

# The Growth of Stock Broking Industry in India: A Conceptual Perspective

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**Abstract:** The stock broking industry in India has experienced significant growth, evolving through distinct stages from traditional floor-based trading to highly digitalised platforms. Initially dominated by a few close-knit broker groups, the industry has evolved into a transparent, compliance-driven sector that offers a wide range of financial services, extending beyond equities to include derivatives and mutual funds. The emergence of various types of brokers—full-service, discount, and online-only—has broadened investor access and choice. Recent developments, particularly the adoption of financial technologies such as algorithmic and mobile trading, have democratized market participation and enhanced efficiency, attracting a surge of retail investors and increasing overall market liquidity. In 2025, the number of stockbrokers decreased from 8,269 in 2000 to 5,091, representing a decline of approximately 38%. The broking industry is transforming, driven by the rise of online brokerage platforms, stricter regulations surrounding derivative trading, and increased taxation. This shift is leading investors to move away from their traditional stock broking firms to discount brokers, creating more flexibility. This paper examines the historical evolution, key growth drivers, types of broking firms, their features, challenges, and prospects of the industry.

**Keywords:** Stock Broking Industry; Financial Services; Future Prospects; Retail Investors; Algorithmic Trading; Mobile Trading; Financial Technology; Market Liquidity; Digitalised Platforms.

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## 1. Introduction

The stock Broking industry has undergone a significant stage of expansion and transformation, driven by technological advancements, particularly in areas such as blockchain technology, Artificial intelligence, algorithmic trading, and mobile-based trading. These played an important role in reshaping the industry [1]. All these lead to precision, efficiency, and automation in the trade execution. The entry of mobile trading platforms has democratized access to stock brokers, leading a large portion of the population to participate in the stock market and contribute to the growing group of retail investors. Technological growth leads to an increase in the volume of trade and the number of retail investors. We provide globally advanced technology to investors, and the sector has become more competitive and globalised. Despite these advancements, challenges remain. A large portion of the population remains untapped. In India, only a small percentage participates in the

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stock market, and the risk in these areas is also very low, with a low literacy rate [6]. The broking industry has played a crucial role in enhancing customer retention and satisfaction. The number of brokers has increased year by year, and competition among them has intensified due to technological innovations and changes in brokerage charges [10].

The Origin of Indian stock trading started 1850 's with the establishment of BSE [3] in 1875 as the first stock exchange in Asia, in the 19 the century brokers are largely traded the Govt securities and bank shares Volume of trading was relatively low in that period -until 1980 's, when economic liberalization triggered a boom in the Indian stock market, for conducting stock Broking they have to register in the securities contraction regulation act 1956. In 1992, SEBI [9] was established, marking a major milestone in the history of the stock market. A few years later, NSE [7] introduced electronic screen-based trading. Other developments included the deregulation of broker commissions in 1996, which enabled discount brokers to emerge and drive down commission prices. Additionally, the Dematerialisation of shares through depositories like NSDL & CDSL eliminated physical share certificates, enabling internet- and mobile-based trading platforms [9].

## **2. Literature Review**

AI Adoption for Indian Stock Traders in the International Journal of Scientific Research in Engineering and Management, in which he describes the adoption of artificial intelligence (AI) and transforming the Indian stockbroking landscape by enabling more efficient, data-driven decision-making [8]. AI-driven tools provide personalised stock recommendations, risk assessments, and portfolio management, catering to a diverse range of investors, from novices to experienced traders. The use of predictive analytics and sentiment analysis has become integral to modern financial ecosystems, enhancing trust, accessibility, and adaptability.

The diffusion of AI in stockbroking is seen as a key driver for sustainable financial growth and increased investor empowerment. Dhaliwal and Nagar [1] published a paper on Analysis of emerging trading members of capital market: A case study of Motilal Oswal Financial Services Limited This paper analyses the evaluation of stockbrokers and business models and describes the following: Stockbrokers have played a pivotal role in the evolution of the Indian capital market, especially with the expansion of derivatives trading. The number of active clients and registered brokers has grown substantially, with over 1.89 crore active clients on the National Stock Exchange as of September 2021.

