International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

Comparison of Stock Broker in Indian Stock Market

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A B S T R A C T

The scope of the research is to study and know about Indian Stock Market Brokers and Indian Financial System. By studying the Online Trading, a clear option of dealing in stock exchange is been understood. Unlike olden days the concept of trading manually is been replaced for fast interaction of shares of shareholder. By this one can access anywhere and know the present dealings in shares.

In outcry, the broker has to buy or sell securities for which he has received theorders. For this, the broker or his authorized representatives goes to the stockexchange. Basically the broker shouts while buying or selling the securities. Thefloor of the stock exchange is divided into a number of market also, post pitorwing based on particular securities dealt there. In the post pit or wing, the brokerusing, open outcry method makes an offer or bid price. For making the necessarybargain, he codes his purchase or sales price, also known as offer or bid price. The overcome the above problems, online trading came in to existence. Hence the need to study the advantages of online trading system and its importance in making the market operations and smooth while retaining the flexibility of conventional trading practices.

Since the year 2000 a big boom has been witnessed in the Indian Stock Market when the market showed the coming up of Online Trading System. Many online stock trading companies came but initially due to lack of online trading some companies vanished and some survived. The companies which survived are getting the handsome returns also attracting the foreign Investment Companies.

Nowadays this sector is facing cut-throat competition and also provides huge growth prospects. The study then goes to evaluate and analyze the findings so as to present a clear picture of the trends in the online trading sector.

Keywords:Stock market, Shares, Stock Brokers, Securities, Trading

1. Introduction:

A stock market is a place where people buy/sell shares of publicly listed companies. It offers a platform to facilitate the seamless exchange of shares. In simple terms, if A wants to sell shares of Reliance Industries, the stock market will help him to meet the seller who is willing to buy Reliance Industries. However, it is important to note that a person can trade in the stock market only through a registered intermediary known as a stock broker. The buying and selling of shares take place through electronic media. We will discuss more about the stock brokers at a later point.

A stock market, equity market, or share market is the aggregation of buyers and sellers of stocks (also called shares), which represent ownership claims on businesses; these may include securities listed on a public stock exchange, as well as stock that is only traded privately, such as shares of private companies which are sold to investors through equity crowdfunding platforms. Investment is usually made with an investment strategy in mind.

Stock exchange means anybody of individuals, whether incorporated or not, constituted for the purpose of regulating or controlling the business of buying, selling or dealing in securities. These securities include:

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a) Shares, scrip, stocks, bonds, debentures stock or other marketable securities of a like nature in or of any incorporated company or other body corporate.
b) Government securities.
c) Rights or interest in securities.

1.1. Stock Exchanges in India

The Bombay Stock Exchange (BSE) and the National Stock Exchange of India Ltd (NSE) are the two primary exchanges in India. In addition, there are 22 Regional Stock Exchanges. However, the BSE and NSE have established themselves as the two leading exchanges and account for about 80 per cent of the equity volume traded in India. The NSE and BSE are equal in size in terms of daily traded volume. The BSE has over 6000 stocks listed. Most key stocks are traded on both the exchanges and hence the investor could buy them on either exchange. Both exchanges have a different settlement cycle, which allows investors to shift their positions on the bourses. The primary index of BSE is BSE Sensex comprising 30 stocks. NSE has the S&P NSE 50 Index (Nifty) which consists of fifty stocks. The BSE Sensex is the older and more widely followed index.

2. Financial Markets in India:

In general, the financial market is divided into two parts, Money market, and capital market. The securities market is an important, organized capital market where the transaction of capital is facilitated by means of direct financing using securities as a commodity. The securities market can be divided into a primary market and a secondarymarket.

2.1. Primary market:

The primary market is an intermittent and discrete market where the initially listed shares are traded first time, changing hands from the listed company to the investors. It refers to the process through which the companies, the issuers of stocks, acquire capital by offering their stocks to investors who supply the capital. In other words,the primary market is that part of the capital markets that deals with the issuance of new securities. Companies, governments, or public sector institutions can obtain funding through the sale of a new stock or bond issue. This is typically done through a syndicate of securities dealers. The process of selling new issues to investors is called underwriting. In the case of a new stock issue, this sale is called an initial public offering (IPO). Dealers earn a commission that is built into the price of the security offering, though it can be found in the prospectus.

