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Management

INVESTORS' CONFIDENCE IN INDIAN SECURITIES MARKET

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ABSTRACT Today's securities market is absolutely, different from what they were 20 years back. The equity market, in particular, has seen massive inflows and the stock indices seem to be crossing one hurdle after the other at earlier – than expected intervals. Investor base is increasing for IPOs (Initial Public offerings), mutual funds, derivatives and FIIs (Financial Institutional Investors) seem to be pouring money in the country. The lure of higher returns is also drawing small investors to the market and investor confidence seems to be quite stable over the past few years.Securities market development expresses the economic development of the country. The object of economic activity in any country is to promote the well being and standard of living of the people, it depends on the distribution of income in terms of goods and services in the economy, production plays a vital role. Production of output depends upon material inputs, human inputs and financial inputs. Material inputs are inform of raw materials, plant and machinery etc,human inputs are like labor and enterprise.

KEYWORDS : Securities, Derivatives, Confidence, Distribution, Finance

INTRODUCTION

The term asset is used to describe the process of investing money in shares, debentures, fixed deposits, gold, real assets, life policies, mutual funds and money market instruments. These outlets where the capital is invested are known as investment assets. examination and decision making processes involved in allocation of funds to these different assets and more specifically, selection of one or other asset is known as investment management. How much are the total funds available for investment? How much to be invested in long - term assets and how much in reasonably liquid assets? How much in real assets, how much in mutual funds, how much in shares and other securities? are some of the questions with which an investor has to deal with.

As the Indian economy enters into second generation reforms with an outstanding pace of growth, the country's securities market has become the energetic centre of attraction for both the domestic and international investors. It is globally familiar that the enlargement of the economy depends to a large extent on the growth of the securities market as it provides the vehicle for Securities market development expresses the economic development of the country. The object of economic activity in any country is to promote the well being and standard of living of the people, it depends on the sharing of income in terms of goods and services in the economy, production plays a vital role. Production of output depends upon material inputs, human inputs and financial inputs. Material input are inform of raw materials, plant and machinery etc, Human inputs are like labor and enterprise. Financial inputs are in kind of cash, capital and credit etc., the proper organization between these inputs, promote the growth process in the economy and promote the well – being and average living people in the country. The financial inputs emanate from the securities market system. Trading in money and monetary assets constitute the activity in the securities markets and are referred to as the capital market activities. The capital market activities are based upon the investors' self-assurance, also upon their return on investment and nanticipatig the capital approval from their investment.

HISTORY

The Securities and Exchange Board of India Act, 1992 (the SEBI Act) was amended in the years 1995, 1999 and 2002 to meet the requirements of uneven needs of the securities market and responding to the development in the securities market. The Primary function of Securities and Exchange Board of India under the SEBI Act, 1992 is the protection of the investors' interest and the healthy development of Indian financial markets. No doubt, it is very difficult and exceptional task for the regulators to prevent the scams in the markets considering the great complexity in regulating and monitoring each and every segment of the financial markets and the same is true for the Indian regulator also. But what are the responsibilities of the regulators to set the system right once the scam has taken place, especially the responsibility of redressing the grievances of the investors so that their confidence is restored? The redressal of investors' grievances, after the scam, is the most exigent task before the regulators all over the world and the Indian regulator is not an exception. SEBI had issued guiding principle for the protection of the investors through the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. As such an attempt has been made to study the restore their

Initially SEBI was a non statutory body without any statutory power. However in 1995, the SEBI was given additional statutory power by the Government of India through an amendment to the securities and Exchange Board of India Act 1992. In April 1998 the SEBI was constituted as the regulator of capital market in India under a resolution of the Government of India.

REGULATORYFRAMEWORK

The Securities and Exchange Board of India (SEBI) is the regulatory authority recognized under the SEBI Act 1992, in order to protect the interest of the investors' in securities as well as promote the development of the capital market. It involves regulating the business in stock exchanges; supervising the working of stock brokers, share transfer agents, merchant bankers, underwriters, etc;.

The basic objectives of the board were identified as:

- To protect the interest of investors' in securities
- To promote the growth of Securities Market
- To legalize the securities market and
- For matters associated therewith or incidental.

ROLE FUNCTIONS OF SEBI:

The role or functions of SEBI are discussed below:

- To protect the interests of investors through proper education and guidance as observe their investment in Securities. For this, SEBI has made rules and regulation to be followed by the financial intermediaries such as brokers, etc. SEBI looks after the grievance received from investors for fair settlement. It also issues booklets for the direction and strengthening of small investors'.
- To regulate and control the business on stock exchanges and other security markets. For this, SEBI keeps supervision on brokers. Registration of brokers and sub-brokers is made

required and they are expected to follow convinced rules and regulations. Effective control is also maintained by SEBI on the working of stock exchanges.