Case studies, such as that of Motilal Oswal, highlight the adaptive strategies and business models that brokers have employed to thrive in a competitive environment. Initiatives to educate investors and adopt innovative business practices have been crucial in supporting the growth of both brokers and investors. Kuriakose and Sajoy [2] published a paper on Digital Transformation in the Stockbroking Industry and its Role in Promoting Strong Retail Investor Participation in the Indian Stock Market. In this paper, it is stated that the significance of digital transformation and its aftereffects are evident in the cost structure and improvements in the digital payment system, thereby increasing market accessibility. The introduction of discount stockbroking models has intensified competition, prompting traditional brokers to modernise their trading platforms. As a result, the number of demat account holders has surged, reaching over 90 million by March 2022, reflecting the growing retail investor base.

However, despite these advances, retail participation in India remains lower than in many developed and developing economies, indicating further growth potential if barriers to entry are addressed. Rajkumar [5] published a paper in the International Journal of Intelligent Enterprise on the evaluation pattern of Indian investors regarding the role of stockbrokers in determining investment decisions. This paper describes that Investor awareness regarding the functions and benefits of stockbrokers has improved, but complete literacy is still lacking in major cities like Mumbai. Stockbrokers play a crucial role in guiding investors through various financial instruments, ensuring they make informed investment decisions.

The relationship between investors and brokers is dynamic, influenced by factors such as investment style, reasons for changing brokers, and the stages at which investors rely on broker advice, all of which affect the overall growth of the industry. Singh et al. [4] published a paper titled "Recent Trends in the Stock Broking Industry in India: A Perspective" in the SRM Management Digest. This paper examines industry trends and the value-added services provided by brokers. Over the past two decades, the stockbroking industry in India has experienced rapid growth in business volume, distribution networks, and enterprise value. Firms are increasingly focusing on value-added services to differentiate themselves in a competitive market. The sector's growth is also linked to broader trends in the financial services industry, such as increased globalisation and the rising role of the private sector.

## **3. Historical Evolution of the Stock Broking Industry**

### **3.1. Traditional Era**

Share trading was initiated in the early 1840s by nearly a dozen professionals in the sharebroking industry. These brokers were more than sufficient for the limited volume of share trading business, primarily conducted by banks, textile mills, and sand cotton pressers. Cotton trading was a bigger business in Bombay. Between 1840 and 1855, brokers met in open places, with some gathering at Cotton Green. From 1855, brokers conducted their transactions under the shade of sprawling trees. There were no trading hours; hours led would be struck past sunset until dinner time. The first building blocks for stock trading in India were established after the Companies Act of 1850. In 1860 the number of share brokers increased to 60 in 1874, the association hired a trading hall in Dalal street in a building then known as advocate of India building, finally they realized that coming together as formal association is the best and native share and stock brokers association was formed July 9 1875, by 1877 the native stock broker association was member ship strength of 300, and there are fixed hours for trading it would commence at 1 pm and last a couple of hours till night.

In 1900, no contract notes were issued between brokers for buying and selling; such was the trust between association members. In 1920, in Ahmadabad, Gujarat, share and stock brokers, with 100 members at the time, dealing in new shares would require the prior permission of the board of directors. Additionally, restrictions were imposed on the number of stocks in which forward dealing would be permitted. Till 1916, all payments towards the purchase of shares were made in cash. It was quite common for brokers to bring lakhs of rupees on the day of payment, but this created a problem for the stock exchange. In 1916, the cheque system came into force. Following that, in February 1921, the clearinghouse became operational. The association had to temporarily postpone construction of its new building on the plot, which it had purchased in 1920. The new building was constructed in 1924 [9].

### **3.2. Electronic Trading Revolution**

NSE was the first exchange in India to introduce an electronic trading facility, enabling faster trade execution, increased transparency, and a fully automated screen-based trading system. NSE's electronic trading facility, known as NEAT (National Exchange for Automated Trading). NSE's Internet-based information system (NIBIS) for online real-time dissemination of trading. The NSE was the first exchange to launch online trading, and Geogit Securities was the first stockbroking firm to do so. NSE was the first exchange to approve its members for providing internet-based trading services. These members can develop internet trading software from software vendors who are empanelled with the NSE and also provide internet-based trading services (Application Service Provider), being empanelled with the exchange for this purpose. Online share trading occurs over the internet, eliminating the need for physical broker involvement.

