

## A COMPARATIVE STUDY ON INDIAN STOCK BROKING FIRMS WITH REFERENCE TO ZERODHA STOCK BROKER

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### ABSTRACT

Among all the financial markets stock broking industry is one of the fastest growing financial brokerage market which is growing very expeditiously. Due to the technology, traders and investors interest, awareness of securities trading, side-income, and very importantly stock broker services has contributed more in penetrating brokerage industry especially from last five financial years. There are more than hundreds of stock brokers operates in india, yet very few firms became the best service providers because of their customer service, customer value, and proper support to their clients in-terms of financial advisory. Apart from these very few firms like, zerodha, and Angle one, provides trading knowledge, financial literacy to their clients which eventually makes them to place more trading volumes, more investments value to their business model. So, to understand this brokerage industry very deeply this study has been carried out which covers various factors like, value of broking industry, current market value of the firms, total active clients, market share, and compound annual growth rate percentage.

**Keywords:** *stock broking firms, financial markets, industry value, total active clients, market share and compound annual growth rate percentage.*

## INTRODUCTION

A stockbroker is a regulated representative of the financial market who completes the trading transaction between buyers and sellers on behalf of traders/investors, financial institutions and large financial or any other business firms. a stockbroker is also known as registered representative or a broker. The trading or purchase or sale of stocks on the both exchanges in india (i.e.) National stock exchange and Bombay stock exchange are usually executed through a stockbroker. Majority of the trader and investors are highly rely on brokers knowledge, expertise, and past portfolio management record. Brokers can work either independently or with any brokerage firm. According to the reports published by [ICRA]. In financial year 2021-2022 the industry generated total revenue of 27,000-28,000 crores with an increase in Year-on-Year growth rate of (28-33%), for the financial year 2023-2024 the expected growth rate is 28,500-29,500 crores with a Year-on-Year growth percentage of (5-7%). There are nearly (314) registered stockbrokers with [SEBI] operates in the industry. typically, stock brokers consist of three types they are full-service broker, discount-broker and hybrid-broker. In the financial year 2022 the maximum market share gained broker is full-service brokers with a share of (46.23%) followed by discount-brokers with a share of (42.46%) and finally the least market share gainer is hybrid-brokers with just a minimal of (11.31%). Securities exchange and board of india [SEBI] is the sole authority/body who regulates this industry without any interference by the RBI or any Financing committees. Zerodha a new brokerage company and the first discount-brokerage firm started its operation since 2010 without huge market capital value, with no external fundings, and with no debts, currently dominating the industry by being the top brokerage firm with a current value of (2) billion dollars approximately (16,415) crores. With a total active clients nearly up to (12) million i.e.(1.2) crores traders and investors actively trading with zerodha this result is disrupting the entire industry. In financial year (2022-2023) profit of zerodha has attained almost 86.6% (4,129) crores from financial year 2021-2022 with a growth of 60% (2,094) crores. maximum market share owns by only zerodha with a percentage of (17-18.5%) from (15-17%) in the previous financial year.

**OBJECTIVES OF THE STUDY:**

1. To understand the stock broking industry.
2. To compare the top performers in the industry.
3. To depict zerodha business model.
4. To analyse zerodha business with other brokerages.
5. To provide findings/results based on analysis.

**LIMITATIONS OF THE STUDY:**

1. Can be biased from the publishers.
2. Could have missed some imperative factors.
3. Wrong calculations from the authors/publishers.
4. Mis-match of data-interpretation.

**REVIEW OF LITERATURE:**

The authors have done literature review on various national publications, Articles, Journals which are described below.

**DR.S.VENKATESAN 2022**

In his research paper title as “investor behaviour towards stock broking service” concludes that to maintain good relations with customers and clients, stock brokers need to fulfil maximum requirements of their traders and investors, very importantly by delivering the proper customer value then there will be a credibility from the clients and customers to that brokerage firm.

**DR.S.DURGA 2022**

In his research paper title as “a study on the influence of stock broker on investors decision making with special reference to BSE” concludes that level of influence by the brokers is same for all investors.

**RAJAT SARDA 2018**

In his research paper title as “comparative study of various stock broking companies in india” concludes that stocks tends out to be best investment strategy, ICICI securities is a big competitor in the industry, due to lack of online trading traders are opting for traditional trading majority are relying on their stock brokers.

**DR JEELAN BASHSA. V 2014**

In his research paper title as an “empirical study of stock brokers in Indian stock markets with special reference to cash market” concludes that stock brokering services plays a significant role in organizing funds

through its expertise by attracting investors to make investments based on their knowledge in that particular domain. It has become profitable service in terms of earnings provided there should not be unfair means.

