

A STUDY ON THE INFLUENCE OF STOCK BROKER ON INVESTORS DECISION MAKING WITH SPECIAL REFERENCE TO BSE

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Abstract

There is a lot of scope for growth in the subject of behavioural finance, which is still relatively new. Policymakers, institutions, market infrastructure organizations, and businesses all have a hard time making sense of individual investors' behaviour in the stock market since there isn't adequate literature in the Indian context. Funds invested in stock are unique among commercial activities in that they are nearly always reliant on the advice of others. Stock advice from an expert seems like a no-brainer for them, therefore it seems sense that they think it will help them earn money. And yet, the mere idea of investing advising has certain very important characteristics. If the goal of an investor is financial gain, then asking for advice on where to put their money amounts to a request for direction. The main purpose of the study are to study the investment behaviour of the respondents, to identify various factors considered by the investors while taking the investment decision and to measure the influence of the stock brokers on the investor decisions. The study has been carried out in Chennai city to understand the investor behaviour towards the stock market and stock brokers. It is descriptive study conducted during the month of August 2022 with 200 sample investors. The investors who have investment in the stock market regularly are considered as sample respondents for the study. They selected using convenient sampling method. A Google Forms is prepared and circulated through the WhatsApp group of the brokers. The first 200 completed filled Google forms are selected for the study. The data are analyzed with the help of SPSS software. The study concluded that the level of influence is found same across all the age group of investors.

Keywords: Stock broker, Investors Decision making and BSE

Introduction

Individual investment decisions are seen as a compromise between present and future satisfaction, according to the Expected Utility Theory. Market players have depended for a long time on the idea of efficient markets and the rationality of the investor's behaviour when making financial choices. Those investors who are entirely self-controlled and have a predisposition to maximize their utility are becoming uncommon. In a well-functioning market, participants are believed to act in a consistent, consistent, and reasonable manner. Such financiers choose investments coldly, without bias. Each decision they make is motivated by the desire to increase their predicted usefulness. Moreover, decision-makers do not behave in the manner predicted by the standard economic model. Recent studies have shown that the process of choosing where to put money is more intuitive than logical. Each country's progress and prosperity are tied to the health of its financial sector. The financial system encourages people to save by giving them access to a broad range of investment options. The financial system would not operate without the important role that financial markets play in facilitating the buying and selling of financial assets. The money market and the stock market are its two main components. (Wood et al. 2008),[10]

