International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Impact of Stock Brokers on Investment Decisions in Stock Market

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Abstract
Investment of funds in the stock is quite remarkable among different business operations. The stock market could not be predicted upto a certain degree based on the recommendations given by the others. There are more investors during the pandemic who have been investing in the stock market. The investors are not much aware about the movement in stock market and thus behaving in a non-professional way. Many investors feel that they could make more money through professional guidance. There are many advisors who have been guiding people the way they are investing and they can apply certain tools which assist in predicting the movement in the market. The investors sometimes get influenced by the information which is circulating in the market or through news channels. The advice given by professionals could also help the investors in putting their money at the right place and at the right time. The only issue which the investors feel is that stock market cannot be predicted and hence they stay away from the share market. The investors should make an attempt to remain in the stock market for longer duration, only then they can fetch good returns from the stock market.

Keywords: Advisor, Investor, Simulation, Investment

1. Introduction

There are more people who have been investing in share market and they need advice to invest in share market. There is a lot of information which is available in the stock market about different companies and it is not very easy to acquire the right information. The investors are using different tools to understand movement in the stock market. The advisors can inform about a particular stock in advance based on the share price movement and thus advice can be considered from any of the following before investing in stock market:

- Friend or relative
- Local (commercial) banker;
- Investment banker or brokerage firm
- Investment counsellor
- Financial service

When people rely on the advice of someone else, it is important that they remain cautious while taking investment decisions. Many of the advisors are following conservative methodology for investment in the stock market. The investor should himself or herself understand the movement of share market and then select the stocks as per the risk which is engaged. It is also important that the investors should consider their own investment objective, risk taking ability, dependents etc. and then invest in share market in different companies and even various sectors like automobile, IT, telecom, pharmaceutical etc. Investors can thus choose the sector in which they wish to invest. The sectors are performing with a different zeal and enthusiasm and this will make the investors interested in investing in a particular sector and then decide the company in which they would like to invest. Expected utility theory helps in verbalizing individual investment decisions based on trade-off between consumption and it could be deferred consumption or immediate consumption. When the financial decisions were made by participants in market for long duration it relied on notion of the efficient market and rationality of deportment of investors. It is quite optically discerned that conception about rational investors, who are having proclivity towards maximization of their utility and exhibition of total self-control, is becoming quite common now. The investors have postulated to be equitable, consistent and rational in efficient market. The investors are making decisions without ardency or emotion. They might make their culls that aims to maximize their utility which is expected. Moreover the decision makers are not acting explicated by economic model which is quite traditional in nature. It could be perceived visually through the way of contemporary research that investment process is quite human in comparison to analytical.

2. Literature Review

Anna A. M. et al (2003) have studied about concentrated control and ownership as being a predominant pattern of shareholding among investors in our country. Over a period of 11-years which started from December 2001–2011, the shareholders have been controlling themselves through a substantial increase in their holdings. The foreign companies have strengthened the entrenchment, having a median holding which runs more than 50% as in the current scenario. There have been many changes in the Government policy and this has encouraged different business sectors for the FDI to invest more in the Indian stock market and this has acted as contributing factor leading towards decline in the companies which are listed. Government-owned company as a part of sample in this study has witnessed a decline in different non-institutional share holdings during study period.

Husain F. & Maqbool A. (2016) have studied financial performance of BSE and NSE during an entire decade. This study aimed to understand the performance of stock exchanges on the basis of a different criteria of judgment. This study can be said to be limited to various measures of financial performance like average of profit, operating expenses, Capital Employed, total revenue income etc. In this study, the researcher has made use of various tools of analysis like trend analysis, standard deviation, mean and co-efficient of variance. The researchers have considered the price returns related to different individual stocks and this data has been collected from BSE and NSE, since they are the two largest stock exchanges in India.

Kaur N. & Singh G. (2015) have discussed in their study about stock market in India. This study is based on the current as well as future prospects of stock market. Few guidelines have also been provided to the investors so as to maximize their profitability and minimizing risk. There has been very high volatility in stock market and it has become very difficult to understand the actual movement in the stock market. The risk of investing in stock market spreads or is reduced when stocks are selected for investment from different sectors.

