flowing around the world electronically.

3) Greater competition – While electronic trading hasn't necessarily lowered the cost of entry to the financial services industry, it has removed barriers within the industry and had a globalization-style competition effect. For example, a trader can trade futures on Eurex, Globex or LIFFE at the click of a button – he or she doesn't need to go through a broker or pass orders to a trader on the exchange floor.

4) Greater liquidity – electronic systems make it easier to allow different companies to trade with one another, no matter where they are located. This leads to greater liquidity (i.e. there are more buyers and sellers) which increases the efficiency of the markets.

5) Tighter spreads – The "spread" on an instrument is the difference between the best buying and selling prices being quoted; it represents the profit being made by the market makers. The increased liquidity, competition and transparency means that spread have tightened, especially for commoditised, exchange-traded instruments.

6) You have the ability to manage your own stock portfolios

7) You will have more control and flexibility over the types of transaction you choose to conduct

8) The commission costs for trading are significantly less money than using the services of a professional broker

9) You can get access to lower fee mutual fund investments

10) Online brokerage firms tend to offer their clients a slew of tools included real-time Level 2 stock quotes, news, financial tools and graphs to help you do research

11) Some online brokerages will provide their clients to free access to high quality research reports created by Standard and Poor and other predominate financial players

12) Online account investors have access to their accounts 24/7 – although market hours (trading hours) are from 9:30am to 4pm

13) As long as you have access to a computer and the internet, you can take steps to manage your finances wherever you may be

14) You can get real time stock trading without calling or visiting broker's office.

15) You will get real time market watch, historical datas.

16) Investment in IPOs, Mutual Funds , Stocks and Bonds.

17) Place offline orders for buying or selling stocks.

18) Customer service through Email or Chat.

<u>Disadvantages of E-Trading</u>:

1) First time investors may get sucked into all the technology and may temporarily forget that they are actually using real money

2) There is no mentoring relationship between a professional broker and an online trading account holder, leaving the investor out on his/her own to make choices

3) Novices not familiar with the ins and outs of the brokerage software can make costly mistakes

4) Website performance – sometime the website is too slow or not enough user friendly.

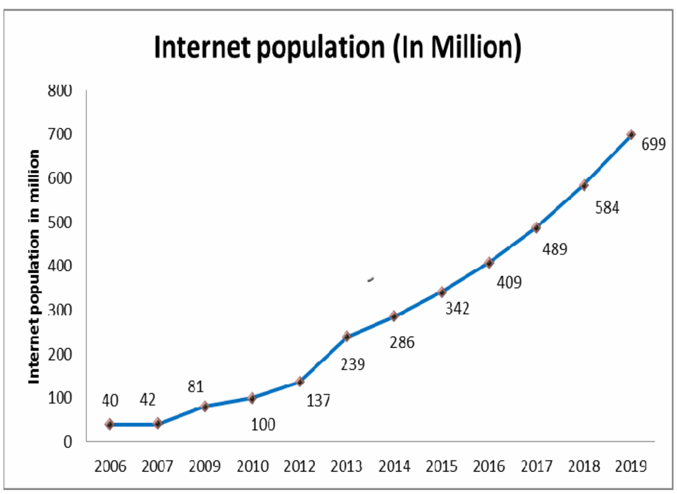
5) Little long learning curve especially for people who doesn't know much about computer and internet.

6) Brokerages are little high compared to stock brokers.

PROSPERITY OF E-COMMERCE IN INDIA

1)According to the survey by industry body Assocham (The Associated Chambers of Commerce and Industry of India), India's e-commerce market, which stood at $2.5 billion in 2009, reached $8.5 billion in 2012 and rose 88% to touch

2)$16 billion in 2013[6]. The survey also estimated that the country's e-commerce market will soon reach $56 billion by 2023 with the rise of online retail.



3)Fig 1: Internet Population of India [8]

4)India is gradually becoming the country with highest number of internet literate population in the world and the internet penetration is largely driven by mobile phones, with some of the cheapest and most basic hand-sets currently offering access to the internet. As per data released by Telecom Regulatory Authority of India (TRAI), India's total internet subscribers stood at 238.71 million as of December 31, 2013 [8]. Due to high internet penetration in India, the adaptability of online shopping and better shopping experiences offered by the e- commerce websites among Indians have increased rapidly. Figure 1 below represents the year-wise internet users in India, growing at a CAGR (Compound Annual Growth Rate) of 20% [8]. As a result the numbers of internet users is expected to reach the figure of 700 million by 2019.