Since the online trading portal's servers are continuously connected to stock exchanges and designated banks, order processing is done in real-time. Investors can receive updates on their orders through their registered mobile device, email, or via the interface. Additionally, the investor maintains three types of accounts for this purpose: a DMAT account, a brokerage account, and a bank account. These are inked to a single interface. There is a single window for all exchanges and a single screen for the order routing mechanism. Since August 2000, Registered brokers have been granted permission to provide internet platform-based trading after obtaining permission from the respective stock exchange. After that, the internet is used to place orders with the stock exchange for the purchase and sale of securities through a broker's website. Previously, this was done over the phone or by physically visiting the broker's office on the trading Floor.

### **3.3. Digital and Algorithm Trading**

The growth and prosperity of the industry are largely due to the advancement of technology, particularly the application programming interface (API), which enables seamless and transparent account opening, fund management, trading, and order execution. Cloud storage has also fueled the growth and scalability of operations by reducing transaction costs and offering flexibility and reliability over traditional methods. AI and machine learning are the current leaders of innovation.

## **4. The Key Technology Used in this Area is**

- Online digital platforms. For example, Zerodha Upstox offers real-time, user-friendly interfaces, making investing easier and more accessible to retail investors.
- Algorithmic trading enables users to execute trades using pre-programmed instructions and mathematical models, thereby reducing the need for human intervention and facilitating high-speed, high-volume trading.
- AI and Machine learning enhance trading strategies.
- Robo advisors: Robo advisors provide portfolio management services tailored to an individual's investment goals and Risk-taking capacity.
- Blockchain and digital ledger technology (DLT) ensure transparency, reduce transaction costs, and prevent fraud.

- Digital and Algorithmic trading are reshaping the stockbroking industry by increasing efficiency and speed, reducing human errors. Digital platforms offer services at lower costs and also reframe the regulatory framework, which reduces the role of traditional brokers.

## **4.1. Key Drivers of Growth**

### **4.1.1. Technological Innovations**

The financial sector especially stock broking sector go through in the drastic changes in their area due to the technological innovations like emergence of fin tech, AI, Robo advisory services, block chain technology etc .these innovations and availability and use of internet at low cost make possible the introduction of discount brokers these facilitate account opening real time and easy, reduction in broking commission and no commission brokerages increasing the participation of young investors, investors are to do their trading with their hands by using a single app, the number of account increased from just four crore demat account in 2020 to 14 crore accounts in 2024, over 10 crore new investors joined the capital market during this tenure.

### **4.1.2. Globalisation and The Financial Market**

In the context of stock exchanges, globalisation has led to the integration of national stock exchanges, increased cross-border capital flows, and greater participation from both retail and institutional investors. Globalisation leads to cross-border investment opportunities, where investors can buy and sell securities in different countries with ease. This will increase liquidity and reduce risk in their portfolio. Additionally, globalisation helps companies with their share listings in any country worldwide and facilitates listing on multiple international exchanges. Brokers offer a global market on a single trading platform.

### **4.1.3. Emergence of Mobile Trading**

The emergence of 3G technology has fueled the growth of mobile trading, with the introduction of paperless account opening facilities and trading apps that help traders track the prices of stocks, ETFs, mutual funds, and currencies from anywhere, at any time, from any corner of the Globe. Every stockbroking firm, whether full-service or discount broker, must launch its own trading app and provide features such as a comprehensive trading experience, detailed charting, fundamental and technical analysis of every stock, and other relevant services.

### **4.1.4. Entry of Discount Brokers**

The entry of discount brokers has raised the competition among brokers. Discount brokers in India generally charge fees in two ways. The first option is a flat fee per trade, which means a fixed amount is charged for each trade, regardless of the trade volume, e.g., charging 10/- or 20/- per trade. The second method is percentage-based, with a minimum fee. Some of them charge a percentage of the trade value, along with a minimum fee. For example, a broker might charge 0.05% of the traded value, but with a minimum fee of 20/-. Some other brokers offer zero brokerage for specific trades, such as equity delivery. All these will lead to increased competition among brokers, and more will enter the market. At the same time, some brokers offer a hybrid mode of service, allowing them to utilise a full-service broking service for their wealth and portfolio management while also using a discount broker's app for their daily trading.

