



INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH

IN SCIENCE, ENGINEERING, TECHNOLOGY AND MANAGEMENT

Volume 9, Issue 9, September 2022



INTERNATIONAL
STANDARD
SERIAL
NUMBER
INDIA

Impact Factor: 7.580



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A Study on Comparative Study of Major Stock Broking Companies

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ABSTRACT: We all know that stock market is the place where we deal in buying and selling of shares, debentures, bonds, etc. The business of stock market is totally handled by the brokers or agents. The word "market" denotes both the primary market and the secondary market. The primary market refers to the market where securities are created, while the secondary market is one in which they are traded among investors. The securities market is also known as secondary market and its instruments are shares, bonds, debentures, etc. The market is regulated by SEBI and brokers play an important role in share market. They are the members of stock exchanges. These are the persons who buy, sell or deal in securities. The main aim of the project is to have a practical knowledge about share market and have profound understanding of the products like Demat account, portfolio management services, mutual funds and IPO's. Nowadays investment has become a very important part of income saving and Sharekhan as a broking firm provides you with different products like equity, commodity, currency, bonds, IPO, etc where you can invest and expect higher returns as compared to other investments. There has been growing competition between the brokerage firms since last decade and it has become difficult for investors to choose the best out of them.

I. INTRODUCTION

Broking Firms

A transaction on a stock exchange must be made between two members of the exchange — a typical person may not walk into the New York Stock Exchange (for example), and ask to trade stock. Such an exchange must be done through a broker. There are three types of stock broking service.

- Execution-only, which means that the broker will only carry out the client's instructions to buy or sell.
- Advisory dealing, where the broker advises the client on which shares to buy and sell, but leaves the final decision to the investor.
- Discretionary dealing, where the stockbroker ascertains the client's investment objectives and then makes all dealing decisions on the client's behalf.

In addition to actually trading stocks for their clients, stock brokers may also offer advice to their clients on which stocks, mutual funds, etc. to buy.

Definition of Stock Broker

All stock investors have one thing in common, whether they trade in penny shares or are long-term share investors; they all have to work through stock brokers. When entering the world of the stock market, choosing a stock broker is your first priority and may be the most important choice you will make. There are many choices in stock brokers and you need to understand the key differences in each in order to better make your decision.

Traditionally, full-service stock brokers were the only type that was available. They charged very high commission fees but also gave a lot of help and guidance in choosing the right investments. In 1975, all of that changed and the discount stock brokers became the reigning champs of the investing world. In the last decade, the internet has permitted individual investors to research their own potential stocks for themselves, and even buy and sell stocks. There have been advantages to the arrival of the discount stock broker and online brokerage firm, but for some investors it has led to more mistakes in a smaller time. The key is doing your research and investing wisely.



On one end of the spectrum are the discount and online stock brokers. These brokerage firms act as order takers for their investors. The investor places an order on the telephone or online. The only help given is with the technical aspects of the website or the ordering process. There is no guidance given as to which stocks to buy, when to buy or when to sell. Many online brokerage firms offer their members access to stock market research, but this is provided by a third party. The account management tools help you understand how greatly you have invested and where it is going. These tools are generally online or downloadable. The discount and online stock brokers are for people either already familiar with the stock market, or those who do not have much money to invest. They do require that the investor spend some time researching and planning their investments. If you are interested in doing your own research or want to dodge hefty brokerage fees than discount and online brokers may be for you.

II. NEED & SIGNIFICANCE OF THE STUDY

A review of related literature of security market reveals that in India & Abroad, a few surveys have been conducted on the development and problems faced by the broking firms.

But, no specific study has been conducted on the Services provided by the different broking firms. Therefore, the investigator felt the untouched area of research for the present study.

The need & Significance of the present study was felt on the following grounds:

III. OBJECTIVE OF THE STUDY

- To develop the related questionnaires for measuring the comparative Services provided by the different broking firms.
- To study the customers preference for the different broking firms.
- To explore the preferential attitude of customers towards the services of broking firms.
- To investigate the problems of customers with regard to services of broking firms.
- To analyze the facilities/services which are being provided to the employees and customers by broking firms.
- 2.2.6 To study the effects of faster delivery, attractive advertisement and quality satisfaction etc. on customers' demand of services of broking firms.

IV. SCOPE OF THE STUDY

In the present study, all the broking firms have been included. Only the various categories of customers of all companies, who are dealing in and consuming respectively the company's products, have been included. Only the main area of Bikaner city has been brought into the scope of the present study. In the present study, only 40% sample of total customers was included. This study has a sample of 100 customers of all the broking firms. Though, the service level depends upon a series of dimensions, but in the present study only eight dimensions have been included. These dimensions are: Quality Satisfaction, Customer's Demand, charges, a/c opening fees, Provision of Facilities, market-share, timing & tips, & Advertising Strategy etc.

