



## An Empirical Study on Analysis of Stock Brokers in Indian Stock Markets with Special Reference Cash Market

### KEYWORDS

**Dr. Jeelan Basha.V**

M.Com. M.Phil., Ph.D., ACMA, Research Supervisor  
Bharatiar University, Coimbatore

**ABSTRACT** A stock brokerage is an investment services company that is primarily involved in the business of buying and selling stocks and other financial securities on behalf of its clients in return for a fees or commission. The industry operates under close government regulations that aim to protect the investing public. A stock brokerage may not open for business without filing for appropriate registrations and obtaining certain memberships. A stock brokerage may focus on different investment services and clients. It must also be able to provide a wide range of security information to clients 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 a stock broker, in accordance with the rules and regulations made under the Securities and Exchange Board of India Act, 1992. A retail brokerage serves only individual investors, whereas an institutional brokerage has the capacity to handle large order flows from institutional investors such as mutual funds. The objectives of the study are to study the performance analysis of Stock Brokering Services and providing findings/ results and conclusions based on analysis. Exploratory research design has been adopted. The study is based on secondary data containing annual number, fees & other charges, type and turnover of registered stock brokers from 2009-2014. The data is collected from [sebi.gov.in](http://sebi.gov.in), [moneycontrol.com](http://moneycontrol.com) and various other reports like magazines, journals, published books and official websites. The statistical tools applied for data analysis in the present study are descriptive statistics, correlation and hypotheses testing

It is concluded that stock brokering service plays a major role in mobilizing funds through its expertise in attracting investors to make investment by its suitable guidance. It has become lucrative service in terms of earning.

### Introduction:

A stock brokerage is an investment services company that is primarily involved in the business of buying and selling stocks and other financial securities on behalf of its clients in return for a fees or commission. The industry operates under close government regulations that aim to protect the investing public. A stock brokerage may not open for business without filing for appropriate registrations and obtaining certain memberships. A stock brokerage may focus on different investment services and clients. It must also be able to provide a wide range of security information to clients 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 a stock broker, in accordance with the rules and regulations made under the Securities and Exchange Board of India Act, 1992. A retail brokerage serves only individual investors, whereas an institutional brokerage has the capacity to handle large order flows from institutional investors such as mutual funds.

The SEBI has been set-up to ensure that the stock exchanges discharge their self-regulatory role properly. To prevent malpractices in trading and to protect the investors, the SEBI has assumed the monitoring function, requiring brokers to be registered and stock exchanges to report on their activities. Ever since the SEBI began to monitor brokers, stock brokering has emerged as a professional advisory services in tune with requirements of a highly mature, sophisticated, screen-based, ring less, automated exchanges in the country in sharp contrast to the hitherto prevailing traditional, out-dated, closed-character, as inherited family business.

Registered stock broker have to abide by the code of conduct with respect to conduct of dealings, protection of clients' interests, obligation of completing the settlement of transactions with stock brokers, no advertisement of his business publicly unless permitted by the stock exchange, no resort of unfair means to induce the clients from other stock brokers and no negligence/failure/refusal to submit the required returns and not make any false statement on any returns submitted to the SEBI and stock exchanges.

A stock broker should not deal with any person as a sub-broker unless he has obtained a certificate of registration from SEBI.

### Objectives of the study:

1. To study Performance Analysis of Stock Brokers in Indian stock markets of cash segment and
2. To provide findings/ results based on analysis.

**Research Design:** In view of the objectives of the study listed above, exploratory research design has been adopted. Exploratory research is one, which largely interprets the already available information, and it lays particular emphasis on analysis and interpretation of the existing and available information and it makes use of secondary data.

### Research Methodology:

The study is based on secondary data covering from 2009-10 to 2013-14. The data has been collected from [moneycontrol.com](http://moneycontrol.com). Various other reports like magazines, journals, published books and official websites are also referred to for the present study.

### Sources of data:

**Tools of analysis:** The data collected for the study is ana-

lysed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis in the present study are standard Deviation, Ratios, Compound Annual Growth Rate.

#### Findings:

Number of registered stock brokers increases gradually despite there is fluctuation in the last year at CAGR of 1.68% over the study period.

Registered stock brokers' stands first in number of registered intermediaries of stock market.

Number of sub-brokers decrease with variation of standard deviation of 10866.603 during the study period at CAGR of -8.9% over the study period.

Percentage of stock broker to sub-broker is gradually increasing from 11.67% to 19.51% with CAGR of 13.70%.

