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AN EMPIRICAL STUDY ON RECEIPT AND REDRESSAL OF GRIEVANCES
(with Special Reference to SEBI)

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ABSTRACT

For a growing and dynamic economy like India, capital markets play an important role in not just attracting domestic and foreign investment but also mirror the state of affairs in our country. In order to present the Indian dream favorable hub of investors, it is important that our capital markets have a strong and non-manipulative infrastructure. To ensure this, there is Securities and Exchange Board of India (SEBI) - capital market regulator of India. With the advent of new technology, SEBI will have to continuously upgrade its manpower and improve its capacities to deal with situations of corporate frauds.

The objectives are to study on receipt and redressal of grievances by SEBI and also provide findings/ results based on analysis. The study is analytical in nature and used secondary data analysis to attain its objectives. The data used for the study covers seventeen years from 1997-98 to 2014-15. Both descriptive and inferential statistics are used. , it is concluded that SEBI is expediting its action taken against companies under different categories witnessing Compound Annual growth rate of 19.45% during the study period. Receipt of grievances and its redressal by SEBI are declined over the study period evidencing-0.08035 and -0.10303 respectively. Hence, it is understood that SEBI is effectively regulating as watch dog.

KEYWORDS : CAGR (Compound Annual Growth Rate), C.V (Coefficient of Variation)

Introduction:

For a growing and dynamic economy like India, capital markets play an important role in not just attracting domestic and foreign investment but also mirror the state of affairs in our country. In order to present the Indian dream favourable destiny of investors' hub, it is important that our capital markets have a strong and non-manipulative infrastructure. To ensure this, there is Securities and Exchange Board of India (SEBI) - capital market regulator of India. SEBI is a quasi-legislative, quasi-judicial and quasi-executive body. It can draft regulations, conduct inquiries, pass rulings and impose penalties. All decisions taken by SEBI are collectively taken by its Board that consists of a Chairman and eight other members.

SEBI in its short journey of 25 years has to its credit many achievements that are unparalleled in the Indian financial space. SEBI distinguishes itself from other regulators in India as it is a financially independent regulator with its own sources of revenue. A report published by International Organization of Securities Commissions - IOSCO under its Financial Sector Assessment Program - FSAP acknowledged that the comprehensive risk management framework prescribed by SEBI is one of the pillars of the Indian securities settlement system. It further said that the Indian capital markets' regulator has successfully prevented occurrence of any major defaults in the last decade.

Corporate fraud consists of activities undertaken by an individual or company that are done in a dishonest or illegal manner, and are designed to give an advantage to the perpetrating individual or company. It is considered a white collar crime.

Corporate fraud can be difficult to prevent and to catch. By creating effective policies, a system of checks and balances and physical security, a company may limit the extent to which fraud can take place.

With the advent of new technology, SEBI will have to continuously upgrade its manpower and improve its capacities to deal with situations of grievances and frauds. It creates a more robust framework in successfully dealing with the menace of grievances redressed.

Review of Literature:

Several research works are conducted in this area. These works are vary widely in terms of their objectives and scope. Among the available literature, the important ones having a bearing on the proposed theme of research are reviewed here.

- Pawan Kumar Taneja and Singh (2004): In this study titled, "Capital Market Reforms- A Case Study of Grievances and Awareness of Retail Investors in Stock Market", the authors wanted to know the retail investors perception towards stock exchanges education programs and grievances redressal system. Ultimately he opinions that almost all the respondents are aware of the education programs, and they could be protecting themselves from the fraudulent activities. The International Journal Of Business & Management (ISSN 2321–8916) www.theijbm.com 235 Vol 3 Issue 10 October, 2015

- Suchismita Bose (2005): In this article titled, "Securities Market Regulations- Lessons from US and Indian Experience", the author attempts to know the regulatory infrastructure of Indian securities market and see whether there exist well formulated laws with well-defined scope and powers of the regulators, capable of presenting all investors in the Indian market with a level playing field. This study also summarized that the some of the regulatory provisions that have evolved for tackling market misconducts and try to see what comes in the way of regulatory action aimed at investor protection in India, as compared with the US which is perceived as the world's most safe and liquid capital market.

- Parimala (2008): In this article titled, "Regulatory Frame Work Relating to Investor Protection with Specific Reference to Retail investors in Initial Public Offerings-A Critical Study", the author made a critical study on regulator frame work towards retail investor's protection in IPOs. This study also reveals the initiative of the SEBI for protecting investors through Disclosure and Investors Awareness. But the study purely based on conceptual study not including any statistical tools to analyze.

- Sabarinathan (2010): In this article titled, "SEBI's Regulation of the Indian Securities Market: A Critical Review of the Major Developments", the author identifies some of the major interventions of SEBI in important aspects of stock market. He also focused on SEBI's performance by discussing various annual reports of SEBI. The paper critically examines the economic consequences of Indian stock market. The author overviewed that the combination of registration, licensing, eligibility conditions, and incentives allows SEBI to reinin non-compliant behaviour that could potentially affect the

functioning of the securities market adversely.

