ORIGINAL RESEARCH PAPER

Law

INFORMATION GAIN BY PEOPLE THROUGH MEDIA RELATED TO LAWS GOVERNING IN STOCK MARKET.

KEY WORDS: Media, Stock market, Laws and Regulations.

Sandeep Kumar Research scholar of Commerce Department in Himachal Pradesh University, Shimla

Maya Devi Research scholar of Legal Sciences in Shoolini University Solan.

ABSTRACT

The media is a snapshot of our culture, depicting what and how society functions. The only medium that aids in informing people is media, whether it is written, electronic, or on the internet. It also aids in entertaining the public, as well as educating and informing people about current events. The media has evolved into our society's voice. While most people have no direct information about stock market, the media has a significant impact on public attitudes and actions. The stock market is a significant participant in the financial sector, which is made up of both small and large businesses. Therefore, it becomes important to control the markets in order to protect investors' interests as well as those of the business sector. Additionally, the stock market is exposed, which hurts the public's overall interest. As a result, a number of laws have been enacted to safeguard investors and guarantee a just exchange of business ownership in free markets. **Purpose:** The majority of people have erroneous perceptions of laws related to stock market. They are informed of stock market through the media. The aim of this paper is to give information about laws and regulations through media to a society. **Need:** Because most individuals are unaware of the laws and regulations pertaining to the stock market. Through media people are aware about laws and regulations of stock market. **Methodology:** The study based on secondary data.

INTRODUCTION:

Broadcasting, printing, and the Internet are the primary forms of mass media when viewed as a whole. Print, television, radio, and the internet are all examples of it **(https://www.toppr.com).** The instruments of mass media, such as books, the newspapers, the cinema, radio, television, film, and the internet, have now been added to group communication. These new mass media are often associated with mass communication, but it is important to remember that these media are processes and should not be confused with the phenomenon of communication itself. Modern news media are mass-produced and sold in the same way as other consumer and industrial goods are. **(Keval J. Kumar, 2017).** Some types of media are available for free (for example, free downloads), while others require payment. Others are tangible (books), whereas others are not (digital music files). Others are for benefit (TV shows), while others are not (citizen media) **(Mike Friedrichsen, Yahya Kamalipour, 2017).** Computing and information technology, as well as telecommunications networks, newspaper and magazine publishers, music, radio, television, films, and entertainment, are all intertwined in media convergence. **(Artur Lugmayr, Cinzia Dal Zotto, 2015).** A mass media conglomerate, on the other hand, is a corporation that owns many mass media companies in various media sectors. **(Joseph Turow, 2009).** People use the media to build their social existence. **(Stavroula G Bougadi, 2016)**

Definition:

The field is defined as follows, according to Wirtz (2013), a renowned German scholar in media management research: *"Media and internet management covers all the goal-oriented activities of planning, organization and control within the framework of the creation and distribution processes for information or entertainment content in media enterprises."* The core task of media management, according to this definition, is to create a link between the general theoretical disciplines of management, which cover the entire value formation, creativity, and marketing processes in the media, and the organizational specificities of media enterprises. Media management is, without a doubt, a business administration discipline that studies organizational and strategic trends as well as issues in media enterprise leadership. The delivery of news, entertainment, and advertisements is the media's business. **(Mike Friedrichsen, Yahya Kamalipour, 2017)**

What is a Stock Market?

A stock market is a marketplace that connects buyers and sellers to conduct transactions with the financial securities of publicly traded corporations. It serves as a platform for the public issue of financial assets, such as through initial public offerings (IPOs). This trade is conducted through the reputable stock exchange platform. The limits of a stock market are not set by a stock exchange. There may be several recognised stock exchanges in one nation. All of these exchanges that are part of a country's stock market are referred to as that country's stock market collectively. For instance, the stock exchanges BSE, NSE, MCX, etc. are recognised in India and collectively represent the Indian stock market.

