

# A study of customer preference towards various stock brokerage

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RESEARCH PROPOSAL A Study of Customer Preference towards various Stock Brokerage Firms in Indore November 20, 2012 Submitted To : Submitted By :

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research is regarding the secondary market trading in India and its main objective is to understand customers' preference towards stock brokerage

firms in Indore. In the last decade, India's GDP has raised from 414 billion dollar in 2001 to 1. 85 trillion dollars in 2012. This growth in size of Indian

economy has been complimented by 8 fold increase in the market

capitalization of the Indian companies. So people are now investing more in stock market to increase the value of their money.

Capital markets are in existence in India since a long time. There are about 11 million DEMAT accounts and 1 million daily active traders in India. Indian stock market is one of the oldest stock markets in Asia with a glorious past that caters to the huge population of India and gives them investment opportunities. In 1875 Bombay Stock Exchange (BSE) was established by 22 brokers. From that time onwards the Indian Stock market has grown in leaps and bounds, and has become a forceful and competent stock market in the international level.

Earlier days a stock was represented by a stock certificate which was a piece of paper that was proof of your ownership. But in today's computer age, your

stock is stored electronically by your broker. This is done to make the shares easier to trade. In the past, when a person wanted to sell his shares that person physically took the certificates down to the broker. But now stocks can be purchased with a click of mouse. Definition of key terms 1. Stock Brokerage Firms- A brokerage firm, or simply brokerage, is a financial institution that facilitates the buying and selling of financial securities between a buyer and a seller.

Brokerage firms serve a clientele of investors who trade public stocks and other securities, usually through the firm's agent stockbrokers. 2. DEMAT Account- The term " demat", in India, refers to a dematerialized account for individual Indian citizens to trade in listed stocks or debentures in electronic form rather than paper, as required for investors by the Securities and Exchange Board of India (SEBI). In a demat account, shares and securities are held electronically instead of the investor taking physical possession of certificates. 3.

Trading Account- A trading account works as an intermediary between the savings account and demat account. When you want to buy shares, first the money is transferred from your savings account to trading account. 4. Consumer Preference- A consumer preference explains how a consumer ranks a collection of goods or services or prefers one collection over another. This definition assumes that consumers rank goods or services by the amount of satisfaction, or utility, afforded. Research Question What are the factors that influence the customer preference towards choosing a stock brokerage firm?

Objectives 1. To study the factors influencing the people at the time of opening a DEMAT and Trading account. 2. To know the personal views of people regarding choices among various stock brokerage firms in Indore.

Research Methodology Theoretical Framework Variables Explanatory

Variables- 1. Age- This variable is used to get input of age of customers in

years. 2. Income Level- This variable is used to get input of annual income

level of the customers in Rupees. 3. Gender- variable is used to get input of

gender of customers. Dependent Variables- . Stock-call precision- Stock-call

precision is a qualitative measure of the accuracy of the advice to buy, hold,

or sell the securities to gain maximum possible return according to risk

beard by customer. 2. Personal assistance 3. Price charged for the services-

Prices include the account(DEMAT and Trading) opening charges plus

brokerage charges per transaction. 4. Location of offices- Location of offices

for the convenience of the customers. 5. Brand equity of the firm.

Relationship between variables Measurement Design Scales of Measurement

1.

Age- Interval scale is used with 4 intervals i. e. [18-30, 31-45, 45-60, 60 plus]

2. Income Level- Interval scale is used with 5 intervals i. e. [0-3lacks, 3lacks-

6lacks, 6lacks-10lacks, 10lacks plus] 3. Gender- Nominal scale is used with

options “ Male” and “ Female”. 4. Dependent variables: Stock-call precision,

Personal assistance, Price, Location of offices, and Brand equity are all

measured using a 5 point Likert Scale. [Least Preferable, Somewhat

Preferable, Neutral, Preferable, Most Preferable] Technique for Data

Collection Primary data is needed to be gathered for this research.

Data will be collected using questionnaire technique. Questionnaire will be filled by customers through two channels- printed hard copies and online over internet. Researcher will personally take the hard copies of questionnaire to the individual sample. Online questionnaire will be filled using various websites. Sample Description Population Population is taken to be the all the investors of Indore trading in securities and having DEMAT and Trading account in any of the stock brokerage firm located in Indore. Sample Size Sample size is taken to be 120.

Sampling Technique Non-probability Quota sampling method. 20 customers of each of the top 6 brokerage firms of Indore are taken. This makes 6 quotas with 20 customers in each quota. Data Analysis Technique used for data analysis is ANOVA. Hypothesis Age of the Customer as an explanatory variable. 1. Null Hypothesis, (H0): There is no relationship between age of the customer and preference to the Stock-call precision. Alternate Hypothesis,(H1): There is a relationship between age of the customer and preference to the Stock-call precision. 2.

Null Hypothesis, (H0): There is no relationship between age of the customer and preference to the Personal assistance. Alternate Hypothesis,(H1): There is a relationship between age of the customer and preference to the Personal assistance. 3. Null Hypothesis, (H0): There is no relationship between age of the customer and preference to the Price. Alternate Hypothesis,(H1): There is a relationship between age of the customer and preference to the Price. 4. Null Hypothesis, (H0): There is no relationship between age of the customer and preference to the Location of Offices. Alternate Hypothesis,(H1): There is

a relationship between age of the customer and preference to the Location of Offices. 5. Null Hypothesis, (H0): There is no relationship between age of the customer and preference to the Brand Equity. Alternate Hypothesis,(H1): There is a relationship between age of the customer and preference to the Brand Equity. Income of the Customer as an explanatory variable. 6. Null Hypothesis, (H0): There is no relationship between income of the customer and preference to the Stock-call precision.

Alternate Hypothesis,(H1): There is a relationship between income of the customer and preference to the Stock-call precision. 7. Null Hypothesis, (H0): There is no relationship between income of the customer and preference to the Personal assistance. Alternate Hypothesis,(H1): There is a relationship between income of the customer and preference to the Personal assistance.

8. Null Hypothesis, (H0): There is no relationship between income of the customer and preference to the Price. Alternate Hypothesis,(H1): There is a relationship between income of the customer and preference to the Price. 9.

Null Hypothesis, (H0): There is no relationship between income of the customer and preference to the Location of Offices. Alternate Hypothesis, (H1): There is a relationship between income of the customer and preference to the Location of Offices. 10. Null Hypothesis, (H0): There is no relationship between income of the customer and preference to the Brand Equity. Alternate Hypothesis,(H1): There is a relationship between income of the customer and preference to the Brand Equity. Expected Outcomes Age and income level of the customers have significant effect on their choices regarding brokerage firms.

Limitations of the study This research might have some minor limitations because of limited sample size and the environment in which data was collected. The data analysis and findings are based on the knowledge and experience of the respondents. It is assumed that at the time of undertaking survey the best available respondent group was chosen and the responses given by each one of them was genuine. If the respondents responded to the questionnaire without any interest, attention or adequate knowledge regarding stock market, then the conclusions drawn from this research might not become valid in real world.