Palaneeswari and Kaleeswari (2011) in their study entitled "Investors' Perception Towards Capital Market – An Empirical Study With Reference to Sivakasi, Tamil Nadu" expressed that investors are experiencing a number of grievances from different market participants. Their widespread geographical distribution, unorganized nature and lack of awareness about capital market investment have instigated unscrupulous market participants to exploit them. This calls for the attention of the Government and other policy makers to take initiatives to overcome the problems and to make steps to invite the proposed investors into the security market to pave way for the individual development, thereby improving the economy of the nation.

• Venugopal, Sudarsan and Himachalam (2012): In this study titled, "Small Investors' Grievances and Redressal Mechanism in Indian Capital Market", the researchers explored the various problems faced by the small investors and the role of SEBI in redressing the various grievances received from small investors in related to primary and secondary market. In this article the authors only focused on the problems faced by the small investors in Indian capital market but they fails to throw a light on the solutions to overcome it.

• Shaik Abdul Majeeb Pasha, Vamsi Krishna and Hemantha Gopi Kiran (2012): In their study titled, "A Study on Role of SEBI in Indian Capital Market: An Empirical Analysis", they throw a light on SEBIs' role in surveillance of capital market misconducts through its investor protection measures. They ultimately concluded that the matured capital market system requires monitoring rather than over-regulation.

Devaraja and Kusuma Hiremat (2015) opined in their article entitled "Stock Market Investor Grievance Redressal System-An Empirical Study" that the investor grievance redressal mechanism is one of the important measures that the SEBI has initiated in Indian Capital Market to achieve effective Investor Protection. The extant research examine the progress in grievance redressal rate and regression in pending actionable grievances. In a nutshell this paper pleads for implementation of effective investor grievance mechanism which contributes for consistent redressal system whose objective is to reach 100% grievance redressal rate.

Jeelan basha and khadriya Begum (2016) in their article on " An empirical study on SEBI: A credible and effective investigator" said that Compound Annual growth rate of total number of investigation taken-up and completed during the study period are at snail's pace. Number of investigation taken-up and completed is decreased with increase in number of companies listed on NSE during the study period. More than 95% of the investigation taken-up is completed during the study period. In nutshell, it is said that SEBI- a credible and effective regulator.

Objectives of the study:
1. To study on receipt and redressal of grievances by SEBI;
2. To provide findings / results based on analysis.

Research Methodology:
The study is based on secondary data covering from 1997-98 to 2014-15. The data has been collected from sebi.gov.in Various other reports like magazines, journals, published books and other websites are also referred to for the present study.

Sources of data:
Tools of analysis: The data collected for the study is analysed logically and meaningfully to arrive at meaningful conclusions. The statistical tools applied for data analysis in the present study are descriptive and inferential statistics. E-views 7.1 version is used

Based on objectives, the hypotheses formed for analysis are:
H1= There is no significant mean difference between grievances received and redressed by SEBI.
H2 = There is equal variance between grievances received and redressed by SEBI.

Results / Findings:
1. There is annual average of grievances received by SEBI are 63143.72 registering not less than 6.28% and 20.24% and not more than 27.28% and 364.12% of companies listed on BSE and NSE respectively during the study period. There is **CAGR of -0.08035** and C.V. of 0.12656 ranging from maximum of 159670 to minimum of 26473.

2. On an annual average of 69985.83 cases of grievances are redressed by SEBI recording the least of 6.23% and 20.24% and the highest of 38.07 and 364.02% of companies listed on BSE and NSE respectively during the study period. . There is **CAGR of -0.10303** and C.V. of 0.169 ranging from minimum of 17899 to maximum of 222842.

3. More than half of the grievances received are redressed by the SEBI during the study period.

4. Not more than 11 companies against whom action of cancellation is taken by the SEBI. It incorporates even not 1% of the total companies listed on NSE and BSE respectively over the study period.

5. Not less than 8 companies are suspended every year by SEBI representing not more than 1% and 6% of the total companies listed on NSE and BSE respectively.

6. On an annual average of 134.44 companies are warned/ deficiencies observed/ advice letters issued by SEBI incorporating maximum of 18.52% and 57.77% of the total companies listed on NSE and BSE respectively during the study period and recording the CAGR of 22.25%.

7. Majority of the companies are issued prohibitive directions under sec. 11B of SEBI Act recording an average of 266.16 companies registering the highest of 14.17% and 59.12% of the total companies listed on NSE and BSE respectively and recording the CAGR of 22.38% ranging from minimum of 10 actions to maximum of 691 actions against companies.

8. There is annual average of 116.38 companies incorporating not more than 12.17% and 39.52% of the total companies listed on NSE and BSE respectively are issued orders of adjudication passed/issues refunded/ option given by SEBI. There is **CAGR of 37.63%** and C.V. of 1.98 ranging from minimum of 0 to maximum of 685.

9. Annual average of total number of actions under different categories are 508.70 recording the CAGR of 19.45%, C.V. of 0.91, the highest of 26.91% of the total companies listed on BSE and the highest of 90.27% of the total companies listed on NSE during the study period.