History of Media:

Pre-Independence Period:

Press censorship was introduced for the first time in 1795. Before publishing, the 'Madras Gazette' was asked to send all materials to the Military Secretary. Three main limitations were placed on editors/newspapers that did not obey government orders: pre-censorship, mailing facility restrictions, and extradition. In 1799, Wellesley made it a requirement that the names of the printer, publisher, and editor be published in the journal. On December 18, 1823, then-Governor General Adams Smith enacted the first ever press law, known as the Adams Regulations. To publish something other than intellectual documents, advertising, exchange rates, product prices, and other commercial details, a licence from the Governor General in Council was required. In 1876, Lord Lytton was appointed Viceroy of India. The Governor General Council was presented with the Vernacular Press Bill, which was passed as Act IX of 1878, with the aim of improving regulation over the language press. The legislation establishes procedures for punishing and suppressing seditious writing intended to impart discontent with the government in the minds of the general public. The Indian Penal Code, 1860, was amended in 1898, and the Code of Criminal Procedure, 1898, was enacted to consolidate and amend the legislation relating to criminal procedure and to abolish the Criminal Procedure Code of 1882. During Lord Dufferin's term as Viceroy, the official Secrets Act was enacted for the first time in 1884.

It was intended to prosecute newspapers that published classified government documents. It was eventually replaced by the Official Secrets Act of 1923, which is still in force today. Until 1930, the Indian press had a lot of freedom. Around 1922 and 1929, the Nationalist movement in its mass form had

waned and died out. However, in 1929, with the emergence of a new wave of protest, the government agreed to arm itself with powers to stifle the press.

Post-Independence Period:

The most important day in the history of Media Regulations, however, was January 26, 1950, when the Constitution went into effect. The Indians' colonial experience taught them the importance of "press freedom." Although the Indian Constitution does not specifically mention press freedom, it is clear that it is included in the freedom of speech and expression under Article 19(1)(a). It is important to note, however, that such freedom is not absolute, but is limited by some clearly defined fair restrictions imposed in the public interest under Article 19(2). The Cinematograph Act of 1952 enacted the following: This Act was passed to provide for the certification of cinematographed films for cinematographed exhibitions. In 1954, the first Press Commission, which was established in 1952, issued its report. The Civil Defence Act of 1968 establishes laws prohibiting the printing and publication of any book, newspaper, or other document that is detrimental to the Civil Defence. The Press Council was reconstituted under the Council Act of 1978 to uphold and develop the quality of newspapers and news agencies in India. The Cable Television Networks Act of 1995 governs the service of cable television networks in India, as well as the subscription rates and total number of total subscribers receiving basic tier programming. **(Juhi P. Pathak, 2014)**

Review of Literature

PAUL C. TETLOCK (2007):

"Giving Content to Investor Sentiment: The Role of Media in the Stock Market" the author wrote in his study. This study systematically explores the interactions between media content and stock market activity. Researchers create a simple index of media material that seems to reflect either risk aversion or unfavourable investor sentiment. Media content factors that are pessimistic predict market activity patterns that are consistent with the noise and liquidity trader models. High levels of media pessimism put pressure on market prices to decline, while abnormally high or low levels of pessimism briefly increase trade volume. Additionally, the price impact of pessimism on small-cap companies seems particularly significant and hard to reverse. This is in line with sentiment theories, which operate under the premise that media content affects how individual investors, who hold a disproportionate share of tiny stocks, behave.

Joanna Strycharz, Nadine Strauss & Damian Trilling (2018):

In the said paper author talks about ***"The Role of Media Coverage in Explaining Stock Market Fluctuations: Insights for Strategic Financial Communication".*** This study looks at the correlations between online media coverage of three companies over a two-year period, including ING, Philips, and Shell, that are listed on the Amsterdam exchange index and the fluctuation of their closing prices (2014–2015). Additionally, it was discovered that corporate topics positively Granger affect stock price variation, particularly for Philips. The study builds on prior research by demonstrating that sentiment, emotionality, and business issues can be used to enhance the forecast of stock price variation based on media coverage. The results imply that media attention, sentiment, and specific corporate subjects are vital when managing media relations and with regard to ensuring a fair evaluation of listed businesses. This information informs strategic communication, and particularly investor relations.

Karthik Balakrishnan (2008):

"The Impact of Information Disclosure on Stock Market Returns: The Sarbanes- Oxley Act and the Role of Media as an Information Intermediary" the author addressed. One of, if not the most significant piece of law affecting companies listed on U.S. stock exchanges is the Sarbanes-Oxley (SOX) Act of 2002. Although SOX does not specifically address the issue of information security, the SEC's definition of internal control and the fact that all firms subject to SOX requirements base their reporting systems on systems that support information security and integrity do suggest that greater attention to information security is a necessary compliance requirement. The author further divides news stories into press- and firm-initiated pieces and makes the assumption that the amount of press-initiated coverage of important events has increased in the post-SOX era.