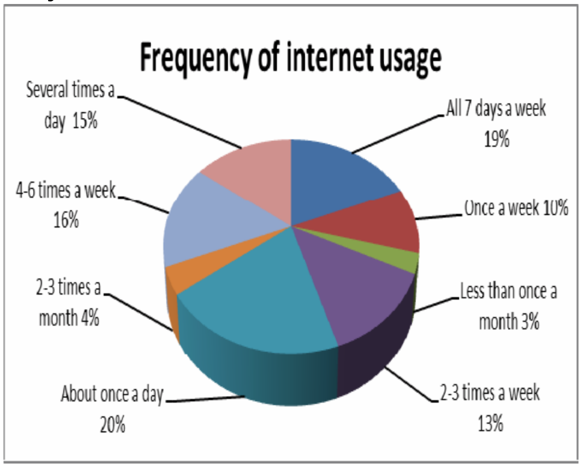


Fig 2: Frequency of Internet Usage in India The key drivers in Indian e-commerce growth are:

1.*Increased Usage of Internet* - According to the Internet and Mobile Association of India (IAMAI), the Internet user base in the country stood at 190 million at the end of June 2013. With more and more people accessing the web through mobile phones, the Internet user base in the country is projected to touch 243 million by June

2014, a year-on-year growth of 28 per cent. The growth of Internet users has also led to a substantial growth of other digital industries such as e-commerce and digital advertising.

2.*Rising Educational Level in Computer* **-** The Government of India has put new horizontal efforts in the education of tools and techniques of computer studies. The students of urban areas, rural areas and business persons are attracted towards the advance computer technologies.The development of educational standards has enabled a great demand in the market.

3.*Busy Lifestyle* **-** The powerful influence of various social media tools such as Pinterest or Facebook allows consumers to organize their favorite items and segment it into themed collections to share it with others. This fuels personal expression in shopping and makes others reflect on their purchase decision.

4.*Rising middle class with disposable income* **-** With the rise of small and medium enterprises, foreign direct investment, and India's own powerful multinational corporations creating millions of new jobs, a new generation of globally-minded Indian consumers has been created. With growing job opportunities the income sources have also increased. Because of high spending power, customers are willingly able to pay for the products online.

5.Awareness of Products **-** People are aware of the availability of various products in the markets through the help of television, newspaper, website etc. Hence the availability of a new product and its price and other features can be known easily.

6.*Easy to Find the Review of Products* **-** It is quite easy to find the review of products by the help of online shopping. E–commerce has made it simpler to get information regarding the product and the customers can purchase the products after getting reviews and feedback of the product.

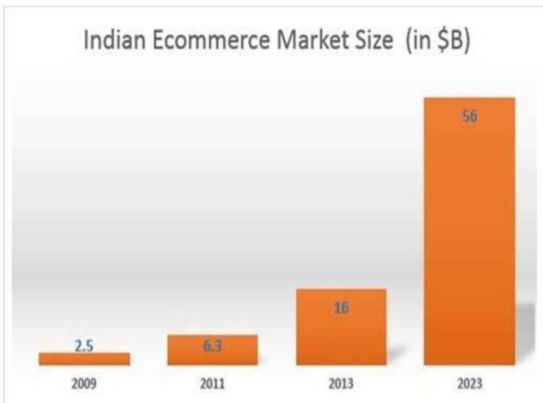


Fig 3: E-Commerce market growth in India [13]

Let us now study the key market and technology trends in e-commerce which indirectly will lead to the increasing growth of e-commerce in India:

1. Online retailers would have to leverage technology to the fullest, and by developing strategies through analytics produced using big data will help in making customers feel special and increase brand loyalty.
2. Cash on Delivery (CoD) accounts for up to 60 per cent of transactions, according to Internet and Mobile Association of India.
3. The increasing adoption and use of Smartphone's enable businesses to collect large amount of data on consumers for utilization to do target-based marketing and advertising.
4. Product and service feedback via social media channels have an impressionable effect on the minds of the larger customer base.
5. It is necessary to create high quality and SEO-friendly ecommerce site for building long

relationship with customers with exclusive content helps increase the profit volume ratio.

6. The service of providing 24 hours chat assistance to give instance response and guidance to customers has raised the quality of online shopping experience.

7. Mobile advertising route has the potential to increase online shoppers as they are more comfortable with using mobile devices for browsing and shopping, theyare now more open to getting messages from brands via their mobiles.

Conclusion:

If you are a long-term investor, you can take merits & Demerits of E-trading. At least now you have some insight into how electronic systems give direct access to the market. We hope this has enlightened your outlook and helped you achieve a greater understanding of how the execution of stock orders is done. For those who are looking to become a trader, this is the tip of the iceberg.

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