

# India Financial Brokerage Industry Outlook to FY'2024

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The publication titled 'India Financial Brokerage Industry Outlook to FY'2024' undertakes an in-depth analysis of Indian Capital Market Trading industry, changing preferences of retail and institutional investors, competitive landscape of full service brokerages, discounted brokerage firms and hybrid firms. It also covers the unique expansion strategies undertaken by key players, type of technological advancements integrated by different brokerage firms, Regulatory landscape, Future outlook & certain trends expected to be a reality soon. During 2001-05, trading was limited only to informed & institutional investors with majorly all trading tasks undertaken by brokers. However, with introduction of derivatives based trading & increasing internet penetration, retail investing took a major jump & led to the formation of a new brokerage model by Zerodha called discount brokerage. Since, India has come a long way in improving trading infrastructure coupled with retail participation growing from almost Nil in 2001 to ~2% in 2019.

### Traditional Brokerage Method-Full Service Brokerage

Brokerage Model of assigning a relationship manager & undertaking all trade related services from trade execution to overall portfolio management by charging high brokerage of 0.3-0.6%. Competition in full service brokerage is concentrated among top players including ICICI Securities, HDFC Securities, Kotak Securities, ShareKhan, Motilal Oswal etc competing on the basis of pricing, services offered, offline network, quality of advisory & research services offered, trading platforms etc. With increased financial & technological awareness, pricing became the top most consideration for millennial tech savvy investors leading to emergence of discount brokerage model. However in current situation we see a changing trend of investors preferring to pay only for the services availed thereby forcing various FSBs to launch subscription/fee per service plans thereby making them hybrid in nature. As this trend is expected to continue in future, we might see some of the leading full service players like ICICI Securities converting their operating models to hybrid model.

### Discount Brokerage-Attracting customers with Minimal Brokerage Charges

Brokerage model offering only trade execution services through trading platforms at discounted flat fee charges of INR 20 or 0.01% (whichever is lower) irrespective of trade value involved. With no cost for hiring advisors & analysts and no offline trading outlets, discount brokers are able to operate at very less operating cost compared to full service brokers. However, High investment cost incurred by them is related to in-house technology development or outsourcing it. The uniformity in pricing forces the players to compete on parameters such as technology, complimentary services, marginal based leverage offered. Leading players including Zerodha, 5Paisa, SAMCO, Upstox etc are seen to advancing their platforms with technological & back end up gradations including EKYC, biometric authentication, order management systems, advanced charting & analytical solutions etc. Due to limited advisory & research offerings, discount brokers face the challenge of catering to institutional clients which prefer PMS and IPO Facilitation services.

In an objective of catering to both type of clients (Retail and Institutional), major traditional brokerage players including Axis Securities, Angel Broking introduced third broking model-Hybrid Brokerage.

Preference for Subscription plans & Product Innovations leading to Hybrid Model

Targeting dual clientele type & stiff competition from discount brokerage forced various full service brokers to launch special discounted plans thereby introducing the concept of hybrid model. In 2019, hybrid brokerage saw the entry of leading brokers Axis Securities & Angel Broking with launch of discounted brokerage plans like Trade@20 & Angel iTrade Plan respectively. With entry of new players hybrid brokerage is expected to acquire ~40% of industry's client base by FY'2024.

Other Developments

Catering to investor's major concern of portfolio diversification, leading players are also seen introducing the concept of thematic investments through in house portfolio development or by partnering with companies such as Smallcase. Similarly, geographical diversification needs are also being served by Stockal & Vested Finance by introducing the concept of global investing to Indian investors.

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