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Smart Investing : A Study on Retail Investor Preference with Regards to Mobile Trading Vs Online Trading

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ABSTRACT: The study aims at identifying the preference towards mode of trading in the secondary equity market. The mode of trading compared are online trading and mobile trading. The study is descriptive in nature and the two trading techniques are compared on the basis of different features identified and the preferential percentages are calculated through the descriptive statistics.
The analysis indicated that the investors find mobile trading convenient but a riskier mode of transacting as compared to online trading and therefore prefer online trading over mobile trading.
As the research topic is in very nascent stage therefore this study is an initial effort done to analyze the acceptability of mobile trading by the Indian retail investors.

Keywords: Mobitrade, Trading techniques, Mobile applications, Indian Financial Market, Digitization

In words of Ketan Shah, associate director, IT and business development, Angel Broking

"Although the traded turnover through the mobile platform is minuscule, around `25 crore on a daily basis, customers' interest is growing rapidly. Most of them are quite appreciative of this convenience."

INTRODUCTION:

The history of trading in the Indian stock market is dated back to the year 1855, when few interested traders came under one roof or literally saying one tree and started trading. Since then Indian stock market had witnessed numerous developments in terms of the investment instruments and the trading process.
Initially trading in the market was conducted through the open outcry system, where all the interested parties in trading assembled on the trading floor and decided on the value of the security. Later liberalization and introduction of computer technology to the economy brought a breakthrough in the mode of trading in the Indian stock market. On 14 March 1995 BSE introduced On-Line Trading (BOLT) system and brought a sea change in the mode of transacting in the securities market. The system greatly and positively affected the processing speed of the trading activity. Online trading system enhanced the depth and breadth of the Indian stock market. The Indian securities market is again on a threshold of adopting a new mode of trading i.e. Trading through Mobile.

The credit of making improvements in the trading technology goes to the process of Digitization. Digitization is unfolding a new face every day. Digitization had offered plethora of services in the past and even today the experts are on rigorous spree to offer new and improved technology to the end users. The range of services offered through digitization spans from credit cards, telephone networks, digital games, digital library, computers and also marked its presence in products like cars, mobiles, audio visual aids to name a few.

Through digitization the telephone networks are also experiencing a sea change. Major gift of digitization to the world was invention of mobile phones, Initially the mobile phones were utilized only for communicating (voice and message), but with the invention of Smartphones (the next gen of mobile phones) the utility of the mobile phones is expanding to the next level. Digitization has also gifted the society with the technology of mobile internet. Mobiles with the latest technology are expected to emerge as the primary source of internet accessibility. Because of the still not so developed wireless internet services, next gen mobiles are offering a

cheaper and convenient version of accessing the internet to the masses. Accessing internet on the go [6] is the talk of the town. The invention of smart phone and the technology of mobile internet jointly have opened up a new way through which the organizations can reach to the end users.

Talking of the mobile applications, there has been an era when online transactions were gaining momentum, but with the efforts of software engineers, mobile giants are on a rigorous spree of providing a platform making the routine as well as specialist services like banking and investment activities more convenient and comfortable to the end users, by bringing the services at the most convenient disposal level. Invention of smart phones and the mobile applications is changing the face of market operations. Society is continuously experiencing plethora of mobile applications covering a vast area of operation like banking, entertainment, awareness etc.

In today's competitive environment when every other organization is offering its mobile application, every organization is striving hard to find a space on the screen of the smart phones through their respective Mobile Application. The Mobile applications are bringing the organizations closer to their customers. The Applications as in App provides a compact view of the services to be frequently availed by the end user, enhancing the usability and convenience. Mobile application technology enabled organizations to gain greater reach and leverage new kinds of service delivery and interaction, culminating in significant productivity gains.

The current study was an effort to understand the effect of digitization, specifically the App network on the smart phone in terms of conducting investment activities.

Smart Phone Penetration in the Indian market

According to Smartphone Incidence Study 2013 published in TOI, there are 51 million Smartphone users in urban India, an 89% increase from the year 2012, experiencing a CAGR of 20% to reach 2.2 billion by 2015.

According to the report published by Internet and Mobile Association of India (IAMAI) India is currently the third fastest growing Smartphone market in the world. Presently, usability of the Smartphone is mainly restricted to listening of music, sharing photos and playing games, 50% of Smartphone users are not using cellular data. "The group is using the phone more as an accessory than a device to access the internet, use mobile applications, etc," and it is believed to be the biggest challenge for the network service providers to figure out how to get these consumers to use more mobile data on their smart phone.

The organizations have taken up the responsibility of making the Smartphone users aware about the versatility of their instrument. The organizations are now offering their services through mobile applications attracting the Smartphone users and increasing their penetration.

