



Relevance of Stock Broking Industry

ANIL KUMAR, Dept of Commerce, anil.bhuckel@gmail.com

Abstract: With more and more disposable income available with the people working in the various sectors and with many investment opportunities available, each individual wants to invest in the share market and want to have a sizeable portfolio. The



© IJRPS International Journal for Research Publication & Seminar

The stock brokers and other various intermediary agencies play a vital role in the capital market. The investor may not be aware of the working of the stock market and the stock broking agencies have to take the responsibility of the buying and selling of shares on their behalf. The agencies inform the investors about the various products and services so that they can invest in alternatives that are more profitable and also provide them with wealth maximization products. On many occasions, the investor may not know how to operate the De-mat account, or may not be a computer user nor may have the time and resources to analyze the stock market. In such a situation, the advisory services of the stock broker becomes very essential because it is very difficult for a new comer to predict a particular stock performance as the stock market is most of the time very volatile. The present study is an attempt to study the present relevance of stock brokers and scope for stock broking Industry in the capital market. For this study, secondary data has been used to find out the importance and scope of broking industry.

Introduction:

The Indian broking industry has grown significantly over the last decade in terms of both size and scope. The relationship between the stock broker and the investor has always been very rocky and also very beneficial to both of them. The broker who has an inside knowledge about the companies and also the share market can always help the investor make the right investment decision and thereby charge a fee for the services offered. Since the small time investor may be new to the market, the knowledge accumulated by the broker as per his experience can be hugely beneficial to the small investor who may be a first timer and a new entrant to the stock market. If the advice given to the first timer is beneficial to him, then there may be many more first timers who would have been introduced to the stock broker by the benefitted one. The time is ripe for the Indian investors and also the stock brokers to make a killing in the BSE and earn some money. A stable government at the Centre, new ventures coming up governments make in India initiative, Digital India, skill India, infrastructure development, enhanced FDI in the various sectors and other reasons have added advantages to be witnessed in the stock market in the near future.

Review of literature:

S. Chris Robertson (2006), his study entitle “Benefits of using a stock broker as a new investor”, in his study he reported the aspects like stock trading and investment opportunities



in present scenario. A new investor is probably facing tremendous pressure in the financial world today with each and every investment opportunities that arises every day, and that potentially brings wealth and prosperity to the investor. Online stock trading creates worldwide investment opportunity and as a new investor, all these can be understood with the help of a stock broker who will help him take his decision concerning his investment and help him manage his investments. Therefore, for a new investor the stock broker can be a solution for all his problems.

Jennifer Lynn Hanson, (2009) in her study entitled “Internet Stock Broker advantage cheap online stock investing” found that Stock trading can be done through internet websites with the help of stock brokers. Hanson was of the conclusion that no one makes a financial investment with the goal of losing money and making a financial gain is everyone’s objective and many investors who were at an disadvantage earlier have found the goal to be achievable after the use of internet for stock market trading. After the internet was invited and made available to the investor and also the common man, a smooth outline trading has been created by effective guidance of brokerage agency. Hanson is also of the opinion that the internet stock trading has eliminated the tradition method of brokerage.

J VICTOR (2011) in his study entitled, “The Brokers Role in Investing is of the opinion that the stock broker is an agent and is performing a service for the investor and the broker acts as an agent for the buyer and seller of the security and ensures best investment on commission basis. The broker will buy for the investor and sell for the seller each time ensuring that the best price is obtained from the

money. A stable government at the Centre, new ventures coming up governments make in India initiative, Digital India , skill India, infrastructure development, enhanced FDI in the various sectors and other reasons have added advantages to be witnessed in the stock market in the near future.

Functions of Stock Brokers:

A stock broker or share broker is a regulated professional broker who buys or sells shares and other securities through market makers or agencies on behalf of investor. A broker may be employed by a brokerage firm. The functions of stock broker are as follows.

1. Act as an agent: A stock broker acts as its agent of an investor and represents his clients to buy or sell shares and other financial instruments. The primary role of a stock broker is to execute transaction on behalf of investors, he will buy and/or sell securities in the stock market. As a representative of his clients, a stock broker brings the best offer to buy and sell stock.

2. Seeks best deal: A stock broker represents a client, finding the best deal to buy or sell stocks for investors. Most brokers deal in all types of securities and many also handle commodity futures. The sub broker may also advice a client on when to buy or sell a stock or what to watch for in market dealing, but he is not a licensed investment adviser.

3. Handling the trade: A broker takes an order from a client to buy or sell a stock, passes it through his brokerage firms network to a floor trader. Now, through the software provided by stock broking firm, investor/trader can directly place the order.



