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A STUDY ON TRADING MECHANISM

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Abstract

The trading mechanism refers to the system or process by which financial assets are bought and sold in markets. It involves various components such as order placement, price discovery, execution, and settlement. The abstract of a trading mechanism typically outlines these components and their interactions, highlighting key features and objectives such as efficiency, liquidity, transparency, and fairness. It may also discuss different types of trading mechanisms, such as auction-based or continuous trading, and their impact on market dynamics.

The trading mechanism refers to the process by which assets, such as stocks, bonds, or commodities, are bought and sold in financial markets. It encompasses various methods, including auctions, electronic trading platforms, and over-the-counter markets. This abstract provides a concise overview of the functioning and components of trading mechanisms, highlighting their role in facilitating efficient price discovery and liquidity provision in financial markets.

Key words: Trading mechanism, Financial assets, Order placement, Price discovery, Market dynamics

Introduction:

The historical backdrop of online stock exchanging is a catching and revolutionary the past about the strength of the two primary concerns conflicting and laying out another state of Financial exchange world endlessly. The two focuses destined to run over the free network access and online stock exchanging. Before all else, electronic transmission networks were being utilized by business houses for bid and request position from stocks it had been understood that capability of community and ownership of PCs were in fame because of productivity and minimal expense. In US trades 75% or more stock offers exchanged through robotized exchanging framework orders.

Indian financial exchange is one of the expanding markets everywhere. Perm Chand Roy Chand was a main stockbroker who exchanging the stocks Bombay Stock Trade started in 1875 in Dalal Road. Two fundamental trades in India for exchange are Bombay stock trade began in 1875 and Public Stock Trade consolidated in 1992. Presently we will bargain on the exchanging stages or the product utilized for exchanging. To actuate more straightforwardness and proficiency in the exchanging framework, NSE and BSE presented cross country online completely robotized "Screen Based Exchanging Framework". The exchanging stage utilized by BSE is called BOLT-Bombay Web based Exchanging. The request for financial backers is put on the premise of time and cost premise. As of late BSE has sent off new programming for exchanging called BEST (BSE Electronic Shrewd Broker). It very well may be downloaded straightforwardly from Android play store and a financial backer can appreciate zero exchange charges for quite a long time on cross money subordinates.

Meaning of trading mechanism:

An exchanging system alludes to the principles and cycles overseeing the trading of protections or resources inside a monetary market. It incorporates different parts, for example, request types, estimating rules, matching calculations, and settlement methods, all intended to work with the proficient trade of resources among purchasers and merchants. These systems can change across various business sectors and exchanging stages, affecting variables like liquidity, straightforwardness, and cost revelation

Procedure for trading mechanism:

The procedure for trading within a trading mechanism typically involves several steps:

1. **Order Placement:** Investors submit orders to buy or sell assets through a brokerage firm or trading platform. Orders specify the asset, quantity, price, and type (e.g., market order, limit order).
2. **Order Matching:** Orders are matched based on price and time priority. This occurs either through a centralized exchange, where orders are matched within the exchange's order book, or through electronic communication networks (ECNs) that match orders across multiple platforms.
3. **Execution:** Once matched, orders are executed, resulting in the transfer of ownership of the assets between buyers and sellers. Execution can be immediate (for market orders) or conditional on price (for limit orders).
4. **Confirmation:** After execution, investors receive confirmation of their trades, detailing the asset, quantity, price, and transaction fees. This serves as a record of the trade and ensures accuracy.
5. **Settlement:** Settlement involves the actual exchange of funds and securities between the parties involved in the trade. This typically occurs a few days after the trade date, known as T+2 (trade date plus two business days), although this timeframe can vary depending on the market and asset class.

6. Clearing: Clearinghouses ensure the integrity and efficiency of the settlement process by guaranteeing the performance of trades and managing the associated risks. They act as intermediaries between buyers and sellers, facilitating the transfer of funds and securities.

7. Post-Trade Reporting: Regulatory bodies and market authorities require reporting of trade data for transparency and oversight purposes. This includes information on trade volume, price, and participants, which helps monitor market activity and detect any irregularities.

