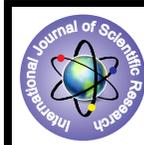


## The Descriptive Study on Stock Broking Office Service in Madurai



### Commerce

**KEYWORDS :** stock broker, SEBI Investigation, stock exchange, client, trading, stock market, investors.

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### ABSTRACT

*Any transaction for sale and purchase of securities executed through a broker on the stock exchange which is to be settled through the clearing corporation and clearing house is an on market transaction. The securities can be bought and sold only through a stock broker. SEBI conducts investigation, suo-moto or upon information received by it, the investigation officer shall conduct investigation as directed by SEBI. The investigation officer has power to examine orally and to record the statement of the person concerned, any director, partner, member or employee of such person. The investigation officer shall completion of the investigation after taking into account all relevant facts and submissions made by the person concerned, submit a report to SEBI. A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business. A stock-broker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time. Which no conflict of interest arises between him and the client. A stock broker also provides professional advice in debentures sale/purchase of government bonds, and listed property trusts etc. an attempt has been made to find out the related stock broker service for investor in trading at stock market.*

### INTRODUCTION

A stockbroker is an individual or organization who is specially given license to participate in the securities market on behalf of clients. The stockbroker has the role of an agent. When the Stockbroker acts as agent for the buyers and sellers of securities, a commission is charged for this service. As an agent the stock broker is merely performing a service for the investor. This means that the broker will buy for the buyer and sell for the seller, each time making sure that the best price is obtained for the client. An investor should regard the stockbroker as one who provides valuable service and information to assist in making the correct investment decision. They are adequately qualified to provide answers to a number of questions that the investor might need answers to and to assist in participating in the regional market.

### TYPES OF STOCK BROKERS

The investor have thought that it is very easy to invest in the stock market, then it need to think twice. Investing in the stock market is not very easy as it requires a lot of knowledge about the stock market. There are lots of different options available to invest in the market. They should have good knowledge of the different types of stock brokers. Certain criteria need to be satisfied for a person to survive the strong sweep of stock market conditions. The recent boon of technological invention i.e. the internet is a great aid to the shareholders who desires to have a clear idea of the prevailing conditions in the market along with the necessary details about the conditions of stock. There is a concept known as day trading which is very popular amongst the investors. But there are some people who think that there is a lot of risk in this type of trading. But it is not so as it is not so much risky and is good for people who go for making their investment in the long term. The investors should be aware of the market conditions so that client can remain updated on the market.

### Full service brokers

The investor should know the functioning of the NSE, NASDAQ... etc. so that can know their roles and functions in the economy. There are full service brokers who make their own research. They are the best person who provides client the best information on the different profitable stocks. But there are brokers who charge very high commission for their services. So, broker need to ensure that client get a broker who charges low commission so that client do not pay hefty fees to get their services. Investors should look at the experience of the brokers so that client can have a good idea about whether they would be able to give client good benefits. Stock broker would also be able to know whether it would suit client requirements or not.

### Direct access brokers

Well these types of brokers are very different from the traditional brokers in terms of their offerings. The traders get the advantages of direct access to the market and also for carrying out their transactions. Stock broker can make a direct connection with them through the Internet where client need to download their software. There are also many other exciting offers that are provided by them. If client are a day trader then this type of broker can be very helpful for stock broker where stock broker can make big differences to client online stock trading. Well there are also other types of brokers that can take help from them. But before client for online trading stock broker need to make sure that client have arrived to the right place where client can provide client credit card details. There are many fraud websites that take all client account number and details and at the end client find that client have lost client money by providing client account details to a wrong website. The stock broker should be well aware of this.

### FUNCTIONS

A stock broker is an individual or an organization, which is licensed by the government to trade in stocks/shares and has the right to access the share market. On payment of a small fee, stock brokers acts on behalf in the stock market and carries out client transactions of buying and selling of shares. Besides these, a stock broker also provides professional advice in debentures sale/purchase of government bonds, and listed property trusts etc.

### Stock brokers are generally divided in two categories:

1. Full Service Brokers
2. Discount Brokers

As the name would indicate comprehensive services from trading to financial planning of the clients are provided by a full service broker. Based on client financial aims and objectives, he provides advice on the client's investment portfolio and additions/alterations required in the some from time to time. Since he provides comprehensive services, his charges are a little higher than discount brokers.

