

MOBILE TRADING IN INDIA: WAY TOWARDS FINANCIAL INCLUSION

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Abstract

With the improvement in technology every sector in the economy tries to take advantage. Indian stock market is not an exception too. After the introduction of Online trading by SEBI 10 years back, it has now taken one step forward by permitting the trading through mobile as on 29 August 2010. Mobile trading can be perceived as the way toward financial inclusion in India. Since, there is huge number of population who are reluctant to invest in the market as they think that to invest in stock market is a cumbersome process and they do not have enough time or resources to watch each and every second of the market. But now Mobile trading is going to make it much easier and comfortable for the investors. Hence Mobile trading is a move likely to encourage more people to trade in the market and thus lead to widen the overall investor base. In the present study, various issues and concerns relating to launch and implementation of the mobile trading have been envisaged.

Keywords: *Mobile Trading, Financial Inclusion, Indian Stock Market, SEBI.*

Introduction

Innovations can be seen in almost every sector whether it is related to Agriculture, Telecommunications, and Information Technology, Banking or any other sector. Innovations have become necessary to upgrade the standard of an individual, a particular institute and a society at a large as the innovations have tendency to make the things easier.

The Indian Capital market has undergone remarkable changes after Second-generation reforms. Certain steps taken by Regulators and Policymakers to place the market on a strong footing and develop it to meet the growing capital requirements for the development of economy have significantly contributed to the developments, which took place in the Indian Capital market during the reforms. The prime motive for this change was to check the shortcomings of capital market viz. long delays, lack of transparency in procedures and vulnerability to price rigging and insider trading etc.

These reforms have presented a challenge before Indian capital market to shake hands with the pace of new technology. Regulators have offered various opportunities and services to Indian stock market from time to time. Mobile Trading is the new trend significantly introduced in the capital market worldwide due to its wider scope for the investors as well as economy at large.

In recent days, the new application is designed to equip the retail investor with critical decision-making information and tools to transact on the every move of market. Using the GPRS connection, it enables users to see market rates, enter or modify or cancel orders through a secured encrypted channel to maintain the confidentiality of the transaction. It can be regarded as the quickest way of making or losing money on the stock market for investors while trade using their handsets. This move is known as Mobile Trading.

Role of SEBI for the Advancement in Indian Stock Market

Securities and Exchange Board of India is doing its best to be in sync with the dynamically changing market place. Off late, SEBI has introduced quite a few reforms in a bid to increase the volumes in the Indian Stock Market and make it easy for investors to trade. From increasing the trading hours to

introducing trading of Mutual Fund's through brokers, all the reforms have been aligned to make the Indian Markets more investor friendly (Abraham, 2009).

In 2009, the SEBI had issued a draft model to enable stock trading via mobile phones. According to this draft, brokers who offered internet-based trading services could offer their clients trading via wireless technology. It might have seemed a bit optimistic at the time but now SEBI has finally announced guidelines to allow trading via mobiles using the same protocols as for internet-based share trading.

It has been decided that SEBI registered brokers who provide Internet Based Trading as specified by SEBI circular no. SMDRP/POLICY/CIR-06/2000 dated January 31, 2000 shall be eligible to provide securities trading using wireless technology (see Annexure-II). All relevant requirements applicable to internet based trading shall also be applicable to securities trading using wireless technology. SEBI has suggested that the same guidelines applicable to Internet trading be applicable to wireless trading, which includes mobile phones, laptops with Data Cards etc., while this doesn't allow SMS based trading. Thus, SEBI is taking a ubiquitous approach, and treating all transactions over Internet Protocol in the same manner.

Need and Significance of Implementation of Mobile Trading

In ultra-fast world, where the stock market is concerned, a few minutes can affect one's profit and loss margin. Stock market prices and market fluctuations can literally change in minutes. The facility to trade stocks from a mobile enables you to keep up with any changes in the stock market, make decisions as to whether to buy or sell based on those changes, and complete the transaction in a timely manner. Is it possible in India? Yes!