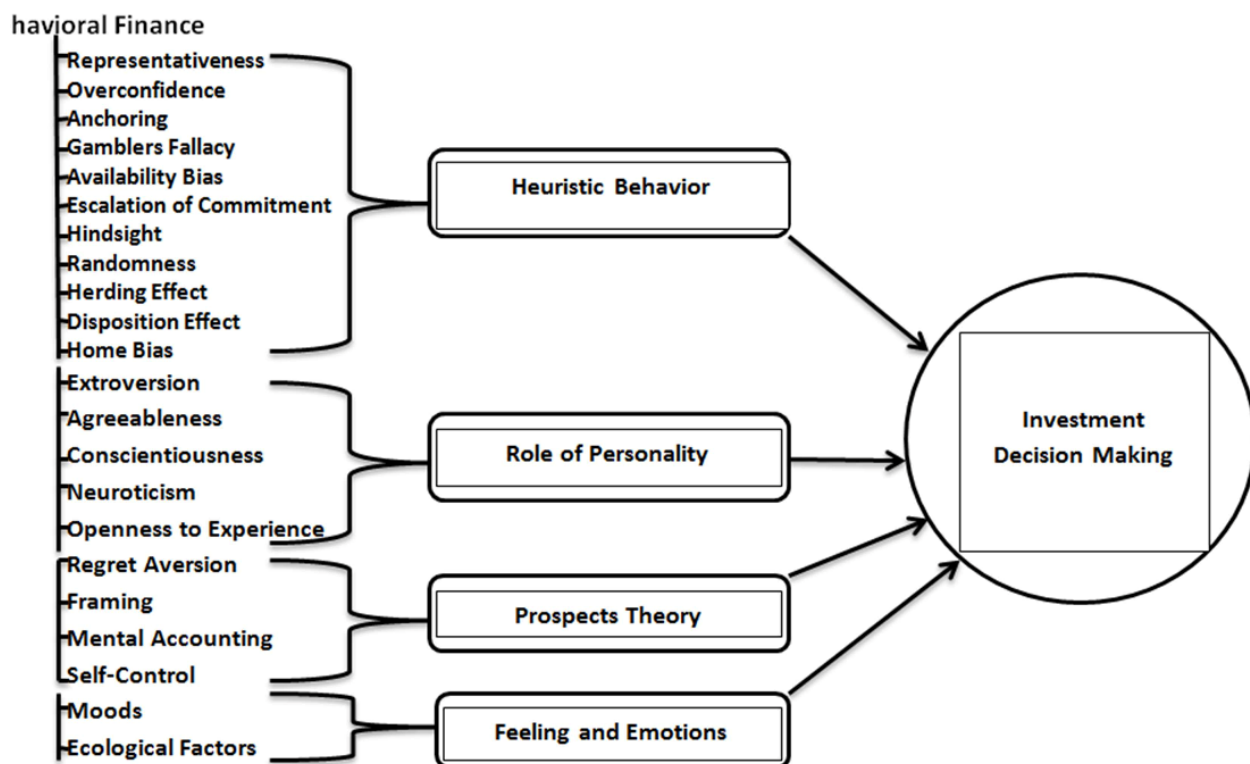


Figure 1. Conceptual Framework

The primary market and secondary market are two halves of the capital market that cannot be separated. The term "primary market" refers to the market for newly issued securities or financial claims. It's a way for businesses and the government to get the money they need for investments and to pay their bills. This section focuses on newly issued securities. Securities are acquired by investors in the primary market from the issuer. In the secondary market, investors buy assets from one another rather than the issuing firm. The stock exchange operates as a component of the secondary market, which facilitates transactions between buyers and sellers of assets. The most crucial part of the stock market is an investor. Before, only the wealthy could afford to invest, but now individuals from all socioeconomic backgrounds are actively participating in the market. Investors are motivated to purchase and sell assets by a number of reasons, including but not limited to expected returns, capital appreciation, safety, liquidity, tax advantages, broker advice, and so on. Choosing a stock broker who is a member of a stock exchange is the first step in making an investment in the stock market.