## **5. Challenges and Risk**

### **5.1. Frauds**

In the areas of money and finance, fraud and malpractices are increasing daily. This will create a headache for the broking firms. The major issues include the misappropriation of client funds, manipulation of trading accounts, failure to maintain proper accounting records, and the promise of unrealistic returns. According to the new SEBI amendment, stockbrokers are required to detect and prevent fraud and must also report all suspicious activities identified by their systems to the exchange. According to the NSE and BSE websites, the Number of brokers who defaulted and were expelled was 3 in 2023, 9 in 2022, and 6 in 2021.

### **5.2. Market Volatility**

The stock market is always volatile, and this volatility also affects brokerage firms, leading to a decrease in the number of active trading accounts and a decline in trading volume among investors. Consequently, some investors may temporarily exit the market. All these will reduce the profitability and sustainability of broking firms.

### 5.3. Cybersecurity Issues

The technological innovations and uses will also lead to numerous cybersecurity issues. The major problems are hackers' access to clients' sensitive information and personal information. Access to trading platforms and execute unauthorised trades.

### 5.4. Manipulating Stock Price for Placing Large Fake Orders

#### 5.4.1. Demanding Payment Through the Broker Platform

In 2023, a major stockbroker reported a massive data breach impacting nearly 7.9 million customers. According to The Economic Times [10], the hackers leaked personal information, including details of the affected users on a website, as well as price-sensitive information and profit and loss accounts of the affected customers.

#### 5.4.2. Regulatory Complaints

SEBI is the regulating authority for broking firms in India, and it issues rules and regulations from time to time to control the market and protect investors. However, these rules can sometimes hurt brokers. This will affect the performance of brokers; major regulations introduced by SEBI 2023- 25 are:

- Implementing uniform transaction cost. Previously, brokers with high trading volumes charged lower transaction costs. The new regulation will impact the profit margin of brokers.
- Strict rules for Future and Option Trading: New regulations in the F&O trading include increased contract size, upfront collection of option premiums, and tighter position limits. This will be enforced on February 1, 2025, for the equity derivative segment, aiming to reduce market risk in the futures and options (F&O) segment.
- The minimum contract size has increased from 5–10 lakhs to 15 lakhs.
- SEBI will restrict the weekly index derivative contract to one benchmark index derivative contract per benchmark index per exchange.
- SEBI introduced rules to regulate influencers. This could impact brokers. Previously, brokers used influencers for their marketing efforts. All these regulations will help investors reduce market risk and protect them from market volatility; however, they will significantly reduce trade volume, lead to lower profit margins, increase the cost of brokers, and reduce returns.

#### 5.4.3. Ethical Issues

To implement ethical practices in the market, the Government of India has introduced various laws and acts, including the GAAP, SEBI, the Competition Act 2022, and the Consumer Protection Act 1996. While implementing all these, brokers are engaging in some unethical practices. These are: The major unethical issues committed by the brokers are:

- **Underreporting the income:** brokers' reluctance to report their actual income.
- **Market manipulations:** by spreading false or misleading information, rigging quotes, prices, or trades, creating artificial demand or supply of stocks, or engaging in short selling, brokers manipulate the market in various ways. Anti-competitive practices refer to actions taken by broking firms, such as price fixing, market allocation, or colluding with other brokers to manipulate stock prices. These actions intentionally affect or limit the competition within the stock market.
- **Hard sell tactics:** This is a sales strategy that uses forceful, direct pressure to persuade a customer or client into an immediate purchase due to an emergency or a pressing goal. Lying, misrepresenting information, data, and accounts are all unethical practices in the brokerage arena.