As on 29th August, 2010, The Securities and Exchange Board of India (SEBI) permitted mobile trading and smart order routing (SOR) between stock exchanges. This is a huge step that will improve the volumes on stock exchanges considering there are more than 450 million mobile connections but just 10 million DEMAT accounts (Gaurang, 2010)

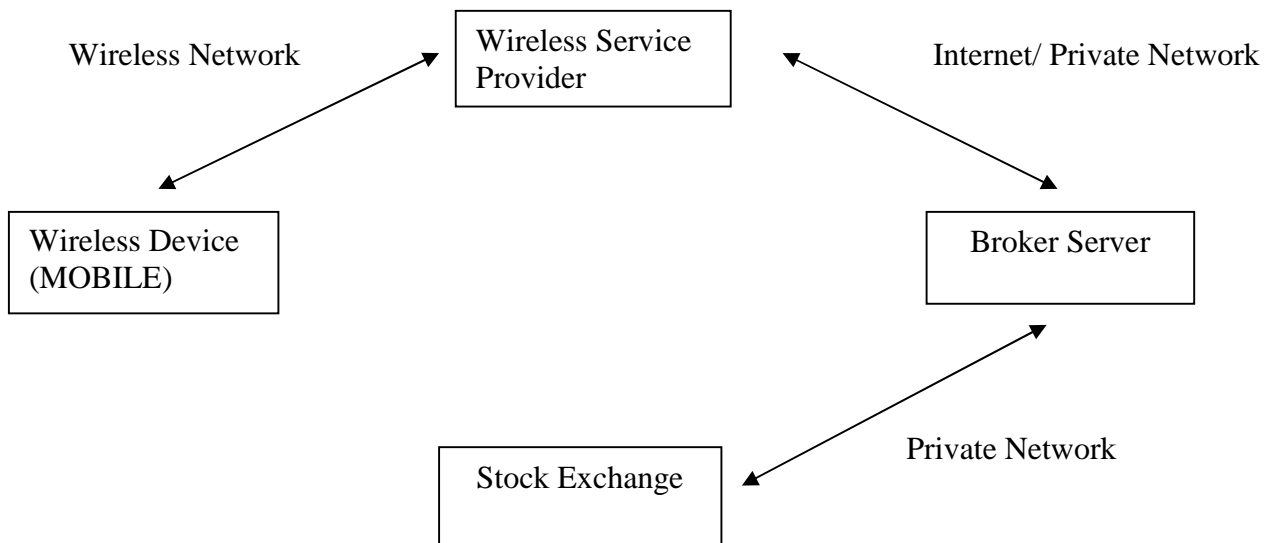
The move is significant for the fact that Indian Mobile market is growing at a tremendous rate with millions of subscribers added each month. With a growing traction towards Mobile Internet and Mobile banking, it is evident that people are confident about doing monetary transactions on their phone. If SEBI can ensure the security issues with the mobile trading software, it could definitely lead to increased trade volumes on the bourses.

Investors can transact in securities through their mobiles or wireless Internet devices such as laptops with data cards, if they have an online trading account with their brokers, SEBI said in a circular. This brings to an end the long wait for broking houses and wireless service providers who have been ready with the necessary technology for some time now (Pahwa, 2010).

How will it work?

The broking house will just have to develop an application (compatible with a variety of operating systems of handsets) and help the client install this in his GPRS enabled cell phone. The investor has to login into the application using the same id/passcode as that of DEMAT account used on internet with the brokerage house.

Information flow in case of wireless trading as proposed by SEBI is as follows:



Source: www.sebi.gov.in

According to SEBI proposal, brokers who provide internet-based trading are eligible to use wireless technology after getting approvals from stock exchanges. The net worth requirement per broker is proposed at Rs 50 lakh if he provides the facility on his own. In case a service provider provides the internet trading facility on behalf of a group of brokers, the net worth criteria stipulated by his stock exchange will apply (Soni, 2009).

A software vendor will provide the application to the broker. Clients of the broker will have to install the particular software on their general packet radio services-enabled mobiles or personal digital assistants. The software will thus enable them to trade as well as access streaming quotes and stock information after confirming the user name and password. All these will come with no extra cost. The broker will not charge clients for trading through mobiles; it is only the service provider who will charge the customer (Sadanandan,2010).

