INVESTORS PROTECTION IN INDIA: MEASURES TAKEN BY SEBI AND ACHIEVEMENT

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ABSTRACT
The necessity for the liberalisation of Indian Monetary System, that is based largely on the advice of "Narsimham Committees", arose recently with the implementation of Indian economic restructuring. With the intention of supervising the operation of the primary and secondary markets, as well as offering protection of investor's interest, & other Indian intermediary monetary firms, SEBI was established. On January 30, 1992, SEBI, that had been established as an advisory entity in April month of year 1988, received legislative authority by adoption of SEBI Regulations, that has subsequently been converted into a law by Parliament. The major objective of this paper is to highlight measures taken by SEBI to protect investors. For this purpose, several journal, thesis, reports and articles were investigated related to this topic. Findings of literate review showed that in more than 12 years, SEBI has created a sizable impact in financial market with several reviewed legislative & regulatory policies for protection of investor & proper regulation and development of stock markets.

Keywords: Protection of Investors, Stock Market, SEBI, Indian Economy, Investors

1.0 INTRODUCTION
In April 1988, SEBI was established as an advisory body. On January 30, 1992, the SEBI Regulation, that has been implemented as Legislative parliamentarian act. In more than 12 years, SEBI has created a sizable impact in financial market with several reviewed legislative & regulatory policies for protection of investor & proper regulation and development of stock markets.

1.1 Protection of Investors:
The Indian market is approached by a number of traders with both domestic & international origins and domiciles. A functioning stock exchange or other capital investment entity must include protection of investor as one of its most vital aspects. Domestic investors are allowed to purchase every security offering to extend that issuer availed. The purpose of protection of investor is to ensure all investors are adequately informed regarding their trades, acquisitions, and other operations as well as the affairs of firm in which they have invested.

1.2 Financial intermediary regulations:
Various financial market intermediaries, sometimes referred to as merchant bankers or financial intermediates, are involved in financial sector. These people may also be referred to as investment bankers. These intermediaries' main goals are to facilitate investment process and create a connection amongst fund users and investors. Stockbrokers or sub brokers, as well as intermediaries involved in
securities market are only permitted to purchase, resell, or transact in securities in subject to the terms of the registration certificate, according to the SEBI Act.

For each of these kinds of intermediaries or investors, SEBI has developed regulations. These rules often include requirements for things like capacity, capital adequacy, commercial practices, maintaining records, and other things. Through licencing & certification processes, SEBI can make sure that persons involved in securities trading adhere to norms which regulate industry & possess infrastructure, organisational capabilities, and financial resources necessary to fulfill their contractual commitments. Additionally, it enables the gathering of important data.

In order to safeguard investors or to guarantee effective administration of intermediary's activities, SEBI may occasionally issue directives to both issuers and intermediaries.

2.0 PROTECTION OF INVESTORS

(La Porta et al., 2000) established strong relation among shareholder protection as well as the greater economic growth. "We feel that if the financial industry needs to flourish, people need to be taught about the Finance," said Arvind Sethi, ex MD & CEO of Tata Mutual Fund (Press Trust of India, 2013). The transparency of data as well as quality of investor protection determine how well financial sector reforms would impact stock markets. Financial markets seem to be more entrenched compared with bond markets stringent regulations of investor markets (Gu & Kowalewski, 2016). Inadequate constraints in cash inflow & stronger policies for investor's protection are supported by nations which have greater economic growth.

The following was cited in JPC's investigation on Ketan Parekh fraud as well as Calcutta Stock Exchange's transaction crisis: “The small investor enters the market in the anticipation that the government and its regulators will ensure integrity of the market, so that whether the market rises or falls, market behaviour is not the consequence of rigging or other malpractices or irregularities. But if there is persistent malpractice and this is not or should be known to the government and its regulators, and yet little or nothing is done quickly to restore the integrity of the market, then repeated fraud, accompanied by persistent failure on the part of the authorities to close the loopholes, becomes a scam.” (Tripathi & Secretariat, 2002) considering countless prospects which will soon show up to economy of India. (Singh, 2003) stated only way to accelerate our nation's economic prosperity is to regain investor faith which has been shaken by unanticipated occurrences in capital market. Concern of distortions at legislative level is also addressed in insightful suggestions provided by a former MP. Creating a regulatory strategy by anticipating probable economic implications & enforcing a custodial standard towards greatest advantage of consumer standards is required for improving deposit insurance process effectively (Wasik, 2013). As claimed by "Financial Planning Coalition", that representing wealth management organisations, such moral principles are essentially cost-effective & need not be in compliance with other regulations. This was discovered which degree of protection of investor fluctuates over time, across worldwide, & is explicitly or implicitly influenced by way legal & political decisions are made, stage at which an economy is developing, corporate institutions which predominate within this financial system, and ups & downs of stock market (Wasik, 2013). According to the findings of their investigations, negative correlation among protection of investor & imbalance of information (Benn & Dunphy, 2013; Bebchuk & Neeman, 2010). They demonstrated how greater data uniformity promotes effective corporate governance, a broad & deep capital market, national economic expansion, & increased investor willingness to security pay-out.