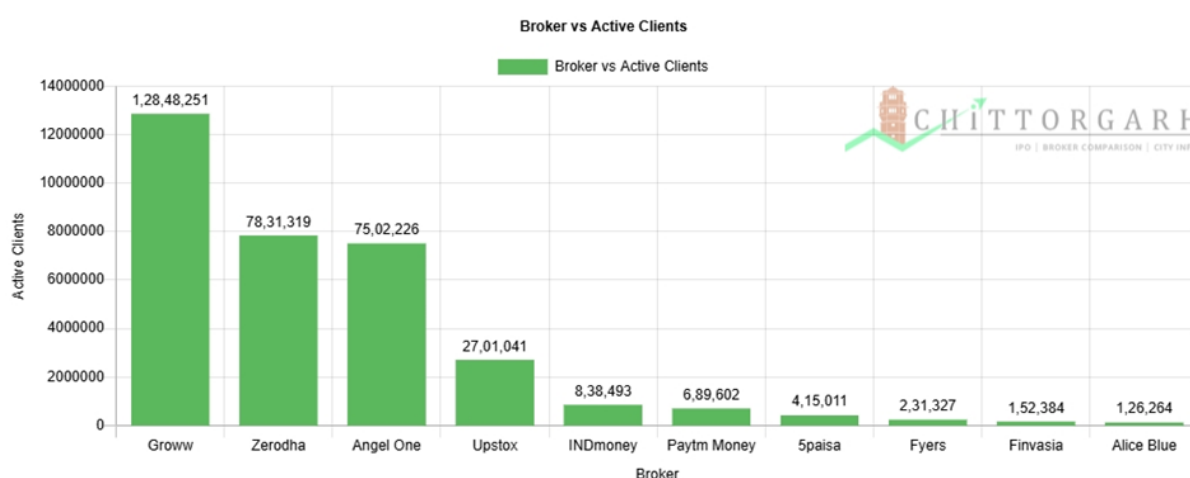
## 6. Types of Stock Broking Firms

### 6.1. Full-Service Brokers

Full-service brokers are professional broking firms. They offer a wide variety of services to clients, including portfolio Management, Account maintenance, investment advisory services, personal financing, offline support, relationship management, mutual fund advisory, and financial services such as insurance and bonds. Popular traditional brokers include Geojit Securities, Motilal Oswal, and Kotak Securities. Full-service brokers provide:

- Personalised advisory services by in-depth consultation with investors by understanding individual goals, risk, and periods of investment, etc, and also provide recommendations on stocks, mutual funds, bonds, insurance, and other investment avenues, offer personalised wealth creation, tax savings, and retirement planning.
- Research and analysis – provide reports based on sectoral analysis and company-specific research, access to expert recommendations, and offer technical and fundamental analysis tools in their platforms.
- Offline and online access provide online trading platforms with web and mobile apps that integrate research and trading tools. Offline branches offer clients the chance to visit and consult with an expert in person, while assistance is also available by phone, mail, or in-branch meetings.
- Execution services -facilitate buy and sell orders across multiple instruments like equity, derivatives, commodities, and currencies. Access to IPO application, SIPs, bonds, ETFs, and NFOs through the same platform.
- Add-on services include loan against securities, demat account services, tax filing support, insurance advisory, educational webinars, investor meetings, and training sessions.

These brokers provide customised services to individuals with little or no knowledge of investment types or those who need help with their personal finances. High-net-worth individual institutional investors are another category of clients for whom they charge a comparatively higher rate of brokerage than discount brokers (Figure 1).



**Figure 1:** Active client distribution among full-service stock brokers in India (2025)

### 6.1.1. A Full-Service Broker is Good for the Following Investors/Traders

- Beginner investors need guidance from someone in the initial days of trading.
- Traders seeking a higher margin or margin funding. A trader can get a significantly higher margin based on their personal relationship with the broker or sub-broker.
- Traders planning to use Call & Trade a lot or visit the branch in person. Most discount brokers charge extra for call & trade and do not have local branches.
- Investors seeking a range of financial products for investment through a broker, including mutual funds, IPOs, Debt, Insurance, FDs, etc.

The most popular full-service brokers include ICICI, HDFC, and Sharekhan. The 3-in-1 account (a combination of a bank savings account, a trading account, and a demat account) is one of the best offerings by the top full-service brokerage firms. The 3-in-1 account facilitates seamless transactions between these three accounts. It is the most convenient way to trade online. Apart from the standard percentage-based brokerage structure, most traditional brokerages also offer volume-based plans, where the brokerage varies according to the size of transactions on a periodic basis. At higher turnover rates, the brokerage can drop to as low as 0.05-0.15%.