### **RESEARCH DESIGN:**

To carry out this research study, exploratory research design has been implemented for the entire work. Exploratory research is a type of research methodology which exists already available information or data, Published by previous researchers, author, print media and survey firms. Which gives particular information in the form of data analysis and data interpretation.

### **RESEARCH METHODOLOGY:**

The study is fully based on secondary data covering from financial years 2018- to 2022. The data has been collected from official websites of all the selected broking firms. As well as from Various all the available research reports like magazines, journals, and published books.

### **SOURCES OF DATA:**

**Tools of analysis:** the data collected to perform this research study is aligned properly and meaningfully to reach a logical conclusion. The statistical tools which have been used to portray the data in visual formats are: column charts, pie charts, combo charts and funnel chart.

### **SAMPLE SIZE:**

To perform this study, we have taken sample of some broking firms and they are:

- 1) Zerodha
- 2) Angle one
- 3) Upstox

These 3 companies are sample size for the complete study to meet our goal of this research study.

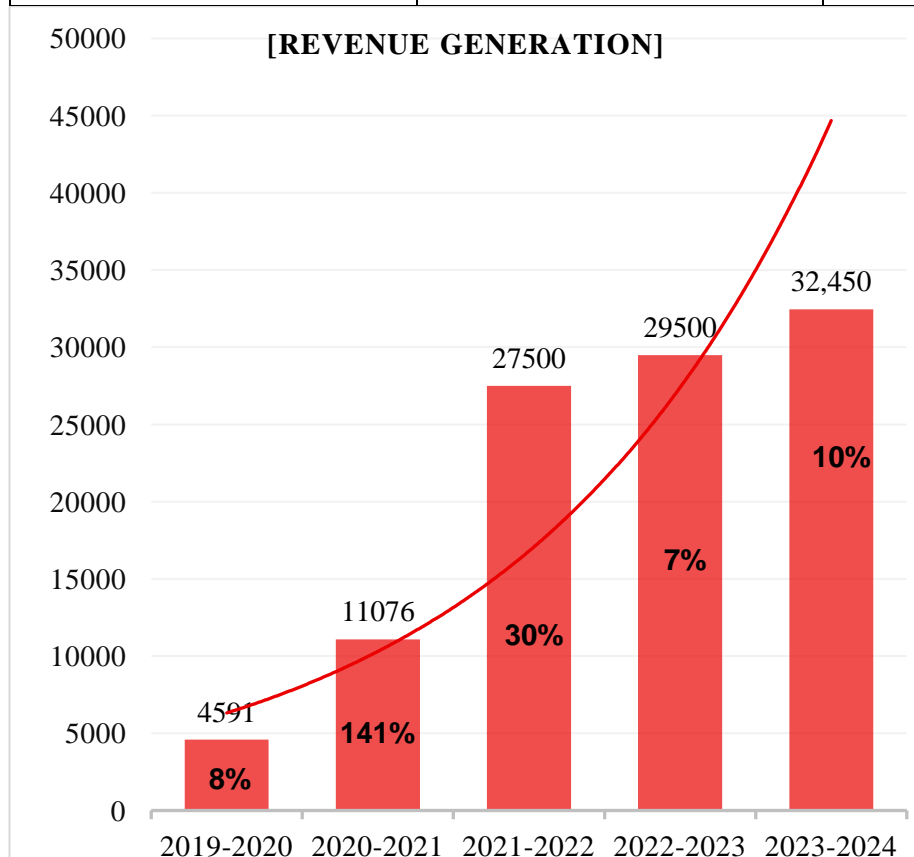
### **COMPARISON OF THE SAMPLES UNDER THESE AREAS FOR THE PERIOD OF FINANCIAL YEAR 2023:**

- 1) Net worth of the firms
- 2) Total active clients
- 3) Market share

### **DATA ANALYSIS AND INTERPRETATION:**

## 1. Revenue Generation Of Industry: from 2019-2023

Year	Revenue in thousand crores)	Y-O-Y growth rate
2019-2020	4,591	8%
2020-2021	11,076	141%
2021-2022	27,500	30%
2022-2023	29,500	7%
2023-2024	32,450	10%



## INTERPRETATION

From the above data we can clearly see the trends are highly volatile in terms of growth rate. especially from the year 2019-2021 the growth was highly expeditious from 8% to 141%. however again there is huge decline in growth rate from 2021-2023 because of covid-19 impact. Now in this financial year experts are anticipated the growth rate up to 10% Y-O-Y which is some percentage of increase from the last year.

