

# Investors Behaviour Towards Stock Broking Service

**Dr.S.Venkatesan**

*Assistant Professor, Department of commerce College of Science and Humanities, SRM Institute of Science and Technology, Chennai, Ramapuram campus, [bsvenkat16@gmail.com](mailto:bsvenkat16@gmail.com)*

## Abstract

In an economy, in addition to its role as a source for financing investment, the stock market also serves as a mechanism for sending signals to stock brokers regarding investment decisions and as a catalyst for corporate governance. These functions are performed in addition to its role as a source for financing investment. Research on the level of satisfaction experienced by customers has received a lot of attention in the field of marketing. As a result of the liberalization of regulations governing the capital market, an increased number of brokers joined the market as well. Investors may get a variety of services under one roof from their brokers, and the services are tailored to meet their individual requirements. The primary objectives are to study various factors considered by the investors while selecting the stock brokers and to analyze the behaviour and satisfaction of the investors towards their stock broker services. It is a qualitative study conducted in Chennai city. The investors who are trading in the stock market are considered as sample respondents using purposive sampling technique. Total of 500 sample respondents were selected. The primary data were collected using the Google forms during the month of March 2022. It is concluded from the result that the clients are highly satisfied towards the services of their stock brokers regards to responsiveness, service reliability, ease of use, competence, accessibility, system reliability, timeliness and security system followed by the brokers. The overall satisfaction of the investors are satisfied with the services of their brokers.

**Keywords:** Investor's behaviour, stock broking service, trading platform and Chennai city

## Introduction

In a rising country like India, the role that stock markets play in accelerating the pace of economic progress is of the utmost importance. The stock markets in India are currently reaching new highs and have even surpassed their previous records. It would appear that both Foreign Institutional Investors and local investors, most notably mutual funds, have been displaying their unwavering faith and confidence in India's stock markets. In order for stock markets in any nation to operate in a way that is smooth, consistent, and stimulating to participants, it is very necessary for

investors to have faith and confidence in the stock markets. At the same time, it has provided more profitable investment opportunities to investors, allowing them to invest their money in a more diverse range. The availability covering a wide range of topics at a quicker and more efficient pace thanks to advancements in communication technology such as internet services, mobile banking, online trading, etc. has resulted in a shift in the way investors approach their investments. At the same time, Indians' ability to earn more money and their total family income have both gone up, which has led to a rise in their capacity to invest. As a result, companies

that provide financial services, such as brokerage firms, need to create an entirely new set of goods, services, and processes in order to advance their businesses. In addition, the effectiveness of service delivery to several products on a bespoke basis is the most important feature that sets apart one provider of financial services from another. This involves providing individualized consultation and problem-solving services that are tailored to the investing and financial planning concerns of individual investor's.<sup>1</sup>.

Consumer as a client since customers' expectations shift throughout the course of a relationship, making it tough for businesses to meet the ever-evolving requirements of their clientele. However, the primary goal of any company that offers financial services is to maintain the clientele that they already have by providing them with a product and service that are completely customized to their needs and encouraging them to stay with the firm. An investigation into stock agencies has recently been carried out as a result of the current state of the asset management industry, which is quickening its speed and witnessing the emergence of a large number of organizations as key actors. The study investigates not only the concerns that are linked to consumers' expectations but also the expectations that customers have towards shares. This study is necessary because there is a need to highlight the expectations that customers have of brokerage companies and how well the company is operating in comparison to those expectations.<sup>2</sup>

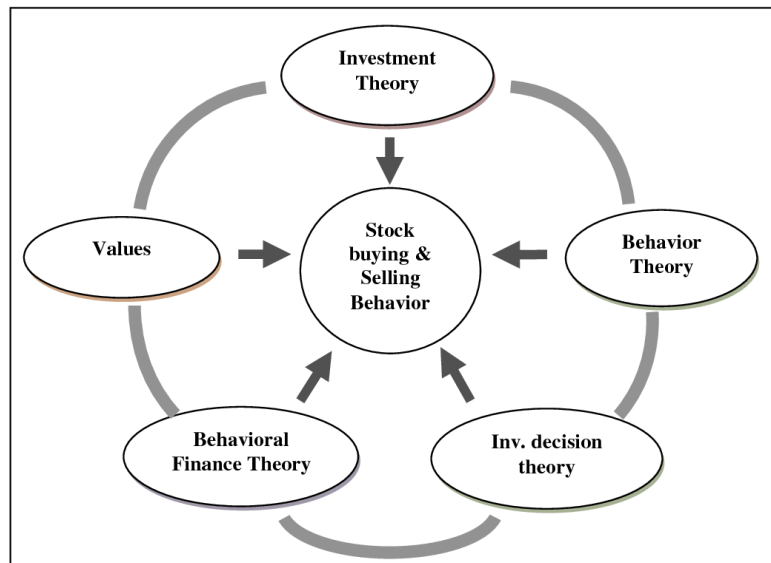
### **An Overview of investors Behaviour**