2.2. Secondary market:

The secondary market is an on-going market, which is equipped and organized with a place, facilities and other resources required for trading securities after their initial offering. It refers to a specific place where securities transaction among many and unspecified persons is carried out through intermediation of the securities firms, i.e., a licensed broker, and the exchanges, a specialized trading organization, in accordance with the rules and regulations established by the exchanges.

3. Literature Review:

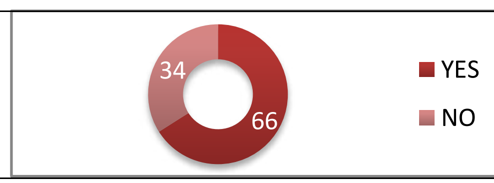
Gupta (1972) in his book has studied the working of stock exchanges in India and has given a number of suggestions to improve its working. The study highlights the' need to regulate the volume of speculation so as to serve the needs of liquidity and price continuity. It suggests the enlistment of corporate securities in more than one stock exchange at the same time to improve liquidity. The study also wishes the cost of issues to be low, in order to protect small investors. **Panda (1980)** has studied the role of stock exchanges in India before and after independence. The study reveals that listed stocks covered four-fifths of the joint stock sector companies. Investment in securities was no longer the monopoly of any particular class or of a small group of people. It attracted the attention of a large number of small and middle class individuals. It was observedthat a large proportion of savings went in the first instance into purchase of securities already issued. **L.C.Gupta (1992)** revealed the findings of his study that there is existence of wild speculation in the Indian stock market. The over speculative character of the Indian stock market is reflected in extremely high concentration of the market activity in a handful of shares to the neglect of the remaining shares and absolutely high trading velocities of the speculative counters. He opined that, short- term speculation, if excessive, could lead to "artificial price". An artificial price is one which is notjustifiedbyprospective earnings, dividends, financial strength and assets or which is brought about by speculators through rumors, manipulations, etc. He concluded that such artificial prices are bound to crash sometime or other as history has repeated and proved. **Nabhi Kumar Jain (1992)** specified certain tips for buying shares for holding and also for selling shares. He advised the investors to buy shares of a growing company of a growing industry. Buy shares by diversifying in a number of growth companies operating in a different but equally fast growing sector of the economy. He suggested selling the shares the moment company has or almost reachedthepeakofitsgrowth.Also,sellthesharesthemomentyourealizeyouhave made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares is to identify the individual merit or demerit of each of the shares in the portfolio and arrive at a decision.**Sunil Damodar (1993)** evaluated the 'Derivatives' especially the 'futures' as a tool for short-term risk control. He opined that derivatives have become an indispensable tool for finance managers whose prime objective is to manage or reduce the risk inherent in their portfolios. He disclosed that the over-riding feature of 'financial futures' in risk management is that these instruments tend to be most valuable when risk control is needed for a short- term, i.e., for a year or less. They tend to be cheapest and easily available for protecting against or benefiting from short term price. Their low execution costs also make them very suitable for frequent and short term trading to manage risk, more effectively. **Amanulla & Kamaiah (1995)** conducted a study to examine the Indian stock market efficiency by using avallion co integration and error correctionmarket integration approaches. The data used are the RBI monthly aggregate share indices relating five regional stock exchanges in India, viz. Bombay, Calcutta, Madras, Delhi, Ahmedabad during 1980-1983. According to the authors, the co-integration results exhibited a long-run equilibrium relation between the price indices of five stock exchanges and error correction models indicated short run deviation between the five regional stock exchanges. The study found that there is no evidence in favor of market efficiency of Bombay, Madras, and Calcutta stock exchanges while contrary evidence is found in case of Delhi and Ahmedabad. **Pattabhi Ram.V. (1995)** emphasized the need for doing fundamental analysis and doing Equity Research (ER) before selecting shares for investment. He opined that the investor should look for value with a margin of safety in relation to price. The margin of safety is the gap between priceandvalue.HerevealedthattheIndianstockmarketisaninefficientmarketbecauseof the absence of good communicationnetwork, rampant price rigging, and the absence of free and instantaneous flow of information, professional broking and so on. He concluded that insuchinefficientmarket,equityresearchwillproducebetterresultsastherewillbefrequent mismatch between price and value that provides opportunities to the long-term value orientedinvestor.HeaddedthatintheIndianstockmarketinvestmentreturnswouldimprove only through quality equity research. **Debjit Chakraborty(1997)**inhisstudyattemptstoestablisharelationshipbetweenmajor economic indicators and stock market behavior. It also analyses the stock market reactions to changes in the economic climate. The factors considered are inflation, moneysupply,andgrowthinGDP,fiscaldeficitandcreditdepositratio.Tofindthe trend in the stock markets, the BSE National Index of Equity Prices (Natex) which comprises100companieswastakenastheindex.Thestudyshowsthatstockmarket movements are largely influenced by, broad money supply, inflation, C/D ratio and fiscal deficit apart from political stability.

