

A STUDY ON THE ROLE OF DISCOUNT BROKERS IN BOOSTING PUBLIC INTEREST IN THE STOCK MARKET

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Abstract

The stock market is one of the main sources of income for individuals or companies to operate or expand their investments. The stock market also provides businesses and individuals with long-term and short-term investment opportunities because it gives liquidity, which enables traders to easily exchange securities. Although investing in the stock market might be risky, it delivers a reliable return compared to other investment options from a varied portfolio of equities. The objective of the research is to study the importance of discount brokers in attracting the public to the stock market, to study the budget-friendly services, accessibility, and convenience provided by them, and to study the broader ways of earning income through investing in the stock market. This research is mainly conducted with the help of secondary data. The main sources of information were the internet, articles, magazines, newsletters, etc. Charts and Graphs are used to bring out a practical view of our idea into the project. Before the introduction of discount brokers, the financial market was inaccessible to the average person. Discount brokers gained popularity among investors with the advent of technology and the quick rise of online broking, surprising the traditional broking industry. Discount brokerage is now somewhat of a stand-in for internet brokerage.

Keywords: Stock market, portfolio, public interest, investing.

INTRODUCTION

A stockbroker who executes buy and sell orders at a lower commission rate than a full-service broker is known as a discount broker. In contrast to a full-service broker, a discount broker does not offer investment advice or carry out analysis on behalf of a customer. Before the development of more advanced communications technologies, only people with yearly incomes far above the average could afford a broker and have access to the stock market. However, the rise of discount online brokers on the Internet has made it possible for those with smaller capital to trade for fewer fees and with less cash. The

majority of cheap brokers conduct their business online when it comes to the stock market. As a result, an online brokerage and a cheap broker are often used interchangeably. Discount brokers only typically execute orders for their clients, but they do so at a lower cost. These brokers don't provide their clients with individualized consultations, advice, research, tax preparation, or estate planning services. Discount brokers can charge less because they don't provide these services and don't have to spend money closing deals with wealthy people. Additionally, the majority of bargain brokers do their operations online, where overhead is minimal. Discount brokerages offer customers their own accounts to enter orders for execution in the securities sector. Typically, these investors don't communicate with a real-time broker. If they do, there is little interaction beyond transaction executions. Discount brokers target self-directed investors and traders with their services, and electronic trading platforms are designed in a way that is advantageous for active traders with charting and position monitoring services.

STATEMENT OF PROBLEM

The hassle we are addressing via this subject matter is the accessibility, price effectiveness, and versatility furnished via discount brokers, which was formerly out of the map. Preceding before the arrival of discount brokers the financial market was difficult to access for the common man. With the appearance of technology and also the fast success of online broking, discount brokers became well-liked among investors, catching the normal broking business off guard. Now, discount broking is sort of substitutable with online brokering.

RESEARCH OBJECTIVES

- To study the importance of discount brokers in attracting the public to the stock market.
- To study the budget-friendly services, accessibility, and convenience provided by discount brokers
- To study the broader ways of earning income through investing in the stock market.

SCOPE OF THE STUDY

The project studies the role of the new e-discount broker sensation. Our study primarily focuses on the top 3 discount broker Zerodha, Groww and Angel One. The data used is within the FY 2020-21 to 2023-24. The study analysis the increase in the no. of clients of these market leaders within this time frame.

Along with that, we have also made a comparison of the features that distinguish them and make them more appealing to the public. The Covid-19 pandemic and the shutdown in association with that, have kindled a spark in the minds of people to explore different ways of money-making and long-term investment. Regardless of the drastic hike reflected in the no. of clients of each discount broker respectively, it was also noted that still, a majority are unaware of the discount brokers and lack genuine knowledge of the stock market. The significance of the study lies in the fact that our study might turn out as a reflection of the stock market and the role played by discount brokers in smoothening the process of trading. The scope of discount brokers in India is promising, driven by cost-conscious investors, technological advancement, and the growing retail participation in the stock market. As the Indian financial market revolves, discount brokers are poised to play vital role in shaping the investment landscape.

RESEARCH METHODOLOGY

This research is mainly conducted with the help of secondary data. The main sources of information were the internet, magazines, newsletters, articles, pages etc. Charts and Graphs are used to bring out a practical view of our idea into the project.

LIMITATIONS

The study is mainly restricted to the Indian money market.

Face to face interactions or visiting the company site is not practical.

Since the study is based on secondary data the genuinity or the updation in terms of time in information may be uncertain.

