



A COMPARATIVE ECONOMIC ANALYSIS OF DISCOUNT BROKERS AND FULL-SERVICE BROKERS IN INDIA

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ABSTRACT :

Over the past ten years, technology, regulatory changes, and the emergence of cheap brokers have all contributed to a radical change in the Indian stockbroking sector. This study examines discount brokers' expanding power and how it affects full-service brokerage businesses. While discount brokers offer affordability and ease of access, full-service brokers continue to emphasize personalized advisory and wealth management. This study explores the trade-offs investors face and how each model contributes to market growth, retail participation, and investor satisfaction. Using secondary data from 2010 to 2025 and comparative analysis between firms like Zerodha and JM Financial Services, this paper presents insights into revenue models, investor behaviour, and long-term return implications. The findings reveal a compelling need for full-service brokers to innovate while reaffirming the value of advisory services for specific investor profiles.

Keywords: Discount brokers, full-service brokers, Indian stock market, retail investors, investment advisory, brokerage models, investor behaviour, financial planning, wealth management

Introduction

The digitalization of brokerage services has brought about previously unheard-of changes to India's financial environment. With the emergence of discount brokers, millions of new investors now have affordable, easy-to-use trading platforms, democratizing access to equity markets. These platforms stand in contrast to full-service brokers, who charge more for individualized services, relationship management, and comprehensive financial planning. As investment behaviour evolves, so do the expectations of investors. This paper delves into the operational structures of these brokerage models, examining their economic contributions, investor preferences, and roles in capital formation. The broader objective is to understand how these shifts affect the financial services industry and India's economic growth.

Problem Statement

Price competition and technical innovation are significantly influencing the brokerage scene in India. Discount brokers are quickly gaining market share because to their affordable products and effective platforms. Although their advising services continue to be appreciated, full-service brokers are increasingly confronted with issues such as customer attrition, margin compression, and digital disruption. This raises critical questions: Are investors compromising quality for cost? How do these choices influence long-term wealth creation? What are the implications for service quality, revenue sustainability, and financial literacy? This study aims to provide clarity on these dimensions.

Aim of the Paper

The primary aim is to assess the impact of discount brokers on full-service brokerage firms in India. The objectives include:

- Comparing revenue models and operational efficiencies
- Evaluating investor preferences and satisfaction levels
- Analysing the long-term return potential across broker types
- Understanding the role of each model in promoting economic growth

Literature Review

Several scholars have examined the brokerage evolution in India. Aseem and Biju (2020) emphasized the advisory role of full-service brokers in building trust. Wasnik (2021) highlighted how Zerodha disrupted traditional brokerage through zero-commission models. Mehta (2020) and Kumar & Sharma (2021) stressed the need for full-service brokers to adopt hybrid models combining tech and human advisory. SEBI's data (2023) revealed increased

investor losses due to self-directed trading, validating the need for guidance. Collectively, the literature suggests a shift toward cost-efficiency while acknowledging the irreplaceable value of financial advice for less experienced investors.

Methodology

This study adopts a descriptive and analytical approach, using secondary data from 2010 to 2025. Data sources include NSE, BSE, financial reports of brokerage firms, industry journals, and academic literature. Revenue breakdowns, client demographics, and return analyses were examined for discount brokers like Angel One and full-service firms like JM Financial. A statistical t-test was used to compare net returns between self-directed investors and advisory-supported clients. The research focuses on urban retail investors, especially in Chennai, with less than five years of market experience.

Findings

The analysis reveals that discount brokers now dominate the market in terms of active clients and trading volumes. Platforms like Groww and Zerodha account for over 40% of the market. Their revenue is driven largely by brokerage commissions and interest on client balances. Angel One, for instance, reported an 18.62% YoY revenue growth in FY2025, with brokerage contributing nearly 78% of total revenue.

In contrast, JM Financials' revenue is primarily from interest income and premium advisory services. While growth is stable, the cost structure is higher. Full-service brokers continue to attract HNIs and conservative investors who value expert support.

Investor behaviour is diverging: DIY investors prefer low-cost platforms but often face losses due to poor timing, overtrading, and lack of planning. SEBI reported that 93% of F&O traders using discount brokers incurred losses. On the other hand, full-service clients, while paying higher fees, reported better portfolio discipline, diversification, and tax efficiency.

Statistical analysis using a two-sample t-test confirmed that net returns from discount brokers (mean = ₹145,300) significantly exceeded those from full-service brokers (mean = ₹88,500), mainly due to lower costs. However, this assumes disciplined and informed trading.

Conclusion

By fostering financial inclusion, increasing retail participation, and reducing entry barriers, discount brokers have completely transformed the Indian stock market. Millions of people have been drawn to their scalable ideas, particularly younger investors from Tier 2 and Tier 3 cities. However, the high percentage of trading losses draws attention to the dangers of unguided investing and a lack of financial knowledge.

For investors with complicated demands, full-service brokers are still essential because they provide stability, knowledgeable counsel, and all-encompassing wealth management. Their challenge lies in reimagining services for a digital era. A hybrid approach that merges technology with personalized advisory may be the most sustainable path forward.

Coexistence, when both models meet different investor needs, is the way of the future for Indian broking. A robust, inclusive capital market environment will be shaped in large part by innovation, investor education, and regulatory assistance.

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