Customers typically have a long-term connection with their stock brokerage, the stock brokerage sector places a strong emphasis on providing value to customers. The reason for this is because customers of a brokerage consistently provide trading orders to that brokerage whenever they come across appropriate investment possibilities. Therefore, gaining a grasp of customer service and determining the

degree to which customers are satisfied are extremely important in today's competitive business environment. There is a clear and strong connection between providing excellent service to customers and keeping those customers as clients. The level of satisfaction experienced by customers continues to be one of the single most powerful indicators of continued business. Given the current climate of intense competition, it is very essential for every commercial enterprise to make certain that its clients are happy with the services they receive. One survey came to the conclusion that it costs five times as much to bring in new customers as it does to keep the ones you already have. Therefore, taking into account all of these factors, it is possible to reach the conclusion that it is extremely important for a company, regardless of the sector in which it operates or the size of the business it conducts, to provide products and services that are tailored to the requirements or preferences of its clientele.<sup>3</sup>.

The financial market cannot function without the participation of investors. In order for a developing economy to thrive, such as India's, it is essential that an increasing quantity of savings flow into commercial firms. Over the course of the last several years, there has been a rise in the degree of involvement achieved by individual investors in the equity markets. The movement of cash for the goal of increasing a company's output is referred to as investment. Investing is seen as the most important factor in a nation's economic growth and development, hence a significant amount of focus is placed on the practice. Today, investors may choose from a variety of different types of investment vehicles. While some of them may be sold and are easily traded, some of them cannot be sold and are difficult to trade. There are certain instruments that carry a very high level of risk, while others carry hardly any danger at all. <sup>4</sup> . The investors pick several paths to pursue based on the precise needs they have, the amount

of risk they are willing to take, and the return they anticipate receiving.



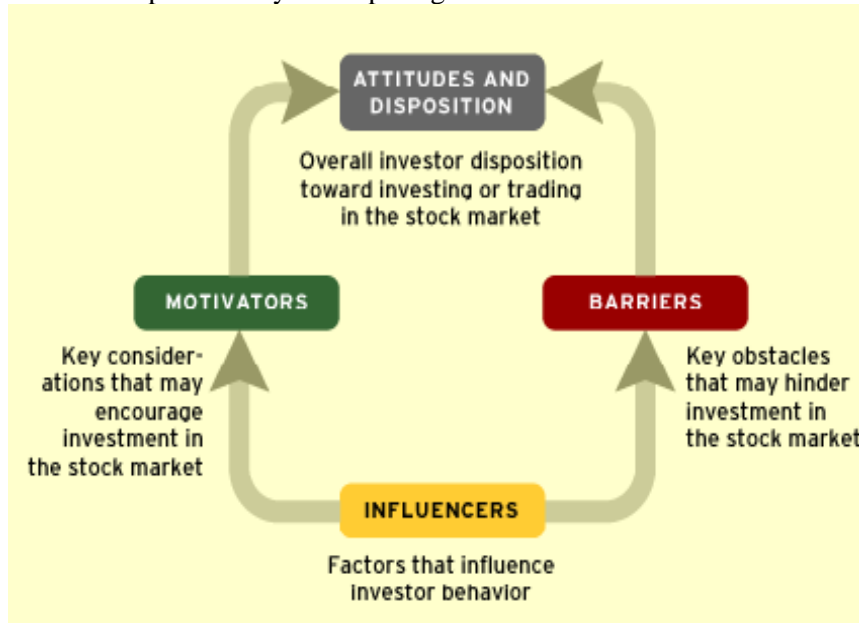
The terms "economic investment" and "financial investment" are used interchangeably to refer to many types of investments that are available. An investment in the economy is the act of purchasing a tangible item, such as a piece of property or machinery. On the other hand, when we talk about financial investments, we are referring to investments made in financial instruments such as stocks, bonds, insurance policies, mutual fund units, and so on. The nation's capital stock can be increased with the aid of investments in the financial sector. Increasing an economy's productivity and its level of competitiveness over the long term is one of the primary purposes that should be served by investments. The states that have made more investment pledges are considered to be more progressive. Few states in India have carved out a special place for themselves in terms of economic growth, and the primary reason for this is that these states have been successful in luring significant investments. Because investments have a "multiplier impact," they result in increased levels of income and employment, in addition to increased levels of demand and consumption.

