



Influence Of The Securities & Exchange Board Of India On The Capital Market

¹Nandan Sharma, ²Dr. R.P. Singh

¹ Research Scholar, Department of Commerce, D.D.U. Gorakhpur University, Gorakhpur, INDIA

² Professor Department of Commerce D.D.U. Gorakhpur University, Gorakhpur, INDIA

Email: ¹ nandan.sharma0106@gmail.com ² rp_singh20@yahoo.co.in

Abstract: East India Company stocks were initially exchanged in India in the seventeenth century. India's capital market began to take shape. A long trip has been taken by the stock market in India since then. The capital market is now more developed, organized, globalized, and reasonably interconnected. With regard to technology, value, cumulative volume of business, and other factors, India has one of the top stock markets in the world. The entire market capitalization value of our Indian equity equities was about Rs.28,238,248 Crores as of December 31, 2023. Significant regulatory reforms have been implemented recently by SEBI. The limit for retail equity investors was increased to Rs.2 lakh from Rs.1 lakh, the Issue-listing time frame was shortened to 3 days, pre-market auction proceedings were opened, the stock exchange's trading hours were extended, the price discovery mechanism was improved, ASBA was introduced in IPOs, smart technology was applied to trading, and anchor investors were permitted in IPOs, among other changes. Furthermore, the essential frameworks for trade, disclosure, monitoring, and regulation are all in place. Therefore, the SEBI ought to shift its focus from daily regulations to more imaginative ones. With the next round of reforms, India may join the elite group of top global capital markets with the help of SEBI, which can ensure a free and fair market. It must carefully examine its composition and operation in order to make this possible. The SEBI must strike a balance between market expansion and regulatory expenses. Cross-border collaboration between different regulators as well as between regulators and business is necessary.

Key Words: Regulatory Functions, Investor Protection.

1. INTRODUCTION

Debt and equity long-term loans can be raised both domestically and globally through the capital market. Over an extended period of time, capital flows through primary issues from the surplus sector to the corporate and governmental sectors, and through secondary issues to banks and non-bank financial intermediaries. This is known as the primary market. Capital formation is a major problem for the corporate sector (net fixed asset growth and gradual inventory changes). The secondary market is the name given to the market for outstanding securities. The market that is secondary merely makes it easier for outstanding debt and equity instruments to be liquid and marketable, as opposed to primary offerings in the primary market, which lead to capital formation. The eighteenth century saw the first trading of East India company securities in India, which marked the beginning of the country's capital market. For the Indian stock market, the journey has been arduous. These days, the capital market is better established, structured, connected, and worldwide. With regard to technology, value, cumulative volume of business, and other factors India's stock market is one of the greatest in the world. As of December 31, 2023, the market capitalization value of our Indian equity stocks exceeded Rs.282 lakh Crores.

2. THE CAPITAL MARKET REGULATION

The Reserve Bank of India (RBI), the Department of Company Affairs (DCA), the Department of Economic Affairs (DEA), and the Securities and Exchange Board of India (SEBI) are among the organizations that oversee the securities market. These organizations are managed by a high-level committee focused on capital and financial markets.

THE REGULATOR (S.E.B.I)

The amount of business in the capital market's primary and secondary segments has grown significantly since the reform package was announced in 1991.

In 1992, the Indian financial industry was rocked by the multi-crore Harshad Mehta Securities scam. Then, it was discovered that the current regulatory framework was insufficient and dispersed, which made it apparent that an independent, statutory, and integrated institution was required to guarantee the capital market's seamless operation. To address this need, the Securities and Exchange Board of India (S.E.B.I.), which had been in existence since April 1988, was granted statutory authority to supervise the capital market. The SEBI was granted official status by an ordinance dated January 30, 1992. The ordinance gave the SEBI broad jurisdiction, allowing it to control large-scale share acquisitions and business takeovers as well as outlaw insider trading. Maintaining market integrity, risk management, board structure, and long-term investment are all aided by market development.

The four main goals of the SEBI Act, 1992, which established the SEBI, were to protect investors' interests in securities, develop the securities market, regulate the securities market and related concerns, and handle disputes related thereto. The Securities and Exchange Board of India (SEBI) oversees the regulation of the capital market, which is the market for debt and equity securities. The SEBI is fully independent and empowered to oversee and develop the capital market. The government has passed regulations like the Depositories Act, Securities Contracts (Regulation) Act (SCRA), and SEBI Act,. The Securities and Exchange Board of India (SEBI) has established legislation under the Depositories Act and the SEBI Act that regulate the registration and supervision of all market intermediaries in an effort to combat dishonest business practices and insider trading. As is well known, market participants are required to abide by notices, regulations, and circulars published by the government and SEBI. The enforcement of all laws and regulations falls under the purview of SEBI.

3. SCOPE OF THE STUDY

The primary goals of this study is to assess how well SEBI performed in overseeing the securities market operations of different intermediaries that were registered with the agency and to learn about the investor protection measures that SEBI have been in place since 1992 in order to safeguard Indian investors' interests.

4. OBJECTIVES OF THE STUDY

The objective is to determine the investor protection policies that SEBI put in place when it was founded.