V. RESEARCH METHODOLOGY

Questionnaire Related to service-level of broking firms (Customers Form)

All the above noted tools were constructed and developed by the investigator himself.

2.4 Data Collection

A psychometric test means a standardized test which is used to analyze and interpret the collected data related to a research problem. Its purpose is to test the hypotheses formulated.

In the area of research, two types of psychometric tests are used :

- (A) Parametric or Standardized test, and
- (B) Non- Parametric or Distribution free test.
- (A) Parametric or Standardized Test

The parametric tests are as – Z test, t-test, χ^2 (chi- Square) test, F-test, Karl Pearson Product Moment Coefficient etc.

- (B) Non- Parametric or Distribution free test

Some of the important non-Parametric tests are : Sign test: One sample runs test; Rank Sum test; Fisher-Irwin test; Kendalle's Coefficient; Kruskal-Wallis test and Spearman's Rank Correlation test etc.



LIMITATIONS

- Time and money were the greatest limitations in carrying out the present investigation.
- The number of retailers being illiterate or less, they took a lot of time in providing the data.
- The customer not has given much information about taking his risk in share trading.
- The customer is interested to open demat a/c or share trading.
- Some customer doesn't know about the demat a/c or share trading.
- Now the people invest in the securities very frequently but mostly are the small investor.
- Income of investor not so much & not having proper knowledge

VI. REVIEW OF LITERATURE

In the field of stock market numerous literatures are available. The United States scholars are pioneer in the financial research. After the first world war the financial field got importance among the sovereign people of the nations. New disciplines have emerged as the branch of economics. In this scenario stock market emerged as one of the major research areas in finance. This chapter includes some prominent studies of the research in stock market in global as well as Indian context. Dow (1920) has been the pioneer in making a systematic study on the prediction of future stock prices or stock returns. He has studied the potential for past share prices and movement therein, to predict future equity values in US stock market. He proved the ability of the technical analysis to explain current and future share prices as well as equity returns.

Cowles (1934) showed that trading based upon "Dow Theory would have resulted in earning less than a buy and hold strategy using a well diversified portfolio. The study concluded that a buy and hold strategy produced 15.5 per cent annualized returns for the period 1902-1929 from US market, when Dow strategy produced annualized return of 12.0 per cent during the same period. Cowles analysis was a land mark in the development of the empirical evidence on the informational efficiency of the market".

Graham and Dodd (1934) are the first to formally argue the importance of fundamental factors in share valuation exercises. They suggested that the stock owner should not be too concerned with erratic fluctuations in stock prices, since in the long term its true value will be reflected in its stock price. Hence the investors spend time and effort to analyze the financial state of companies and then assess its intrinsic value before making their final investment decision.

Gordon (1959), in his study based on the data relating to "four industries from US economy for the period 1951 to 1954, very compactly illustrated the connection between a stock's price, the current level of dividend, the expected growth rate of dividends and the discount rate. His study showed the relevance of dividend in determining intrinsic worth of a stock thereby the stock returns also. But Modigliani and Miller (1961) showed investor indifferences as to the amount of dividend since it has no influence on the value of a firm". Any investor can create a 'homemade dividend' if required or can invest the proceeds of a dividend payment in additional shares as and when a company makes dividend payment.

Holt (1962) made a study for measuring the influence of growth duration of earnings on share price movements. He found that the "forecasting of future earnings and other economic variables become more difficult if the rate of growth is expected to change in the future. So the estimation of growth rate not only in terms of its size but also its duration must be made for correct valuation of a stock".

Sharpe (1964) and Lintner (1965) predict a positive linear relationship between expected security returns and market betas with their Capital Asset Pricing Model (CAPM). The model is developed under the assumption of the existence of an efficient capital market where security transactions are costless and information is freely available to all investors instantaneously. CAPM, an idealized market environment, bifurcates total risks involved in investments into two orthogonal components, namely, risk associated with the overall market conditions called 'market risk' or 'systematic risk' and risk specific to the asset called 'unique risk' or 'unsystematic risk'. The unsystematic portion of the risk can be eliminated by holding well-diversified portfolios but the systematic portion cannot be eliminated even if one virtually holds all assets in the economy. The CAPM also predicts that market beta is sufficient to describe cross-sectional expected returns. These predictions have been the subject of a great deal of empirical investigation. Much of

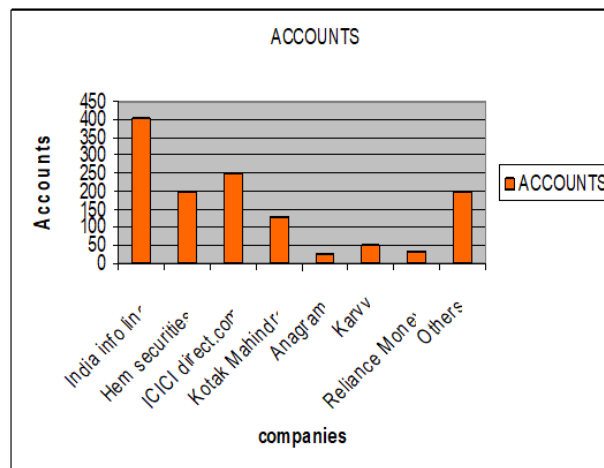
the evidence does not support the model. Empirical contradictions of the CAPM are documented in Banz (1981), Reinganum (1981), Basu(1983), Rosenberg, Reid and Lanstein (1985) and Bhandari (1988).