REVIEW OF LITERATURE

IN ''INDIAN BROKERAGE INDUSTRY'', ICICI DIRECT RESEARCH (2021) discusses the undergoing structural shift of the Indian Brokerage Industry from percentage led business model to flat brokerage and subscription-based model. The market share of the top two discount brokers, in terms of several clients, namely Zerodha and Upstox, has increased from 17% to 30% in the past year, which reflects clients' attraction towards flat brokerage plans. Discount brokers continued to gain the majority of incremental clientele as well as average daily turnover. Pandemic has provided a boost to this process

with strong accretion in clientele as well as volumes. The broking industry has seen a lot of changes and evolutions in the past decade, led by disruptions from discount brokers, buoyancy in equity markets, digitalization and increased interest among various investor groups. Discount brokers like Zerodha, Upstox, 5Paisa have been major beneficiaries, especially over the past year in terms of incremental client acquisition. Market share for Zerodha has increased from ~13% a year ago to ~19% as of January 2021. Similarly, RKSV Sec (Upstox) has increased its market share from ~5% a year ago to 11.3%. Early mover advantage in those segments has certainly benefited discount brokers. With recent trends suggesting consumer preference shifting towards service-oriented product offering i.e discount brokerage plans, traditional brokers have now started launching their own discount plans to attract clients. Brokers like Zerodha, Upstox etc have gained market share over the past few years.

JUHI AHUJA (2012), "INDIAN CAPITAL MARKET: AN OVERVIEW WITH ITS GROWTH" VSRD INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT RESEARCH VOL. 2 (7), PP. 386-399. presents an audit of the Indian Capital Market and its design. In the last decade or thereabouts, it has been seen that there has been a change in outlook in the Indian capital market. The utilisation of many changes and advancements in the Indian capital market has made the Indian capital market tantamount to the worldwide capital business sectors. Presently, the market includes a created administrative instrument and a cutting-edge market foundation with developing business sector capitalization, market liquidity, and activation of assets. The rise of the Private Corporate Debt market is additionally a decent development supplanting the financial method of corporate money. In any case, the market has seen its most noticeably awful time with the new worldwide monetary emergency that started from the US subprime home loan market and spread over to the whole world like a virus. The capital market of India conveyed a languid exhibition.

IN 'BROKING INDUSTRY', HDFC SECURITIES INSTITUTION RESEARCH (2019), reviewed the rise of discount brokers in general and Zerodha in particular. Zerodha's active client base has grown at 122.2 % CAGR during FY14-Feb19. Within just 5 years Zerodha has clocked a 15% volume market share. The overall market is growing and the potential may seem very large, the total number of direct equity investors is quite low. A smaller market means a higher compulsion to keep acquiring new customers and also increased competition for existing customers. It shows 75% of Zerodha's clients are aged less than 35 years. So, they believe that discounters have not been able to gain market share in the 40+ category as the companies need to establish themselves as brands and need to gain credibility among wealthy customers. Incumbents will need to keep investing in technology as new customers are technologically

savvy. The market is about to get even more competitive as incumbents cut pricing further to defend their markets share and new discount brokers enter i.e. PAYTM and older ones continue to gain market share. Pricing on the derivatives segment will continue to be very competitive. As derivatives charges are very nominal they believe at this price point the demand is relatively inelastic. Thus, they believe increasing or reducing prices by Rs 10/order will not impact volumes much. If technology is correctly deployed, new entrants will be able to disrupt the market. It shows that companies have seen Zerodha be immensely profitable, and expect new entrants to follow suit. The study concludes with Zerodha's plans to launch a platform to invest in global equities and a platform for retail investors to invest directly in government bonds.