## 6.2. Types of Full-Service Brokers are

### 6.2.1. ICICI Direct

ICICI Direct is the No. 1 stock broking firm in India. There are nearly 19.4 lakhs account holders; they are the brand of ICICI Securities, a subsidiary of the ICICI group. They provide services like personalised advice and research reports. ICICI provides

comprehensive services like personalised investment advice, research reports, and a dedicated relationship manager, unlike discount brokers who primarily focus on low-cost trading. They provide a wide range of investment products to investors, including stocks, mutual funds, IPOs, bonds, NCDs, ETFs, and NPS. Full-service brokers charge higher fees compared to discount brokers. They offer various brokerage charges and plans to cater to different trading styles and preferences, as well as different fees for different segments, including cash, futures, and options.

### 6.2.2. HDFC Securities

HDFC Securities is a full-service brokerage firm that offers a wide range of features and services to investors. These include online trading platforms, research reports, advisory services, and access to various investment products, such as stocks, mutual funds, and IPOs. They also provide a 3-in-1 account, which combines a trading account, A Demat account, and a bank account for seamless transactions. The key features of HDFC securities are:

- HDFC Securities offers multiple platforms for both online and offline trading. Online, they offer web and mobile apps, along with a call-and-trade service for placing orders via phone, which is used for offline trading.
- 3-in-1 account: Linking your trading, Demat, and bank accounts simplifies the process.
- Both Access to trading in both BSE and NSE, with options like DIYSIP (Do it yourself systematic investment plan), e-margin, and off-market encash.
- They offer systematic investment options for Gold ETFs, index ETFs, and Mutual fund SIP, as well as Research and advisory services.

They provide research reports to investors containing fundamental and technical information necessary for informed investment decisions, along with guidelines and recommendations from experienced experts.

### 6.3. Discount Brokers

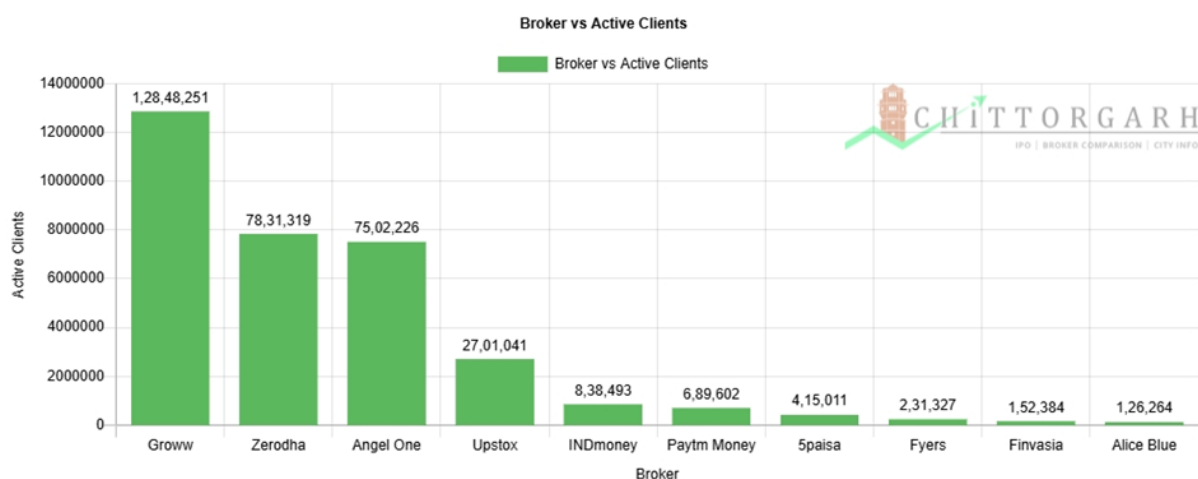
Discount brokers primarily target tech-savvy millennials and individuals knowledgeable in financial matters, who can manage their personal finances independently at lower costs. Due to the growth of technology, increased internet use, and the introduction of 3G networks, among other factors, the development of discount brokers has been facilitated. They provide only a platform for users, similar to an app. Clients can use this app for buying and selling, as well as F&O, ETF, mutual funds, and all types of financial Instruments, with lower brokerage and individual decision-making capabilities. A discount broker is an individual or firm that offers trades at a discount rate to investors. These brokers work at a discounted commission rate. Discount brokers focus on providing low-cost trading services by offering a simplified, self-directed investment platform. Unlike full-service brokers, they do not provide personalised investment advice or portfolio management. This platform is suitable for cost-conscious investors and traders who prefer managing their own investments. This makes them a cost-effective option for investors who want to execute trades at a minimal cost, especially for frequent traders.