#### **Factors to Consider When Choosing a Stock Broker:**

- i. **Credentials:** Any company or group that works with your financial matters is required to have solid credentials. Broker needs to have a well-established name in the market, and if they are just getting started, they need to have backing from reputable investors or names. Working with a company that is only around for a short time might bring irreversible harm to your money. Also, search for brokers that make money, since this will reduce the likelihood of margin calls being placed against you.
- ii. **Trading platform:** A broker, and especially a discount broker, is only as reliable as the trading platform on which he operates. You should be able to trade at important periods to efficiently maximise gains or reduce losses using the platform, and the platform should be tailored to your needs.
- iii. **Hidden Costs:** The thing about discount brokers is that the cost is modest, which is why many of them claim to have the lowest brokerage rates. Since the cost is minimal, the benefit of using discount brokers is clear.

However, some brokers increase the amount of their annual maintenance fees as well as their other obvious costs in order to compensate for an unknown expense. By comparing the

exact expenses of the various stock brokers in India, it is possible to explain the anomalies and determine which brokers are the most cost-effective.



## Literature Review

A researcher might gain a better concept for their own study by reviewing previous research. Researchers may get a deeper understanding and insight into the relevant prior studies, and also gain an awareness of the current state of knowledge on a subject, by conducting critical and systematic reviews of existing studies on the same issue or in other domains.

Nayak's (2010)<sup>5</sup> investigated the nature of complaints made by investors and the function of entities that address complaints. The researcher used convenient random sampling to collect primary data on the investor's profile, knowledge about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain, and their satisfaction level. The researcher demonstrated that there is a substantial difference between the various demographic characteristics and investor's knowledge of grievances, awareness of

functions of redressal institutions, loading of complain, and their level of satisfaction by utilizing chi square analysis.

Varadharajan and Vikkraman (2011)<sup>6</sup> interested in determining the perspectives of investors with regard to the decisions they make regarding investments in markets. The researchers investigated the investors' perspectives on a number of topics, including the selection of stocks and companies, tolerance for risk, the composition of equity portfolios, the state of their financial affairs, and the level of return they anticipate. The researcher concluded that the returns obtained are independent from the demography, the majority of the determinants, and the relationship between the two.

Kadariya (2012)<sup>7</sup> examined the market responses to tangible and intangible information in the stock market in order to investigate the attitudes of investors regarding the issues that pertain to the Nepalese stock market. After conducting

research using a sample of 185 stock investors, the author concluded that the capital structure and average pricing method is one factor that influences investment decisions. The second factor is the political and media coverage. The third aspect is a person's faith in luck and knowledge in money management. As a final component of stock market movement, trend analysis is essential. The result concluded that it is necessary to possess both tangible and intangible information in order to achieve success in the Nepalese capital market.

Chaudhary (2013)<sup>8</sup> investigated the concept of behavioral finance, as well as its significance and its use in investment decision-making. The researcher indicated that about various trading strategies that investors in stocks and bonds can use to help them overcome psychological barriers and take control of their trade. These strategies can be found in his previous work.

Ngoc (2014)<sup>9</sup> explored the intention of researching the behavioral elements that influence the choices made by individual investors at the Securities Companies. The author gathered information from 188 individual investors, and 63 percent of those individuals responded to his survey. Herding, Market, Prospect, and Overconfidence are the five behavioral variables that can be observed among individual investors at Stock Exchange, fallacy of gambling, as well as the anchoring-ability bias. The market element includes aspects such as fluctuating prices and information regarding the market. The heuristic dimensions can be categorized into the following two categories: fallacies of overconfidence and gambling, as well as anchoring and ability bias. The author suggested that potential investors think things out thoroughly before making an investment, but that they shouldn't worry too much about previous losses while making future investments. The researcher suggested that investors should not try to

limit the amount of investment regret they feel by avoiding selling stocks that are declining in value and selling equities that are gaining in value.

Sindhu, Kalidas, and Anil Chandran (2014)<sup>10</sup> attempted to conduct an analysis of the many elements that influence investor attitudes in the Indian stock market. For the purpose of the study, they make use of both secondary and primary data. These staff members are chosen using the convenience sampling method and the multi-stage sampling method. The study concluded that there is a substantial association between the gender of investors and factors such as herd behaviour, risk factors, confidence and performance factors.

