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www.skirec.org Email Id: skirec.org@gmail.com

SEBI and Investor Protection: A Study on its Roles and Powers

Dr. Santosh Kumar Tripathi

Principal

Marwar Business School, Gorakhpur

Abstract:

The SEBI with it' s over twenty three years of existence has made considerable dent in the Capital market through its various developmental and regulatory measures for investor protection and healthy development and regulation of the capital market. There is need for periodical analysis of the effectiveness of regulatory measures taken by SEBI to protect investors. More over most of the studies have focused on the nature and extent of problems faced by the investors. The objective of this paper is to study and understand the roles and powers of SEBI with respect to protection of investor. It is found that the enactment of the SEBI Act within the context of other statutes such as the Companies Act, Depositories Act and Securities Contracts Regulation Act has provided a strong regulatory framework for the Indian market.

Keywords: SEBI, Powers, Functions, Roles, etc

Introduction:

Indian Capital market have shown tremendous growth in the post Liberalization era. It remains one of the most resilient globally and poised to be one of the top destinations for domestic and global business to expand and invest into. It promotes economic growth through the mobilization of long term saving and the savings get invested in the economy for productive purpose. The capital market deals with capital. Capital Market is generally understood as a market for long term funds and investments in long term instruments available in this market. Capital markets mean the market for all the financial instruments, short term and long term as so commercial industrial and government paper.

Generally, for the economic growth of a country an investment plays very important role. People expect best returns by investing some portion of their hard-earned income into stock market such as shares, debentures, bonds etc, more risk is associated with investment in stock market. For the protection of such investors interest and to safe guard their hard-earned money a regulatory authority officially formed by Government of India, named as Securities and Exchange Board of India (SEBI).

The " Securities Exchange Board of India (SEBI)" was set up as an administrative body in April 1988 was given statutory status on 30.1.1992 by promulgation of SEBI Ordinance which has since become an Act of Parliament. The SEBI with its over twenty three years of existence has made considerable dent in the Capital market through its various developmental and regulatory measures for investor protection and healthy development and regulation of the capital market.

Rationale behind the study

There is need for periodical analysis of the effectiveness of regulatory measures taken by SEBI to protect investors. More over most of the studies have focused on the nature and extent of problems faced by the investors. The effectiveness of complaint redressal system initiated by the SEBI is not studied to the desired extent. In a situation bound with uncertainly there are always higher chances of manipulations in market and investors need to be careful and aware of regulatory actions towards protecting their rights. Hence, there is a clear need to undertake an empirical study to examine the effectiveness of protection towards stock market investors.

Literature review:

According to Yadav M. (2014)[1], Indian stock exchange plays a very important role in channelizing money from the investor to the industries and vice versa. Stock exchanges help in issuing securities, payment of dividend, redemption of securities, issuance of other financial instruments etc. Stock exchanges give reasonable, clear and well-organized securities market to the investors with other advance technique of securities trading. The major objectives behind the establishment of stock exchanges was to provide stock market access to investors from all over the country on one platform and working on the pattern of international financial markets. With the growing stock trading techniques and changing regulatory atmosphere, it is necessary to evaluate the working of stock exchanges and

[1] Yadav, Maneesh. (2014). Role of Stock Exchange and Investor Protection in India: An Overview. 9. 91-100.

regulatory framework of stock exchange. Researcher in his paper examines the structure and working of stock exchanges and investor protection by stock exchanges. He also suggests measures to protect the interest of the investors.

According to Madem S. and Subbarao P. (2014)[2], Indian economy is recognised as the most reliable one for investments in different avenues due to its strong judiciary system. Investor protection is important for any investment. Otherwise no market can sustain and grow. Securities and Exchange Board of India is a market regulator of India as we know and one of its objectives is to educate and protect the investors. Also, SEBI is recognised as the most respected regulator among the regulators in India. Since 1992, SEBI as an autonomous body making rules and regulations and revising them as per the changing market dynamics and protecting investors restlessly till now. Despite of all its efforts, there are some gaps between investor protection and investor satisfaction. Through this study among three districts (Vizianagaram, Srikakulam and Visakhapatnam) the researchers have tried to unhide the facts about investor satisfaction against protection.

