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Impact of Investor's Awareness on Indian Capital Market- a Study

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ABSTRACT

The late worldwide budgetary emergency highlighted the significance of money related mindfulness and assurance to shield financial specialist from the results of market disappointment. In Indian setting, creating markets and advancing Investor Awareness and Protection have dependably been high need for the market controllers, government and different partners.

Notwithstanding, in spite of impressive exercises there is still a ton of unfinished work because of which liquidity and entrance in India's Capital Market is altogether lower than anticipated. Speculator's Awareness and Protection are the most vital components of an effective securities showcase or other budgetary venture establishments. Financial specialist's Awareness and Protection concentrates on speculator's buys, exchanges, and issues of the organization that they have contributed. SEBI had issued rules for the insurance of the financial specialists through the Securities and Exchange Board of India (Disclosure and Investor Protection) rules, 2000. Today, our monetary markets, particularly Capital Markets are with the best on the planet as far as frameworks and strategies. In any case, there is a wide crevice that exists at the retail level of money related items and learning of financial specialist's rights.

In the light of the evolving situation, this paper concentrates on the financial specialist's Awareness and insurance from the different misbehaviours, out of line practices made by the corporate and go-betweens.

Key Words: ***Capital Market, Investor, Regulators, Economic Growth and Development.***

INTRODUCTION:

The Capital market facilitates mobilization of savings of individuals and pools them into reservoir of capital which can be used for the economic development of a country. An efficient capital market is essential for raising capital by the corporate sector of the economy and for the protection of the interest of investors in corporate securities. There arises a need to strike a balance between rising of capital for economic development on one side and protection of investors on the other. Unless the interests of investors are protected, raising of capital, by corporate is not possible. An efficient capital market can provide a mechanism for raising capital and also by protecting investors in corporate securities. In the Indian Capital Market scenario, even before independence, an attempt to create a healthy and efficient capital was made by means of taking legislative measures. The Capital Issues (Control) Act, 1947 was the first piece of legislation passed in India to control the capital market. After that, the Companies Act, 1956 was passed with a view to regulate the formation, administration and dissolution of companies. The Companies Act, 1956 has provisions to ensure certain rights to its members, but the rights given to its members under this Act will not redress the grievances of individual investors and there is no protection under this Act, as far as getting back the capital invested and rate of return on investment. Apart from the Companies Act, the Securities Contracts (Regulation) Act, 1956 was also passed with a view to prohibit speculation and unfair trading in the stock market as a way out for investors. protection. In the mean time the Globalization of financial market led to several changes in Indian Capital Market. The Capital Issues Control Act was replaced by the Securities and Exchange Board of India Act, 1992.

The SEBI Act creates an autonomous body by name Securities and Exchange Board of India (herein after referred to as .SEBI.). The SEBI acts as the capital market regulator by acquiring powers from the Companies Act 1956, the Securities Contracts (Regulation) Act 1956, and from various other legislations. The SEBI Act has the prime objective of protecting the investor's interest. The SEBI then and there issues guidelines to issuing companies, stock exchanges, stock brokers and other intermediaries etc. Among other guidelines, the SEBI is of the view that the guidelines for Disclosure of Information for Investor Protection are expected to protect the interest of the investors. It is based on the logic that the disclosure of information by the issuing companies as per the law may enable the investors to take a right investment decision and there by the investors would protect themselves. If at all, there is any grievance to any of the investors over the information disclosed or procedure to be followed, the investors can redress their grievance as per the grievance redressal mechanism of the SEBI. SEBI was, for quite some time, pressing for comprehensive changes in the SEBI Act. These covered making certain capital market offences cognizable and increased monetary penalties for offences; The proposals were also for granting power to the regulator for search and seizure of books of intermediaries and other market players, attaching bank accounts and suspension of trading of scripts, where there were allegations of manipulation; SEBI also sought powers, empowering its officers to summon certain persons dealing with securities like an issuer or an investor.