Kengatharan (2014)<sup>11</sup> investigated the behavioural elements that influence individual investors' decisions at the Colombo Stock Exchange as well as the links between these factors and investment performance at the exchange. They acquire information by questioning individual investors who trade on the Colombo Stock Exchange and distributing questionnaires to those investors. The study variables found to influence the investment performance, which are as follows: herding, heuristics, and market. The herding factor has a negative influence on the choice of stock, and this influence is negative. An excessive amount of confidence stemming from heuristics might have a detrimental effect on investing performance. A beneficial influence on investment performance can be attributed to anchoring based on heuristics factors. There is no impact from any of the other variables on investment performance.

### **Rationale of the Study**

The primary objective of the research was to determine the various aspects that play a part in a person's choice of which brand of stock broking firms to obtain services and aspects that play an important role in meeting the requirements of the client, and how brokerage firms work to ensure that

their clients are satisfied with the services they receive. The purpose of the research study is to provide evidence that supports previously studied research work about the elements that are influential.<sup>12</sup>

### Research Objectives

1. To study various factors considered by the investors while selecting the stock brokers
2. To analyze the behaviour and satisfaction of the investors towards their stock broker services

### Research Methodology

It is a qualitative study conducted in Chennai city. The investors who are trading in the

stock market are considered as sample respondents using purposive sampling technique. Total of 500 sample respondents were selected. The primary data were collected using the Google forms during the month of March 2022.

### Findings, Discussion and Conclusion

#### I. Socio-Economic characteristics

The socio-economic characteristics of the patients is determines their attitude and behavior. As this paper is an attempt to study the behavior of the respondents, it is an attempt to study the nature of the sample respondents. The result is given below.

**Table 1 - Socio-Economic characteristics**

Nature		Number of respondents	Percentage
Age group	Less than 30 years	134	26.8
	30 – 50 years	211	42.2
	More than 50 years	155	31.0
Gender	Male	378	75.6
	Female	122	24.4
Occupation	Employed	142	28.4
	Business	241	48.2
	Profession	73	14.6
	Others	44	8.8
Annual income	Less than Rs. 5 Lakhs	72	14.4
	Rs. 5 Lakhs to Rs. 10 Lakhs	188	37.6
	More than Rs. 10 Lakhs	240	48.0
Fund	Own	318	63.6
	Borrowed	53	10.6
	Both	129	25.8
Nature of investor	Investor	255	51.0
	Trader	102	20.4
	Both	143	28.6

The socio-economic characteristics shows that 134 (26.8%) respondents are from young age (less than 30 years), 211 (42.2%) respondents are from middle age group (30 to 50 years) and 155 (31.0%) respondents are old aged (more than 50 years). 378 (75.6%) respondents are male and 122 (24.4%) are female. Distribution of respondents according to their occupation shows that 142 (28.4%) are employed in

government and private organizations, 241 (48.2%) respondents are businessmen, 73 (14.6%) respondents are professionals and 44 (8.8%) are from other occupational status.

The annual income of the respondents shows that 72 (14.4%) are from less income group (annual income less than Rs. 5 Lakhs), 188 (37.6%) are from the middle income group (Rs. 5 Lakhs

to Rs. 10 Lakhs pa) and 240 (48.0%) respondents from the high income group (annual income more than Rs.10 Lakhs). According to the source of fund for investment, it is found that 318 (63.6%) respondents invest their own fund, 53 (10.6%) investment from the borrowed fund and 129 (25.8%) respondents use both own and borrowed funds. Nature of investment in the stock market depicts that 255 (51.0%) respondents are basically investors and 102 (20.4%) respondents are traders. The rest of the respondents (28.6%) are doing both investment and trading.

## 2.Factors to select the stock brokers

The stock market investors will consider various factors before selecting their stock brokers. Here, in the study the factors are categorized in two aspects i.e., cost or charges applied and the services provided by the brokers. The results are given below. Factors related to charges applied

The stock broker and the stock trading practices are under some charges. Annual maintenance charges, brokerage charges, marginal money and other some hidden charges are also applied. The respondents are asked to mention about their level of preference about these costs at the time of selection of the broker. The preference over the charges are ranked using Friedman ranking.

**Table 2 - Charges considered for selecting the stock broker**

Charges	Mean	Std. Deviation	Mean Rank
Annual Maintenance charges	3.15	1.093	2.91
Brokerage charges	3.12	1.055	2.97
Initial money or Marginal money	3.18	1.270	3.13
Account opening charges	3.02	1.409	2.91
Hidden cost	3.25	1.318	3.08

The above table shows that hidden cost of the brokers is mostly considered by the respondents than other charges (3.08). Secondly, the initial money or marginal money is given importance before selecting the brokers. Brokerage charges (2.97) are given third rank. The significance of the rank is analysed as below.

