



9. A Critical Study On Understanding the Risk and Opportunities for Investors Trading in Mobile Apps

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ABSTRACT

Mobile trading apps have revolutionized the way investor's trade securities. The ease of access, convenience, and the ability to trade in real-time has made mobile trading apps a popular choice for investors. However, with the growing popularity of mobile trading apps, there are also inherent risks. This paper aims to provide a critical study in understanding the risks and opportunities for investors trading mobile apps. The study aims to identify the advantages and disadvantages of using mobile trading apps, assess the potential risks and challenges that investors may face when using these apps, and provide recommendations on how to mitigate these risks. The study will focus on analyzing the advantages and disadvantages of mobile trading apps and their impact on the investment industry. The study will also explore the potential risks and challenges that investors may face when using mobile trading apps, such as security risks, user errors, limited functionality, and distractions. Convenience and Accessibility Mobile trading apps offer a significant advantage over traditional trading platforms by allowing investors to access their accounts anywhere, anytime. This convenience has encouraged more investors to engage in trading, leading to an increase in trading volume. Cost-Effective Mobile trading apps have reduced the barriers to entry by eliminating the need for investors to have a large amount of capital to start trading. Additionally, some mobile trading apps offer commission-free trading, reducing trading costs further. User Errors Mobile devices have smaller screens and the user interface may differ from traditional trading platforms. This can lead to user errors such as placing incorrect orders or selecting the wrong asset, leading to financial losses. According to a report by the National Stock Exchange of India (NSE) for the quarter ending December 2021, the total number of active mobile trading users increased by 9% compared to the previous quarter.

The report also noted that mobile trading accounted for 14.7% of the total trading turnover on the NSE, up from 12.7% in the previous quarter. Investors incurred financial loss while using mobile trading app and also it relates to their time spend on the trading screen. Most of the responded agreed to the market risk more than other risk associated in trading and fluctuation of price in real time. Overall, mobile trading apps offer a promising future for investors, but caution and diligence are necessary to minimize risks and maximize opportunities.

KEYWORDS

Risk, opportunities, stock market, investors

Introduction:

Mobile trading apps have revolutionized the way investor's trade securities. The ease of access, convenience, and the ability to trade in real-time has made mobile trading apps a popular choice for investors. However, with the growing popularity of mobile trading apps, there are also inherent risks. This paper aims to provide a critical study in understanding the risks and opportunities for investors trading mobile apps.

As technology continues to advance, mobile apps have become a popular platform for businesses to reach their customers. With the increasing usage of mobile devices, there has been a surge in the development of mobile applications. As a result, investing in mobile apps has become an attractive opportunity for many investors. However, investing in mobile apps is not without its risks.

This critical study aims to explore the risks and opportunities for investors who are considering trading mobile apps. The study will delve into the factors that contribute to the success or failure of a mobile app investment, such as market competition, user engagement, and the impact of technological advancements.

Additionally, the study will examine the various investment options available to investors, including direct investment in app development companies, venture capital funding, and app store purchases.

Overall, this study will provide valuable insights into the risks and opportunities for investors trading mobile apps. By understanding the potential pitfalls and benefits of mobile app investment, investors can make informed decisions and develop strategies for maximizing returns while minimizing risks.

Objective:

The objective of this study is to critically analyze and understand the risks and opportunities for investors trading mobile apps. The study aims to identify the advantages and disadvantages of using mobile trading apps, assess the potential risks and challenges that investors may face when using these apps, and provide recommendations on how to mitigate these risks.

The study will also examine the impact of mobile trading apps on the investment industry, including their role in increasing trading volume and accessibility for investors. Overall, the study seeks to provide a comprehensive understanding of the risks associated with mobile trading apps and their impact on the investors.

Scope of The Study:

The scope of this study is to provide a comprehensive understanding of the risks and opportunities associated with using mobile trading apps for online trading. The study will focus on analyzing the advantages and disadvantages of mobile trading apps and their impact on the investment industry.

The study will also explore the potential risks and challenges that investors may face when using mobile trading apps, such as security risks, user errors, limited functionality, and distractions.