INVESTORS' AWARENESS AND PROTECTION

Financial specialists have three destinations while contributing his surplus cash, to be specific wellbeing of contributed cash, liquidity position of contributed cash, and rate of profitability in chose securities. Ordinarily, a financial specialist cravings to have security of his contributed reserves, liquidity of his ventures and a decent come back with least hazard. A financial specialist can be named individual or expert who deals with the assets for others. In the first place there are unpracticed financial specialist who should be legitimately informed about the complexities with respect to venture roads and openings in corporate securities. Besides, there are the accomplished financial specialists who comprehend the dangers required in the chose venture roads and who require no advices from others, his reaction or request just to be executed without much time. Thirdly, there are periodic speculators who look for guidance and help every so often with no craving to make a long haul point of view.

Financial specialist assurance is an exceptionally prominent expression which everybody worried with control of the capital markets utilizes nowadays, be they the Securities and Exchange Board of India, Stock Exchanges, Investors affiliations or so far as that is concerned of truth the organizations themselves. The term Investor Protection is a wide term including different measures intended to shield the financial specialists from misbehaviors of organizations, dealer brokers, storehouse members and different middle people. Financial specialist Beware ought to be the watchword of all projects for preparation of reserve funds for venture. As all venture has some hazard component, this hazard figure ought to be borne mind by the financial specialists and they ought to play it safe to ensure their enthusiasm for the primary spot. On the off chance that alert is tossed to the winds and they put resources into any wander without an earlier evaluation of the hazard, they have just to censure themselves. Financial specialists are a heterogeneous gathering, they are vast or little, rich or poor, master or lay and not all speculators require level with level of assurance for their contributed sum from the corporate securities.

REVIEW OF LITERATURE: The following are the studies have been carried out by the academicians, scholars, practitioners and professionals on the Investor's Awareness and Protection on Indian Capital Market.

Pandya (1992) watches that as an administrative and advancement body, SEBI's endeavors toward speculator

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security are shifted and boundless. The measures acquired by SEBI extensively cover measures for apportioning effectiveness in the essential market with reasonable level of straightforwardness, changes in the auxiliary market for noticeable and common assets, direction of different market middle people or more just for the insurance of the contributing open. Sakriya D (2000) presumed that the financial specialist's have lost their certainty which is uncovered in the expanding pattern of grievances and objections even after the foundation of the SEBI and regulatory arrangement of securities markets. Balanaga Gurunathan K (2007) found that financial specialist's certainty construct upon their arrival in light of speculation and reckoning the capital thankfulness from their interest in the Indian Capital Market. Joseph Massey (2011) recommended that the financial significance of a capital market lies in its adequacy in performing effectively two essential capacities. One is to encourage asset raising from the group for financing corporate area and government for different development and formative exercises and another is to give a sorted out commercial center to the speculators to unreservedly purchase and offer securities for venture and something else. The Institute of Company Secretaries of India (2012) prescribed that the Investor's certainty should be modified through Enhanced Investor Protection, Better Transparency, Market Integrity, Market Efficiency and Enhanced Quality of Supervision over middle people. Jawahar Babu and Damodar Naidu (2012) inferred that SEBI surmounted a few deterrents while in transit to advancement of capital market with due nurture financial specialist's interests and more prominent straightforwardness in the undertakings of associations and stock trades. Sujoy Kumar Dhar (2012) broke down the effect of instability in the Indian Capital Market on the retail financial specialists. The review uncovers that the retail financial specialists are absolutely in a confounded state to take the venture choice because of high unpredictability in the business sectors. Chance resilience level and tolerance are distinguished as the basic achievement components for of the retail financial specialists in the capital markets.

