**Money Making Procedure of Robinhood**

**Introduction**

Money is an essential asset in life. Although it is rightly said that money cannot buy you happiness, there is absolute truth in the fact that money can buy you many other things which are instrumental for a good life. Money is also termed as finances in the commerce language. Finances play a crucial role in our life. Hence, financial planning is vital. Financial planning can be of many types. One has to choose the best from them according to their preferences and requirements. All the financial transactions can be termed as a trade. Investments and transfer of investments fuel sales.

**Means of Transactions and the Role of Robinhood**

There are many ways one can transact in when it comes to financial transfers. One is the most popular and conventional way of banking, where the money is transferred offline or online. The second way is the technologically, advanced way of transactions. These are grouped under a label called the 'fintech' industry. This includes the transactions that happen over the internet. The money transferred is virtual. In this age of fintech, Robinhood was launched in 2013. It is an online investment application. The speciality of this app is that it costs shallow or no commission or go-between fees to its transactions. Its transactions are mainly ETF's, trade stocks and cryptocurrency. This app was initially developed for iPhones and extended to the versions for tablets and laptops and also the Android version.

**More about Robinhood**

Robinhood is a brokerage firm which practices in a commission-free environment. It directs the trading to the concerned firm and gains its income through the compensation provided. This compensation can be minimal in small transactions but is appreciably large in more significant purchases. It forms considerable revenue for Robinhood. The industry in which Robinhood belongs is comparatively nascent but expanding very fast. Robinhood is a proprietary software application which has been designed and developed for the clients who like to manage money on the go just within a few clicks. The zero compensation policy has attracted a lot of young investors.

**Services Provided By Robinhood**

The services provided by this app are:

* Money Management
* Smart Investment Plans
* Banking
* Various Financial Services to Digital Platforms
* Trading in Cryptocurrency like Ethereum and Bitcoin
* ETF’s
* Stock trading on a commission-free basis

**How Does Robinhood Make Money?**

Robinhood makes a lot of money and hence is one of the leading players in the virtual network-based investment world called fintech. Some of its sources of income are listed below.

1. **Interest:** A traditional bank earns through the benefit it gains from the idle cash of the customers. Similarly, Robinhood earns from the investments made by the inactive clients. The portion of the money which is not used by the customer for any further investment is lent to other clients. The interest gained from this transaction becomes a source of income for Robinhood. It collects interest from the inactive deposits in a client's account.
2. **Rebates:** Robinhood trades in the stock market as well. It facilitates transactions happening in the stock market. When a client purchases shares or stocks from the market, Robinhood gets some money from the market centre. This revenue earned not form the client, but from the market, the centre is termed as a rebate. Although the rebate structure may indicate that the refund received is quite small for one share, the collective discount earned from a significant transaction is considerably large. Hence, it serves to be a great source of money for Robinhood.
3. **Margin Lending and Loans:** The Robinhood investment app also provides customers with marginal loans. This is also called 'margin trading'. The customers can borrow money from the firm when needed and return it with interest within the stipulated time. Customers can borrow money up to 50% of your account balance. The interest which is gained from these loans is also a source of income for Robinhood. The type of Robinhood account will decide the loans that will be provided to the customers.
4. **Robinhood Premium Account:** Robinhood is an investment app which allows online investment management. A user needs to have an account on Robinhood to avail its services. The basic account provides all the primitive facilities and has some limitations to it. But, the Robinhood Gold Account is a premium account. As the name suggests, this account has special facilities being given. The user can borrow more money from Robinhood and spend more than their account balance. The interest on this borrowing of money by the Premium users is a source of money for Robinhood.
5. **Order Flow and High-Frequency Trading:** Robinhood has disclosed that it makes half of its money from high-frequency trading. Platforms like Robinhood take help of other parties which are the other end of the trade which happens through this app. They make use of market makers like Virtu, Two Sigma, Wolverine and Citadel Securities. These parties provide rebates to Robinhood, which acts as a source of money for Robinhood.

**Is Robinhood Money Safe?**

The highly disputed topic **“is robinhood safe”** has been churned by the most reputed bankers and investment managers. Although the transactions carried out by Robinhood might not be transparent, they are proven to be safe for the clients. They are governed and regulated by the Securities and Exchange Commission (SEC). Also, Robinhood has a membership of the Financial Industry Regulatory Authority (FINRA). This is an organization of voluntary participation of apps in the league of Robinhood. It protects the investments made in Robinhood. Hence, the money invested in Robinhood is safe.

**Conclusion**

Robinhood is an app which is on the forefront in the fintech industry. It deals in the smart investment system and provides various services to the clients. This firm works on a commission-free policy and demands low or zero transaction fees. The income of Robinhood is earned from many factors which may seem trivial in small transactions but are very instrumental in building up interest and rebates in large transactions. The services of Robinhood are safe, and the investments of the clients are protected well.