- To understand whether or not SEBI is carrying out its mandated powers and tasks;
- Lastly to provide SEBI with conclusions and recommendations on its function in the Indian Capital Markets.

5. DATA COLLECTION TOOLS

Secondary data is gathered from SEBI Bulletin 2010 and 2023, website: sebi.gov.in . Due to vast size of the capital market, the study is restricted to theoretical and only somewhat interview-based research on its nature and dynamics.

6. ANALYSIS AND INTERPRETATION

The exercise that observers have completed on a wide range of capital market-related SEBI topics since the organization's founding is shown below. These include:

- SEBI-initiated investigations; and
- Investor grievances received and addressed by SEBI.

Table No. 1 illustrates that the cases under investigation look on potential, suspected, or reported infractions of securities market laws, including price manipulation, insider trading, and artificial volume creation, takeover code violations, and other regulations, irregularities pertaining to public issues, and fraudulent or unfair trade practices among others. The basis for initiating investigations is the information gathered from many sources, such as press reports, stock exchanges, SEBI's own surveillance activities, and complaints from a range of sources. The SEBI then requests information, demands the production of documents, summons people for questioning, questions witnesses, and, if required and with the magistrate's permission, conducts search and seizure operations. Following the conclusion of an inquiry, the SEBI issues warnings, suspends operations, cancels registrations, denies entering the capital market for a predetermined amount of time, imposes financial penalties, and starts legal action. The following table shows that activities for investigation were taken initially at a slow pace. However, starting in 2002–2003, SEBI changed its focus to completing investigations quickly in the following years. This success rate was out of the ordinary from 2007 to 2009.

Table No. 2 reveals the grievances that the SEBI has received from different individuals and how it has addressed them. Only SEBI has set up a thorough investor grievance redressal procedure for this reason. Investors who would rather file complaints against listed businesses with the SEBI can receive assistance from the SEBI's investor grievance, guidance, and redress division. A standard complaint format is accessible for investor's convenience on the SEBI website and at every SEBI office. Every complaint is addressed with the business, and if it is not handled in a reasonable amount of time, there is also a recurring follow-up with the business. Companies who fail to address issues are threatened with severe consequences. Companies that are resistant to change are reported for legal action. The accompanying table shows that strict measures implemented by SEBI to protect innocent investors have resulted in an increase in the grievance redressal rate (success percentage).

7. FINDINGS: SEBI'S IMPACT ON THE INDIAN CAPITAL MARKET

In the thirty years since it became a statutory body, SEBI has consistently reviewed and updated its current policies and programs in an effort to achieve a balance between the two objectives, creating new regulations in previously unregulated areas, and putting them into action to support market expansion. The research discovers the following information regarding SEBI and its function in our Indian capital market based on the aforementioned Evaluation, inference, and more perceptive observational details.

The SEBI has accelerated the modernization of market infrastructure and made a number of adjustments to the primary and secondary markets in order to get the market ready for the twenty-first century. It is likely that only India's exchanges provide screen-based trading globally. The use of computers in trading has reduced the opportunity for price-rigging and manipulation because the regulators can now quickly track down those who are guilty through a paper trail.

It has been noted that, as of late, SEBI has raised the retail investor cap for initial public offerings (IPOs) from Rs.1,00,000 to Rs.2,00,000.

In an attempt to increase issuer and intermediary awareness of the need of resolving investor grievances and protect investors' interests, SEBI has put in place a number of measures. The SEBI publishes the names of the firms that have received the maximum number of complaints in news releases every two weeks. A SEBI delegate oversees the share allocation procedure to make sure that there is no misconduct involved. It has occasionally released commercials to inform and counsel investors on a range of topics pertaining to the securities industry, as well as their rights and options. The trading times of investors also grew.

To safeguard investors' interests, SEBI implemented a number of steps using a two-pronged strategy to punish and prosecute negligent firms while also warning investors about the dangers of funding unregulated schemes. The SEBI took a variety of steps, including mailing show cause notifications to defaulting firms, filing a lawsuit to get the necessary remedies in the best interests of investors, and carrying out a targeted audit of financial records of the larger companies, requiring credit ratings for on-going schemes, and informing investors through press releases and public notices. It now permits Anchor-investors to participate in Initial Public Offerings (IPOs).

To address investor issues, The SEBI created an automated complaints processing mechanism.. These fall into a number of categories, including failure to receive refund orders, stock investments, dividends, share certificates, Authentic shares, debentures, debenture interest, and debenture redemption amounts, annual report non-receipts, and complaints about plantation schemes. It is making every effort to prevent and lessen price-rigging. In this regard, it recently took action against the Bank of Rajasthan for price-rigging.

8. CONCLUSION

The capital market system has been for more than a century, and the SEBI is a regulatory agency that has been in existence for more than thirty years. Monitoring is more necessary in this developed capital market system than excessive regulation. This capital market system should be overseen by SEBI so that each subsystem progressively transitions into a self-regulatory organization (SRO). SEBI should set the restrictions that these subsystems have to operate under. Moreover, all necessary structures for commerce, disclosure, oversight, and regulation are in existence. Therefore, the SEBI ought to shift its focus from daily regulations to more imaginative ones. With the next round of reforms, India may join the elite group of top global capital markets with the help of SEBI, which can ensure a free and fair market. It must carefully examine its composition and operation in order to make this possible. The SEBI must strike a balance between market expansion and regulatory expenses. Cross-border collaboration between different regulators as well as between regulators and business is necessary.