Understanding and following these procedures are essential for investors to navigate the trading mechanism effectively and ensure the smooth execution and settlement of their trades.

Review of literature

MICHAEL J. MCGO(2022), discussed about the pros and cons of high frequency trading. The Paper focused whether high frequency trading is more harmful or beneficial for the society. Various automated trading HFT strategies, whereas the other side contains the problems As lack of knowledge or understanding which would be responsible for price manipulation, Illegal activities. And heft would be harmful for the investors.

Joel Hasbrouck, George Sofianos, Deborah Sosebee(2018), drafted a working paper concerned On the New York trading rules and regulations and the examined area such as the auto trail, Super dot, trade quotes, order positions.

ANTHONY G. KIUNA(2018) , study focused on the impact of automated trading system on the Nairobi stock exchange. For the purpose, longitudinal survey designed from the 2003 to 2010, paired t-test, correlation technique which found that electronic trading beneficial for The market and suggest other markets should also adapt the technology for further better Growth.

Michael A. Goldstein PavitraKumarb and Frank C. Gravesb(2016) , examined in his study about The automated trading scenario with a view of profitability, strategies, practices and also its Impact on functioning of financial markets and how to establish the technology with the Degree of fairness and risk associated with high-speed technology.

Helen Allen, John Hawkins and Setsuya Sato(2012), study cent red on the theme of electronic Trading and its implication over the financials market. This paper consists the discussion about a policy concern over transparency is an final stage and problems over marketatomization

Need for trading mechanism:

Every investor want to make cash in stocks ,regardless of the level of experience. It is easy to fall for the desire, but one needs to have a good strategy in place to be able to protect one cash and make handsome returns. Studyingp

trading mechanism is crucial for understanding how financial markets operate , ensuring market efficiency, liquidity, fairness, and investor protection. It helps identify areas for improvement, reduces risks, and enhances market integrity, ultimately benefiting investors and the economy as a whole.

Objectives of trading mechanism:

- To identify trading mechanism in stock exchange.
- To analyze the market fluctuations.
- To understand the trading policies and procedures.
- To study the behaviour of investor towards stock prices.
- To analyze ways to improve wealth maximization.

Research methodology

Sources of data:

Stock market data collection. To create a financial and stock market data feed, information is gathered from various sources. These sources include stock market research firms, news aggregators, stock exchanges themselves, public records, brokers and specialized online services.

Primary Data:

- This primary data collected from the personal interaction with authorized members of B.N.RATHI securities limited.

Secondary Data:

- The data was collected from the official website, B.N.RATHI securities limited and from published books and journals.

Data Tools:

BNRSL also offers analytical tools and screeners that will help self-initiated clients do their own research. Powerful screeners and comparison tools help clients pick the right investment product.

Sample Size: 2 company / 100 investors

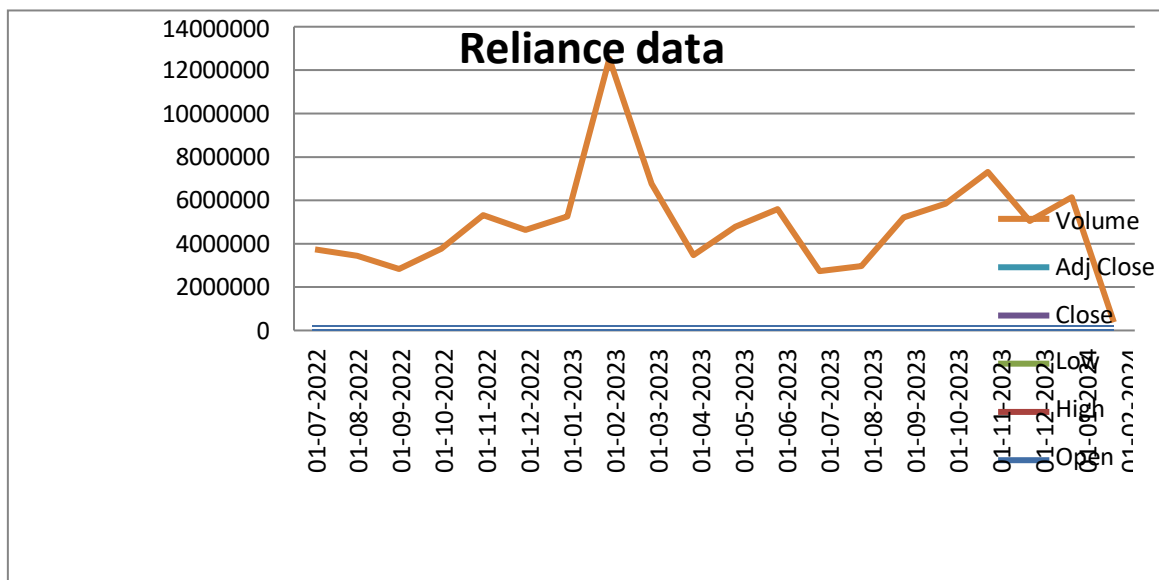
Sample Type :