DATA ANALYSIS AND INTERPRETATION

Various accounts of customers in all broking firms

Name of company	No of A/C
India info line	405
Hem securities	200
ICICI direct.com	250
Kotak mahindra	128
Anagram	27
Karvy	52
Reliance Money	34
Others	200

FIGURE – 1
Showing the accounts of all broking firms



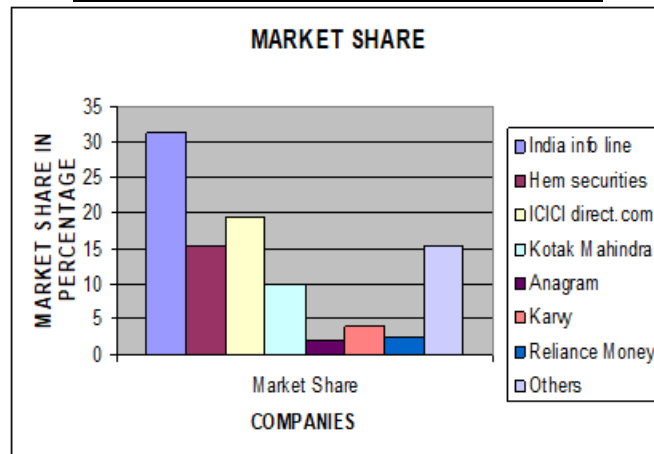
Market share of various broking firms

Table No. 3.2

Market share of all broking firms

Name of company	Market Share
India info line	31.25
Hem securities	15.43
ICICI direct.com	19.29
Kotak mahindra	9.87
Anagram	2.08
Karvy	4.01
Reliance Money	2.63
Others	15.43

FIGURE – 2
Showing the market-share of all broking firms



Brokerage charges of all broking houses

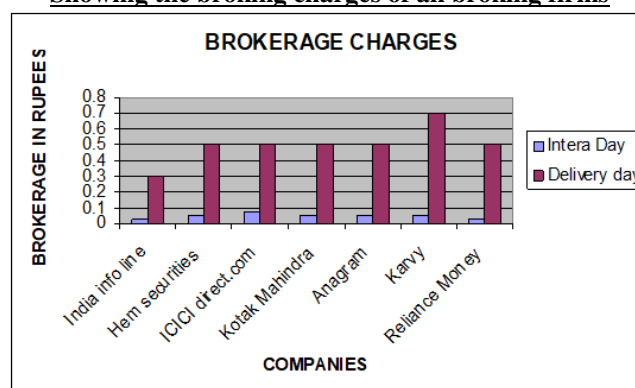
All firms are having different broking charges as their rules-

Table No. 3.3

Comparison of broking charges of all broking firms

Name of company	Brokerage charges(Rs)
India info line	.03 & .30
Hem securities	.05 & .50
ICICI direct.com	.07 & .50
Kotak mahindra	.05 & .50
Anagram	.05 & .50
Karvy	.05 & .70
Reliance Money	.03 & .50

FIGURE – 3
Showing the broking charges of all broking firms

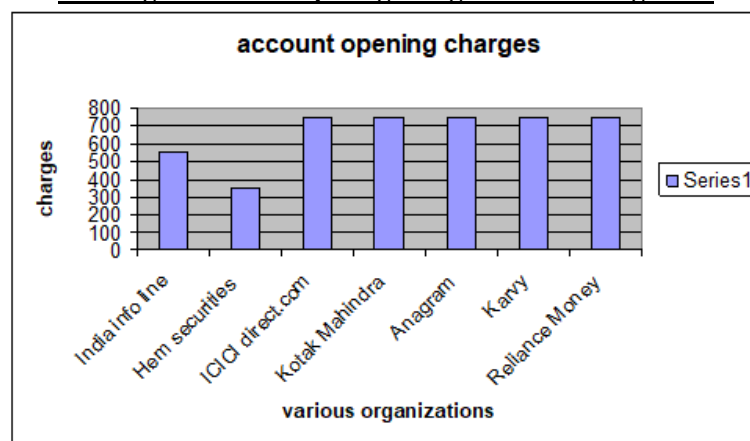


A/C opening charges of various companies

Each firm are charging some money as a/c opening fees. If we are comparing all these then