NEED AND IMPORTANCE OF THE STUDY

Amid 1990s, there was a bearish pattern in the Indian capital market. Amid 2000s, there is an unforeseen bullish pattern in the capital market. There is each instability as far as market cost and rate of return. The instability goes about as boundaries for some financial specialists to go into the share trading system operations. The financial specialists expect that there is no security for their speculations and quick return as profit. The divulgence of data identifying with the issue of securities, market operations, grievance redressal component and so forth., is there however there is no controller to give confirmation identifying with the arrival on venture and capital appreciation. Regardless of all these administrative measures, there are fake organizations which are bamboozling the financial specialists. At this crossroads, the present review concentrates on Investor's Awareness and Protection on Indian Capital Market.

OBJECTIVES OF THE STUDY:

The principle goal of proposed study is to inspect the circumstances and end results of Investor's Awareness and Protection on Indian Capital Market. The accompanying are the sub destinations of the review:

1. To review the importance of Investor's Awareness and Protection on Indian Capital Market.
2. To recognize the part of SEBI to execute the administered longing of Investor's Awareness and Protection.
3. To break down the Investor's Confidence on Indian Capital Market.

RESEARCH METHODOLOGY:

The study is examining the Investor’s Awareness and Protection on Indian Capital Market as a whole. The study is conceptual in nature primarily, mostly based on secondary source of information, and focuses on various investor’s awareness and protection measures taken by SEBI from time to time. In addition to this visited official websites RBI, NSE, BSE and CMIE, and referred various reputed journals, magazines and daily news papers.

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INVESTOR PROTECTION MEASURES BY SEBI

Section 11(2) of the SEBI Act contains measures available with SEBI to implement the legislated desire of investor protection. The measures available with SEBI include the following:

- Regulating the business in Stock Exchanges (SEs) and any other securities markets
- Registering and regulating the working of intermediaries like 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 etc. associated with securities markets registering and regulating the working of the depositories, participants, custodians of securities, foreign institutional investors, credit rating agencies and other intermediaries.
- Registering and regulating the working of venture capital funds and collective investment.
- Schemes, including mutual funds
- Promoting and regulating self-regulatory organizations
- Prohibiting fraudulent and unfair trade practices relating to securities markets
- Prohibiting insider trading in securities
- Regulating substantial acquisition of shares and takeover of companies
- Promoting investors' education and training of intermediaries of securities markets
- Carry out inspection/ audits of the SEs / intermediaries etc.
- Call for information from any bank / any authority / corporation / agencies in respect of
- Any transaction in securities which is under investigation or inquiry by SEBI
- Performing such functions and exercising such powers under the Securities Contracts
- (Regulation) Act, 1956 (SCRA) levying fees or other charges conducting research performing such other functions as may be prescribed

TYPES OF GRIEVANCES FOR WHICH INVESTORS COULD APPROACH SEBI

Type-I: Refund Order/ Allotment Advise
Type-II: Non-receipt of dividend.
Type-III: Non-receipt of share certificates after transfer.
Type-IV: Debentures.
Type-V: Non-receipt of letter of offer for rights.
Type VI: Collective Investment Schemes
Type VII: Mutual Funds/ Venture Capital Funds/ Foreign Venture

Capital Investors/ Foreign Institutional Investors/ Portfolio Managers, Custodians.
Type VIII: Brokers/ Securities Lending Intermediaries/ Merchant Bankers/ Registrars and Transfer Agents/

Debenture Trustees/ Bankers to Issue/ Underwriters/ Credit Rating Agencies/ Depository Participants
Type IX: Securities Exchanges/ Clearing and Settlement Organizations/ Depositories
Type X: Derivative Trading
Type XI: Corporate Governance/ Corporate Restructuring/ Substantial Acquisition and Takeovers/ Buyback / Delisting / Compliance with Listing Conditions.

INVESTOR AWARENESS CAMPAIGN

The major thrust has been on educating and informing the small investors which is clearly evident from the motto that 'An informed investor is a safe investor'. Keeping complete faith onthe above all endeavors have been made in this direction including announcing the year 2003 asthe 'Jaagte Raho' year and awareness and organized more than 1000 investor conference, Exhibitions, mela, seminars, Union Budget meetings and public meetings for small investors allover India. More than 5 Lacs investors took part in various programmes. Till date, more than2188 workshops have been conducted in around 500 cities/towns across the country.