- Reliance company
- TCS

Data Analysis and Interpretation**RelianceMonthlydata2024**

Date	Open	High	Low	Close	Adj Close	Volume
01-07-2022	2434.05	2445.95	2418.8501	2441.95	2441.95	3715280
01-08-2022	2435	2466	2432.3501	2455	2455	3421208
01-09-2022	2460.6499	2464	2451.45	2454.55	2454.55	2811473
01-10-2022	2445.8999	2449	2433.45	2440.25	2440.25	3743804
01-11-2022	2433.8999	2509	2416.05	2439.95	2439.95	5301647
01-12-2022	2458	2530	2450.75	2506.5	2506.5	4619754
01-01-2023	2521	2537.7	2507.2	2520.6001	2520.6001	5234564
01-02-2023	2520.6001	2509.8501	2514.3501	2519.95	2519.95	12510304
01-03-2023	2500	2484.8999	2461	2469.8999	2469.8999	6734525
01-04-2023	2480.1499	2482.8501	2458	2463.25	2463.25	3458161
01-05-2023	2471	2483.75	2451	2455.2	2455.2	4759238
01-06-2023	2467.2	2487.7	2458.45	2477.25	2477.25	5570815
01-07-2023	2483.45	2500	2462	2479.3501	2479.3501	2712243
01-08-2023	2487	2516.8501	2472.6001	2498.1499	2498.1499	2949893
01-09-2023	2506	2508.55	2491	2499.6499	2499.1499	5190958
01-10-2023	2507	2489.2	2478	2481.95	2481.95	5827017

01-11-2023	2475.5	2468	2465	2484.1499	2484.1499	7291995
01-12-2023	2495	2523.45	2486.25	2520.8501	2520.8501	5034355
01-01-2024	2521	2555	2517	2551.8501	2551.8501	6127509
01-02-2024	2551.8	2552	2539.6001	2541.45	2541.45	362129

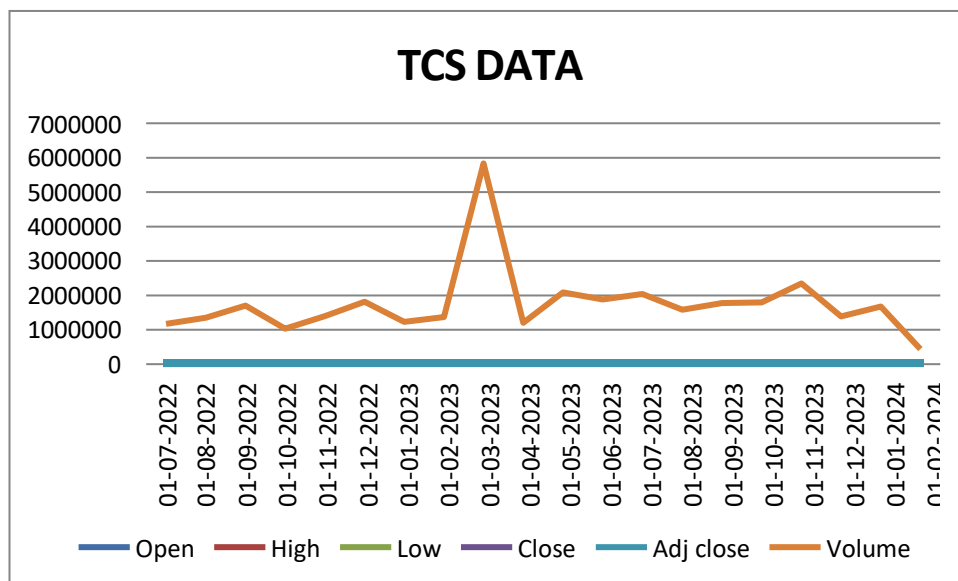


INTERPRETATION :