4. Research Methodology and Data Analysis

Descriptive research design was used in this research which clearly indicates that the study is comparative in nature among various stock brokers in India. Convenience Sampling Technique was used for data collection. Response was taken from 100 sample size over the targeted population of Vadodara district through the circulation of questionnaire and the data is recorded and analyzed as follows :

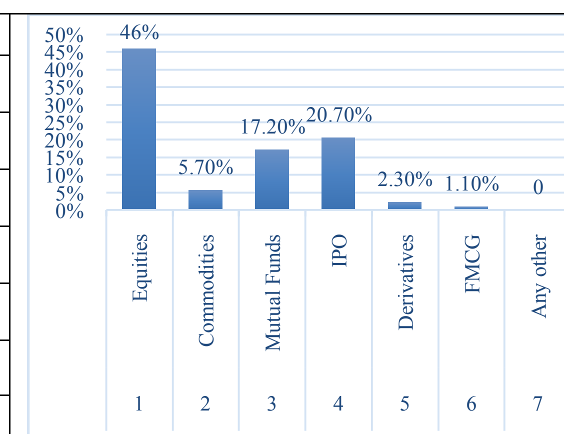
DoyouinvestinShareMarket?

Sr.No.	Options	No.ofRespondents	(%)
1	Yes	66	66.00%
2	No	34	34.00%
	Total	**100**	**100.00%**



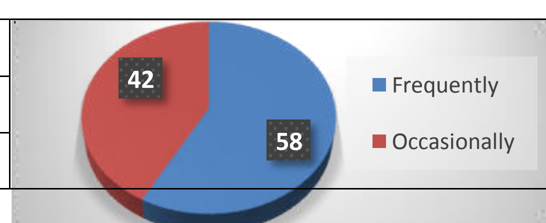
WhatareyourAvenuesofInvestment?(Tickallapplicable)

Sr.no.	Particulars	No.ofRespondents
1	Equities	46%
2	Commodities	5.7%
3	MutualFunds	17.2%
4	IPO	20.7%
5	Derivatives	2.3%
6	FMCG	1.1%
7	Any other	0 %



Howoftendo youInvest?

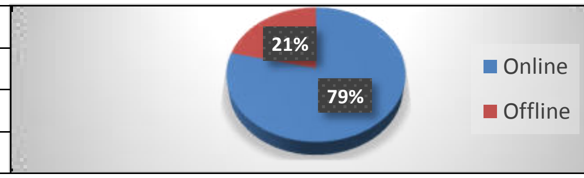
Sr.No.	Options	No.ofRespondents	Percentage(%)
1	Frequently	58	58.00%
2	Occasionally	42	42.00%



	Total	**100**	**100.00%**	

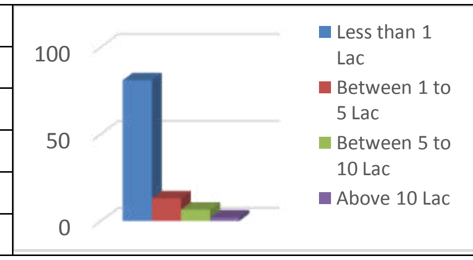
YourPreferablemodeofInvesting?

Sr.No.	Options	No.ofRespondents	Percentage(%)
1	Online	78.7	78.70%
2	Offline	21.3	21.30%
	Total	**100**	**100.00%**



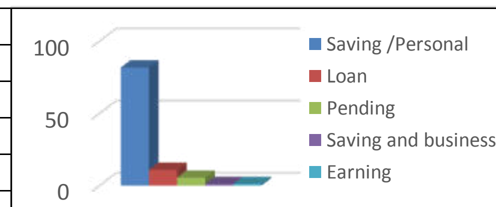
Whatis yourvolumeofTrade?