Parametric tests:
On hypotheses testing of Equality of Means between the grievances received and grievances redressed at 95% confidence level under t test assuming equal variance; it is evident that null hypothesis is not rejected since their prob. values are 0.436 under one tail and 0.873 under two tail respectively. Hence there is insignificant mean differences between the grievances received and grievances redressed.

Conclusion:
From the analyses, it is concluded that SEBI is expediting its action taken against companies under different categories witnessing Compound Annual growth rate of 19.45% during the study period. Receipt of grievances and its redressal by SEBI are declined over the

study period evidencing-**0.08035** and **-0.10303** respectively. Hence. In nutshell it is understood that SEBI is effectively regulating as watch dog.

Table-1: Receipt and Redressal of Investor Grievances

	Grievances received		Grievances redressed		Cumulative redressal Rate (%)
	During the Period	Cumulative	During the Period	Cumulative	
1997-98	159,670	1947599	222842	1755033	90.1
1998-99	99,132	2046731	127227	1882260	92
1999-00	98,580	2145311	146242	2028502	94.6
2000-01	96,913	2242224	85583	2114085	94.3
2001-02	81,600	2323824	70328	2184413	94
2002-03	37,434	2361258	38972	2223385	94.2
2003-04	80,422	2441680	64262	2287647	93.7
2004-05	53,409	2495089	53282	2340929	93.8
2005-06	40,485	2535574	37067	2377996	93.8
2006-07	26,473	2562047	17899	2395895	93.5
2007-08	54,933	2616980	31676	2427571	92.8
2008-09	57,580	2674560	75989	2503560	93.6
2009-10	32,335	2706895	42742	2546302	94.1
2010-11	56,670	2763565	66552	2612854	94.5
2011-12	46,548	2810113	53841	2666695	94.9
2012-13	42,411	2852524	54852	2721547	95.4
2013-14	33,550	2886074	35299	2756846	95.5
2014-15	38,442	2924516	35090	2791936	95.5

Source: SEBI

Table-2: Descriptive Statistics of Receipt and Redressal of Investor Grievances

Descriptive Statistics	Grievances received During the Period	Grievances redressed During
Mean	63143.72	69985.83
Standard Error	7991.487	11845.76
Median	54171	54346.5
Standard Deviation	33905.01	50257.31
Sample Variance	1.15E+09	2.53E+09
Kurtosis	2.502268	4.347606
Skewness	1.488811	1.994799
Range	133197	204943
Minimum	26473	17899
Maximum	159670	222842
Sum	1136587	1259745
Count	18	18
CAGR	-0.08035	-0.10303
C.V	0.12656	0.169259

Table-3: Action Taken up by SEBI						
Year	Cancellation	Suspension	Warning issued/ Warning letter issued/Deficiency observations issued/Advice letter issued	Prohibitive directions issued under Section 11B of SEBI Act	Issues refunded/option given/Adjudication orders passed	Total
1997-98	2	39	9	10	3	63
1998-99	0	16	17	62	2	97
1999-00	4	30	28	58	1	121
2000-01	1	4	9	21	4	39
2001-02	1	8	36	98	0	143
2002-03	11	42	62	140	2	257
2003-04	3	43	22	106	0	174
2004-05	3	42	53	134	0	232
2005-06	2	36	71	632	0	741
2006-07	0	52	27	345	0	424
2007-08	0	44	48	537	0	629
2008-09	--	46	179	230	6	461
2009-10	--	48	37	691	156	932
2010-11	5	36	17	268	63	389
2011-12	0	16	951	487	32	1486
2012-13	6	61	43	392	522	1024
2013-14	1	9	537	270	619	1436
2014-15	5	19	274	310	685	1293
Total	350	543	684	3082	245	4904

Source: SEBI

Table-4: Ratio of Number of Companies Listed on BSE And NSE to Receipt and Redressal of Investor Grievances by SEBI

No. of listed BSE companies to Grievances Received	No. of listed companies on BSE to Grievances redressed	No. of listed NSE companies to Grievances Received	No. of listed companies on NSE to Grievances redressed
27.28003	38.07312	260.8987	364.1209
16.94854	21.75192	152.9815	196.338
16.95271	25.1491	136.9167	203.1139
16.51269	14.58221	123.4561	109.0229
14.11276	12.16327	102.9004	88.686
6.625487	6.897699	45.76284	47.64303
14.54812	11.62482	88.47305	70.69527
11.28916	11.26231	55.06082	54.9299
8.467894	7.752981	37.87184	34.67446
5.491184	3.712715	21.55782	14.57573
11.24064	6.481686	39.7777	22.937
11.68188	15.41672	40.2095	53.06494
6.632821	8.76759	21.9966	29.07619
11.18413	13.1344	36.00381	42.28208
9.068381	10.48919	28.27947	32.71021
8.138745	10.52619	25.45678	32.92437
6.287481	6.615255	19.87559	20.91173
6.835349	6.239331	22.18234	20.24812

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