Advertisement : SEBI has prepared simple "dos and don'ts" for investors relating to various aspects of the securities market. Till date, over 700 advertisements relating to various aspects of Securities Market have appeared in 48 different newspapers/magazines, covering approximately 111 cities and 9 regional languages, apart from English and Hindi.

Educative Materials: SEBI has prepared a standardized reading material and Presentation material for the workshops

All India Radio: With regard to educating investors through the medium of radio, SEBI Officials regularly participate in programmes aired by All India Radio.

Website Dedicated to Investor Education: http://investor.sebi.gov.in

Cautionary Message on Television- With a view to use the electronic media to reach out to a larger number of investors, a short cautionary message, in the form of a 40 seconds film let, has been prepared and the same is being aired on television.

Protection of Retail Investor: Retail investors are not in a position to identify and /or appreciate the risk factors associated with certain scrips or schemes. With the result they are not able to make informed investment decisions. SEBI has strongly requested small investors to take adequate precaution before investing in any forthcoming IPO issues. It is observed that 8 out of 37 companies have dubious promoters and merchant bankers. Investors also cautioned not to invest in certain B2 & Z category listed companies who are declaring excellent quarterly results as its authenticity is doubtful.

IMPACT OF INVESTOR'S CONFIDENCE ON INDIAN CAPITAL MARKET

The following are the issues, which are building Investor's Confidence on Indian Capital Market.
Formulation of National Financial and Education Policy and inclusion of financial Planning & literacy as a part of school curriculum would result in better awareness for the new generation.

Investors possess limited knowledge and information on products, their benefits and risk attached, which acts as a deterrent to investment. There is a need for increased penetration of Capital Markets to reach out to investors which are untapped as of today. The lack of penetration is characterized by the fact that around 85% of the trading volume on NSE and BSE comes from top 10 cities.

- Financial Literacy and easy availability and accessibility of information are needed. The advantages of equity investments, knowledge about investor friendly products need to be disseminated with a greater focus.
- To fetch the investment, procedure and processes for investments in financial products are required to be made simpler.
- Government need to focus on small investors with introduction of new, innovative and alternative financial products.
- Investor Awareness Programmes should be organized for specific demographics of population to cover the length and breadth of the country. Basically, to cover the remote areas, Investor Awareness Programmes and media campaigns should be rigorously organized.
- Technology can help in a big way in creating investor awareness and rebuilding Investor confidence.
- Depositors need to be converted into real investors. Kiosks of banks in rural areas can sell a wide variety of financial products.
- To build the investor confidence, there is need to strictly implement the best corporate governance practices.
- There is a need to teach investors how to rectify the mistakes and avoid the repetition of previous mistakes.
- Companies should educate their employees on equity investments.
- Severe punishments are prescribed for wrong doers.

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- Every listed company should appoint Ombudsman to deal with investor grievances.

Investors' Confidence need to be rebuilt through:
- Enhanced Investor Protection
- Better Transparency
- Market Integrity
- Market Efficiency
- Enhanced Quality of Supervision over market intermediaries.

CONCLUSSION:

The securities market operations promote the economic growth of the country. More efficient is the securities market, the greater is the promotion effect on economic growth. It is, therefore, necessary to ensure that securities market operations are more efficient, transparent and safe, which protects the investors from the various malpractices and unfair practices made by the corporate and intermediaries. Securities market in general are to be regulated to improve the market operations in fair dealings and easy to access the market by corporate and investors. The present positive attitude of investors is heartening though investor sentiments have been shaken by the various scandals. Even though, there are various opportunities available for investment, investors are scared of investing in corporate. In this situation, the individual investor's protection becomes necessary to sustain the economic development of all countries. This can be done by taking a series of systematic stringent measures by the government, which would build confidence in the systems and processes and protect the interest of investors.

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