### Selection of a full service broker:

As full service broker will be client vital link for making financial deals, the selection of the same has to be undertaken with great caution and circumspection. Client need to assess some of his capabilities in the following fields:

### Discount brokers

Discount brokers generally provide limited services of buying and selling client stocks/shares; based on the orders given by client, via telephone and/or internet. Since their services are of a non-advisory nature, their fee is also less vis-à-vis full service brokers.

**CODE OF CONDUCT BROKER**

**Integrity:** A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business. If a member cheats, a client can approach SEBI or investor services cell of the exchange.

**Exercise of Due Skill and Care:** A stock –broker, shall act with due skill, care and diligence in the conduct of all his business.

**Manipulation:** A stock-broker shall not indulge in manipulation, fraudulent or deceptive transactions or schemes or spread rumors with a view to distorting market equilibrium or making personal gains.

**Malpractices:** A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors' interest or which leads to interference with the fair and smooth function of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

**Compliance with statutory requirements:** A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock exchange from time to time as may be applicable to him.

**Duty to the investors**

1. **Execution of orders:** A stock broker in his dealings with the clients and the general investing public shall faithfully execute the orders for buying and selling of securities at the best available market price and not refuse to deal with small investors merely on the ground of the volume of business involved. A stock-broker shall promptly inform his client about the execution or non-execution of an order, and make prompt payment in respect of securities sold and arrange for prompt delivery of securities purchased by clients.
2. **Issue of contract note:** A stock broker shall issue without delay to his client a contract note for all transactions in the form specified by the stock exchange.
3. **Breach of trust:** A stock broker shall not disclose or discuss with any other person or make improper use of the details of personal investments and other information of a confidential nature of the client which he comes to know in his business relations.
4. **Business and commission:** A stock-broker shall not encourage sales or purchase of securities with the sole object of generating brokerage or commission. A stock-broker shall not furnish false or misleading quotations or give any other false or misleading advice or information to the clients with a view of inducing him to do business in particular securities and enabling himself to earn brokerage or commission thereby.
5. **Business of defaulting clients:** A stock-broker shall not deal or transact business knowingly, directly or indirectly or execute an order for a client who has failed to carry out his commitments in relation to securities with another stock-broker. A member can transact business for or do share brokerage with an expelled member but with the permission of the board of directors.
6. **Fairness to clients:** A stock-broker, when dealing with a client, shall disclose whether he is acting as a principal or as an agent and shall ensure at the same time. Which no conflict of interest arises between him and the client. In the event of a conflict of interest, he shall inform the client accordingly and shall not seek to gain a direct or indirect personal advantage from the situation and shall not consider client's interest inferior to his own.
7. **Investment advice:** A stock-broker shall not make a recommendation to any client who might be expected to rely thereon to acquire, dispose of, retain any securities unless he has reasonable grounds for believing that the recommendation is suitable for such a client upon the basis of the facts, if disclosed by such a client as to his own security holdings, financial situation and objectives of such investment. The stock-broker should seek such information from

clients, wherever he feels it is appropriate to do so.

8. **Competence of stock broker:** A stock-broker should have adequately trained staff and arrangements to render fair, prompt and competent services to his clients.

**ONLINE TRADING MEANS TRADING OF STOCKS THROUGH INTERNET**

The Internet revolution has been changing the fundamentals of our society. It shapes the way of communicate and the different way do business. It brings us closer and closer to vital sources of information. It provides with to directly interact with service-oriented computer systems tailored to our specific needs; therefore, it can serve better by making our own decisions. This prevailing shift of the business paradigm is reshaping the financial industry and transforming the way people invest.

The Internet has been changing the way people trade stocks, and online trading will introduce some of the pros and cons of using online brokerage companies. Then stock broker will look at some of the trading styles people practice and introduce an important trading technique that a lot of professional traders have been using with great success. Finally, client will learn how Tradetrek.com can help client apply these trading techniques online with trading tools that make online trading easy, fun, profitable, and understandable!

In the old days, because of the limitations of communications technology, Wall Street was the center for most of the Stock Exchange and Brokerage firms. Today, at this millennial transition, investors can use revolutionary Internet Client-Server technology to trade stocks nearly anywhere, anytime, independent of brokers' fees and service limitations.