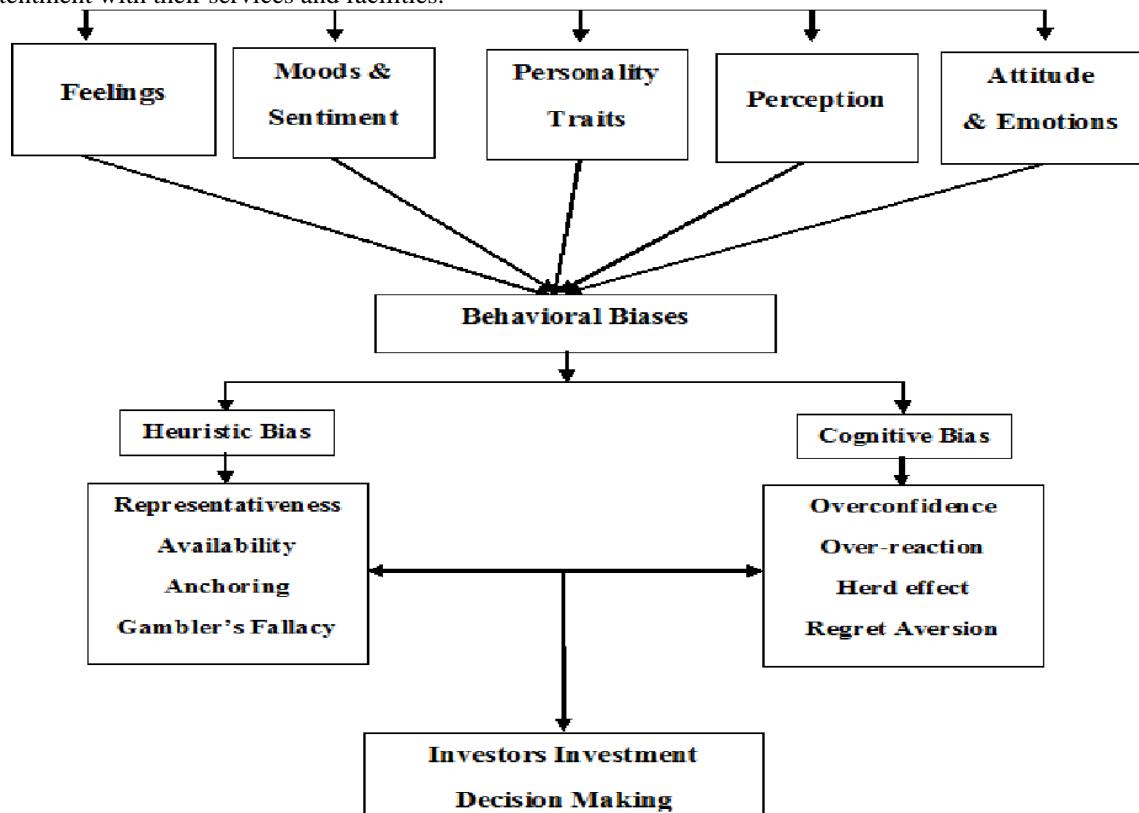
Investors in Stock Market

The primary role of a stock exchange is to facilitate the buying and selling of stocks and the subsequent settlement of trades between its members. Stock market buyers and sellers may, therefore, be broken down into two distinct groups: investors and speculators. Investors purchase securities in the hopes of increasing their income potential and protecting their capital. One of India's main and the country's original stock exchange, BSE (previously known as the Bombay Stock Exchange Ltd.) has been operating since 1875. It is also the fastest stock exchange in the world, processing trades in only 6 microseconds. For over 142 years, the Bombay Stock Exchange (BSE) has provided Indian businesses with an effective venue for raising funds and allowing investors to capitalize on the market. In 1875, a group of Bombay's stockbrokers called themselves "The Native Share and Stock Brokers Association." On July 9, 1875, it came into being. In August 1957, the Security Contract (Regulation) Act (SCRA) officially recognized the Bombay Stock Exchange. In India, BSE is both the pioneering and dominant stock exchange. With 5, 8208 listed businesses as of December 31, 2016, BSE is the largest exchange in the world. Products that may be traded on the BSE on the Indian stock exchange are extensive. In 1995, the British Stock Exchange (BSE) switched from an open outcry method to an order-driven trading system. The BSE now uses the BOLT (Bombay Online Trading) platform for its trading needs. The BSE's tried and true trading and settlement platform, the BOLT system, guarantees reliable, on-time business dealings. The SENSEX index, maintained by the Bombay Stock Exchange, is often used as a proxy for the health of India's economy. Members of BSE include both individuals and businesses.

Services and Facilities provided by Stock Broker

A broker, in the simplest terms, is a commission agent who mediates the purchase and sale of shares for clients who are not themselves stock exchange members. This is why a stock trade between non-members may

only occur via a broker who is a member of the stock exchange. An SEBI registration certificate is required for any stock brokering activity, including sub-brokering. Floor brokers and commission agents for major organizations are two common job roles for brokers. Stockbrokers may also be referring to their sub-brokers. Sub-brokers are those that facilitate the buying, selling, and trading of securities for investors via stock brokers but are not themselves members of a stock exchange. Brokers are defined in the SEBI (Stock broker & Sub-broker) Rules, 1992 as "any individual, not being a member of a stock exchange, who operates on behalf of a stock broker as agent or otherwise to help the investors in buying, selling, or dealing in securities via such a stock broker. "Investor actions are crucial to the development of the capital market. A stock broker acts as a go-between for investors and the stock market. Investors' relationships with their stock brokers should remain steady throughout their time spent trading on the capital market. Therefore, this chapter discusses the investor's socioeconomic profile, trading habits, decision-making process, and overall perspective on stock brokers, including their level of knowledge, familiarity, and contentment with their services and facilities.