3. Indian Stock market

Capital market in India has witnessed quite turbulent times during the last 140 years based on their existence. The imposition of expenditure and wealth tax during the year 1957 by Mr. T.T. Krishnamachari, the then finance minister has led to huge fall in markets. Dividend freeze as well as tax on the bonus issue during 1958-59 also has shown negative impact. This led to a ban on forward trading in the commodity market during 1966, which again has been bad period together with introduction of Gold Control Act during 1963.

- **Primary Market:-**Primary market has provided an opportunity to issuer of different securities, both corporation and Government for raising capital for meeting investment requirements.
- **Secondary Market:-** This market can be referred to market where the stocks are traded after they have entered into the market through primary market or listed on stock exchanges.
- **Products in secondary markets:-** There are different product or instruments which are being dealt with in secondary market and they can be broadly classified into bonds and shares.
- **Market Participants**:- The participants in the stock market could be divided into three categories i.e. investors, issuers and intermediaries. The said participants are being regulated by Ministry of Corporate Affairs (MCA), Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and Dept. of Economic Affairs (DEA) of Ministry of Finance.
- **Stock Brokers**:- Stock brokers are said to be members of Stock Exchange who act as agent for clients who are buying and selling on the investors behalf. Though strictly stock broker acts as an agent, for performance of their part of contract both in market and with client, they are deemed to act as principal, peculiar position having dual responsibility.
- **Types of advisor -** There are different types of advisors who provide advice to the investors, they could be friend or relative, local (commercial) banker, investment banker or brokerage firm, investment counsellor and financial service. The opinion of the advisors change based on their own experience and understanding about the stock market.

4. Objectives of the study

1) To study the impact of stock brokers on the investors earning
2) To understand the preference of investors towards different segments of stock market
3) To evaluate the risks faced by investors in the stock market

5. Hypothesis of the study

H_{01}: There is no positive reaction of the investors towards the advice of stock brokers
H_{a1}: There is a positive reaction of the investors towards the advice of stock brokers

H_{02}: There is no significant impact of stock broker’s advice on investment in stock market by the investors
H_{a2}: There is no significant impact of stock broker’s advice on investment in stock market by the investors

6. Research Methodology

- **Research design -** The research design in this study is descriptive in nature as the investor’s behaviour towards stock market has been understood and their opinion towards the help that stock brokers provide to them has been evaluated.

- **Data collection method** – In this study, primary data has been collected through a structured questionnaire based on the effect that the stock brokers have on the investor's behaviour. The way the investors have been investing in the stock market.
- **Sample** – A sample of 120 investors have been considered in this study. The location of the investors has not been restricted to a particular city, rather the investors belong to different geographical locations of the country.
- **Sampling technique** – The data has been collected through convenience sampling in which a structured questionnaire has been circulated and it has been filled by those investors who are aware about investment in stock market and are willing to provide their views about the impact that the stock brokers have on the mindset of investors.
- **Scaling technique –** In some questions, 5 point likert scale has been used wherein the response varies between strongly agree and strongly disagree.
- **Statistical tools –** In this study, the data has been analyzed by the use of frequency and percentage. The collected data has been represented through the use of tables and graphs. Hypothesis has been tested through the use of SPSS 20.

7. Data Analysis and Interpretation

The collected data has been analyzed with the use of tables and graphs. A sample of 120 respondents has been considered and they belong to different age groups, gender, income group, educational status, and all of them are having a different mentality wherein they take their own decisions at times and sometimes they are dependent on the suggestions given by the brokers.

1. Gender of the Respondents

S.No.	Gender	No. of respondents	%
1	Male	78	65
2	Female	42	35
Total		**120**	**100**

Majority respondents in the study are males i.e. 65% and females are 35%. Males as well as females are trading in stock market and everyone has a different view towards it. The choice of shares, risk bearing capacity and other features are individually different among them, hence this study has included males as well as females in the study.

2. Age of the Respondents

S.No.	Age	No. of respondents	%
1	18 - 25 years	17	14.2
2	26 - 40 years	78	65
3	41 - 60 years	25	20.8
Total		**120**	**100**

The respondents considered for this study belong to three age groups i.e. 18 – 25 years, 26 – 40 years and 41- 60 years. Majority respondents belong to the age group of 26 – 40 years i.e. 65%, 41 – 60 years i.e. 20.8% and remaining 18 – 25 years are 14.2%. At a different age group, the choice of sectors and companies might be different among the respondents and this study has involved respondents of different age groups.