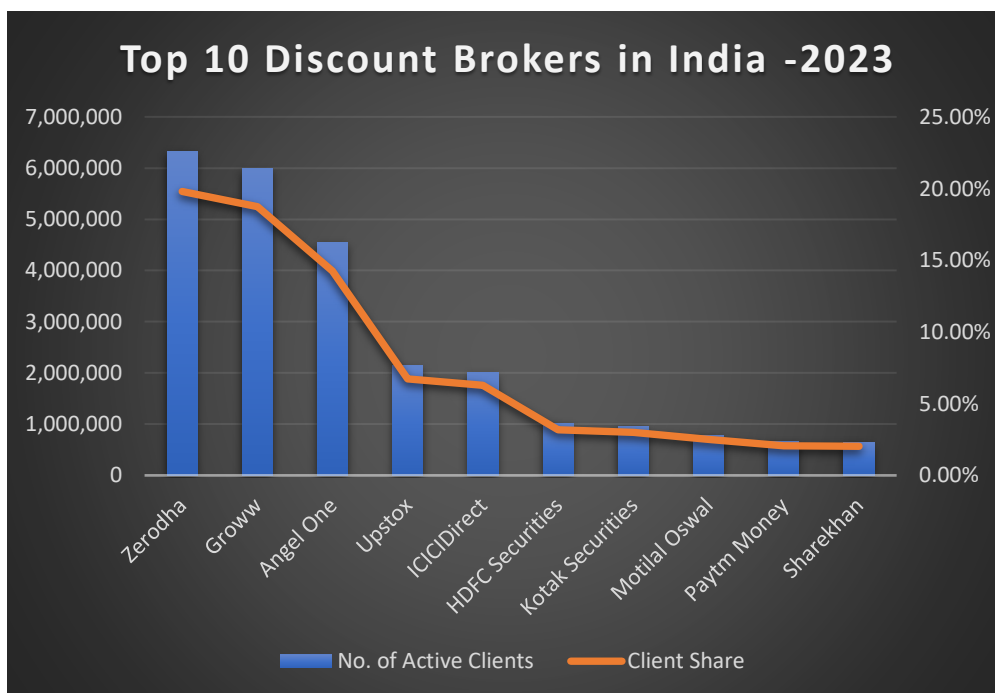
INTERNATIONAL JOURNAL OF RESEARCH – GRANTHAALAYAH, DR RACHNA JAWA, This research paper analyses emergence of discount retail investment platforms in India which has disrupted the Fintech landscape of the country , especially for the traditional brokerages by presenting a technology cost efficient solutions to the general public .This also aim to highlight the rising prominence of discount brokerages and their role in revolutionising Indian stock market, this analytical study endeavours to decipher the key reasons for the shift of retail investors to discount brokers recently using time series data from 2013 - 14 to 2020 - 21 to gauge the strength of relationship between mobile and Internet based trading and the brokerage leaders like Zerodha.

DATA ANALYSIS AND INTERPRETATION

Top 10 Discount Broker's in India – 2023

Top 10 Stock Brokers in India -2023			
Rank	Name of Discount Broker	No. of Active Clients	Client Share
1	Zerodha	63,24,623	19.80%
2	Groww	59,88,584	18.75%
3	Angel One	45,54,559	14.26%

4	Upstox	21,45,881	6.72%
5	ICICI Direct	20,05,773	6.28%
6	HDFC Securities	10,16,493	3.18%
7	Kotak Securities	9,53,734	2.99%
8	Motilal Oswal	7,76,919	2.51%
9	Paytm Money	6,60,055	2.07%
10	Sharekhan	6,47,062	2.03%