This new access by the trading public to low-cost transactions and cutting-edge, real-time market information that formerly belonged only to brokers has opened up extraordinary new investment opportunities as well as a crucial need for state-of-the-art information. It is exactly these new-market investment services that Tradetrek.com specializes in satisfying.

In simple words online trading has brought the stock exchange literally to our homes. There are dedicated sites that offer online trading platform to indulge in trading of stocks. Since the introduction of online trading there has been a surge of investors, primarily new investors who were earlier shying away from the market. Online trading has made it possible to trade in different kinds of securities like stocks, bonds, futures, options, ETFs, FOREX currencies and mutual funds. There are some obvious differences between online and traditional trading. In traditional trading the activities are carried out through a broker helps the trader with suggestions on how to proceed in the trade. The transaction is carried out through archaic communication tools like telephone. The broker assists the trader in the whole process in the form of collecting and providing information for making better trading decisions. In return of this service the trader charges a commission on every trade, which is most of the time on the higher side. The traditional form of trading is a time consuming process and generally benefits long time investors who don't do much trading.

On the contrary there is a change in the process when it comes to online trading. Stock brokers have their websites through which they provide a platform to indulge in online trading of stocks. The platforms are very useful because they provide additional information like market data, news, charts and alerts. Market data is provided in the form of levels namely 1, 5, 2 and 3. Day traders are the kind of traders who require every level of market data. Trading decisions are taken by the trader himself. Traders are allowed to trade more than one product, one market and/or one ECN with his single account and software. It is important to note that all trades in online trading are executed in (near) real-time. Online brokers in return of their service charge trading commissions and fees for the usage of the software.

**Advantages on online trading**

of online trading include, fully automated trading process which

is broker independent, informed decision making and access to advanced trading tools, traders have direct control over their trading portfolio, ability to trade multiple markets and/or products, real-time market data, faster trade execution which is crucial in day trading and swing trading, discount commission rates, choice of routing orders to different market makers or specialists, low capital requirements, high leverage offered by brokers for trading on margin, easy to open account and easy to manage account, and no geographical limits. Online trading favors active traders, who want to make quick and frequent trades, who demand lesser commission rates and who trade in bulk on leverage. But online trading is not here for all traders.

1. Fully automated trading process with access to advanced trading tools.
2. Online trading of stock allows trading in real-time market data and multiple markets and products.
3. Possible to indulge in faster trade execution that facilitates day traders in swing trading.
4. It is easy to open and manage an account and does not have any geographical limitations.
5. Online trading favors active traders, who trade in bulk but demands lesser commission.

**The Disadvantages of Online Trading**

It need to fulfill specific activity and account minimums as demanded by the broker, greater risk if trades are done extensively on margin, monthly software usage fees, chances of trading loss because of mechanical/platform failures and need of active speedy internet connection. Online traders are fully responsible for their trading decisions and there will be often no one to help them in this process. The fees involved in trading vary considerably with broker, market, ECN and type of trading account and software. Some online brokers may also charge inactivity fees on traders.

- Online trading is risky if trading is done extensively on margin
- There are chances of trading loss in case of mechanical/platforms failure
- Online traders fall sort of constant support and suggestion
- The fee of online brokers vary

Differentiate between private and public stock broking office service

Stock broker service is most important at present era. There are two type of company service available. One is through private stock broking office another one is public stock broking office. The private stock broking office is doing better than public stock broking office. But private will collect more maintained charge more than public securities service.

**Internet service**

Electronic access to securities information is a convenient, easy to operate internet based facility. The investor can access their demat account through in the internet to check the details of their holding and or transaction. Through the website but public stock broking office make delay.

**SMS alert**

The stock broking office sent information to client about that financial position. Information regarding credits in their account due to corporate action such as IPO bonus, rights etc. also would be provide to them.

**STOCK BROKER VIS-À-VIS OTHER STOCK-BROKERS CONDUCT AND DEALINGS:**

A stock broker shall co-operate with the other contracting party in comparing unmatched transactions. A stock broker shall not knowingly and willfully deliver documents which constitute bad delivery and shall co-operate with other contracting party for prompt replacement of documents which are declared as bad delivery.