3. Educational Qualification of the Respondents

S.No.	Education	No. of respondents	%
1	Graduate	29	24.2
2	Post Graduate	54	45.0
3	Doctorate	37	30.8
Total		**120**	**100**

The educational qualification of the respondents considered in this study include graduate, post graduate and doctorate. Majority respondents are post graduates i.e. 45%. Followed by doctorate i.e. 30.8% and the remaining are graduates i.e. 24.2%. Educational qualification of the individuals also change with the risk bearing capacity, period of investing and the choice also changes while they choose the right investment strategy and select companies for investment.

4. Annual Income Level of the Respondents

S.No.	Annual Income level (Rs.)	No. of respondents	%
1	Upto 2,00,000	14	11.7
2	2,00,001 - 4,00,000	49	40.8
3	4,00,001 - 6,00,000	32	26.7
4	Above 6,00,000	25	20.8
Total		**120**	**100**

The annual income of the respondents has been divided into four categories and majority respondents are in the income group of Rs. 2,00,001 - 4,00,000 i.e. 40.8%, followed by Rs. 4,00,001 - 6,00,000 i.e. 26.7%, then above Rs. 6,00,000 i.e. 20.8% and remaining upto Rs. 2,00,000 i.e. 11.7%. The income level also changes the mindset of individuals while investing in stock market as the opinion of investing in which sector also depends on the share price, the period of investment and even the mode of investment also varies with the income level.

5. Experience of Investing in the Stock Market

S.No.	Experience	No. of respondents	%
1	0 - 1 year	17	14.2
2	2 - 4 years	27	22.5
3	5 - 6 years	41	34.2

4	More than 6 years	35	29.2
Total		**120**	**100**

Majority respondents are having an experience of 5 – 6 years in the stock market i.e. 34.2%, followed by more than 6 years i.e. 29.2%, then 2 – 4 years i.e. 22.5% and remaining are having 0 – 1 year i.e. 14.2%. The respondents who are having a varied term of investing in the stock market has been considered as their way of investing would be different, some of them might be following the traditional way of investing, some of them who have been investing in stock market might be dependent on the modern tools for choosing the stock to invest and the ones who are new in the stock market might be taking help from the financial advisors.

6. Preference towards Segment in Stock Market

S.No.	Segment	No. of respondents	%
1	Equity	112	93.3
2	Currency	8	6.7
Total		**120**	**100**

The respondents are having a different opinion about investing in the stock market, majority of them are investing in equity i.e. 93.3% and remaining are investing in currency i.e. 6.7%. There are more respondents who are aware of equity as compared to that of currency. During the period of pandemic, more respondents entered into the stock market for investing and they gained some knowledge about equity. There are many respondents who are still not much aware about currency and they feel knowing about equity is sufficient to remain invested in stock market.

7. Preference towards Different Types of Deals in Stock Market

Sr. no.	Type of deals	No. of respondents	%
1	Hedging	102	85.0
2	Speculation	18	15.0
Total		**120**	**100**

The respondents have adopted a different strategy based on their knowledge and their risk bearing capacity. Majority respondents deal in hedging i.e. 85% and remaining 15% are dealing in speculation. Speculation is said to be quite risky as those people who are dealing with speculation, they are taking more risk as they aim to buy and sell shares very quickly and this will lead to lot of stress and tension among them. The respondents should try to invest for a longer duration instead of focusing on gains from short term investment.

8. Risk Faced in Stock Market

S.No.	Risk	No. of respondents	%
1	Systematic risk	38	31.7
2	Credit risk	57	47.5
3	Legal risk	12	10.0
4	Operational risk	13	10.8
Total		**120**	**100**

The respondents have indicated different types of risk which they have faced in the stock market. Majority respondents have faced credit risk i.e. 47.5%, followed by systematic risk i.e. 31.7%, then operational risk i.e. 10.8% and remaining 10% have faced legal risk in the stock market. The respondents should invest wisely so that they do not face much risk in the stock market and they should focus on investing in the stock market for a longer period, as investment for short term could be very risky.