## 2. TOP CITIES WITH MOST ACTIVE TRADERS:

CITY	TRADERS OR INVESTORS
Mumbai	53.8%
Delhi	11%
Kolkata	8.15%
Hyderabad	4.1%
Bangalore	3.8%

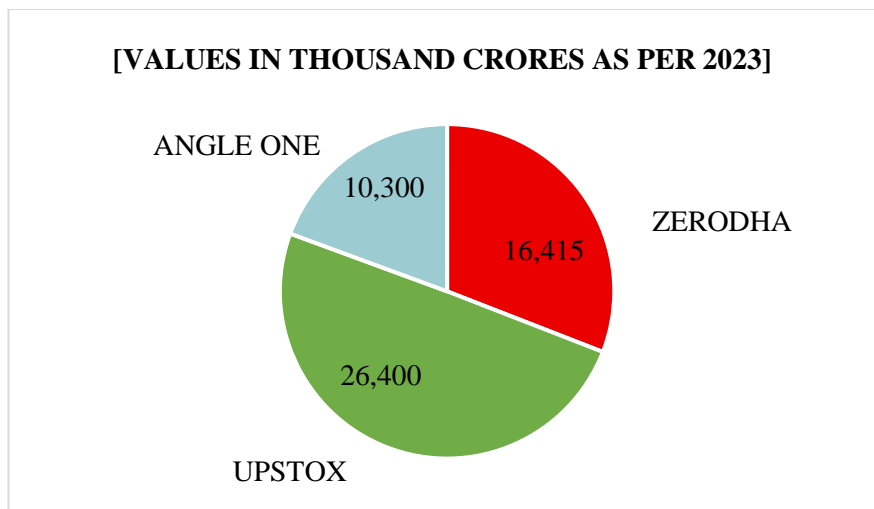


## INTERPRETATION

The above data depicts the total number of traders and investors belongs to which city, as from the table we can easily understand that majority of the traders are from Mumbai city followed by Delhi, Kolkata, Hyderabad, and finally Bangalore.

### 3. CURRENT NET WORTH OF FIRMS AS PER 2023:

YEAR	COMPANY	NET WORTH (in thousand crores)
2023-2024	Upstox	26,400
2023-2024	Zerodha	16,415
2023-2024	Angle one	10,300

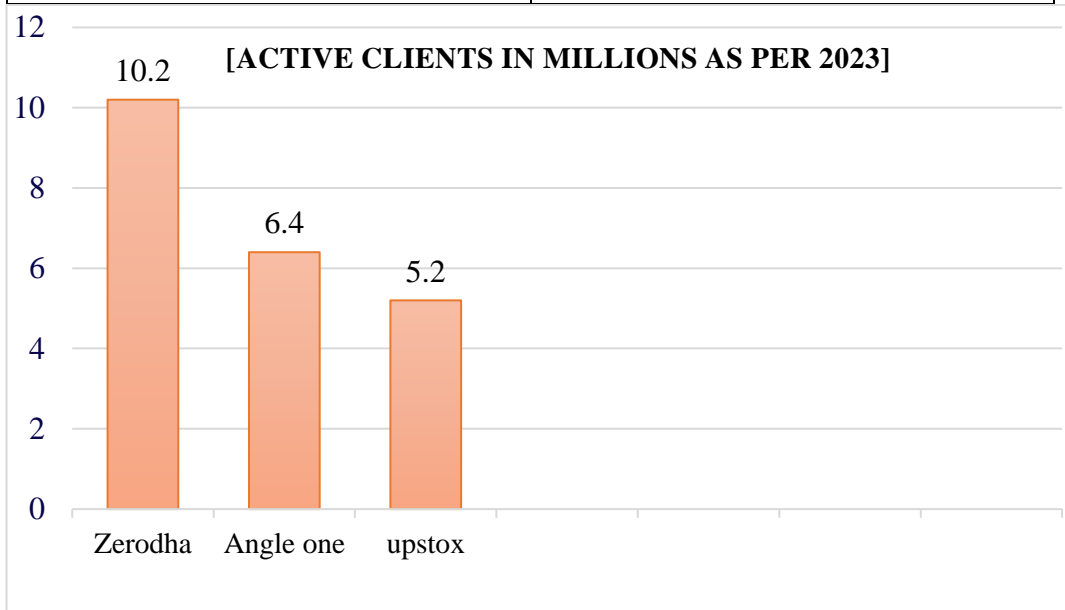


### INTERPRETATION

In the financial year 2023-2024 the high-net-worth company is upstox with a value of 26,400 crores followed by zerodha with a value of 16,415 crores then finally angle one with a value of 10,300 crore.