Typically, an investor with a GPRS-enabled mobile phone, will be able to download the facility (provided by his broker) to his handset, and he can trade through the handset thereafter.

Issues and Concerns

In a gist, a mobile trading system needs to have the following characteristics as a minimum requirement:

1. Offer true real time prices with no delay compared to trading room systems
2. Enable single or two click trading with the option of confirmation windows to minimize the increased risk of data entry error due to the small screen size
3. Provide for professional traders an interface which is consistent with that of the trading room system to enable full fast and accurate trading without a long learning curve

Concerns

1. Identification: SEBI has said that the unique user ID for Internet share trading shall be made applicable using mobile. Authenticating users in each instance on the mobile can be tedious, but with usage of encryption, it might not be an issue. Remember that we're also entering an era of unique identification of individuals, with India's Unique ID Project.
2. Connection, Disconnection, Speed: Is there a single, completely reliable mobile network in India? We don't think so. Dropped calls or drop in network availability are the norm, and

what happens when you're buying shares worth lakhs on the stock market, and the connection fails? SEBI has said that in case of failure of the wireless network, alternative means of communication for placing share purchase/sell orders should be available. But if there's a network failure, or a blip wherein (for example) the shares are bought twice, who is held accountable? If the share price changes in a matter of seconds, but the connectivity results in a delay in communication of the change in share price – who is held accountable? The telecom operator? Thankfully, SEBI has said that order confirmation should be provided to the user on submitting the order, along with order modification and cancellation facilities. Additionally, trade confirmation should be provided to the user, along with history of trades for the day.

3. Form Factor: The mobile form factor is not necessarily the best for detailed terms and conditions, and SEBI has mandated that investors be shown certain minimum information on the mobile, and the rest should be within links on the Internet.
4. Ownership of the customer: Who owns the customer? The broker or the mobile operator? ISPs are playing fine, but mobile operators are not. While they be okay with just the data revenues from transactions? Or would they prefer to register separate brokerage entity, in order to leverage the reach of the mobile services, and make money from brokerage as well? They're clearly not satisfied with the situation regarding mobile payments.
5. Security aspect: Security concerns will always be an issue for the common man who will be interested in trading through the mobile. Internet-based trading faced the same hindrances though SEBI had enforced unique IDs. For mobile trading, SEBI has announced that a measures should be taken for user identification, authentication and access control using means such as user-id, passwords, smart cards, biometric devices or other reliable means, to prevent misuse of facility by unauthorized persons.

Suggestions to Investors

Making sure how phone/application works before making the first trade.

1. Using a separate cell phone exclusively for mobile trading.
2. Guard your financial information just as you guard the same on your personal computer.

Conclusion

Introduction of stock trading through Internet had brought in revolution in stock trading few years back in India. Trading volume had gone up ever since internet trading was allowed. Now SEBI allowing Stock trading on mobile the volume of stock trading will get a big boost. Now with this traders need not call up the broker or log on to a PC with internet connection for trading. Now mobile users with mobile internet connection would be able to place buy/sell orders from their mobile devices from anywhere given their broker provides the service.

No doubt, Internet trading brought to the table a lot of advantages like Reduced Cost of Transactions, Greater Liquidity, Greater Competition, Increased Transparency, and Tighter Spreads. When it comes to trading through mobiles, it not only brings in all these benefits but at the same time adds to the list by increasing the number of traders who can trade directly through their mobile devices on the go. The mobile penetration is definitely more than that of the internet, and with the increase of smart phones in the market, mobile trading stands to go a long way compared to its internet counterpart (Dedhia, 2010).

Hence, Mobile trading can be perceived as the way toward financial inclusion in India. Since, there is huge number of population who are reluctant to invest in the market as they think that to invest in stock market is a cumbersome process and they do not have enough time or resources to watch each

and every second of the market. But now Mobile trading is going to make it much easier and comfortable for the investors. Hence, Mobile trading is a move likely to encourage more people to trade in the market and thus lead to widen the overall investor base.

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