9. Utilized Margin in Stock Market

S.No.	Utilization of Margin	No. of respondents	%
1	Yes	38	31.7
2	No	82	68.3
Total		**120**	**100**

Majority respondents have not used margin in the stock market i.e. 68.3% and only 31.7% have used margin while dealing in stock market. Margin means an amount which is provided by the stock broker or the stock exchange for buying or selling shares of which the amount is not available with the investors, still they wish to buy shares. Margin is provided for a limited period of time and it is important that margin is utilized wisely and not misused or even the respondents should not take a lot of risk for the margin being provided.

10. Investment in Stock Market is Dependent on Stock Brokers

S.No.	Agreement level	No. of respondents	%
1	Strongly Agree	12	10.0
2	Agree	87	72.5
3	Neutral	5	4.2
4	Disagree	7	5.8
5	Strongly Disagree	9	7.5
Total		**120**	**100**

Majority respondents have agreed towards the statement that "Investment in stock market is dependent on stock brokers" i.e. 72.5%, followed by strongly agree i.e. 10%, then strongly disagree i.e. 7.5%, then disagree i.e. 5.8% and remaining only 4.2% have indicated a neutral response. Many of the respondents are having a belief that the stock brokers provide an advice about investment in stock market and they are at times not much aware about the companies which could be good for investment. It is important that the investors should not believe much on investment being made by majority people, rather should apply their own knowledge about investment.

11. Stock Brokers Provide Value Added Services

S.No.	Agreement level	No. of respondents	%
1	Strongly Agree	14	11.7
2	Agree	89	74.2
3	Neutral	4	3.3
4	Disagree	5	4.2
5	Strongly Disagree	8	6.7
Total		**120**	**100**

Majority respondents agree that the stock brokers provide value added services i.e. 74.2%, next 11.7% respondents have shown strongly agree as their response, 6.7% have strongly disagreed, then 4.2% have disagreed and 3.3% have been neutral towards value added services. The stock brokers should make an attempt that the investors are guided in a way which is helpful for the investors not only in the short run, rather during long term. The advisors should consider the objectives of the investors and then suggest different stocks which are available for investment.

12. Dependent on Stock Broker to Know Fundamental and Technical Information

S.No.	Agreement level	No. of respondents	%
1	Strongly Agree	19	15.8
2	Agree	78	65.0
3	Neutral	5	4.2
4	Disagree	7	5.8
5	Strongly Disagree	11	9.2
Total		**120**	**100**

Majority respondents have indicated their agreement towards “Dependent on stock broker to know fundamental and technical information” i.e. 65%, followed by strongly agree i.e. 15.8%, then strongly agree i.e. 9.2%, then disagree i.e. 5.8% and remaining 4.2% have indicated a neutral response. The investors should try to make use of technical and fundamental information themselves instead of depending upon the advisors suggestions.

13. Stock Brokers Guide for Portfolio Diversification

S.No.	Agreement level	No. of respondents	%
1	Strongly Agree	13	10.8
2	Agree	76	63.3
3	Neutral	8	6.7
4	Disagree	12	10.0
5	Strongly Disagree	11	9.2
Total		**120**	**100**

Majority respondents have indicated their agreement towards "Stock brokers guide for portfolio diversification" i.e. 63.3%, followed by strongly agree i.e. 10.8%, then disagree i.e. 10%, then strongly agree i.e. 9.2% then neutral i.e. 6.7%. The stock brokers are guiding the clients in their portfolio and this makes it quite easy for them to invest in stock market. Sometimes the investors are not much aware about the different sectors and hence they find it difficult to make decisions while investing in the stock market and in this the stock brokers advise them about investment in the stock market.

14. Stock Broker's Advice is Useful for Investment

S.No.	Advice	No. of respondents	%
1	Yes	88	73.3
2	No	32	26.7
Total		**120**	**100**

Majority respondents have indicated their agreement towards "Stock brokers guide is useful for investment or not" as positive i.e. 73.3% and only 26.7% have indicated that they do not feel that the advisors could help them in investment in shares. The investors are willing to consult the advisors as they are having limited knowledge about the stocks which are available in the stock market for investment. The respondents who are not much aware about stock market are dependent upon the advisors for seeking advice and this encourages them to invest for a long term and gain from a few companies rather than losing on a few companies all together.