The company opening price is 2434.05 and the closing price is 2441.95 in the starting day and in last the opening price is 2551.8 and the closing price is 2541.45 ,both the opening and closing prices are increases.

TATA consultancy service Monthly data 2024

Date	Open	High	Low	Close	Adj close	Volume
01-07-2022	3210	3234.5	3203.05	3222.85	3199.0584	1152449
01-08-2022	3230	3308.45	3217.05	3298.7	3274.3481	1333243
01-09-2022	3306	3327.95	3290.1	3297.05	3272.7104	1687418
01-10-2022	3276	3317.2	3276	3303.35	3278.9641	1016555
01-11-2022	3294	3306	3267.1	3293.5	3269.1868	1374917
01-12-2022	3393.5	3338.65	3291	3328.9	3304.3252	1791115
01-01-2023	3360.8	3372	3312	3320.35	3295.8386	1210372
01-02-2023	3315	3326.95	3301.35	3316.2	3291.719	1344224
01-03-2023	3309	3327.7	3265.15	3289.5	3265.2163	5815424
01-04-2023	3314	3340	3297.45	3324	3299.4614	1177314
01-05-2023	3326.25	3335.9	3285.05	33056	3281.1975	2030661
01-06-2023	3315	3327	3220.6	3288.9	3264.6206	1861468
01-07-2023	3280	3288.85	3241	3232.3	3208.4385	2022849
01-08-2023	3253	3278.85	3233	3274.9	3250.7239	1567196
01-09-2023	3261	3270	3205.35	3236.45	3212.5579	1759366
01-10-2023	3245	3250	3211	3209.3	3185.6084	1775689
01-11-2023	3215	3254.4	3285.05	3246.9	3222.9307	2324605
01-12-2023	3260	3265	3239	3243.7	3219.7542	1371928
01-01-2024	3243.7	3255.85	3225.85	3251.05	3227.05	1658544
01-02-2024	3245.3	3247.45	3221.05	3225.15	3225.1499	418425



INTERPRETATION:

In the above TCS data for one month the opening price is 3210 and the closing price is 3222.85. in the starting day in the closing day the opening price is 3245.3 and closing price is 3225.15 . there is a light increase from the starting to the ending.

FINDINGS:

- o They are more fluctuation in the 2 market shares.
- o Information plays vital role in the secondary market.
- o Fluctuations are more in secondary market than any other market.
- o Earlier rolling settlement is T+5 days, now it changed to T+2 days and further it will be changed to T+1 day.
- o 40% of the businessman's are risk receivers and they will prefer trading and out of that 15% were doing real-time trading.
- o It was also noticed that many brokerage houses offering internet trading allow customer to use their standard system as well just ensure that they do not lose them and this instead of offering e-broking service they become service providers.

SUGGESTIONS:

- o From the tests it can be suggest to the BNR that it should attract more business men and private firms' employees, because they are the persons own it infrastructure.
- o Many people don't do the business because of the lack of the proper market knowledge and maintenance hence they should be made aware of the trends of the market.
- o Online trading requires fast and effective decision making, therefore company aware should held regularly seminars, coaching class and make its customer aware of true extent of risk and return.
- o Try to remove myth of money losing from stock trading from the minds of people by presuming some help in decision making and schemes.

CONCLUSION

Online trading is the new and fresh concept in the stock market. In India, online trading is still at its early childhood stage. Online trading had made it easy to trade secondary data is previously collected and gathered for some project other than the one hand. It is collected and recorded by someone else prior to current needs of the researcher. It is less expensive than the primary data.

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