The function of a broker is often portrayed negatively in print and online media due to many examples of fraud, deception, and the provision of recommendations in the broker's own self-interest. As a result, the general public will have an inaccurate conception of what stock brokers do. However, if the investor has made money thanks to the advice of their stock broker, they are unlikely to share that information with others. Simply put, investors have no interest in sharing their profits with anybody else. With this in mind, the following study questions and goals have been formulated to better understand the function and influence of stock brokers on their clients' investments. Rajdeep et al.(2015), [5]. The broker has a number of resources available to investors. Depending on the specifics of each investor's situation, the range of available services and amenities may shift. The researcher interviewed stock brokers to compile a list of the services and resources available via stock brokerages. Below is a synopsis of the facilities and services that have been singled out. Among the many services they provide, stock brokers are those below.

1. **3-in-1 account:** A Trinity account is another name for this. There are many types of financial accounts available. Some corporate brokers with banking affiliations provide this service to their clients. Trading in the stock market requires both a demat account to store the shares and a trading account to place the trades.
2. **Online trading and Software:** Brokers are providing software to their clients to place an order. Such accounts are easy and convenient to use, and with the increase in technology and the use of smart phones, many investors have entered the market. This helps in the reduction of brokerage charges.
3. **Equity research tips:** The broker has a team of analysts that keep tabs on market movements and compile both technical and fundamental data. The investor is led in the right direction regarding various stocks and new problems based on the findings of the study, which in turn increases the investor's chances of financial success.
4. **Products:** Broker offers variety of products to the clients like IPO, Derivatives, Currency, Mutual Fund, Insurance, fixed Deposits, Bonds, Loan, e-locker etc.

5. **Investment advisory services:** Financial planning, retirement planning, estate planning, portfolio appraisal, and similar services are only some of the advisory ones that brokers provide. In addition, brokers provide advice on how to invest in the stock market..

6. **Margin Funding:** Speculators may have access to margin funding through their brokers. Trading on margin is the most common kind of speculative trading. It is conducted by customers using money borrowed from their brokers. This sort of financing is often short-term, with terms of one day or less.

7. **Technical Services:** In this, the broker provides the following services: Software, trade through the mobiles, auto invest, immediate delivery of contract note through SMS etc.

8. **Financial based and Other services:** In addition to the aforementioned offerings, this broker also facilitates a slew of other financial transactions, such as loans against securities, margin money, etc., as well as the opening of a demat account, an automated investment system, the provision of stock market information, and telephone contact with clients.

Factor Influencing Decision Making

Lal Jawahar (1992)[4] studied the degree to which Indian investors were utilising the financial and accounting information that corporations were publishing. More than half of those polled said they had a basic understanding of the company's public financial and accounting information/data, but concluded that it was irrelevant to making an investment choice. The study's author also concluded that corporate reports seldom provide the specific details that would be most helpful to investors in making sound financial decisions. Bandgar (2006)[2] examined the degree to which Indian investors use company-published financial and accounting information for investment decision-making and the amount to which they grasp this information. Half of those polled said they had a basic understanding of the company's public financial and accounting information/data, but concluded it was irrelevant to making an investment choice. In addition, the study found that the information offered by the firm is oftentimes inadequate and misleading for investors to make sound investment decisions. Helm and Sabrina (2007)[3] showed the negative effect of choice and the influence of reputation on individual investors, and dealt with research done among German investors of a publicly listed firm that indicated a range of loyalty impacts of corporate reputation. According to the findings, people's early investing decisions were influenced by the business reputation, which resulted in unfavourable stock selections. Gyu-Yeol Et.Al (2009)[9] the investing behavioural variables of investors in a favourable investment sector of GUMI in South Korea. According to the results, the elements that influence investor behaviour include the investments' profitability, stability, location, laws, and health. Accounting data, liquidity, profitability, and overall well-being were all shown to be significantly impacted by geographic location. Investors in the Greek Stock Exchange, for example, are impacted by the stock market more than those investing for personal reasons, although these two groups are affected by the stock market by different degrees. Alleyne and Broome (2010) the notion of planned behaviour has been identified as a powerful predictor of future financial decisions. The results also reveal that the student's investment intentions are influenced by his or her attitudes, reference groups (peers, family, and others), and views about the evident and present hurdles as well as the benefits and possibilities.