By sensing the presence of mobile applications in almost every service sector, the financial service sector also introduced the concept of Mobile Trading in the year 2010 naming it to be Mobitrade. Today all the major stock broking houses are offering their personal mobile applications offering a convenient mode of transactions to the retail investors.

Mobitrade in the Indian Financial Market

Mobile Trading is a new venture in the Indian financial market, where the share market investors are having a new channel to invest in the stock market. Seen above, the penetration of smart phones and the availability of high speed internet over mobile phones in the Indian market signalled the financial market to make use of the deeply penetrated and convenient channel of communication to enhance the vastness and reach of share trading in India.

With Asian markets rolled out high speed Internet services of which Indian market was also an active participant, experienced climbing online trading rates. But adoption by retail investors had been anything but uniform throughout the Asian region. Japan observed to have the highest online trading rates in the world. China

and India are just getting into the game [2]. Rapidly accelerating growth in these markets, however, indicates their potential in becoming the new leaders of Internet trading.

When the world is buzzing with the shining smart phones and their name to what not mobile applications, Indian financial market got the taste of trading on mobile in the year 2010, when the Bombay stock exchange launched its first mobile-based trading through its 33 leading brokers. The idea behind introduction of mobile trading was to make trading more user friendly and to provide an extension to internet trading or online trading. Through the mobile applications an investor could perform the entire online trading activities on the go like Place Orders, Modify, Cancel Orders, View Order Book, View Trade Book, View Position Book, View Limits, View Quotes and also View Market Picture (MBP).

The services offered by the broking houses through the mobile applications include quotes, trade, alerts, index watch, market watch etc. The National Stock Exchange (NSE) data shows that the total monthly traded turnover on the mobile platform has seen a 406% increase since the beginning of the financial year 2012. Introduced in September 2010, the NSE mobile trading platform had seen a rise in total monthly turnover from Rs715 crore in April 2011 to Rs3,622 crore in January 2012, all credit goes to the mobile trading platform introduced in the system.

As soon as the services were launched 33 brokerage houses have gone online offering the service to their client and currently at least 800 brokers are in line to provide this benefit. The brokerage houses had a choice of trading through proprietary software of BSE or those developed in-house by brokerage houses [3].

As far as the availability of the Mobitrade applications are concerned, the regulator had specified that brokers who provided an internet-based trading facility would be eligible to provide mobile trading facility as well.

Using the widely reached smart phone market and with the introduction of Mobitrade the institutions aimed to outreach the masses and to make the trading more visible, and with the aim of increasing the number of potential retail investors as still in the country the internet penetration is just 1 Crore with the phone penetration is 652 million (Data : TRAI). Mobile trading will provide hands on availability of the Live stock quotes and major fluctuations in the market, generating on time data to the end users. Timely availability of stock quotes is one of the major factors positively affecting the positive returns from the market.

India have 650 million wireless subscribers, 10 million demat accounts and 9.5 million broadband subscribers. Mobile trading anticipates that demat account holders will enhance to the extent of 100 million within a span of one year [3].

Such a growth expected market is desired to be studied, In order to understand a basic acceptability of the mobile trading by the retail investors in comparison to online trading, a comparative analysis was made in the current study regarding the preference exhibited by the retail investors toward online trading or mobile trading.

LITERATURE REVIEW:

Several studies are done in recent times to study the acceptance level and resistance encountered by online transacting in terms of general trade and financial services. Peter Tobbin, (2012), through group discussions and experience sharing identified economic benefits and trust to be the driving force behind accepting mobile banking services especially among the unbanked rural respondents. Richard Boateng, (2011), applied the transaction cost theory and developed a conceptual model analyzing the impact of mobile phones on pre-trade, during-trade and post-trade activities using the descriptive survey technique. Differential usage was identified on the basis of education level of traders, the educated trades used mobile phones for conducting their trading activities while the uneducated traders used the phone was simple calculations.

Hella Chemingui, Hajer Ben lallouna, (2013), study based on innovation acceptance and explored consumer confidence drew reference from Rogers theory of innovations' diffusion (2003), observed that compatibility, trialability and perceived enjoyment were motivational factors behind using mobile financial services among the Tunisian respondents and tradition act as a barrier force.

Tommi Laukkanen, (2007) advocated that efficiency, convenience and safety are salient in determining the differences in customer value perceptions between internet and mobile banking following Means-end approach and laddering interviewing technique. Tommi Laukkanen, Suvi Sinkkonen, Marke Kivijärvi, Pekka Laukkanen, (2007), specifically talked of resistance to innovation in terms of Usage, Value, Risk, Tradition and Image barriers and identified that the value barrier is the most intensive barrier to mobile banking. M. Gopi, T. Ramayah, (2007), advocated that subjective norm and perceived behavioural control had a direct positive relationship towards behavioural intention to use internet stock trading with specific reference to developing countries.