Sr.No.	Volumeof Trade	No.ofRespondents	(%)
1	Lessthan1Lac	81	81%
2	Between1 to5 Lac	13	13.00%
3	Between5 to10 Lac	6.5	6.5.00%
4	Above10Lac	2	2.00%
	Total	**100**	**100.00**

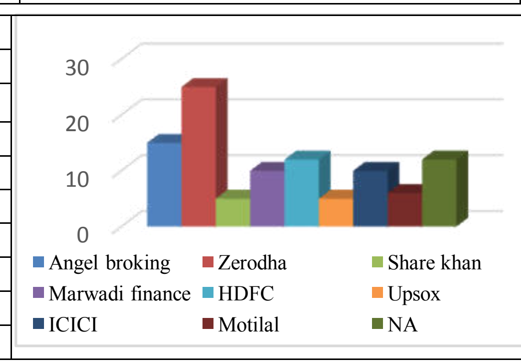


What sources of funds do you utilize to invest or trade in the Stock Market?

Sr.No.	Options	No.ofRespondents	Percentage(%)
1	Saving /Personal	81.7	81.7%
2	Loan	10.8	10.8%
3	Pending	5.4	5.4%
4	Saving and business	1.1	1.1%
5	Earning	1.1	1.1%
	Total	**100**	**100%**



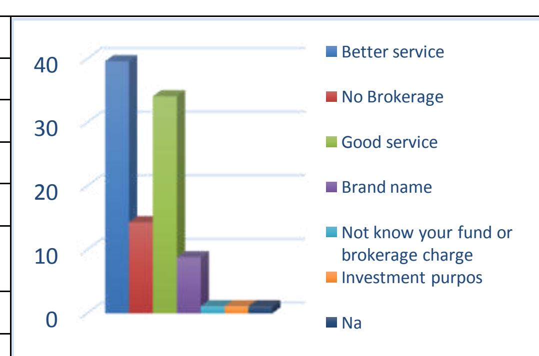
Sr. No.	STOCK BROKER	No of Respondents	Percentage
1	Angel broking	15	15%
2	Zerodha	25	25%
3	Share khan	5	5%
4	Marwadi finance	10	10%
5	HDFC	12	12%
6	Upstox	5	5%
7	ICICI	10	10%
8	Motilal	6	6%
9	NA	12	12%



Who is your stock broker?

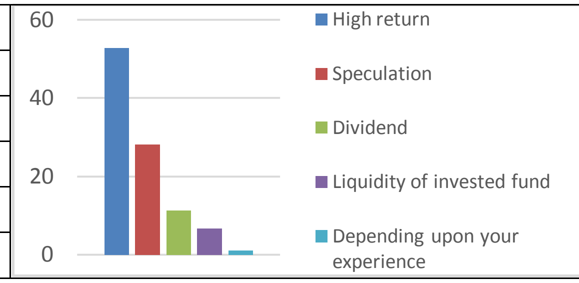
Why did you select this stock broker?

Sr.No.	Options	No.ofRespondents	(%)
1	Better service	39.6	39.6%
2	No Brokerage	14.3	14.3%
3	Good service	34.1	34.1%
4	Brand name	8.8	8.8%
5	Not know your fund or brokerage charge	1.1	1.1%
6	Investment purpose	1.1	1.1%
7	NA	1.1	1.1%



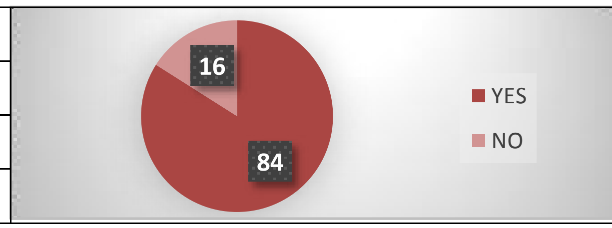
What attracts you to Equity Market?