While the data provide a quantitative measure of the work accomplished by SEBI, they do not measure its impact on the efficiency of the market. As Gokarn (1996) points out that exercise is complicated by the quick pace at which many of these developments have taken place as well as the number of other factors that affect the efficiency of the securities markets. Yet another aspect that is not addressed in this paper is the cost of regulation to issuers. The regulatory activity of SEBI imposes a cost on issuers. However, in the absence of an analysis that measures the impact of the regulation on the efficiency of the market, it is not possible to assess whether the cost incurred is justified by the benefits. Such an analysis is impeded by the paucity of relevant data. In other jurisdictions that SEBI draws upon for its work such as the UK or USA, cost-benefit justification is an essential aspect of the evaluation of the utility of regulation. A related and more basic concern relates to SEBI' s approach to coming up with new regulations. Several of the provisions add to the cost of administration and compliance with the regulations. The requirement of having IPOs graded, minimum dilution, mandatory illiquidity on a part of the owner managers' holding are instances of provisions that add to the cost of administering and complying with the regulations. There

[2] Madem S. and Subbarao P. (2014), Customer awareness about SEBI Investor Protection Act, 1992: A case study among Vizianagaram Srikakulam and Visakhapatnam Districts, IOSR Journal of Business and Management (IOSR-JBM)e-ISSN: 2278-487X, p-ISSN: 2319-7668. Volume 16, Issue 9.Ver. IV (Sep. 2014), PP 30-40

appears to be no empirical justification for these requirements. On the contrary, there is some evidence in Khurshed, et al (2008) to suggest that the grading of IPOs does not affect the under-pricing of book-built IPOs.

Objectives of the research:

1. To understand the role of SEBI in protection of Investors
2. To study the powers of SEBI with respect to protection of Investors

Research Methodology:

For the purpose of this research a descriptive method of research has been applied to describe the role, powers and functions of SEBI with respect to projection of Investors.

Data Collection:

During the research, secondary data has been collected from the official website of SEBI, journals, literatures, published articles, etc. regarding the role, power and functions of SEBI towards investors protection.

Role of SEBI:

Various methods and measures are given by SEBI in order to ensure the protection of investors from time to time. SEBI regularly publishes various directives, drives many investor awareness programs, it has set up investors protection fund for providing compensation to the investors. Some of the measures are discussed below:

a. SEBI has constructed the limit of financial backers through instruction and attention to empower a financial backer to take educated choices.
b. SEBI ensures that the investor gets and utilizes data needed for contributing and assesses different speculation alternatives to suit his particular objectives.
c. It helps the investor find out his privileges and commitments in a specific venture, bargains through enlisted mediators, plays it safe, looks for help if there should be an occurrence of any complaint, and so on.
d. SEBI has been putting together financial backer schooling and mindfulness workshops through financial backer affiliations and market members, and has been urging market members to sort out comparable projects.

e. It keeps a refreshed, far reaching site for training of financial backers. It distributes different sorts of alerts through media. It reacts to the questions of financial backers through phone, messages, letters, and face to face for the individuals who visit SEBI office.

Powers of SEBI:

- To Regulate the business in stock exchanges and any other securities markets.
- To Register and regulate the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue, trustees of trust deeds, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner.
- To register and regulate the working of the depositories, custodians of securities, foreign institutional investors, credit rating agencies and such other intermediaries as the Board may, by notification, specify in this behalf.
- To register and regulate the working of venture capital funds and including mutual funds.
- To promote and regulate self-regulatory organizations.
- To prohibiting fraudulent and unfair trade practices relating to securities markets.
- To promote investors' education and training of intermediaries of securities markets.
- To prohibit insider trading in securities.
- To regulate substantial acquisition of shares and take-over of companies.
- To call for information from, undertaking inspection, conducting inquiries and audits of the stock exchanges, mutual funds, other persons associated with the securities market intermediaries and self-regulatory organizations in the securities market.
- To call for information and record from any bank or any other authority or board or corporation established or constituted by or under any Central, State or Provincial Actin respect of any transaction in securities which is under investigation or inquiry by the Board.
- To perform such functions and exercising such powers under the provisions of the Act as may be delegated to it by the Central Government from time to time.
- To levy fees or other charges for carrying out the purposes of this section.
- To conduct research for the above purposes.

- To calling from or furnishing to any such agencies, as may be specified by the Board, such information as may be considered necessary by it for the efficient discharge of its functions.
- To undertake inspection of any book, or register, or other document or record of any listed public company or a public company which intends to get its securities listed on any recognized stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market.

Conclusion:

The enactment of the SEBI Act within the context of other statutes such as the Companies Act, Depositories Act and Securities Contracts Regulation Act has provided a strong regulatory framework for the Indian market. Strengthening SEBI's power in the investigative, administrative and legal aspects of enforcement would enable it to speedily address legal challenges such as those faced during dematerialization or disclosure requirements. In the future, SEBI should adopt more transparency to gain higher public confidence.

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