Additionally, the study will examine the impact of mobile trading apps on the investment industry, including their role in increasing trading volume and accessibility for investors. The study will also provide recommendations on how to mitigate the risks associated with mobile trading apps and improve their usability and convenience.

The study will primarily use a qualitative research approach, including a comprehensive literature review, and a survey of investors who have experience using mobile trading apps. The study will focus on major mobile trading apps used by investors, such as Zeroda, sharekhan, Geojit, upstox trading, 5 paisa, ICICI Direct, Kotaksecurities, IIFL Market, Motilal Oswal etc.

The geographical scope of the study will be Chennai, with a focus on major financial markets. However, the study will primarily focus on retail investors rather than institutional investors. The study focus on recent trends and developments in the mobile trading app industry.

Literature Review:

Mobile trading apps have become increasingly popular among investors due to their ease of use, accessibility, and real-time trading capabilities. The literature suggests that mobile trading apps provide numerous opportunities for investors, including cost-effectiveness, convenience, enhanced security, and real-time trading. However, there are also inherent risks associated with using mobile trading apps, such as security risks, user errors, limited functionality, and distractions.

According to a study by Gartner, the mobile app industry is expected to generate \$693 billion in revenue by 2021, and mobile trading apps are expected to play a significant role in this growth. The study also found that mobile trading apps have the potential to attract a new generation of investors who prefer mobile-first solutions over traditional trading platforms. Dr. Subramani explores the challenges and opportunities of investing in mobile apps in the Indian context.

He highlights the potential of the Indian mobile app market, which has been growing rapidly in recent years, driven by the increasing number of smart phone users and rising internet penetration. However, he also notes that the market is highly competitive, with a vast number of apps vying for users' attention.

Dr. Gupta notes that while the mobile app market is growing rapidly, with significant potential for revenue generation, it is also highly competitive and constantly evolving. He identifies key success factors for mobile app investments, such as user engagement, network effects, and the ability to monetize effectively.

Several studies have also examined the benefits and risks of using mobile trading apps. A study by Deloitte found that mobile trading apps can provide investors with a competitive advantage by allowing them to access market information in real-time, leading to quicker decision-making and potential financial gains.

The study also identified security as a significant concern for investors using mobile trading apps, as they may be vulnerable to hacking, phishing, and malware attacks.

Another study by Accenture identified convenience as the primary driver for the adoption of mobile trading apps. The study found that mobile trading apps provide investors with greater flexibility and control over their investments, leading to higher levels of engagement and trading volume. However, the study also found that limited functionality and user errors can pose significant risks to investors.

Furthermore, a study by the Financial Industry Regulatory Authority (FINRA) highlighted the need for investors to be cautious when using mobile trading apps. The study found that investors who use mobile trading apps may be more likely to engage in impulsive trading decisions, leading to potential financial losses.

Overall, the literature suggests that mobile trading apps offer numerous opportunities for investors, but they also come with inherent risks.

It is essential for mobile trading app providers to prioritize security and user experience while investors should exercise caution and use best practices when using mobile trading apps.

Opportunities:

1. **Convenience and Accessibility** Mobile trading apps offer a significant advantage over traditional trading platforms by allowing investors to access their accounts anywhere, anytime. This convenience has encouraged more investors to engage in trading, leading to an increase in trading volume.
2. **Cost-Effective** Mobile trading apps have reduced the barriers to entry by eliminating the need for investors to have a large amount of capital to start trading. Additionally, some mobile trading apps offer commission-free trading, reducing trading costs further.
3. **Enhanced Security** Mobile trading apps have implemented advanced security features to protect the user's information and trades. This includes two-factor authentication,

biometric authentication, and encryption, ensuring the safety of the user's personal and financial information.

4. **Real-Time Trading** Mobile trading apps allow investors to execute trades in real-time, providing them with up-to-date information on market trends and news. This enables investors to make informed trading decisions quickly and adjust their strategies accordingly.