**Table 3 - Friedman Test**

N	500
Chi-Square	10.573
Df	4
Asymp. Sig.	0.032

The calculated value of the Chi-Square test shows that 10.573 for the degree of freedom 4 is significant at 5% level. Hence, it is concluded that the ranks given by the patients are significant.

Next to the charges, the services of the brokers are also considered by the investors for their better stock trading. The portfolio analysis, financial planning, online trading platform and other services are offered.

**Table 4 - Services**

Services	Mean	Std. Deviation	Mean Rank
Portfolio analysis	3.10	1.188	2.87
Financial planning	3.16	1.120	2.85
Online trading platform	3.23	1.160	3.00
Share trading tips and research call	3.42	1.308	3.26

Client support	3.25	1.270	3.02
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The Table 4 depicts that share trading tips and the research call are considered as important service considered by the investors (3.26). Client support from the brokers is also expected from the investors from the stock brokers (3.02). Third rank is given to online convenient platform (3.00). the significance of the rank is calculated as below.

**Table 5 - Friedman Test**

N	500
Chi-Square	31.306
df	4
Asymp. Sig.	0.000

The Calculated Chi-Square value (31.306) for the degree of freedom is significant at 1% level (p-0.000). It is concluded that the ranks given to the services are considered as significant.

## 2. Behaviour

The behaviour of the investors towards the stock brokers are studied in two aspects that preference trading avenues through the stock brokers and their satisfaction are analyzed.

**Table 6 - Preferred trading services**

Preferred avenue	Mean	Std. Deviation	Mean Rank
Cash market	3.45	1.319	3.66
IPO	3.43	1.151	3.57
Future	3.24	1.143	3.33
Option	2.40	1.263	2.55
Commodity	1.77	1.151	1.89

The Table 6 shows that most of the respondents prefer to invest in the cash market for the safety and long term return (3.66). The respondents also prefer the stock brokers to apply for the IPO (3.57). Thirdly, the mean of the preference towards future (3.33) is ranked. The respondents are not much preferred to trade with option market and commodity market. The result of the Friedman test is given below.

**Table 7 - Friedman Test**

N	500
Chi-Square	583.211
df	4
Asymp. Sig.	0.000

The Chi-Square value (583.211) is more greater than the table value for the degree of freedom 4. The value of probability is 0.000. Hence, it is clear that the investors mostly prefer to trade in cash market and IPOs.

## 3. Satisfaction towards the Service of the stock brokers

The service quality is measured with the gap between the expected level and perceived level of the customers. The service gap is calculated with different dimensions of the service quality. Using 5 point Likert scale the perceived and expected service quality is considered.



**Table 8 - Service Quality Gap**

Dimensions	Perceived (P)		Expected (E)		Gap (P-E)	t
	Mean	SD	Mean	SD		
Responsiveness	3.64	0.872	2.95	1.669	0.69	8.132*
Service reliability	3.61	0.937	3.43	1.220	0.18	2.745*
Ease of use	3.38	1.219	3.19	1.051	0.19	2.652*
Competence	3.23	1.523	2.27	0.863	0.96	9.466*
Access	3.25	1.140	2.75	2.733	0.50	3.623*
System reliability	3.95	1.196	3.40	2.583	0.55	4.415*
Timeliness	3.69	0.793	3.39	1.320	0.30	5.259*
Security	3.29	0.787	3.12	1.167	0.17	2.906*

\* Significant at 1% level

The above table reveals that the satisfaction of the investors towards the service quality of their stock brokers is high. The mean of expected service of service reliability (3.43) is greater than other dimension of the service quality. In perceived service quality, system reliability is more (3.69). The service quality gap between perceived and expected level of all dimensions are found significance from the result of the t test. The t values are more than 1.96. Hence, the significance of the difference in the means is found at 1% level.

### Conclusion and Recommendations

In a developing economy like India, investors have a significant opportunity for both current profits and capital appreciation. However, this will only be feasible in the global financial market if brokers and investors consistently maintain confidence in one another, adhere to established guidelines, and are subject to rules. As a result of improvements in technology and increased globalization, stock brokers need access to the most advanced methods and tools available. These include online trading software, information on online capital markets, and other similar resources. They need to make the most of the possibilities that have been presented to them as a result of the changes and fight competitively on the topics that are important to them. In addition, in order to entice more investors to participate in the capital market, they need maintain

consistent communication with both their current and potential customers. It is concluded from the result that the clients are highly satisfied towards the services of their stock brokers regards to responsiveness, service reliability, ease of use, competence, accessibility, system reliability, timeliness and security system followed by the brokers. The overall satisfaction of the investors are satisfied with the services of their brokers

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