Qing Li Member (2017):

"Web Media and Stock Markets : A Survey and Future Directions from a Big Data Perspective" according to the author. Information release, diffusion, and public acceptability affect stock market volatility. The effects of Web information on stock markets are growing more and more important as a result of social media's rapid growth and increased volume. However, because to the difficulties in automatically gathering and analysing enormous volumes of pertinent information, studies of the impact of Web media on stock markets are both shallow and incomplete. In this study, researchers from the domains of finance, management information systems, and computer science carefully analysed 229 research articles on quantifying the interaction between Web media and stock markets. The analysis models that were utilised to uncover the undiscovered connections between Web media and stock movements were then compared by the researcher.

Zhe OuYang (2017):

"Information Asymmetry and Investor Reaction to Corporate Crisis: Media Reputation as a Stock Market Signal" authors studied in their study. Due to the information gap between corporate management and investors, media portrayals of a company's reputation may be seen by investors to be a reliable indicator of the quality of the company during times of corporate crisis. Results supported our theory that corporate media reputation and post-crisis stock return were positively associated. Additionally, media visibility increased the favourable impact of a company's reputation in the media on the stock market's response to the crisis. Our results confirmed an unproven theory that the media serve as information mediators in signalling and suggested that a positive media reputation serves as a key indicator of business health and is associated with significant abnormal returns during periods of corporate crises.

Philipp Schmitz (2008):

In this paper author talks about ***"The Role of media Coverage in the Information Difussion Process in the Stock Market".*** How accurately and quickly new information is reflected in the values of securities is a key subject for academics and professionals working on asset pricing. The analysis of how business news affects stock prices and volume adds to the body of literature. On the day that the new information is received, there is a significant price reaction. If the media coverage of the news is accompanied by spontaneous declarations from the company, then this price increase is very significant. After excellent news, there is only a very brief post-event drift; but, after terrible news, prices frequently drift for several days. For several days, both positive and negative news have seen trade volumes that are much higher than they were prior to the occurrence.

Clive B. Walker (2014):

In the said paper author discussed ***"The Direction of Media Influence: Real-Estate News and the Stock Market"*** Recent studies have highlighted the important informational and behavioural roles that news media play in financial markets. This essay investigates the connection between real estate news and businesses involved in the housing market. The media's coverage of the housing market is not influenced by

the stock market, but it is possible to assess the media's causal impact on markets using a straightforward identification technique. Researchers discover a strong correlation between stock returns and reporting content, as well as between news volume and transaction volume. Even after taking known risk variables and housing market performance into account, these linkages continue to exist. This result is in line with the media's role as a source of news and mood in the financial markets.

Regulations and Laws governing Stock Market in India
Securities Contract (Regulation) Act, 1956

The Securities Contract (Regulation) Act of 1956, as well as the Securities Contract (Regulation) Rules of 1957, serve as the legal foundation for all transactions involving securities on the stock exchanges. In order to prohibit unwarranted speculation in the securities traded on the stock market, the Securities Contract (Regulation) Act, or SC(R)A, was established in 1956. This is made possible by regulating stock exchanges and the transactions that are carried out by authorised brokers both inside and outside the market.

The act's reach extends to restricting the framework of securities contracts, prescribing rules for the listing and delisting of securities on stock exchanges, exercising direct and indirect control over stock exchanges with their ongoing supervision, and prohibiting unauthorised transactions in the securities market.

Some of the important SC(R)A laws governing stock market in India are listed below:
Recognition of Stock Exchanges

Sec.3:
The statute requires that trading in securities only take place on authorised platforms. Therefore, in order for an organisation to engage in stock exchange activities, it must apply to the SEBI for recognition as a stock exchange and include the necessary scheme, bye laws, etc.

Sec. 4
Recognition of Stock Exchanges by the SEBI: The Central Government decides to grant recognition to the entity for carrying out operations as a stock exchange in India once it is satisfied with the scheme of activities presented by the stock exchange and the relevant bylaws of the proposed stock exchange are in compliance with the standards prescribed by the statute.

Sec. 5:
The Central Government has the authority to revoke the stock exchange's recognition and put an end to its future operations if it determines that its operations are not compliant with the current stipulated requirements and show to be against the public interest and trade.

Securities and Exchange Board of India Act, 1992
The Securities and Exchange Board of India was established pursuant to the Securities and Exchange Board of India Act, 1992, with the responsibility of fostering the growth of the securities market, policing activity therein, and safeguarding the rights of investors.