Risks:

1. **Security Risks** as with any online activity, mobile trading apps are vulnerable to cyber security threats, such as hacking, phishing, and malware attacks. This puts the user's personal and financial information at risk, making security a top priority for mobile trading app providers.
2. **User Errors** Mobile devices have smaller screens and the user interface may differ from traditional trading platforms. This can lead to user errors such as placing incorrect orders or selecting the wrong asset, leading to financial losses.
3. **Limited Functionality** Mobile trading apps may have limited functionality compared to traditional trading platforms, such as fewer technical indicators or charting tools, limiting the investor's ability to analyze market trends.
4. **Distractions** Mobile devices are a source of distractions, and investors may find it challenging to stay focused on trading activity while using mobile trading apps. This can lead to impulsive trading decisions and financial losses.

V. Data and Methodologies:

The data gathered is Primary and Secondary data, which is qualitative data, which was further analyzed in order to draw conclusions and suggestions. The Primary data was gathered through a survey on A critical study in understanding the risks and opportunities for investors trading mobile apps.

A questionnaire was drafted for the survey and random sampling was done. The secondary data collection was done through internet which includes web-magazines, research papers, e-books, newspapers etc.

According to a report by the Securities and Exchange Board of India (SEBI), the total number of mobile trading accounts in India increased from 0.2 million in March 2014 to 1.8 million in March 2018. The report also noted that the total number of trades executed through mobile devices increased from 4.2 million in March 2014 to 43.3 million in March 2018.

While these figures do not provide a specific breakdown of the trading volume attributed to mobile app trading, they do suggest that mobile app trading has contributed to a significant increase in overall trading activity in India. However, it is worth noting that trading volume can be influenced by a wide range of factors, including market conditions, investor sentiment, and economic trends. According to a report by the National Stock Exchange of India (NSE) for the quarter ending December 2021, the total number of active mobile trading users increased by 9% compared to the previous quarter.

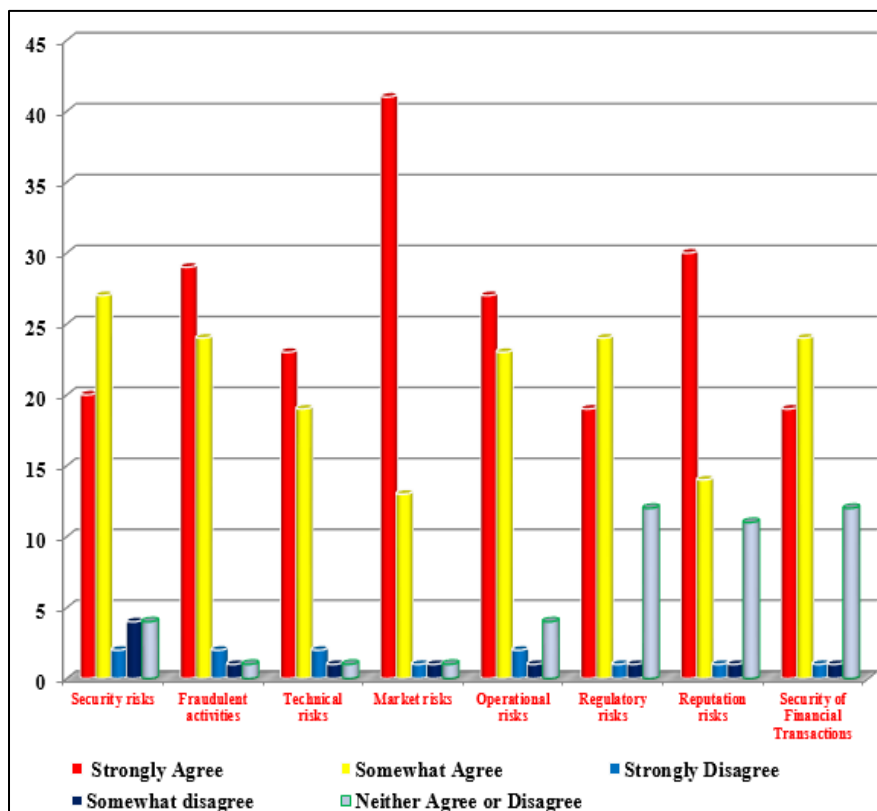
The report also noted that mobile trading accounted for 14.7% of the total trading turnover on the NSE, up from 12.7% in the previous quarter.

