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A COMPARATIVE STUDY ON LEADING STOCK BROKING FIRMS

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ABSTRACT

An equity brokerage firm is an investment services organisation that is fundamentally involved in the business of purchasing and selling equity and other financial securities for its customers in return for a charge or commission. This business segment operates under close government regulations that aim to secure the investing public. An equity brokerage firms may not open for business without filing for proper enrolments and acquiring certain memberships. Anequity brokerage firms may concentrate on different investment services and customers. It must also be able to provide extensive variety of security information to customers for investment research and trade selections. As per Section 65(93) of Finance Act, 1994 “Stock-broker” means a person, who has either made an application for registration or is registered as an equity broker, in accordance with the rules and directions made under the Securities and Exchange Board of India Act, 1992. A retail brokerage firm serves only individual investors, whereas an institutional brokerage firm has the capacity to handle large order flows from institutional investors such as mutual funds. The focus of the research is to study the investor’s perception regarding investment in equity market and to analyse the investor’s behaviour toward market trend on his investment. To do the comparison of broking firms in terms of service provided by them to the investors.

Keywords :Equity brokerage firm, Investor, Equity market, Securities



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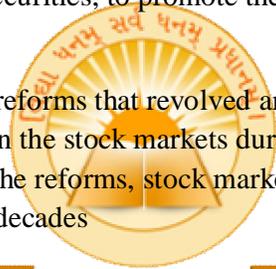
INTRODUCTION

The stock markets in India are one of the oldest in the world and have a strong presence and network of domestic and local intermediaries. Owing to the high incidence of indigenous equity broking, India got a Native Share Brokers' Association as early as 1875; this association later came to be known as the Bombay Stock Exchange (BSE). In 1864, there were more than 1,000 brokers in Mumbai who traded in stocks; high premium was also a familiar concept during that time.

In the 1970s the Foreign Exchange Regulation Act (FERA) was introduced that encouraged multinational companies to divest their foreign equity; this phenomenon gave a fresh impetus to retail investing.

The Securities and Exchange Board of India (SEBI), which was set up in 1988 as an administrative arrangement, was given statutory powers after the enactment of the SEBI Act in 1992. The main function of SEBI was to protect investor interests in securities, to promote the development of securities markets and to regulate the securities markets.

Introduction of a wide range of economic reforms that revolved around the central theme of liberalization of financial markets revived the exuberance in the stock markets during the nineties. Due to the greater freedom and flexibility that accompanied the reforms, stock markets in India set out on a growth journey that was to last in the next one-and-a-half decades



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LITERATURE REVIEW

- A study by Kauffman et al. carried out in 2000 indicated that, due to the intensive essence of information, most traditional form of stock trading market players will eventually move towards leveraging IT in order to operate their businesses in an Internet-based trading manner. This in turn brings about many potential benefits for the users i.e. the investors, such as faster trading speeds, better information transparency, and much lower operating costs (George, 2000).
- A business that wants to succeed in today's global competitive market, where customers are empowered and brand loyalty erosion is increasing, will have to move to customer relationship management (CRM).
- Many researchers have proposed a virtuous chain of effects from improved customer satisfaction to profits. In particular, satisfaction is thought to improve share-of spending, which in turn leads to higher



customer revenue and customer profitability. Keiningham ET. el. (2005) found that a simplistic focus on improving customer satisfaction for all customers in order to improve share-of-wallet and customer revenue does not seem to represent the best management approach to maximize overall firm profitability. In fact, it could actually result in a negative return on investment.

- There are many reasons why customer expectations are likely to change over time. Process improvements, advent of new technology, changes in customer's priorities, improved quality of service provided by competitors are just a few examples.
- The main purpose of the study was to identify the various factors that influence a person into making a decision to get service from which brand of stock broking firms, which factors are important in satisfying the customer's needs and to know how Broking Agencies is ensuring its customers satisfaction.