TABLE 1: SEBI Investigations

SEBI Investigations			
Year	Investigation Taken	Investigation Completed	Success (%)
1992-93	2	2	100

1993-94	3	3	100
1994-95	2	2	100
1995-96	60	18	30
1996-97	122	55	45
1997-98	53	46	87
1998-99	55	60	109
1999-00	56	57	102
2000-01	68	46	68
2001-02	111	29	26
2002-03	125	106	85
2003-04	121	152	126
2004-05	130	179	138
2005-06	159	81	51
2006-07	120	102	85
2007-08	25	169	676
2008-09	76	83	109
2009-10	71	74	104
2010-11	104	82	78
2011-12	154	74	48
2012-13	155	119	76
2013-14	108	120	111
2014-15	70	122	174
2015-16	133	123	92
2016-17	245	155	63
2017-18	117	145	123
2018-19	194	110	56
2019-20	161	170	105
2020-21	140	140	100
2021-22	169	169	100
2022-23	88	76	86
Total	3197	2869	108

Source: SEBI Bulletin 2010 & 2023

TABLE 2: INVESTOR'S GRIEVANCES REDRESSAL - CUMULATIVE

Investor Grievances Facts					
Period	Grievances Received		Grievances Redressed		Grievances Redressal Rate (%)
	During the Period	Cumulative	During the Period	Cumulative	
Up to 1991	18,794	18,794	4,061	4,061	21.6
1991-92	1,10,317	1,29,111	22,946	27,007	20.9
1992-93	3,51,837	4,80,948	66,308	93,315	19.4

1993-94	1,97,029	6,77,977	3,39,517	4,32,832	63.8
1994-95	5,16,080	11,94,057	3,51,842	7,84,674	65.7
1995-96	3,76,478	15,70,535	3,15,652	11,00,326	70.1
1996-97	2,17,394	17,87,929	4,31,865	15,32,191	85.7
1997-98	1,59,670	19,47,599	2,22,842	17,55,033	90.1
1998-99	99,132	20,46,731	1,27,227	18,82,260	92.0
1999-00	98,580	21,45,311	1,46,242	20,28,502	94.6
2000-01	96,913	22,42,224	85,583	21,14,085	94.3
2001-02	81,600	23,23,824	70,328	21,84,413	94.0
2002-03	37,434	23,61,258	38,972	22,23,385	94.2
2003-04	80,422	24,41,680	64,262	22,87,647	93.7
2004-05	53,409	24,95,089	53,282	23,40,929	93.8
2005-06	40,485	25,35,574	37,067	23,77,996	93.8
2006-07	26,473	25,62,047	17,899	23,95,895	93.5
2007-08	54,933	26,16,980	31,676	24,27,571	92.8
2008-09	57,580	26,74,560	75,989	25,03,560	93.6
2009-10	32,335	27,06,895	42,742	25,46,302	94.1
2010-11	56,670	27,63,565	66,552	26,12,854	94.5
2011-12	46,548	28,10,113	53,841	26,66,695	94.8
2012-13	42,411	28,52,524	54,852	27,21,547	95.4
2013-14	33,550	28,86,074	35,299	27,56,846	95.5
2014-15	38,442	29,24,516	35,090	27,91,936	95.4
2015-16	38,938	29,63,454	35,145	28,27,081	95.3
2016-17	40,000	30,03,454	49,301	28,76,382	95.7
2017-18	43,131	30,46,585	43,308	29,19,690	95.8
2018-19	42,202	30,88,787	42,576	29,62,266	95.9
2019-20	55,526	31,44,313	39,624	30,01,890	95.4
2020-21	58,873	32,03,186	50,425	30,52,315	95.2
2021-22	42,692	32,45,878	48,876	31,01,191	95.6
2022-23	26,912	32,72,790	30,184	31,31,375	95.6

Source: SEBI Bulletin 2010 & 2023

REFERENCES:

1. SEBI Bulletin 2010 & 2023
2. Handbook of Statistics, SEBI,
<https://www.sebi.gov.in/sebiweb/home/HomeAction.do?doListing=yes&sid=4&ssid=80&smid=105>
3. Khan and Kannappan(2018) "A Study on Role of SEBI in Indian Capital Market" International Journal of Pure and Applied Mathematics, Volume 119 No. 17
4. Krishna and Gopikiran(2012) "A Study on Role of SEBI in Indian Capital Market: An Empirical Analysis" ZENITH International Journal of Multidisciplinary Research, Vol.2 Issue 3
5. V.A. Avdhani (2017) "Investment and Securities Markets in India" Tenth Edition, Himalaya Publishing House, pp.304-309.
6. M.Y. Khan (2020) "Indian Financial System" Eleventh Edition, McGraw Hill (India) Private Limited, pp. 8.13-19