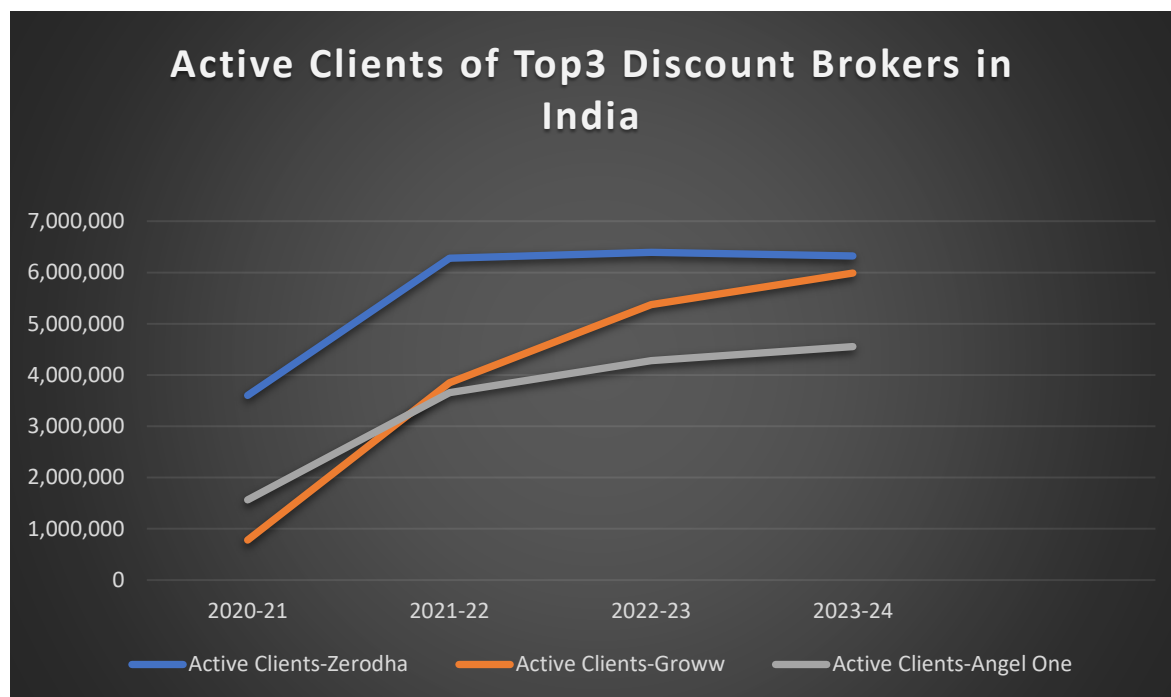


Interpretation:

From this table, we can understand that with the most active clients and a customer base, Zerodha is at the pinnacle of success. It was the first Indian company to explore the idea of stock brokerage. Zerodha has a client share of 19.80% which is the highest compared to others. Zerodha, Groww and Angel One are the leading Discounting brokers in the stock market. Groww having a client share of 18.75% and Angel One with a client share of 14.26%.

Comparison of Active Clients of Top 3 Discount Brokers in India (Zerodha, Groww, Angel One)

Active Clients of Top 3 Discount Brokers in India				
Exchange	Financial Year	Active Clients- Zerodha	Active Clients- Groww	Active Clients- Angel One
NSE	2020-21	36,02,074	7,80,570	15,64,667
NSE	2021-22	62,77,434	38,47,955	36,57,550
NSE	2022-23	63,92,902	53,73,705	42,81,951
NSE	2023-24	63,24,623	59,88,584	45,54,559



Interpretation:

The above-mentioned table shows the comparison of the active clients of the first 3 market leaders from the financial year 2020-21 to 2023-24 presented using a line chart. Just like as stated in the above-mentioned table and graph, Zerodha continues to dominate in the Indian stock market industry experiencing exponential growth in the no. of active clients followed by Groww and Angel Broking in the second and third positions respectively. On analysing the reports it's evident that all the stockbrokers are experiencing an increase in no. of clients. The budget-friendly approach taken by the stockbrokers acts as the most attractive feature for the public to enter the stock market which was earlier expensive.

COMPARISON OF TOP 3 DISCOUNT BROKERS IN INDIA

Broker	Zerodha	Groww	Angel Broking
Service Type	Discount Broker	Discount Broker	Full Service Broker
Brokerage Range	Rs 20	Rs 20	Rs 20
Account Type	3 in 1	2 in 1	2 in 1
Trading Account Opening Charges	Online Rs 200 (Eq+Curr), Rs 300 (Eq+Curr+Com)	Free	Free

Trading Account AMC	Free	Free	Free
Demat Account Opening Charges	Free	Free	Free
Demat Account AMC	Rs 300 pa	Free	Rs 240 pa (Waived for 1st year)
Equity Delivery	Free	0.05% or Rs 20 whichever is lower	Free
Equity Intraday	0.03% or Rs 20 whichever is lower	0.05% or Rs 20 whichever is lower	0.25% or Rs 20 whichever is lower
Equity Futures	0.03% or Rs 20 whichever is lower	Flat Fee Rs 20 per executed order	0.25% or Rs 20 whichever is lower
Equity Options	Flat Fee Rs 20	Flat Fee Rs 20 per executed order	0.25% or Rs 20 whichever is lower

Interpretation:

Here we are comparing the top four discount brokers in India-Zerodha, Groww and Angel Broking. As you can see in the table above, the brokerage charges are pretty nominal (Rs.20) for brokers on the brokerage of equity delivery trades. Account types of Zerodha is three in one account service and others are two in one account service. Apart from brokerage charges, there are account opening charges which you need to consider as well. You can open accounts for free with Groww. Zerodha offers a Free Demat account at zero account opening fee but charges 300 AMC on a quarterly basis. Angel Broking charges Rs. 240. While there are no AMC for Trading accounts, Demat account opening charges as you can see in the table above. As a trader, you can trade any number of stocks, commodities, options, futures, and other assets but only pay fixed charges as mentioned above. The fees charged by each discount broker are clearly stated in the above table.