Table No. 3.4**Comparison of A/C opening charges of all broking firms**

Name of company	Charges
India info line	555
Hem securities	350
ICICI direct.com	750
Kotak Mahindra	750
Anagram	750
Karvy	750
Reliance Money	750

FIGURE – 4**Showing the account opening charges of all broking firms**

Share khan has one of the best state of art web portal providing fundamental and statistical information across equity, mutual funds and IPOs. You can surf across 5,500 companies for in-depth information, details about more than 1,500 mutual fund schemes and IPO data. You can also access other market related details such as board meetings, result announcements, FII transactions, buying/selling by mutual funds and much more.

FINDINGS

- In Bikaner city, the reliance money providing more and more attractive schemes on its services in comparison to other broking firms Company.
- After conducting the market survey in the area of Bikaner city, the investigator concluded that Indiainfo line is dominating over all firms.
- Customers have a demand for online services of broking firms.
- According to the opinion of the total sample of customers, the Market-Share of Indiainfo line dominates the Market-share of all firms in the area of Bikaner city.
- According to Age group I having above 30 years of age and Age group II having below 30 years of age, latest technology is helpful for them.
- According to opinion of Experienced Group I & II of customers, the firms maintain the good relation with them.



- (vii) Through Reliance Money's associates, you can transact in Equity, Equity & Commodity Derivatives, Offshore Investments **, Mutual Funds, IPO's, Life Insurance, General Insurance, Money Transfer, Money Changing and Credit Cards, amongst others.
- (viii) Due to its quality satisfaction, Karvy & ICICI direct has controlled more Market-Share in comparison to others.
- (ix) Online trading is very user friendly and one doesn't need any software to access.
- (x) They provide good quality of services like daily SMS alerts, mail alerts, stock recommendations etc.
- (xi) Intraday charges of Indiainfoline are less as compare to others and karvy's charges are high.
- (xii) In All four Brokers having the 75% of the over all market.
- (xiii) In popularity of Security market the customers having the great interest.

SUGGESTIONS

1. Each type of services should be provided by the all the firms in sufficient quality.
2. All firms should charge less as like Hem securities. The firms provide more and more facilities to customers for the purpose of advertisement.
3. All the broking firms should provide proper supply of its products by improving the Distribution Channels, Advertisement Strategy and efficiency of its employees.
4. Better schemes and benefited should be provided to the customers by the all firms.
5. Broking charges of karvy are high so the firms have to charges low so that more customers can attract.
6. The customers who are dealing from last 5 years should be provided with some extra schemes and facilities.
7. Quality of the services should be improved by the reliance money.

VII. CONCLUSION

On the basis of the study it is found that Sharekhan Ltd. is better service provider than other stockbrokers because of their timely research and personalized advice on what stocks to buy and sell. Sharekhan Ltd. provides the facility of relationship manager for encouraging and protecting the interest of the investors. It also provides the information through internet and mobile alerts. Further it also provides its research on the future prospect of IPOs. Further it was observed that most of the people are not interested in share market. Most of the people are not aware about share market, they believe investing their money in bank, buying gold and property will give them better returns. Many of the people who knew about share market didn't want to take the risk of investing the money in it. Sharekhan and other broking firms should organize seminars and other similar activities to enhance the knowledge of prospective and existing customers so they feel more comfortable and risk free while investing in the stock market.

REFERENCES

Useful links about ShareKhan/Contact Sharekhan at:

1. ShareKhan Website: <http://www.ShareKhan.com>
2. Product Demo - SpeedTrade: <http://www.sharekhan.com/Demos/speedtrade/index.html>
3. Product Demo - Classic: <http://www.sharekhan.com/Demos/classic/index.html>
4. Email: info@sharekhan.com
5. FAQs: http://sharekhan.com/KnowledgeCentre/Sharekhan_FAQ.aspx
6. Phone: 022-66621111
7. Toll Free: 1-800-22-7500

Useful links & info about Indiabulls

1. Indiabulls Website: <http://www.indiabulls.com>
2. E-mail: helpdesk@indiabulls.com
3. Contact No.: 1800-11-11-30, 0124-4572444

Useful links about Reliance Money

1. Reliance Money Website: : www.RelianceMoney.com
2. Branch Locator: [Reliance Money Branch Locator](#)



1. Website: www.RelianceMoney.com
2. Email : CustomerCare@RelianceMoney.com
3. Phone : 022-39886000

Useful links about Religare / Contact Religare at:

1. Website: www.religareonline.com
2. Email: race@religare.in, igreligare@religare.in
3. FAQs: <https://nat.religaresecurities.com/stsb/presentationlayer/FAQ.pdf>
4. Phone: 011-44312345
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