#### 4. TOTAL ACTIVE CLIENTS AS PER 2023:

FIRMS	TOTAL ACTIVE CLIENTS (in millions)
Zerodha	10.2
Angle one	6.4
Upstox	5.2

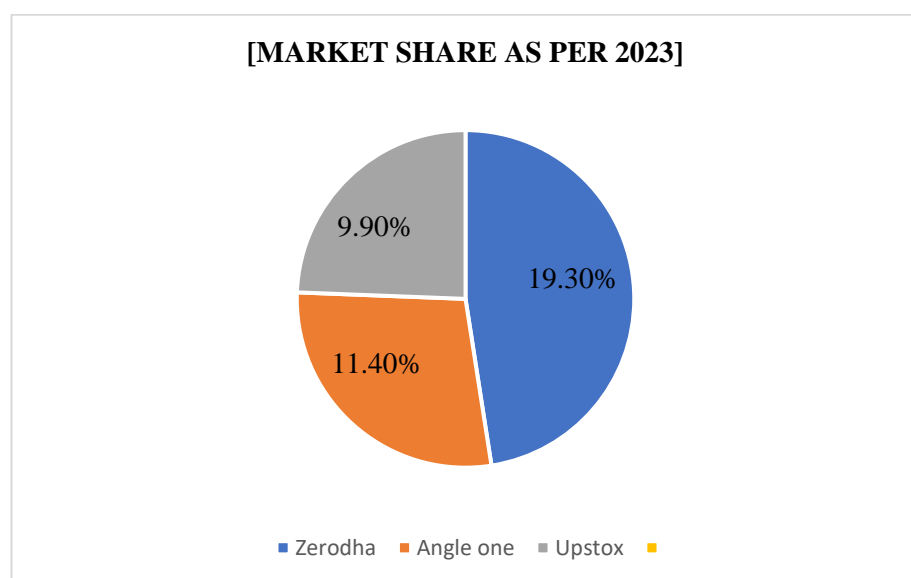


#### INTERPRETATION

Active clients refers to those traders who makes trading on a daily basis. from the data we can understand that zerodha has the maximum active clients as compared to other brokerages followed by angle one and then finally upstox.

## 5. MARKET SHARE AS PER 2023:

YEAR	COMPANY	MARKET SHARE
2023-2024	Zerodha	19.2%
2023-2024	Angle one	11.4%
2023-2024	upstox	9.9%



## INTERPRETATION

Market Share is the percentage of total revenue/sales done by one individual company in a business world. The percentage/portion of a market controlled by a one particular company is called as market share. From the data we can easily identify that zerodha has maximum market share value as compared to the other broking firms in this financial year 2023-2024.

**FINDINGS:**

- The whole study is completely based on comparisons of stock brokerage firms.
- Zerodha being the new entrant firm in the market without any fundings, and zero Debts, yet outperformed well in every aspect.
- The majority number of traders and investors handles by only zerodha.
- The maximum market share owns by zerodha.
- Upstox has a good market capital value as compared to zerodha and angle one.
- Angle one has a greater number of customers than upstox.

**CONCLUSION:**

In the entire brokerage industry, there are more than (314) registered stock brokers with [SEBI], yet very few brokerage firms are competing with each other. Maximum of brokers founded and started their operations before 2000's like, Motilal Oswal financial services, ICICI securities, sharekhan P.V.T L.T.D, HDFC securities and also SBI securities. But there remains only one broking firm who is disrupting the industry by being the Number one broker in india i.e., zerodha because they highly focused on user convenience due to the online trading mandate by the [SEBI] changing from traditional trading to digital trading, zerodha took the advantage of technology and created very user-friendly experience to their traders and investors to place transactions very efficiently, apart from technology zerodha also focused on financial literacy, trading knowledge sessions, and add-family feature. which eventually makes them to get more high-value customers in their portfolio who are really passionate and dedicated to make good number of profits in the stock market. Since 2018 zerodha has been tremendously performing well because of their high technology, Research and Development, and mainly focused on high-value customers, created the best mobile trading application with very simple user interface. Therefore, due to the technology adaption in their business model, today zerodha is the only discount-broking firm who is dominating full-service brokers, hybrid-brokers and as well as discount brokers.

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