The registered brokers of proprietorship are declining at snail 'pace from 50% to 44% of total number of registered stock brokers during the study period.

Hardly 3% of total number of registered brokers is partnership firms.

The registered brokers of Corporatorship are increasing gradually from 46.4% to 53% of total number of registered stock brokers during the study period.

Corporatorship of stock brokering services occupies major share in premier stock exchanges like BSE, NSE, OTCEI, Delhi, Ahmedabad,

Proprietorship of stock brokering services covers larger share in stock exchanges of Bhubaneshwar, Calcutta, Cochin, Coimbatore, Gauhati, ISE, Jaipur, Ludhiana, MPSE, Madras, Pune, UPSE and Vadodara.

Number of registered stock brokers in cash segment is lesser than those of Equity Derivative segment.

Share of top 10 share brokers captures about 25% of the total turnover of cash segment.

More than 50% of Earning of stock brokers' brokerage is generated from the investment of others namely retail, NRI and QFI.

Around ¼ of stock brokers' brokerage is mobilized from the proprietorship trading over the study period.

Not more than 5% of total brokerage of stock brokers is earned from Mutual funds during the study period

Not more than 5% of earning of brokerage from domestic institutions including banks, DFIs, Insurance companies and pension scheme invest

Brokerage from Investment of FIIs is declining from 6.23% to 20.5% in cash segment during the study period.

Brokerage paid on trade has been steadily declining with CAGR of -12.19% in the study period

Brokerage paid on delivery is reducing with some variation with CAGR of -5.9% over the study period.

Total brokerage has been falling with CAGR of -7.6% during the study period.

Brokerage per registered stock broker has also been decreasing to 0.4533 lakh in 2013-14 as against 0.6657 in 2009-10 with CAGR of -9.15%

#### Conclusion:

It is concluded that stock brokering service plays a major role in mobilizing funds through its expertise in attracting investors to make investment by its suitable guidance. It has become lucrative service in terms of earning provided there should not be unfair means.

#### Appendix-1

Registered Stock Brokers of Indian Stock Market of Cash Market					
Details	2008-09	2009-10	2010-11	2011-12	2012-13
Registered Stock Brokers as on March 31 of the previous year	8,517	8,652	8,804	9,235	9,307
Addition during to the Year	275	312	531	256	1081
Reconciliation / Cancellation/ Surrender of Memberships	140	160	100	184	260
Registered Stock Brokers as on March 31	8,652	8,804	9,235	9,307	10128

#### Appendix-2

Number of Registered Sub-brokers in Indian Stock Markets						
S. No.	Stock Exchanges	2009-10	2010-11	2011-12	2012-13	2013-14
1	Ahmedabad	95	93	81	77	71
2	Bangalore	158	158	158	158	158
3	BSE	33,710	38,124	33,852	31,635	22,652
4	Bhubhaneshwar	17	16	16	14	14
5	Calcutta	81	79	71	71	47
6	Cochin	41	41	41	41	41
7	Coimbatore	20	20	20	20	
8	Delhi	255	239	222	200	186
9	Gauhati	4	4	4	4	4
10	ISE	2	1	1	0	0
11	Jaipur	32	32	30	30	29
12	Ludhiana	36	35	28	21	21
13	MPSF	5	5	5	5	5
14	Madras	109	109	107	103	103
15	NSE	40,600	44,783	42,327	37,600	28,362
16	OTCEI	17	17	14	14	14
17	Pune	156	156	156	156	152
18	UPSE	3	3	3	2	2
19	Vadodara	37	37	29	27	24
20	Total	75378	83952	77165	70178	51885
21	Stock broker to sub-broker	0.1167	0.11	0.12061	0.14431	0.1951

## Appendix-3

Total number of stock brokers in stock Exchanges					
Stock Exchanges	2009-10	2010-11	2011-12	2012-13	2013-14
Ahmedabad	325	329	333	340	339
Bangalore	257	261	270	273	261
BSE	984	1003	1301	1375	1361
Bhubaneshwar	213	214	215	214	202
Calcutta	926	908	901	891	869
Cochin	435	438	441	441	407
Coimbatore	135	135	136	136	135
Delhi	375	455	481	497	484
Gauhati	103	98	97	94	62

