

ROLE OF SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) IN INVESTORS' PROTECTION

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ABSTRACT

The Securities and Exchange Board of India regulates the working of stock brokers and other intermediaries. SEBI protects the interest of investors. It may take necessary regulatory measures to maintain the rules and regulations in the securities market in India. It prohibits fraudulent and unfair trade practices in Securities market. SEBI prohibits insider trading in securities. It conducts inquiries of the stock exchange. It has the authority to inspect the self-regulatory organizations in the securities market. In this paper, an attempt has been made to analyse the role of SEBI in investors' protection.

KEYWORDS: SEBI, Investors, Securities Market, Brokers.

Introduction

The securities and Exchange Board of India protects the rights of the investors. It regulates the working of stock brokers, share transfer agents, investment advisors and other intermediaries. According to the Securities and Exchange Board of India Act, 1992. SEBI regulates the business of securities market in India. It may take various regulatory measures to maintain the rules and regulations in the securities market. It prohibits fraudulent and unfair trade practices of securities market. The main objective of SEBI is to protect the interest of the investors. It has the authority to inspect the working of the stock exchanges. It can suspend the trading of security in stock exchange to prevent illegal activities. SEBI promotes investors' education and training of intermediaries of securities market. SEBI prohibits insider trading in securities.

Literature Review

Pasha, Shaik Abdul Majeed and Vamsi Krishna, R. and Hemantha Gopi Kiran, V. (2012) observed that SEBI introduced various measures to protect the investors' interest SEBI creates awareness among intermediaries and issuers regarding the redressal of grievances of investors. SEBI publishes the names of companies against whom maximum number of complaints have been received. Representatives of SEBI supervise the allotment process of shares. SEBI issues advertisement to guide the investors on various issues regarding share market. SEBI has increased the trading times for investors. SEBI introduced various measures to create awareness among investors about their rights.

Purohit, Harshesh (2014) studied that SEBI takes necessary steps for effective surveillance mechanism for the securities market. SEBI encourages accountable autonomy on the part of all players of the market who should observe the rules and regulations. The intermediaries should set themselves up as effective self regulatory bodies. Self regulation may be fruitful if there is an effective regulatory body overseeing the activities of self-regulatory organizations. SEBI is twenty one years old and it is a regulatory body. SEBI has enjoyed success as a regulator by implementing systematic reforms aggressively. SEBI has played effective role to protect the rights of investors in securities market.

Chaluaiah (2015) studied that SEBI has taken various initiatives to make corporate governance more effective. SEBI has taken several steps to align Indian corporate governance practices with the global standards adopted in advance economics. SEBI has the power and authority to monitor the

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compliance of governance standards. SEBI has taken several initiatives to ensure compliance of companies to the rules of corporate governance. SEBI was established as a regulator to enforce corporate governance practices on corporate entities. SEBI specifies and explains the rights of share holders and other stake holders.

Umamaheswararao, G. (2015) observed that SEBI extends financial support for conducting various programmes regarding investor education. SEBI has made it compulsory for mutual funds to disclose entire portfolio of every scheme. SEBI has taken necessary steps to ensure transparency in investment decisions by advising mutual funds to maintain records in support of investment decision which will indicate the date and facts of the decision. Mutual funds shall be registered with SEBI and the registration is granted after the fulfillment of conditions laid down in the rules and regulations.

Elkhatali, Mabruka Muspah and Qadri, Javed (2015) observed that for the protection of the interest of investors, Government of India formed a regulatory authority named as Securities and Exchange Board of India. It is difficult for regulators to prevent the scams, regulating and monitoring every segment of financial market. SEBI has played important role regarding surveillance system in a systematic manner. SEBI should supervise capital market system in proper manner that all sub-systems gradually become self-regulatory organizations.

Manchikatla, Anil Kumar and Acharya, Rajesh H. (2017) observed that insider trading regulations has been framed by SEBI by which it has imposed various restrictions on insider trading. SEBI has amended its regulations by mandating policy on disclosures and internal procedure regarding prevention of insider trading. SEBI has framed code of conduct for prevention of insider trading for other entities. SEBI introduced penalties for violation of code of conduct. SEBI is empowered to investigate complaint received from investors or other individuals regarding the allegations of insider trading.

Mohana Murali, S. (2017) studied that the Securities Exchange Board of India was set up as an administrative body for protection of investors through various developmental and regulatory measures. SEBI should strengthen regulations in order to restore confidence level of investors. SEBI should make awareness among investors regarding financial products. Investors expects stable dividend and SEBI should fulfill the expectations of investors by controlling the dividend payment by companies. SEBI should implement strong punishment and penalty for violation of rules by the brokers.