8. Hypothesis testing

H_{01}: There is no positive reaction of the investors towards the advice of stock brokers

H_{a1}: There is a positive reaction of the investors towards the advice of stock brokers

The above hypothesis has been tested through Chi-square method which has been applied using SPSS 20. Majority respondents have indicated their agreement towards "Stock brokers guide is useful for investment or not" as positive. The results have indicated that they do not feel that the advisors could help them in investment in shares.

Test Statistics

	Investors_reaction
Chi-Square	.533[a]
df	1
Asymp. Sig.	.015

a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 60.0.

The above result has been received on application of Chi-square method on the data collected from 120 respondents about their reaction towards advice of stock brokers. The investors are willing to consult the advisors as they are having limited knowledge about the stocks which are available in the stock market for investment. The respondents who are not much aware about stock market are dependent upon the advisors for seeking advice and this encourages them to invest for a long term and gain from a few companies rather than losing on a few companies all together. Based on the significant value in the result above, the value is 0.015 which is less than 0.05, hence null hypothesis has been rejected i.e. H_{01}: There is no positive reaction of the investors towards the advice of stock brokers and the alternate i.e. H_{a1}: There is a positive reaction of the investors towards the advice of stock brokers.

H_{02}: There is no significant impact of stock broker's advice on investment in stock market by the investors
H_{a2}: There is a significant impact of stock broker's advice on investment in stock market by the investors

The above hypothesis has been tested through Regression which is applied by using SPSS 20. The independent variable considered is stock broker's advice and the dependent variable is considered as investment in stock market by the investors.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.083[a]	.007	-.002	1.097

a. Predictors: (Constant), Stock_brokers_advice

Based on the above table, there does not exist much correlation between the independent and dependent variable as the value of R is 0.083 which is very less. The value of R square is also 0.007, which indicates that the independent variable is unable to explain the dependent variable much as value of R square is quite low.

ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.983	1	.983	.817	.368b
	Residual	142.008	118	1.203		
	Total	142.992	119			

a. Dependent Variable: Investment_decisions
b. Predictors: (Constant), Stock_brokers_advice

The significant value is 0.368 which is more than 0.05, hence this indicates that the null hypothesis has been accepted i.e. **H_{02}**: There is no significant impact of stock broker's advice on investment in stock market by the investors and the alternate hypothesis has been rejected i.e. **H_{a2}**: There is a significant impact of stock broker's advice on investment in stock market by the investors. The investors are not having much impact through the advisors advice. Many of the respondents are having a belief that the stock brokers provide an advice about investment in stock market and they are at times not much aware about the companies which could be good for investment. It is important that the investors should not believe much on investment being made by majority people, rather should apply their own knowledge about investment.

9. Findings

- Males as well as females are trading in stock market and everyone has a different view towards it
- At a different age group, the choice of sectors and companies might be different among the respondents and this study has involved respondents of different age groups.
- The income level also changes the mindset of individuals while investing in stock market as the opinion of investing in which sector also depends on the share price.
- The respondents who have a varied term of investing in the stock market has been considered as their way of investing would be different.
- There are more respondents who are aware of equity as compared to that of currency.
- It had been found that the respondents should try to invest for a longer duration instead of focusing on gains from short term investment.
- The respondents should invest wisely so that they do not face much risk in the stock market and they should focus on investing in the stock market for a longer period
- It is important that the investors do not believe much on investment being made by majority people, rather should apply their own knowledge about investment.

10. Conclusion

The investors sometimes get influenced by the information which is circulating in the market or through news channels. The advice given by professionals could also help the investors in putting their money at the right place and at the right time. The only issue which the investors feel is that stock market cannot be predicted and hence they stay away from the share market. The investors should make an attempt to remain in the stock market for longer duration, only then there could fetch good returns from the stock market. When the financial decisions were made by participants in market for long duration, it relied on the notion of the efficient market and rationality of deportment of investors. It is quite optically discerned that conception about rational investors, who are having proclivity towards maximization of their utility and exhibition of total self-control which is becoming quite common now. The investors have postulated to be equitable, consistent and rational in efficient market. The investors are making decisions without ardency or emotion. They might make their culls that aims to maximize their utility which is expected.

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