Additionally, a study by the Boston Consulting Group (BCG) and Google India found that mobile trading is expected to be a key driver of growth in the Indian online brokerage industry. The study estimated that the number of mobile trading users in India is expected to grow from 15 million in 2020 to 50 million by 2025.

Overall, these figures suggest that mobile app trading is continuing to gain traction in India and is likely to contribute to a significant increase in overall trading activity in the coming years.

Figure 9.1: Percentage Analysis

Interpretation: Figure 5.1 shows the investor’s perception of risk when it comes to online trading through mobile apps which is determine most of the respondents strongly agree with Market Risks.



H0: There is no significant difference between the experienced of financial loss while using a mobile trading app among the male and female investors.

H1: There is no significant difference between the experienced of financial loss while using a mobile trading among the male and female investors.

Table 5.1: Chi Square Analysis

	Experienced of Financial Loss	Not Experienced of Financial Loss	Marginal Row Totals
Male Investors	32 (25.89) [1.44]	9 (15.11) [2.47]	41
Female Investors	4 (10.11) [3.69]	12 (5.89) [6.32]	16
Marginal Column			
Totals	36	21	57

The chi-square statistic is 13.919. The p-value is .000191. Significant at $p < .05$. The chi-square statistic with Yates correction is 11.7325. The p-value is .000614. Significant at $p < .05$. Interpretation: Figure 9.2 shows tabulated value chi square for 13.919 for (2-1) (2-1) = 2 d.f.at 0.0 5% level of significance is 3.841. Since calculated chi-square > tabulated chi-square, we reject Null hypothesis H_0 . i.e., the experienced of financial loss while using a mobile trading among the male and female investors.

Findings:

- The mobile app market is growing rapidly, driven by increasing Smartphone usage and internet penetration, particularly in emerging markets such as India.
- Mobile trading apps can provide investors with greater access to real-time market data, enabling them to make informed decisions on-the-go.
- There are more opportunists while uses mobile app investors have a control their investments
- The study finds various risk factors associated with trading in mobile apps
- Primary and secondary data suggests that trading volume has increased over a decade usage of mobile trading
- Investors incurred financial loss while using mobile trading app and also it relates to their time spend on the trading screen.
- Male investors are incurred financial losses more than a female investor.
- Most of the responded agreed to the market risk more than other risk associated in trading and fluctuation of price in real time.
- There is a financial risk correlated in using of mobile trading apps.

Suggestion:

There are several key suggestions for investors looking to trade mobile apps. Firstly, investors must conduct thorough due diligence and carefully analyses the competitive landscape and regulatory environment before making any investments. This includes assessing the app's user engagement, network effects, and ability to monetize effectively. Additionally, investors should consider diversifying their portfolio to minimize platform dependence risk and focus on apps with a proven track record of success. Lastly, investors should remain vigilant and stay informed about changing consumer preferences and regulatory requirements to avoid potential pitfalls. Investors must be prepared to navigate these challenges to succeed.

Conclusion:

In conclusion, the mobile app market presents both opportunities and risks for investors. The market is growing rapidly, driven by increasing Smartphone usage and internet penetration, particularly in emerging markets such as India. Mobile apps have the potential to generate significant revenue through in-app purchases, subscriptions, and advertising, and mobile trading apps can provide convenience, cost-effectiveness, enhanced security investors with greater access to real-time market data. However, these advantages come with inherent risks, such as security risks, user errors, limited functionality, and distractions. Mobile trading app providers must continue to improve their security measures and ensure the user interface is user-friendly and intuitive to mitigate these risks. Additionally, investors must exercise caution and use best practices when using mobile trading apps, such as monitoring their accounts regularly and avoiding impulsive trading decisions. Overall, mobile trading apps offer a promising future for investors, but caution and diligence are necessary to minimize risks and maximize opportunities.

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