Rani, Amita (2018) studied that SEBI protects the investors and ensure steady flow of savings in capital market. SEBI implements several measures regarding promotion of efficient services by brokers. It ensures fair practices by the issuers of securities. It sets standards in which the securities market should operate. SEBI has the power to investigate where any violation has been made by the brokers. It may terminate any company from the securities list which does not comply with rules and regulations. SEBI has played important role in framing regulations for corporate governance in India.

Keerthavasan, V. and Arya, R. (2018) observed that SEBI sets rules and regulations regarding corporate governance. It sets guidelines to protect the rights of issuers and investors. SEBI has the investigating power to detect any violation of rules and regulations. It may take necessary actions against any company which does not follow governance standards and regulations. SEBI plays significant role in protecting the interest of investors. SEBI implements various measures for effective corporate governance.

SEBI as Regulatory Authority

SEBI has been formed by central government to regulate stock exchanges and any other securities markets. It regulates the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue and other intermediaries. SEBI performs several functions as regulatory authority such as –

- Regulating the working of depositories and custodians of securities, foreign institutional investors, credit rating agencies.
- Regulating the working of venture capital funds including mutual funds.
- Prohibiting fraudulent and unfair trade practices of securities market.
- Prohibiting insider trading in securities.
- Regulating the activities of self-regulatory organizations.
- Regulating substantial acquisition of shares and take-over of companies.
- Conducting enquiries of the stock exchanges.
- Inspection of the self-regulatory organizations in the securities market.

SEBI and Investors' Protection

SEBI implements several measures to protect the interest of investors. The investors may be affected by:

- Misstatement or misrepresentation in connection with sale or purchase of securities.
- Non-payment of dividend
- Default in redemption of securities
- Default in payment of interest
- Unfair trade practices or market manipulation.

To protect the interest of investors, SEBI focuses on the awareness of the investors. The investors should be properly educated so that they can protect their rights. The SEBI (Investor Protection and Education Fund) Regulations, 2009 provides the guidelines regarding the utilization of investor protection and education fund. Investor protection and education fund may be used for –

- Awareness programmes including through media print aimed at investors.
- Educational activities including seminars and publications aimed at investors.
- Funding investor education and awareness activities of investors' association recognized by the Board.
- Aiding investors' associations recognized by the Board to undertake legal proceedings in the interest of investors.

For the purpose of investors' Protection, SEBI may take necessary steps such as:

- Suspend the trading of any security in stock exchange.
- Restrain persons from accessing the securities market and prohibit persons associated with securities market to buy or sell in securities.
- Suspend any office-bearer of any stock exchange or self-regulatory organisation.
- Direct any intermediary not to dispose of or alienate an asset forming part of any transaction which is under investigation.

Role of SEBI

SEBI may take regulatory measures against unethical functions in Indian securities market. Investors may be affected by misconduct of brokers. SEBI determined code of conduct for brokers to protect the interest of investors. Many investors are not aware about the rules and regulation of securities market. They can not protect their interest due to lack of awareness. SEBI should take proper actions to protect the rights of investors. It provides necessary helps to the investors and take legal steps against unfair trade practices in securities market. Some investors are afraid of securities market. The objective of formation of SEBI is to regulate the securities market. It controls the activities of brokers and agents to maintain rules and regulations in the securities market. It regulates the functions of mutual funds to protect the investors. SEBI helps to perform research work in securities market and publish literatures to educate the investors. It may conduct inspection of the stock exchanges to prevent unfair trade practices in securities market. SEBI acts as regulator to prohibit insider trading in securities. It can summon officials of stock exchanges for the purpose of inquiries. It may suspend transactions of security to prevent illegal activities in the securities market. It is entitled to regulate the distribution of shares in stock exchanges. Companies should take permission from SEBI before the issue of bonus shares. The activities of share brokers are regulated by SEBI and every broker should register themselves with SEBI.

Conclusion

SEBI regulates the business of stock exchanges and other securities markets to protect the rights of investors. It publishes literatures to guide the investors regarding securities market. It helps in conducting awareness programmes to educate the investors about securities market. The main objective of SEBI is to protect the investors through developmental and regulatory measures. It should take necessary legal steps to prevent unfair trade practices of securities market. It has the power to regulate the working of stock brokers and other intermediaries for the purpose of protecting the interest of investors. SEBI plays significant role to protect the rights of investors in securities market.

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