### 6.4. Key Features of Discount Brokers

- **Low brokerage fees:** flat fee per trade (\$ 20 per order) or zero brokerage for equity delivery. This is ideal for frequent traders.
- **Online-only platform:** no offline branches or face-to-face interaction, providing highly efficient web and mobile trading apps.
- **No Investment Advisory:** They do not offer personalised financial advice or portfolio management services, and their research and advisory services are either minimal or not offered at all.
- **Self-service models:** investors handling everything themselves, from stock selection to order placement. Customer support is available online or by phone.
- **Technology-oriented:** Advanced tools, apps, charting, Algorithmic trading, and a simple, faster trading experience are provided through these apps.

### 6.5. The Main Advantages of Discount Brokers

- **Cost-Effective:** This is the primary benefit, as it enables investors to save money on each trade by charging low commissions on every transaction.
- **Control and Independence:** Unlike full-service brokers, discount brokers do not provide personalised investment advice, so investors must conduct their own research and make their own trading decisions.
- **Online Platform:** Many discount brokers provide user-friendly platforms that make trading easy and accessible (Figure 2).



**Figure 2:** Comparison of active clients across major stock brokers in India (2025)

## 6.6. The Most Popular Discount Brokers

### 6.6.1. Zerodha

Zerodha is the leader of discount broking firms and a pioneer in making it affordable for retail investors. They are flat-fee discount brokers. Corporated in 2010, Zerodha is a discount broker. It offers trading at NSE, BSE, MCX, and NCDEX. It has 22 branches across India. Zerodha charges Rs. 0 brokerage for equity delivery trades and direct mutual funds. For intraday and futures, it charges a flat 0.20% or 0.03%, whichever is lower, per trade. Further, options trades charge a flat Rs. 20 per executed order. That means with Zerodha, the maximum brokerage you pay for any transaction is Rs 20, regardless of the order size, amount, or segment. Zerodha also offers an excellent trading platform, which is notable for its technological innovations. It offers multiple trading software for its customers, which are:

- **Zerodha Kite:** Web and Mobile Trading app
- **Coin:** Mutual Fund and Investment app
- **Varsity:** An Investor's Education Platform
- **Small case:** Thematic Investment platform
- **Streak:** Algo and Strategy platform
- **Sensibull:** An Option Trading Platform
- **Golden Pi:** Bonds Trading Platform
- **Ditto:** Insurance
- Trading Q&A and many other tools

### 6.6.2. Other Features of Zerodha

- The largest stockbroker by active clients, market volume, and new customer acquisition.
- One of the safest, most reliable, and trustworthy customers.
- Offer the most advanced online trading tools.
- Charge zero brokerage fees for equity delivery and mutual funds.

The maximum brokerage charge is Rs. 20 per trade, and you can save 60% to 90% on brokerage fees when compared to traditional brokers.

## 7. Conclusion

The journey of the stockbroking industry begins with the manual open-outcry system and progresses to a sophisticated, technology-driven system. The market has undergone all the characteristics of an underdeveloped financial economy, including malpractices, financial crises, fraud, and misappropriations. The combination of manual operations and digital innovations in the stock market has continued to shape the market, as well as the roles of brokers and retail investors. This is expected to



increase the number of participants, leading to changes in investor behaviour, higher trade volumes, a globally competitive market, and revised market regulations. Future research in the area of broking firms should focus on the long-term implications of AI, blockchain technology, and the adoption behaviour of investors after implementing these technologies.

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**Ethics and Consent Statement:** This study was conducted in alignment with recognised ethical standards. Participation was entirely voluntary, and informed consent was obtained from all individuals involved, ensuring privacy and research integrity throughout the process.

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