Statement of Problem:

Seventy-five percent of India's total savings comes from the private home sector. In India, many investors choose a variety of investment opportunities. The term "investment decision" is often used in the context of the stock market and means a choice between two possible courses of action (buying or selling stocks). Currently, investors rely mostly on the recommendations of friends, family, brokers, etc. A client who uses a broker to purchase shares of stock. Oftentimes, the novice or tiny investor does not understand how the stock market operates, so they invest their money on the fly or based on the recommendations of friends or acquaintances who have already earned a profit. In addition, many traders are short-term traders who cannot wait for rewards and so pull money out of the market at the first sign of a loss or gain, no matter how little. (Alleyne & Broome 2010). [1] These investors rely on their broker for guidance, and their broker has a responsibility to guide them in the appropriate direction. Therefore, it is crucial for traders to consult with a reliable stock broker. As of now, we have no way of knowing how people will decide to invest their money. In light of this context, researchers set out to determine whether or not investors are too reliant on their brokers for assistance when making investment decisions and whether or not broker advice influences investment outcomes.

Research Objectives

The main purpose of the study are

1. To study the investment behaviour of the respondents
2. To identify various factors considered by the investors while taking the investment decision
3. To measure the influence of the stock brokers on the investor decisions

Research Methodology

The study has been carried out in Chennai city to understand the investor behaviour towards the stock market and stock brokers. It is descriptive study conducted during the month of August 2022 with 200 sample investors. The investors who have investment in the stock market regularly are considered as sample respondents for the study. They selected using convenient sampling method. A Google Forms is prepared and circulated through the WhatsApp group of the brokers. The first 200 completed filled Google forms are selected for the study. The data are analyzed with the help of SPSS software.

Findings

1. Behaviour towards the stock market investment

Investors' behaviour determines their investment decision and success. This study focus on the investors' behaviour stock brokers. This is also ultimately influenced by their behaviour towards the investment decisions. In this regard, the inventors' behaviour is studied.

Table 1: Investor behaviour toward investment

Factors	Mean	Std. Deviation	Mean Rank	Rank
Capital appreciation	4.16	1.066	4.63	I
Safety	3.47	0.918	3.52	III
Return on investment	3.42	0.853	3.59	II
Risk involvement	3.29	1.115	3.36	IV
Maturity period	2.98	1.361	2.91	VI
Tax benefits	3.04	1.151	3.00	V
N	200	Chi-Square	128.144	
df	5	Asymp. Sig.	0.000	

The Table 1 reveals that most of the investors like to appreciate the investments for long term (4.63). The return on investment (3.59) is the most preferred factor in the second place among various factors. Safety (3.52) and risk involved in their investment (3.36) are other important factors considered by the respondents towards the investment decision. Tax benefits (3.00) and maturity period (2.91) are other factors ranked subsequently in fifth and sixth ranks. The Friedman ranking shows that the calculated Chi-Square value (128.144) for the degree of freedom 5 is significant at 1% level. Hence, it is concluded that the ranks given for the long term investment. Regular return, safety and risk involvement are the most influencing factors on the investors' behaviour.

2. Factors considered for selecting a stock broker

The stock brokers play important role in the stock market trade to help and assist them for their convenience and successful trade.

Table 2: Factors considered for selecting a stock broker

Factors	Rank	1	2	3	4	5	6	7	Score
	GV (x)	79	66	58	50	43	35	22	
Recommendations	f	116	13	13	16	5	13	24	12774
	fx	9164	858	754	800	215	455	528	
Best customer service	f	20	122	14	10	8	21	5	12133
	fx	1580	8052	812	500	344	735	110	
Lower fees	f	5	15	125	11	27	6	11	10798
	fx	395	990	7250	550	1161	210	242	
More charts and options	f	13	12	8	136	20	7	4	10276
	fx	1027	792	464	6800	860	245	88	
Online trading application	f	16	12	22	12	118	18	2	9680
	fx	1264	792	1276	600	5074	630	44	
Reputation	f	11	20	10	6	15	126	12	8388
	fx	869	1320	580	300	645	4410	264	
Account closer clause	f	19	6	8	9	7	9	142	6551
	fx	1501	396	464	450	301	315	3124	

GV – Garret Value

The above table shows the result of the Garret ranking technique used to measure the factors considered by the customers towards the stock brokers. The result shows that the recommendation and suggestions to buy or sell some securities, market movements and investment plans are the most important (12774) to select a stock broker. Best customer service (12133) is mostly considered by the investors while selecting their stock broker. The broker commission is one of the major costs of trading from the investor's point of view. The lower fees are the third major factors (10798) among the various factors to select the stock broker. The application of the stock

broker provides the traders various options to analyse with chart and fundamental information (10276). The investors also consider the user friendliness of the application for trading purpose (9680).