Protection of Client Interests: A stock broker shall extend fullest co-operation to other stock brokers in protecting the interests

of his clients regarding their rights to dividends, bonus, shares, right shares and any other right related to such securities.

**Transactions with stock-brokers**

A stock-broker shall carry out his transactions with other stock-brokers and shall comply with his obligations in completing the settlement of transactions with them.

Advertisement and publicity: a stock broker shall not advertise his business publicly unless permitted by the stock exchange.

Inducement of clients: A stock-broker shall not resort to unfair means of inducing clients from other stock-brokers.

False or misleading returns: A stock-broker shall not neglect or fail or refuse to submit the required returns and not make any false or misleading statements on any returns required to be submitted to the Board and the Stock Exchange.

**SEBI INVESTIGATIONS**

SEBI conducts investigation, Suo-Moto or upon information received by it, through an investigating officer in respect of the conduct and affairs of any person buying, selling or otherwise dealing in securities. The investigation is conducted:

1. To ascertain whether there are any circumstances which would render any person guilty of having contravened any of these regulations or any directions issued there under;
2. To investigate into any complaint of any contravention of the regulation, received from any investor, intermediary or any other person;

**OBJECTIVES**

1. To identify the service quality factors in the stock broking office
2. To understand the client perception of the service quality factors in the stock broking office
3. To understand the association of profile variables with service quality factors of stock broking office.

**RESEARCH METHODOLOGY**

The primary data for the study was collected from 100 investors through structured questionnaire. The data obtained were analyzed using statistical techniques viz independent t-test, Anova test and mean rank analysis was also used to analyze the data.

**ANALYSIS AND INTERPRETATION**

**Table -1 correlation between the main stock broker services**

The relationship between the four service quality factors namely market, trading, fund and system are studied with the application of the Karl Pearson correlation coefficient. The results are computed and their levels of significance are shown in the table1.

Function	Market	Trade	Fund	System
Market	1.000	0.669**	0.789**	0.506**
Trading	--	1.000	0.699**	0.396**
Fund	---	---	1.000	0.612**
System	---	---	---	1.000

The Correlation between Initiating and Enhancing Factor is 0.669 which indicate 69 percentage positive relationships between Initiating and Enhancing Factor and is significant at 1% level. The Correlation Coefficient between Enhancing and Limiting Factors is 0.612 which indicate 61 percentage positive relationships between Enhancing and Limiting Factors and is significant at 1% level. The correlation matrix shows that all the factors are positively correlated which means that the performance of stock broking office among the respondents are in the same direction the extent of relationship is explained by the correlation coefficient. The service quality factor showed better

services provide by stock broking office to investors.

Null Hypothesis: There is no significant difference between amount investments and fund performance with respect to factors on stock broker service.

**Table 2. Student t test for significant difference between amount investment and fund performance with respect to factors on stock broker service.**

Variables	Mean	Standard deviation	P.value	t. value
Amount investment	4.07	0.82	0.000**	49.65
Fund performance	17.95	3.86	0.000**	46.50

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance with regard to Amount investment and fund performance. Hence there is significant relationship between amount investment and fund performance. Stock investment avenues that pool the money of several investors to invest in financial investment such as stocks, government securities, and debentures. The investors invest money on behalf of the stock market to take in maximum returns. Due to the high growth rate of investors the individual risk spreads. The investment will increase because of stock broking office fund performance related on settlements of trades by delivering, receiving underlying securities to client. The stock broking office has pay-out of funds are credited to client bank account.

Null Hypothesis: There is no significant difference between amount investment and fund performance with respect to factors on stock broker service.

**Table 3. Student t test for significant difference between amount investment and fund performance with respect to factors on stock broker service**

Variables	Mean	Standard deviation	P value	t.value
Amount investment	4.07	0.82	0.000	49.65
System access	17.69	3.16	0.000	55.90

From the above table it can be inferred that Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence it concluded that there is association between investment amount and system access in stock broking office service. Network plays a very important role in terms of connectivity to not only the officers and make connection with trading members. The stock brokers have sent all the details to client about performance stock position. Most of investor has seen that detail receive from stock broking office. The survey revealed that of the 100 respondents for the study. Majority of respondents have interest to invest money in share market and also find position through the internet access.

Null Hypothesis: There is no significant difference between gender and amount investment with respect to factors of stock broker office service.