4. *Paid on commission:* Individual brokers are paid on commission usually as a percentage of the value of the trade. Commissions and fees vary.

5. *Advice:* Most of the individual broker charges a certain percentage of the transaction of buying and selling of stock. There are two types of brokers, one is discount and another one is full service broker. Discount broker mostly is individual broker who won't give advice and simply does the transaction. On the other hand, full service broker actually help the investors to choose the stock for investment by giving advice, and charge's some additional amount along with their regular commission.

6. *Spectrum of service offered:*

A) Discount / online broker: The traditional discount/online brokers is an order taker. They will take investor's order either over the phone or online. On the other hand, if investor is dealing with them online, one will be there to actually talk.

B) Discount/online with assistance broker: This variation offers some help to customers that stops of full services consulting.

C) Full service broker: The traditional full service broker provides recommendation of specific stocks for investor's consideration. The broker begins with a financial assessment of investor's personal situation to determine the investor's need and suitability for various investments.

D) Money Manager: Money Manager takes over the responsibility for investing and managing the entire portfolio in exchange for a percentage of the assets they manage.

7. *Products:* Brokers offer many different types of products besides stock. Often, packaged products such as mutual funds and annuities are important parts of the recommendation.

8. *Insurance protection:* Majority of the brokerage firms are members of the Securities Investor Protection Corporation (SIPC) which provides insurance for losses

Conclusion:

With gold prices fluctuating and the real estate not being up to the mark, the individuals have found a good and lucrative investment option which can be done with as low as Rs 1000/- per month, which is a very negligible amount in today's world. The stock market has seen a steady growth and most of the share prices have been constant with an increase in the same.

Many small time investors are waiting to enter the stock market and test the waters. Since most of them will be first time investors, they will require knowledge about the market and also details of the companies which can be provided by the brokers, for a fee and if the small investor is given good advice then he/she may introduce many more clients to the broker who in turn may earn more, thereby making the situation a win- win one for the investor and also the broker. Hence, it is said that the time now is ripe for the stock market traders and also the investors as many people have decided to go for the pie share.

The stock brokers have seen an increase in the investment potential of the investors and there are many people who are entering the stock market trade and the last few years has seen and exponential increase in the people entering the stock broking trade. Hence in such a scenario,



it is the duty of the stock broker to make the small investor aware of the situation to see to it that the small investor is not affected by such a withdrawal.

In order to counter such a scenario, the current SEBI chief, Mr U K Sinha has urged the small investors and the middle class to invest more in the stock market as investing in the stock market and earning money in the stock exchange is not taboo anymore and the stock market as an investment option is still a very good option. It is estimated that even if a small percentage of the existing middle class invest in the stock market, the market will witness a surge of investment and may not require the investments made by the FDIs and the FIIs in the years to come.

In order to make this a possibility, wherein the middle class people are encouraged to invest in the stock market, the stock broker and the small investor has to work hand in hand and the stock broker needs to give the correct advice to the investor so that he can get many more people to the stock market.

References:

- Anurag Bansal, Current state of Indian Equity Broking industry and way forward, Forum View, Vol.3, No.1, p.p 46-47.
- Balla, V.K. "Investment Management" (2012) S.Chand and Company Ltd, New Delhi, 18th Revised Edition, p.p. 83-109.
- Chandra P. "Investment Analysis and Portfolio Management" (2008), Tata Macgraw - Hill Publishing Company Ltd , New Delhi. 3rd Edition.
- Gordan and Natarajan, "Financial Markets and services " Himalaya Publishing House, 2014, p.p. 107-176.
- Kothari ,C.R, "Research Methodology ,(2014)Wishwa Prakarshan , Banglore , 3rd Edition.
- Gordon J. Alexander, William F.Sharpe and Jeffrey G. Bailey, Fundamentals of Investments(2013) PHL learning Pvt. Ltd, Delhi, 3rd edition, p.p 2-13
- Madhumita Gosh , "IPOs: More Misses Than Hits", (2011) Dalal Street Investment Journal, Vol. 26. No. 9, Page 70.
- Krishnan and Booker. D.M., "Investors use of Analyst Recommendations," (2014), Behavioural Research in Accounting, p. p. 129-158.
- Priti R.Majhi and Prafull k.khatua, "Research Methodology", (2013) Himalaya Publishing House, 2nd edition.
- Gupta, Kumar Shomik. (2011)., Brokers in India assisting investor across. ICFAI Journals. Prime publication.