RESEARCH OBJECTIVES

1. To study the comparison of broking firms in terms of service provided by them to the investors
2. To know investor's perception regarding investment in stock market.
3. To know investor's behavior toward market trend on his investment.

RESEACH METHODOLOGY

DATA COLLECTION

- (1) Primary Source of Data: -

The primary source of data is being collected by preparing a Questionnaire & it is collected by interviewing the investors.

- (2) Secondary Source of Data: -

Books, Websites, etc

POPULATION

Sample Size :- 100 (50 for Sharekhan and 50 for Religare)



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SAMPLING METHOD

Sampling Method: - Convenience Sampling.

SAMPLING FRAME

Sampling Area: Ahmedabad City.

Research Instrument: - Structured Questionnaire.

DATA ANALYSIS

	RELIGARE SECURITIES	SHAREKHAN
Background		
Year of Incorporation	1994	2000
Website	http://www.religareonline.com	http://www.sharekhan.com
Phone	011-3912 5000	022-61150000
Exchanges enabled	NSE, BSE, MCX-SX, MCX & NCDEX	NSE, BSE, MCX-SX, MCX & NCDEX
Demat (NSDL/CDSL)	NSDL/CDSL	NSDL & CDSL
Financial Health		
Profit after Tax FY11/12	Rs 39.8 Crores	Rs 87.5 Crores
Profit after Tax FY12/13	Rs 187 Crores	Rs 107 Crores
Profit after Tax FY13/14	Rs 25.9 Crores	Rs 9.05 crores
Profit after Tax FY 14/15	Rs 17.9 Crores	Rs 13 Crores
Debt FY11/12	Rs 562 Crores	Rs 335.1 Crores
Debt FY12/13	Rs 308 Crores	Rs 335.1 Crores
Debt FY13/14	Rs 385 Crores	0
Debt FY14/15	Rs 639 Crores	0
Profit to Equity(%) FY11/12	5.96	19.86
Profit to Equity(%) FY12/13	-3.03	16.04
Profit to Equity(%) FY13/14	4.27	17
Profit to Equity(%) FY14/15	4	19
Balance Sheet Size FY11/12	Rs 1770 Crores	Rs 1689 Crores



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	RELIGARE SECURITIES	SHAREKHAN
Balance Sheet Size FY12/13	Rs 1630 Crores	Rs 1636 Crores
Balance Sheet Size FY13/14	Rs 1469 Crores	Rs 1303 Crores
Balance Sheet Size FY14/15	Rs 1647 Crores	Rs 1559 Crores
Brokerage		
Equity	0.05% for Intraday & 0.5% for Delivery - Negotiable	0.03% for Intraday & 0.3% for Delivery - Negotiable
Equity Futures	0.05% of Turnover - Negotiable	0.03% of Turnover - Negotiable
Equity Options	Rs 70/lot - Negotiable	Rs 50/lot - Negotiable
Currency Futures	0.05% of Turnover - Negotiable	0.03% of Turnover - Negotiable
Currency Options	Rs 30/lot - Negotiable	Rs 20/lot - Negotiable
Commodity	0.05% of Turnover - Negotiable	0.03% of Turnover - Negotiable
Account Opening Costs		
Trading only	NA	NA
Trading & Demat	Rs 500	Rs 500 which will be adjusted with brokerage
Commodity	Rs 300	Nil
Account Opening Costs Rating	1 2 3 4 5 6 7 8 9 10	1 2 3 4 5 6 7 8 9 10
Transparency & other costs		
Equity	0.00325% of Turnover	0.00325% of Turnover
Futures	0.004% of Turnover	0.0021% of Turnover
Options	0.06% of Premium Turnover	0.055% of Premium Turnover
Commodities	0.0035% of Turnover	0.0027% of Turnover
AMC charge	Rs 250	Rs 400/year
DP Transaction Charge	Rs 30 or 0.03% whichever is higher	Rs 30 or 0.03% whichever is higher
Offline order placing Charge	Nil	Nil