The regulatory authority in charge of overseeing India's commodities and securities markets is called SEBI. The SEBI has the authority to control corporate behaviour, including how securities are issued and how market intermediaries such as investors, brokers, and sub-brokers—behave.

Depositories Act, 1996
The Depositories Act, 1996[1] required certain organisations to keep shareholder securities in electronic and fungible form for the free transferability of shares. These organisations are known as depositories. With the aid of depository participants, who can be banks, brokers, financial institutions, etc., the shares are held in electronic form. The Depository Act outlines the steps for establishing a Depository.

Companies Act, 2013
The fundamental law that governs the issuing, transfer, and allocation of securities and other financial instruments is the Companies Act of 2013. The statute also specifies a complete process for offering securities via a variety of channels, including rights issues, private placements, bonus issues, etc. The company act also outlines the management of the corporation, as well as the disclosure of share capital, dividend payments, and interest rates, among other things.

CONCLUSION

A public market that promotes the purchasing, selling, and issuance of shares of a publicly traded corporation is known as a stock market. It is a platform that encourages investors to participate in financial instrument trading. A stock market is a venue where people can purchase and sell ownership of such assets since stocks reflect fractional ownership in a registered firm. There was a critical need for the government to create a regulatory framework that could safeguard investors' faith in the Indian stock market following a number of stock market frauds committed throughout the 1990s. To prevent a situation in the stock market similar to that of the 1990s, a number of laws governing it were created and are now being developed in India. And the outcomes—where not only investor confidence has been increased but also titanic efforts have been made to increase investors' financial awareness—have been pretty pleasing. Although no law is 100% effective at stopping financial fraud, the goal is to constantly improve the system so that it is ready to handle any situation. The regulatory framework for the Indian stock market has also been able to keep up with the problems of the modern day.

REFERENCES

1. What is media. Retrieved from https://www.toppr.com (13-05-2021)
2. Kumar J. K. (2017). Mass Communication in India, 17, 18.
3. Friedrichsen, M., Kamalipour, Y. R., & Kamalipour, Y. (2017). Digital Transformation in Journalism and News Media. Springer, 20.
4. Lugmayr, A., & Dal Zotto, C. (Eds.). (2015). Media Convergence Handbook-Vol. 1: Journalism, Broadcasting, and Social Media Aspects of Convergence. Springer, 190
5. Turow, J. (2010). Media Today, 2010 Update: An Introduction to Mass Communication. Routledge, 232.
6. Bougadi, S. (2016). Fictional Representation of Prison in Films and TV's Series Genre: Public and Academic Perceptions of Prison. Forensic Research & Criminology International Journal, 2(1), 1-4.
7. Friedrichsen, M., Kamalipour, Y. R., & Kamalipour, Y. (2017). Digital Transformation in Journalism and News Media. Springer. 19
8. Pathak P. J. (2014). Introduction to Media Laws and Ethics, 1,2,3,4,5,6,7
9. Tetlock, P. C. (2007). Giving content to investor sentiment: The role of media in the stock market. The Journal of finance, 62(3), 1139-1168.
10. Strycharz, J., Strauss, N., & Trilling, D. (2018). The role of media coverage in explaining stock market fluctuations: Insights for strategic financial communication. International Journal of Strategic Communication, 12(1), 6785.
11. Balakrishnan, K., Ghose, A., & Ipeirotis, P. (2008, June). The Impact of Information Disclosure on Stock Market Returns: The Sarbanes-Oxley Act and the Role of Media as an Information Intermediary. In WEIS.
12. Li, Q., Chen, Y., Wang, J., Chen, Y., & Chen, H. (2017). Web media and stock markets: A survey and future directions from a big data perspective. IEEE Transactions on Knowledge and Data Engineering, 30(2), 381-399.
13. OuYang, Z., Xu, J., Wei, J., & Liu, Y. (2017). Information asymmetry and investor reaction to corporate crisis: Media reputation as a stock market signal. Journal of Media Economics, 30(2), 82-95.
14. Schmitz, P. (2008). The role of media coverage in the information diffusion process in the stock market. Tech. Rep. Working Paper.
15. Walker, C. B. (2016). The direction of media influence: Real-estate news and the stock market. Journal of Behavioral and Experimental Finance, 10, 20-31.
16. Rules and regulation governing stock market Retrieved from https://blog.ipleaders.in/laws-governing-the-stock-market-in (13-02-2023).