**Table 4. ANOVA for significant difference between gender and amount investment with respect to factors on stock broker office service**

Gender	Mean	SD	F.value	P.value
Male	4.27	0.97	11.166	0.0001**
Female	3.74	0.63		
Total	4.07	0.82		

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance with regard to male and female. Hence there is significant difference between male and female with regard to stock broking office service. From this analysis, it is concluded that there is significant association between

Gender and amount investment by investors. The above table clearly indicate that majority of respondent belong to male.

The female respondents have not willing to invest in trading due to high risk trading performance. To combat this phenomenon of female respondent has made investment to bank securities. As long as the male respondents earn more than the female, which make to invest more to expect higher return. High returns also attempt to recover the risk. So the male respondents high exhibit the preference to investment in stock market.

Null hypothesis: There is no significant difference between Mean Rank towards importance to stock broker office service

**Table 5. Friedman test for significant difference between mean ranks towards performance of stock broker office service.**

S. no	Performance	Mean	Standard Deviation	Mean Rank	Chi-square	P-value
1	To gives SMS alerts related to transaction	3.93	.956	6.65	53.341	0.000**
2	On-line information to user, on line depository service	3.78	1.088	5.45		
3	Security of data	3.64	1.078	5.00		
4	Always meeting users' requirement continuous updation of procedure and procession with involving market.	3.86	.910	5.99		
5	Help line facility obtain any clarification and guideline.	3.56	1.076	5.22		
6	The statement of account periodically sent.	3.57	1.008	4.81		
7	Freezing of the DEMAT account for debit and credit	3.82	.796	6.17		
8	Pledging of dematerialized securities facilitating loan against shares	3.49	.980	4.90		
9	Trusted account transfer	3.44	1.242	5.06		
10	Transfer of any kind of securities	3.63	1.300	6.65		

Note: \*\* Denotes significant at 1% level

Since P value is less than 0.01, the null hypothesis is rejected at 1 percent level of significance. Hence, it can be concluded that there is significant difference between mean ranks towards performance of stock broking office. The inferences drawn from above figure the stock broker done effective service to gives SMS alerts related to transaction to investors. While mean score 3.93. The calculate chi-square value is 53.341 and also describe the important judgement of the study is since P value is lower than 1 percent, the null hypothesis is rejected. Based on mean rank on the five point scales goes this statement has been placed in first rank To gives SMS alerts related to transaction of (3.93) is most effect the performance levels in stock broking office have been enhanced.

While analyzing the above statement it was observed that, Always meeting users' requirement continuous updation of procedure and procession with involving market. Freezing of the DEMAT account for debit and credit. Transfer of any kind of securities, On-line information to user and on line depository service with mean score being 3.86, 3.82, 3.78, and 3.63 respectively. The analysis of data revealed that a vast majority variable most effectively functioning in stock broker.

**FUNDING**

1. Majority of investors invest more in trade marked
2. Majority of investors belong to long term investment.
3. The important disclosure of the study is that as much as

the female mean score 3.74 describe that contribution and expectation is moderate. Although the mean score female investment has decline. This decline shows a high rate of saving in bank. Due to highest risk they could not invest in stock market. The male client have more involved in stock market activities than female investors.

4. The study reveals that, a majority of the respondents have stated that they were not fully utilized the stock broker service.
5. There is significant difference between investment of client and fund performance of stock brokers.
6. Majority of investors prefer better fund service from stock broker.
7. Majority of investors have expected market service by stock broker
8. Majority of investors prefer Always meeting users' requirement continuous updation of procedure and procession with involving market.

#### CONCLUSION

A stock-broker shall not encourage sales or purchase of securities with the sole object of generating brokerage or commission. A stock broker also provides professional advice in debentures sale/purchase of government bonds, and listed property trusts etc. Many investor have attitude can do trading activities without consult of stock broker. Stock broker service is most important to done action effectively than individual function. While working with a qualified broker definitely has advantages, it may be better, in some cases, to purchase stock directly. Trading over the internet has definitely benefited the self-directed investor. Commissions have been reduced and individuals exert greater control over their accounts. If client do market activities they can get more facilities such liquidity, tax benefit, low risk, safety are the reason for choosing particular stock broker service. The clients have done their stock market through stock broker for consistent return without burden.

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