Sr.No.	Options	No.ofRespondents	(%)
1	High return	52.8	52.8%
2	Speculation	28.1	28.1%
3	Dividend	11.2	11.2%
4	Liquidity of invested fund	6.7	6.7%
5	Depending upon your experience	1.1	1.1%



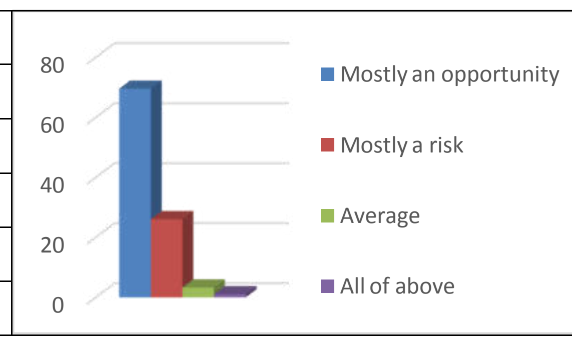
Would you be interested in learning more about investing for yourself?

Sr.No.	Options	No.ofRespondents	Percentage(%)
1	YES	84	84%
2	NO	16	16%
Total		**100**	**100%**



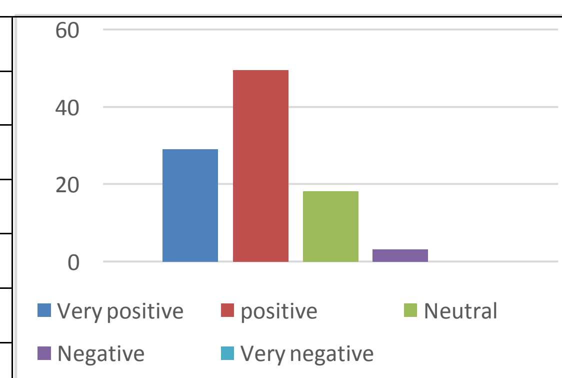
Thinking again of the stock market and investing, do you feel that investing in mostly an opportunity or mostly a risk?

Sr.No.	Options	No.ofRespondents	(%)
1	Mostly an opportunity	69.6	69.60%
2	Mostly a risk	26.1	26.10%
3	Average	3.3	3.30%
4	All of above	1.1	1.10%
Total		**100**	**100%**



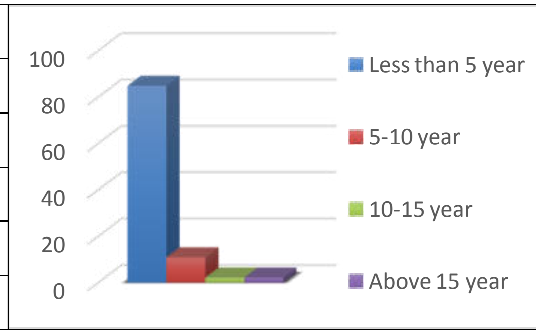
When thinking of the stock market and investing, what is your perception?

Sr.No.	Options	No.ofRespondents	Percentage(%)
1	Very positive	29	29.00%
2	positive	49.5	49.50%
3	Neutral	18.3	18.30%
4	Negative	3.2	3.20%
5	Very negative	00	00
Total		**100**	**100%**



Your experience in the stock market.

Sr.No.	Options	No.ofRespondents	Percentage(%)
1	Less than 5 year	84.8	84.80%
2	5-10 year	10.9	10.90%
3	10-15 year	2.2	2.20%
4	Above 15 year	2.2	2.20%
Total		**100**	**100%**



5. Conclusion:

The online trading is growing with a rapid pace with the rising level of education among the customers. The other factors being that the Indian Investor nowadays wants to deal himself in trading rather than depending upon other middlemen. They also consider the factors like time saving in doing the online transactions, convenience etc. Although some people feel that online trading is not secure but the people doing the trading online is happy about the increasing security concerns among the companies. The year 2010 has not been so good for the stock market and the SENSEX and NIFTY has been dipping and affecting the business negatively for these companies. This is due to the fact that at these times people do not prefer to open the DMAT and Trading accounts. So the companies have to reduce their account opening fees to attract more and more customers. Also people trade very less in the bearish market and the companies during the bearish market the ratio of online trading becomes very less. Also there is an intense competition among the companies and the companies come up with new and new promotion schemes such as discounted and negotiable brokerages, Zero balance accounts, waiving a/c opening fee and AMC etc. As the internet penetration is growing in India this business holds a huge potential for growth.

New ideas are to be implemented to catch the customers. The strategy of giving more benefits to the high end customers is very useful. Because stock market is a volatile market, anything can happen to this market. But then again if anyone study the market well he can earn a lot. Again like every coin has its two sides, similarly every financial instrument has its own features, its advantage & disadvantage. So finally investor himself/herself has to decide where to invest.

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