- To provide suitable training to intermediaries.
- To register and regulate the working of mutual funds including UTI (Unit Trust of India). SEBI has made rules and regulations to be followed by mutual funds. The purpose is to maintain resourceful supervision on their actions & avoid their unfair and anti-investor activities.
- To promote self-regulatory organization of mediators. SEBI is given wide statutory powers. However, self- regulation is better than external regulation. Here, the function of SEBI is to encourage mediators to form their professional associations and control undesirable activities of their members.
- To regulate and control the deceptive & unfair practices which may be the investors' and healthy growth of capital market.
- To issue guidelines to company regarding capital issues. Separate guidelines are prepared for first public issue of new companies, for public issue by existing listed companies and for first public issue by existing private company. SEBI is predicted to conduct research and publish information useful to all market players (i.e. all buyers and sellers).
- To conduct inspection, inquiries & audits of stock exchanges, intermediaries and self-regulating organizations and to take suitable remedial measures wherever necessary. This purpose is undertaken for orderly working of stock exchanges & mediators.
- To restrict insider trading activity from side to side suitable measures. This function is useful for avoiding disagreeable activities of brokers and securities scams.

INVESTORS' LEARNING:

In 1992, SEBI was constituted to protect the interest of the investors and it has stood committed to achieve this objective. Issue of different guidelines which ensure full, fair and sufficient information, is the testimony to this commitment. The Regulatory Guidelines, Rules, Regulations and Clarifications are all directed towards the objective of bringing more and more clearness in the primary as well as secondary markets with a view to safeguard the interest of the investors. Besides this, the investors, education has also appeared as a crucial part of SEBI's efforts to protect the interest of the investors in securities market.SEBI constituted a working Group on Investors, education. As a part of its efforts, SEBI has brought out an information pamphlet titled "A Quick Reference Guide for Investors" for the benefits of the investors. The objective of this pamphlet is to make an investor aware of:

- The right he has as a shareholder,
- The responsibility of this investors,
- The risk which is unspecified by an investor,
- The method relating to trade and transfer of securities, and
- The remedies for problems that he may encounter.

REFORMS IN CAPITAL MARKET OF INDIA:

The **major** reform undertaken in capital market of India includes:

- **Establishment of SEBI:** The Securities and Exchange Board of India (SEBI) was established in 1988. It got a legal status in 1992. SEBI was primarily set up to regulate the actions of the merchant banks, to control the operations of mutual funds, to work as a advertiser of the stock replace behavior and to act as a regulatory authority of new issue activities of companies.

- **Establishment of Creditors Rating Agencies :**Three creditors rating agencies viz. The Credit Rating Information Services of India Limited (CRISIL - 1988), the Investment Information and Credit Rating Agency of India Limited (ICRA - 1991) and Credit Analysis and Research Limited (CARE) were set up in order to assess the financial health of different financial institutions and agencies connected to the stock market activities. It is a direct for the investors also in assess the risk of their savings

- **Increasing of Merchant Banking Activities :** Many Indian and foreign commercial banks have set up their merchant banking division in the last few years. These divisions provide financial services such as underwriting amenities issue organizing, consultancy services, etc.

- **Rising Electronic Transactions :** Due to technical development in the last few years. The physical operation with more paper work is reduced. It saves money, time and energy of investors. Thus it has made investing safer and hassle free support more people to join the capital.

- **Mutual Fund Growing Industry** : The growing of mutual funds in India has positively assisted the capital market to grow. Public sector banks, foreign banks, financial institutions and joint mutual funds between the Indian and foreign firms have launch many new funds. A big on diversification in terms of scheme maturity, etc. has taken consign in mutual funds in India. It has given a wide choice for the ordinary investors to enter the capital market.

- **Growing Stock Exchanges :** The numbers of various Stock Exchanges in India are growing. Initially the BSE was the main alter but now after the location up of the NSE and the OTCEI, stock exchanges have extend across the country. Recently a new solid Stock Exchange of India has joined the existing stock exchanges.

- **Investor's Protection** : Interest of the small investors from frauds and malpractices in the capital market under the purview of the SEBI the Central Government of India has set up the Investors Education and Protection Fund (IEPF) in 2001. It works in educating and guiding investors.

- **Growth of Derivative Transactions :**Since June 2000, the NSE has introduced the derivatives trading in the equities. In November 2001 it also introduced the future and options transactions. These innovative products have given mixture for the investment leading to the expansion of the capital market.

- **Commodity Trading :** Along with the trading of common securities, the trading in commodities is also recently confident. The Multi Commodity Exchange (MCX) is set up. The capacity of such transactions is growing at a splendid rate.

These improvement have resulted into the wonderful growth of Indian capital market.

CONCLUSION:

It may be concluded that SEBI surmounted several obstacles on the way to development of capital market with due care for investors' interests and superior sclearnes in the relationships of organizations and stock exchanges, though not to the extent of hundred percent. As we have seen that via different guidelines it had made it sure that no stone leftovers unturned in the alleyway of the mission of self-protective the investors. Investor education Company have been acquiescent positive results to some extent, still lot more needs to be done. Indian investors have been steadily fleeing the market, despite the tapparen spread of 'equity cult', which calls for urgent concentration of the apex body to frame and effectively execute the procedures to defend the interests of investors, and reinstate their self-confidence in the stock market.

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