3.0 RESEARCH METHODOLOGY

The study is purely theoretical in nature, relying heavily on secondary information, & leads to several policies regarding protection of investor implemented by SEBI over time. However, SEBI rules aren't comprehensive, an effort is made to analyse governing body's directions regarding to disclosure standards, prevention of market manipulation, as well as other concerns published in year 2000 & after.

4.0 SEBI'S OBJECTIVES

- Protection of Investors, to ensure a consistent flow of money into Stock Markets.
- Ensuring securities issuers, specifically, corporations, follow ethical standards in order to raise funds at lowest cost possible.
- Effective Promotion of Brokers, I bankers & intermediaries service in order to gain competitive advantage & professional.

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5.0 SEBI'S MEASURES TO PROTECT INTEREST OF INVESTORS

In section-11(2) of Act of SEBI, outlines initiatives to carry out the legislature's objective for investor protection.

Measures taken by SEBI:

a. "Stock Exchanges" (SEs) & other security markets are regulated.
b. Regulating & supervising activities of intermediaries of security market such as “stock brokers, sub-brokers, transfer agents, issue bankers, trustees of trust deeds, issue registrars, merchant bankers, underwriters, portfolio managers, investment advisers, depositaries, participants, custodians of securities, foreign institutional investors, credit rating agencies” etc.
c. Regulating & supervising operation of venture capital funds & collaborative investment plans, such as mutual fund schemes
d. Self-regulation organizations are encouraged & promoted.
e. Banning insider trading in security market
f. Governing significant stock acquisitions and corporate takeovers
g. Encouraging investor training and education on stock markets intermediaries
h. Conduct inspections and audits of SEs and intermediates
i. Obtain data from any bank/authority/corporation/agency on any securities transaction undergoing audit or investigation by SEBI
j. Carrying out certain responsibilities & using such authorities in accordance with "Securities Contracts (Regulation) Act of 1956 (SCRA)"
k. imposition of charges or other fees
l. Carrying out researches
m. Executing any other responsibilities that may also be assigned

6.0 REFORMS IN SEBI

The improvements/reforms of SEBI are outlined shortly

a) Auditing & inspections of transactions of stock exchanges, its registered brokers, & their accounts statements are essential.
b) Brokerage charges are made transparent by including these into contract details.
c) Stock market boards of directors (BODs) must be reorganised by including non-brokers, public officials, & government representatives in proportion to 50% of entire its total members.
d) Regulations of “Portfolio management Schemes (PMS)”: SEBI has previously strengthened PMS standards by requiring wealth managers to retain individual accounts for customers instead of putting their funds in a pool account. Previously, PMS suppliers would construct a ‘pool PMS’ account underneath one heading, deposit money from a range of consumers into it, but then invest it on behalf of the entire group. This action is intended to ensure that asset managers managed customer funds in a transparent way.
e) Capital adequacy standards was established for members of different stock markets independently, based on their transaction volume & criteria.
f) "Applications Supported by Blocked Amount (ASBA)" in the Context of IPO: SEBI has developed a new registration process for "public issues", known as the ASBA procedure. ASBA is an adaptation for subscriptions to an issuance that includes an authorization to deposit registration "money in a bank account with a bank" that offers ASBA procedure.
g) Contents of Solicitation Documents: In addition to disclosures stipulated in "Schedule II of the Companies Act of 1956", the prospectus must include all significant information that is factual & sufficient to allow investors to take better decisions about investing in issue.

Insider Trading Prohibition: The "SEBI (Prohibition of Insider Trading) Regulations, 1992 [Insider Trading Regulations]” ban trading, discussing, or advising on matters connected to market manipulation based on unreported or top-secret price sensitive information, among other things. This mentioned information is considered price sensitive.

- Monthly/quarterly sensitive financial information
- Any kind of declaration of dividends
- Issuance or repurchase of securities
- any substantial growth plan or major project implementation
- takeovers, mergers or amalgamation

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• Selling Equity or Fund raising
• substantial changes in company’s policies, strategies, or operation

7. CONCLUSION

It is reasonable to infer that SEBI overcame various difficulties on the route to the growth of the capital market with proper regard for investors’ interests and more openness in the actions of organisations and stock exchanges, albeit not entirely. As it was observed, through regulatory norms, it has ensured that no stone is left unturned in course of aiming investor’s protection. Investor education programmes have had some beneficial benefits, but much more initiatives are still undone. Despite of the development of "equity cult", domestic investors were slowly abandoning market, requiring governing body’s prompt actions to define & successfully execute actions to safeguard investors’ rights & re-establish faith in stock market.

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