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	RELIGARE SECURITIES	SHAREKHAN
Charting		
Intraday	10 Days	30 Days
End of Day	5 Years	10 Years
Coding/Backtesting	Y	Y
Reporting	Y	Y
Online Trade Reports	Y	Y
Online PNL Reports	Y	Y
Online Contract Notes	Y	Y
Margins		
Equity	Upto 10 times Intraday, Upto 4 times delivery @interest	Upto 10 Times for Intraday & 5 Times for Delivery(Interest charged)
Equity Futures	Upto 3 times for Intraday	Upto 2 times for Intraday
Equity Options	Buying no Leverage, shorting upto 3 times for Intraday	No Leverage
Currency Futures	Upto 2 times for Intraday	No Leverage
Currency Options	Buying no Leverage, shorting upto 2 times for Intraday	No Leverage
Commodity	Upto 3 times for Intraday	Upto 2 times for Intraday
Support & Tools		
Research & Tips	Y	Y
Brokerage Calculator	Y	Y
Margin Calculator	Y	Y
Bracket orders & Trailing Stoploss	Y	Y
Training & Education	Y	Y
Convenience		
3 in 1 Account	Y	Y
Instant Fund withdrawal	Y	Y
Relationship Managers	Y	Y



QUESTIONNAIRE ANALYSIS

Which type of investment would you prefer to invest?

VARIABLE	FREQUENCY	%
Debenture	8	8%
Equity	26	26%
Preference share	15	15%
Derivative	8	8%
Government securities	21	21%
Commodity market	2	2%
Mutual fund	18	18%
Others	2	2%
TOTAL	100	100%

From the above table it can be concluded that there are 8% of the total respondents are prefer to invest in debenture, 26% in equity, 15% in preference share, 8% in derivatives, 21% in government securities, 2% in commodity market, 18% in mutual fund and 2% in other

What is your perception regarding investment in stock Market?

VARIABLE	FREQUENCY	%
To earn huge profit	24	24%
To gain knowledge	16	16%
To maintain security	37	37%
For the sake of investment	22	22%
Other purposes	1	1%
TOTAL	100	100%

From the above table it can be concluded that there are 24% of the total respondents are investing in stock market because of huge profit, 16% to gain knowledge, 37% to maintain the security, 22% for the sake of investment and 1% for other purposes

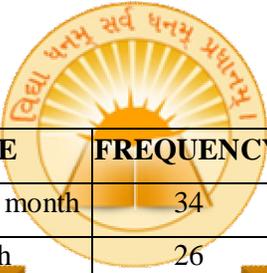


What are the factors to which you give priority when you invest?

VARIABLE	FREQUENCY	%
Safety	17	17%
Higher Return	24	24%
Liquidity	32	32%
Less Risk Marketability	27	27%
TOTAL	100	100%

From the above table it can be concluded that there are 17% of the total respondents doing investment because of safety, 24% for the higher return, 32% for the liquidity and 27% for the less risk marketability

How long have you been investing?



VARIABLE	FREQUENCY	%
Less than 1 month	34	34%
1 to 3 month	26	26%
More than 3 month	40	40%
TOTAL	100	100%

From the above table it can be concluded that there are 34% of the total respondents investing less than 1 month, 26% for 1 to 3 months and 40% for more than 3 months.

What is your considering factor for choosing a broking firm?

VARIABLE	FREQUENCY	%
Efficiency	24	24%
Broking Charge	17	17%
Schemes	26	26%
Use of Technology	28	28%



Other	5	5%
TOTAL	100	100%

From the above table it can be concluded that there are 24% of the total respondents choosing brokerage firms based on its efficiency, 17% based on their broking charge, 26% based on schemes, 28% based on use of technology and 5% based on other

How many broking firms do you know?

VARIABLE	FREQUENCY	%
Sharekhan	78	78%
Religer	54	54%
MotilalOswal	39	39%
Edelweiss	27	27%
Others	5	5%
TOTAL	100	100%

From the above table it can be concluded that there are 78% of the total respondents aware about the Sharekhan, 27% about the religare, 19% about the MotilalOshwal, 13% Edleweiss and 3% others

Are you aware about the market trend?