ISE	946	943	943	916	883
Jaipur	488	484	481	471	458
Ludhiana	301	300	307	306	304
MPSE	174	192	203	208	256
Madras	183	193	211	216	198
NSE	1243	1310	1389	1421	1416
OTCEI	713	704	701	691	647
Pune	188	186	185	182	173
UPSE	351	339	328	317	280
Vadodara	312	312	312	313	310
MCX-SX	0	0	0	0	458
Total	8652	8804	9235	9302	9503

## Appendix-4

Number of stock brokers in stock Exchanges based on business organization

Stock Exchanges	Proprietorship					Partnership					Corporate				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
	143	139	137	137	137	21	19	19	21	22	161	171	177	182	180
Bangalore	128	129	135	134	127	3	3	4	6	6	126	129	131	133	128
BSE	148	147	183	181	171	31	30	31	30	28	805	826	1,087	1164	1162
Bhubaneshwar	194	195	196	195	185	0	0	0	0	0	19	19	19	19	17
Calcutta	682	667	656	644	616	44	44	44	43	43	200	197	201	204	210
Cochin	346	350	351	350	320	10	9	9	9	9	79	79	81	82	78
Coimbatore	87	87	88	88	87	0	0	0	0	0	48	48	48	48	48
Delhi	130	169	181	190	183	32	32	32	32	30	213	254	268	275	271
Gauhati	99	94	93	90	59	1	1	1	1	1	3	3	3	3	2
ISE	570	569	566	552	537	29	29	29	28	27	347	345	348	336	319
Jaipur	464	460	457	447	434	6	6	6	6	6	18	18	18	18	18
Ludhiana	212	209	216	215	213	2	2	2	2	2	87	89	89	89	89
MPSE	139	153	160	162	187	1	1	1	1	1	34	38	42	45	68
Madras	96	104	112	112	104	14	14	14	14	13	73	75	85	90	81
NSE	61	68	73	72	74	57	67	77	80	81	1,125	1,175	1,239	1269	1261
OTCEI	149	148	147	145	135	19	18	18	18	16	545	538	536	528	496
Pune	126	125	124	123	117	7	7	7	7	7	55	54	54	52	49
UPSE	269	259	252	244	210	5	5	3	3	3	77	75	73	70	67
Vadodara	245	245	245	245	242	3	3	3	3	3	64	64	64	65	65
MCX-SX	0	0	0	0	20	0	0	0	0	10	0	0	0	0	428
Total	4288	4317	4372	4326	4158	285	290	300	304	308	4079	4197	4563	4672	5037
% to total stock brokers	0.4	0.49	0.47	0.47	0.43	0.03	0.03	0.03	0.03	0.03	0.47	0.47	0.49	0.5	0.53

**Appendix-5****Share of top 10 brokers in cash segment**

Particulars	NSE					BSE				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Share of top 10 brokers in annual cash market turnover	23.48	23.8	25.3	24.7	24.9	-	21.6	24.6	22.3	24.6

**Appendix-6****Share of participants in annual cash market turnover**

Particulars	NSE					BSE				
	2009-10	2010-11	2011-12	2012-13	2013-14	2009-10	2010-11	2011-12	2012-13	2013-14
Proprietary Trades	26.39	22.6	23.8	23.3	22.7	22.89	20.4	20.7	24	20.5
Domestic Institutions (excluding MFs)	2.92	3.8	4.3	5	5.4	1.48	1.9	2.1	2.4	14.4
FIs	13.22	17.4	19.7	20.5	22.9	6.23	6.9	8.7	9.1	4.8
MFs	3.99	4.2	4.5	4.4	4.1	2.39	2.3	2.3	2.5	0.9
Others	53.48	52	47.7	46.8	44.9	67.01	68.5	66.2	62	59.2
Total	100	100	100	100	0	100	100	100	100	100.00

**Appendix-7**

Brokerage commission per registered stock Broker							
Year	Traded (Lakhs)	Delivered (Lakhs)	Total	Brokerage on traded @0.05%	Brokerage on delivered @ 0.5%	Brokerage on total	Brokerage per registered stock broker
2013-14	1987092	654661	2641753	993.546	3273.305	4266.851	0.4533
2012-13	2209936	704194	2914130	1104.968	3520.97	4625.938	0.4567
2011-12	2261023	700611	2961634	1130.5115	3503.055	4633.5665	0.4978
2010-11	2802464	874678	3677142	1401.232	4373.39	5774.622	0.6252
2009-10	3342947	837934.03	4180881	1671.4735	4189.6701	5861.1436	0.6657

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