RESEARCH GAP:

Research Gap was identified on two fronts, with few works on comparing online trading and mobile trading and the studies related to Indian market, the current research was aimed to address the gap by comparing the online trading and mobile trading studied in the context of Indian market.

RESEARCH METHODOLOGY

The methodology followed was descriptive in nature. The study was initiated with the objective of identifying the priority set by the retail investor residing in the NCR region on the mode of trading. Questionnaire was framed which indicated the features of online trading and mobile trading and was targeted to the respondents actually using the two modes of trading. The features were identified by the literature review and self observation. 9 features were identified and the respondents were asked to compare the two modes by mentioning their preference on either one

1. Convenience in trading
2. Risk Involved while transacting
3. Speed of processing
4. Easier access of Alerts
5. Easier review
6. Availability of Application software
7. Techniques for Analysis
8. Features Available
9. Visibility of Data

The sample size was 65. The sampling technique used was snowball sampling. The numbers of respondents were limited as it was difficult to identify the respondents using both the trading methods: Online Trading and Mobile trading. All the respondents were share market investors, as they provided a better idea and a true opinion about online trading and mobile trading. Collection of data was done through online survey conducted through google drive and survey monkey.

Since the concept of mobile trading is very nascent in Indian market, the study aims at identifying general inclination toward mobile trading in comparison to online trading.

The sample was studied on various demographic attributes like Age, Sex, Occupation, Income, and Qualification. The respondents were asked to indicate their preference towards online trading and mobile trading.

The paper is an initial effort done in the Indian financial market to understand the idea that the retail investor holds about mobile trading. Since the services are new to the market, the penetration and usability is considered to be confined to very small strata of society.

As far as the Indian financial market is concerned very little work is done to understand that on what features an investor prefers online trading and mobile trading or still he has set no preference among the two channels of trading. The current study focused on just to get the idea that on what basis the retail investor set priority or considered the favourable or unfavourable features of the mobile trading and online trading.

RESEARCH RESULTS

The two modes of investing in the secondary equity market were compared on the different features identified following pattern

a. **Convenience**

58% of the respondent felt that online trading is more convenient than mobile trading, with 10% of the respondents believed Mobile trading to be convenient, with 30% of the respondents weight them equal as convenient.

b. **Easier access to alerts**

50% of the respondents felt that mobile trading provides easier access to alerts, while online trading exhibited a favourable percentage of 33%, with 15% respondents weight both of them equal.

c. **Availability of features**

As far as the availability of features is concerned, online trading is still considered a better option with 80% of the retail investors responded that mobile trading provides restrictive features in comparison to mobile trading. The trading or the stock broking firms are required to introduce more and more features in the mobile trading platform.

d. **Visibility of data:**

83% of the respondents felt that online trading provides better visibility than mobile trading.

e. **Reviewing process**

72.3% of the respondents felt that reviewing process is easier in terms of online trading with only 16% favoured mobile trading

f. **Availability of application software**

The respondents still felt that online trading is providing more and better application software when it comes to trading. 72% of the respondents still feel that availability of mobile application is very less.

g. **Technique for analysis**

70% of the respondents felt that online trading to be more suitable mode as it is holding better techniques for analysis

h. **Speed of processing data**

77% of the respondents still prefer online trading than mobile trading as the processing speed is faster in case of online trading.

i. **Risk Involved while transacting**

The respondents allotted equal percentages while assigning the risk factors to the two modes of investing

CONCLUSION:

Online trading is still preferred over mobile trading, indicated the innovation resistance (Tommi Laukkanen et.al. 2007). Respondents felt that mobile trading is useful to the extent of accessibility to alerts, while for the rest of the features the onus still rests on online trading. Visibility of data and the processing speed acts as major deterrents to mobile trading.

RESULT IMPLICATION:

Brokerage houses have launched the mobile applications but are required to launch awareness campaigns mentioning the important features of mobile trading.

Brokerage houses should create mobile applications with analytical techniques and Brokerage houses should develop light and heavy applications to suit the smart phones, so that the data processing speed is not halted.

RESEARCH LIMITATION:

The preference level cannot be generalized at the Indian retail investor level as the study is confined to NCR region.
In depth preference of the features on a rating scale is not studied.

RESEARCH EXTENSION:

a. Research can be conducted in other areas also.
b. Features can be studied on rating scales and
c. More features can be added.

Mobile trading or Mobitrade though a new concept but is a concept with great future potential. The mobile trading technology can provide depth to the market by increasing the investor base and can make trading in share market more popular and more interesting. Authorities and regulators in joint consultation with the brokerage houses must introduce necessary changes to make mobile trading convenient and secured. With the help of mobitrade investing can be made as "Investing on the go".

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