COMPARISON OF INVESTMENT OPTIONS

Investment Offerings	Zerodha	Groww	Angel One
Equity Cash and F&O	Yes	Yes	Yes

Currency Derivatives	Yes	No	Yes
Commodity	Yes	No	Yes
Online IPO Application	Yes	Yes	No
Mutual Funds	Yes	Yes	Yes
Bond / NCD	Yes	No	Yes
ETF	Yes	Yes	Yes
Banking	No	No	No
Insurance	No	No	Yes
Forex	No	No	No
MF SIP Investment	Yes	Yes	Yes
Equity SIP Investment	No	No	No
PMS Service	No	No	Yes
Other Investment Options	No	No	No

Interpretation:

The above table shows the Investment options provided by Zerodha, Groww and Angel One. Equity cash and F&O, Mutual funds, ETF and MF SIP Investment are provided by all three of them. None of them provides Banking services, Forex, Equity SIP Investment and other investment options. Groww doesn't provide currency derivatives, commodity and bonds. Angel One doesn't provide Online IPO application and PMS service is provided only by Angel One.

FINDINGS

Discount brokers have been forging ahead in the Indian stock market. The percentage share of pure-play discount brokers on the total active NSE clients have been jumped from a little over 25 per cent in FY20 to 47 per cent as of FY21. As of FY23, their share in active NSE clients was as high as 60 per cent.

Zerodha's share of active NSE clients went up 13 per cent in FY20 to 20 per cent in FY23, while Angel One saw its market share more than double from 5 to 13 per cent in this period. But the fastest growth has been from Next Billion Technology, which operates under the brand name Groww. Its market share on active NSE clients went up from 4 per cent in FY21 to 16 per cent at the end of FY23.

The total number of active clients on NSE, the country's largest bourse, itself jumped from 1.08 crore in FY20 to 3.6 crore in FY22 as the shift to work-from-home in the Covid pandemic and the availability of

time for trading and new public issues (IPOs) and the bull run has all attracted many people to equity market. While the number of active clients on NSE tapered slightly in FY23 to 3.27 crore, it is still way above the pre-pandemic level.

Investment offerings like equity cash and F and O, ETF, mutual fund is provided by the top 3 discount brokers and also the offerings like currency derivatives, commodity and bonds and NCD are provided by discount brokers like Zerodha and Angel one.

Studies show that, with the most active clients and a customer base, Zerodha is at the pinnacle of success. It was the first Indian company to explore the idea of stock brokerage.

RECOMMENDATION & SUGGESTIONS

Provides an online platform for investment trial opportunities. Investment opportunities allow existing or future investors to experience the act of investing in capital markets without actually making a purchase.

Create real-time, online discussion opportunities with trading experts. Promote chats through stock market newsletters, on institutional partner websites, and via the media. Offer online seminars for investors interested in learning more about the market and the opportunities it affords.

Consider establishing a scholarship program offering grants to exceptional students interested in pursuing a career in the stock market. In addition to scholarships, contests are a great way to promote opportunities and get new customers educated and involved.

Senior citizens can use online stock trading as a regular income. They must be educated and encouraged.

Colleges should take initiative to provide proper education about online stock trading to Students.

SEBI should create awareness among the investors, to bring knowledge about the stock market to each and every class of people.

CONCLUSION

The project was studied taking inspiration from a newspaper article on how Nikhil and Nithin Kamath established Zerodha from scratch. The study was conducted on the leading discount brokers of the Indian stock market industry - Zerodha, Angel One & Groww. The findings and analysis reflected on this survey is mainly in the light of secondary data and vaguely on the primary data due to the non-availability of investors in the stock market. Taking note from the study, it was reflected that the public is genuinely interested in the wonders of wealth maximisation generated through the stock market, henceforth has resulted in an increase in the number of stock market participants. The feasibility, convenience and accessibility showcased by the discount brokers have hugely benefited the budding investors in

accessing the stock market in India. Furthermore, it was discovered that the Covid-19 pandemic and the shutdown in association with that, has kindled a spark in the minds of people to explore different ways of money-making and long-term investment. Regardless of the drastic hike reflected in the no. of clients of each discount broker respectively, it was also noted that still, a majority are unaware of the discount brokers and lack genuine knowledge of the stock market. The contented finding is that the public is willing to participate if proper awareness is made certain. The stock market awareness programs organised by SEBI should be made popular wide the society and the discount brokers should also come up with innovative strategies to attract the public to the platform. Through this study, the researchers recognised the pulse of the Indian society towards the stock market, as well as the functioning and budget-friendly approaches of discount brokers that kindled the spark in minds of investors.

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