3. Impact of the stock brokers on the investors decision

The role of the stock broker is to provide service to buy or sell securities. But the investors seek support and assistance from the broker to take some investment decisions. For this purpose, the brokers give some tips about the share or market but the following tips is upto the interest of the investors. The respondents are asked to level of influence of the stoke brokers in 5 point Likert scale. He respondents are grouped as young (less than 30 years old), idle (30 to 40 years) and old (more than 40 years). The opinion based on their age and gender is analysed as below.

Table 3: Age and the level of influence

Age group	Influence of brokers					Total	Mean	SD
	Very less	Less	Moderate	High	Very high			
Young	2	6	17	39	10	74	3.66	0.911
	2.7%	8.1%	23.0%	52.7%	13.5%	100.0%		
Middle	3	7	20	46	3	79	3.49	0.860
	3.8%	8.9%	25.3%	58.2%	3.8%	100.0%		
Old	1	4	10	26	6	47	3.68	0.887
	2.1%	8.5%	21.3%	55.3%	12.8%	100.0%		
Total	6	17	47	111	19	200	3.60	0.885
	3.0%	8.5%	23.5%	55.5%	9.5%	100.0%		
Chi-Square	5.250		df	8		Sig.	0.731	
F	0.948		df	2		Sig.	0.389	

There are 74 respondents from the young age group, 79 from the middle age group and 47 from the old age group. The level of influence by the stock brokers shows that majority of the respondents from young (52.7%), middle (58.2%) and old age group (55.3%) are highly influenced by the stock brokers' tips. Hence, the Chi-Square result shows that there is no relationship between the age of the investors and the level of influence of the brokers. But the mean of the old age group (3.68) is higher than other age groups. But the F value (0.948) shows that the difference is not significant (p>0.389). It is concluded that the level of influence is found same across all the age group of investors.

Table 4: Gender and level of influence

Gender	Influence of brokers					Total	Mean	SD
	Very less	Less	Moderate	High	Very high			
Male	5	14	38	95	17	169	3.62	.886
	3.0%	8.3%	22.5%	56.2%	10.1%	100.0%		
Female	1	3	9	16	2	31	3.48	.890
	3.2%	9.7%	29.0%	51.6%	6.5%	100.0%		
Total	6	17	47	111	19	200	3.60	0.885
	3.0%	8.5%	23.5%	55.5%	9.5%	100.0%		
Chi-Square	1.003		df	4		Sig.	0.909	
Z	0.794		df	198		Sig.	0.428	

Majority of the male (56.2%) and female (51.6%) respondents are highly influenced by the stock brokers. The mean value is 3.62 for male and 3.48 for female. The Chi-Square value (1.003) and F (0.794) are insignificant. It shows that both male and female investors are highly influenced by the stock brokers.

Conclusion

A stock broker acts as an intermediary between the market and investors, with the primary goal of serving the latter's equity market investing needs. Stock values vary often, making investing in the market a difficult endeavour. Investment success on the stock market sometimes requires the help of a professional stock broker. Traders/investors that want more from their brokerage than simply trade executions can benefit most from full service brokerage, which includes research and assistance from the relationship manager. However, cheap brokers cater to investors who are looking for brokerage as a basic service and who are independent in character. Technology fluency is another common trait among investors of this sort. Agents dealing in stocks are experts in the market who can predict its direction with more precision than the average investor. The investors must constantly refresh his understanding of the stock market. Because of this, the investors should think about the advice they provide. The study concluded that the level of influence is found same across all the age group of investors. Warren Buffett once stated, "While making investment in the stock market, the investors should not panic in any circumstance, since all the market situation is excellent, if the market is bearish then that is the good time to buy shares, and if the market is bullish then that is the good time to sell it." For this reason, there is no bad

moment, just excellent. Financial goals, market understanding, and making good use of a broker's services are all essential for successful investing.

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