VARIABLE	FREQUENCY	%
Yes	82	82%
No	18	18%
TOTAL	100	100%

From the above table it can be concluded that there are 82% of the total respondents are aware about the market trend while 18% of the total respondents not aware about the market trend.

Ho: There is no significance difference in satisfaction level of clients from Sharekhan and clients from Religare.

H1: There is a significance difference in satisfaction level of clients from Sharekhan and clients from Religare



CROSS TABULATION

SHAREKHAN AND RELIGARE CROSS TABULATION								
			RELIGARE					Total
			broking charges	online services	Research and advisory	depository services	Annual maintenance charges	
Sharekhan	broking charges	Count	8	0	0	0	0	8
		% within Sharekhan	100.0%	.0%	.0%	.0%	.0%	100.0%
		% within Religare	66.7%	.0%	.0%	.0%	.0%	16.0%
		% of Total	16.0%	.0%	.0%	.0%	.0%	16.0%
	online services	Count	4	21	0	0	0	25
		% within Sharekhan	16.0%	84.0%	.0%	.0%	.0%	100.0%
		% within Religare	33.3%	75.0%	.0%	.0%	.0%	50.0%
		% of Total	8.0%	42.0%	.0%	.0%	.0%	50.0%
	research and advisory	Count	0	7	4	0	0	11
		% within Sharekhan	.0%	63.6%	36.4%	.0%	.0%	100.0%
		% within Religare	.0%	25.0%	100.0%	.0%	.0%	22.0%
		% of Total	.0%	14.0%	8.0%	.0%	.0%	22.0%
	depository services	Count	0	0	0	3	1	4
		% within Sharekhan	.0%	.0%	.0%	75.0%	25.0%	100.0%
		% within Religare	.0%	.0%	.0%	100.0%	33.3%	8.0%



	% of Total	.0%	.0%	.0%	6.0%	2.0%	8.0%
annual maintenanc e charges	Count	0	0	0	0	2	2
	% within Sharekhan	.0%	.0%	.0%	.0%	100.0%	100.0%
	% within Religare	.0%	.0%	.0%	.0%	66.7%	4.0%
	% of Total	.0%	.0%	.0%	.0%	4.0%	4.0%
Total	Count	12	28	4	3	3	50
	% within Sharekhan	24.0%	56.0%	8.0%	6.0%	6.0%	100.0%
	% within Religare	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	% of Total	24.0%	56.0%	8.0%	6.0%	6.0%	100.0%

CHI-SQUARE TESTS			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.186E2 ^a	16	.000
Likelihood Ratio	79.785	16	.000
Linear-by-Linear Association	39.978	1	.000
N of Valid Cases	50		

a. 22 cells (88.0%) have expected count less than 5. The minimum expected count is .12.

INTERPRETATION

- ✓ From the above chi-Square cross tabulation analysis the null (H0) hypothesis is rejected. Here, we can say that alternative hypothesis (H1) is accepted because of P value of alternative hypothesis is higher than 0.05 that is 0.12.
- ✓ There is a significance difference in satisfaction level of clients from Sharekhan and clients from Religare



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CONCLUSION

Each of these brokerage houses has its own pros and cons. They are liked and loathed by investors for different reasons. First of all talking about Religare, this financial company is preferred by stock market players for its economic brokerage rates, online terminal as well as customized services. On the other hand it suffers from drawbacks such as low awareness among investors, insufficient infrastructure and lack of coordination among its branches. Talking about Sharekhan, it is one of the most well-known players in this segment and boasts of high clientele because of its good and regular research tips, tie-ups with almost all major banks (10 banks to be precise) as well as competent Relationship Managers. But the only stain on its name is because of the fact that it doesn't care much for its small customers who are not even provided an R.M. Also their terminal charges are also quiet high as compared to that of its competitors.



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