



# Role of Securities and Exchange Board of India in the Indian stock market

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**ABSTRACT** - The Securities and Exchange Board of India (SEBI) is the regulating authority for stock exchanges in India, formed under the SEBI Act 1992. Protecting investor interests, promoting, and regulating the Indian securities markets are among SEBI's major and primary responsibilities. This study makes solid observations about investor protection policies, current market patterns, and how protection rules have changed over the last two decades. Individual investors, institutional investors, local institutional investors, and international institutional investors are among the numerous sorts of investors who participate in the stock market. The Securities and Exchange Board of India (SEBI) was established in April 1988 and became a legal organisation in March 1992.

**Keywords:** Investor Protection, Investments, Stock Exchanges, Market Intermediaries, Securities Exchange Board of India.

## INTRODUCTION

The Securities Exchange and Board of India (SEBI) was established by the Indian government on April 12, 1988 as an administrative body to promote various corporate securities through various stock exchanges throughout India. The SEBI's main concept is to encourage investors and traders by safeguarding investor rights. It operates as one of the ministries under the Ministry of Finance's administrative jurisdiction. The SEBI was given statutory character on January 30, 1992, by a formal decree; however, due to minor changes, it was eventually replaced by the Securities and Exchange Board of India Act, 1992. During the 1980s, the capital market underwent a great deal of upheaval. This ever-increasing investor and market participation The Securities Exchange and Board of India (SEBI) oversees and controls stock market operations in a systematic manner, and there are over 26 stock exchanges in India that are listed under SEBI. The stock market serves as a marketplace for investors and dealers to purchase and sell stocks and mutual funds. In recent years, the percentages of investors and traders have risen dramatically in comparison to previous decades. While improving stock market operations, mistakes were made in the security market as well. Examples include the existence of various banks' illegal transactions, unofficial private placement in the economic environment, rigging of stock prices with unofficial related to stock market, violation of stock exchange's listing requirements results in penalty and cancellation of trading shares, authority, and delay in delivering shares, among others. Due to a lack of sufficient criminal provisions in India's existing legislation, the Indian governments, stock exchanges, and

stock market intermediaries were powerless to resolve investor complaints.

## **Objectives of the study**

To learn more about the role of the Security Exchange Board in the Indian stock market.

To make important arguments on SEBI reforms

### ***The scope of the study***

This research was primarily designed to assess the effectiveness of significant SEBI initiatives relating to stock market oversight and Investor Protection Measures implemented since 1992.

### ***Tools of data collection***

SEBI gathered data from a variety of sources, including books, journals, and other similar sites.

### ***Limitation of study***

The research is confined to theoretical and conceptual information gathered from a variety of sources, including books, websites, brochures, and financial press stories.

## ***Role of Securities and Exchange Board of India in Indian Stock Market Scenario***

It's an aim to create and give a market zone where they can produce a lot of money. Investors' wealth in the stock market is always given first priority by SEBI. To provide additional transparency on investment activities, the listing firms made it essential to provide investment information and disclosure of information on a regular basis. Investors' rights and interests are always protected by SEBI by providing correct and authentic investing information and continual disclosure of information in order to generate more clarity on stock market activity. For market intermediaries, it provides ongoing training and development in the area of investment activities, and it always provides a competitive, professionalised advantage, as well as expanding market operations in an adequate and efficient manner in order to provide better service to investors and issuers.

## **Specific Objectives of the Securities and Exchange Board of India**

In order to promote and function properly and efficiently, the regulated stock market has specified goals.

A fundamental goal for achieving long-term growth in the capital market is to guide, educate, and defend the rights and interests of individual and retail investors.

Preventing trading malpractices at any level and striking a balance between self-regulation through the securities industry and statutory regulation to improve market efficiency and effectiveness in the Indian economy, prevent trading and investment malpractices in the capital market.

To establish, implement, and promote a code of conduct and fair procedures for brokers and merchant brokers in order to make them more competitive and professional.

## **SEBI'S FUNCTIONS**

Regulatory function is critical in the market for guaranteeing fairness and transparency Registering and providing authorization to various brokers, sub-brokers, and other major market players Registering various investment schemes and mutual funds

Identifying and combating fraudulent and unfair trade practises in the stock market. Controlling insider trading by effective observation and imposition of appropriate fines for such practises. Investor education through various awareness camps.

Providing training to intermediaries to improve understanding and awareness Conducting sufficient research and development and releasing relevant information to all market participants Serene Industries is fined Rs 5 lakh by SEBI for failing to resolve an investor complaint within the time frame.

### *The Securities and Exchange Board of India has a complex organisational structure.*

The Securities Exchange Board of India's activity is divided into five key operational departments, each of which is led by an Executive Director. SEBI has two primary regional offices, one in Kolkata and the other in New Delhi, to deal with investor concerns and identify appropriate solutions with issuers, intermediaries, and stock exchanges in the respective regional districts. SEBI has established two advisory committees: a Primary market advisory committee and a Secondary market advisory committee. The Securities Exchange Board of India is not necessarily obliged by the advice of these committees because they are essentially non-statutory in character. SEBI's organisation design is very transparent, with a board of members for significant decision-making and proper distribution of authority done in a hierarchical manner to minimise further stock market misunderstanding. Following SEBI's inception a few years later, venture capital funds began to operate under its supervision, and in 1996, SEBI issued adequate criteria for venture capital funds. SEBI was granted independent status in the year 2000, allowing it to oversee all venture capital firms, depositories, and credit rating organisations, among other things. In recent situations, the stock market activities were extended by active investors and traders in the market, resulting in the development of a new issue market. By the end of 2007, the number of people enrolled in stock exchanges had risen from 1,200 to 6000. Because more investors and traders participated in the stock market during the 1980s and 1990s, market capitalisation skyrocketed. To improve the efficiency of secondary market operations and encourage investor savings and mobilisation of funds, a number of legal and developmental adjustments have been implemented. The minimum capital requirement for listing has been increased to Rs. 3 crores, up from Rs. 5 crores in 1995. Healthy stock market activities are continually on the lookout for ways to improve the market's outlook.

### **The Indian Stock Market's Corporate Scenario**

Since the start of the Seventh Five-Year Plan in 1985, the industrial policy has been used to liberalise the economy. UTI began operations in 1987 with the goal of raising donations from the general population. Investors benefited more from investing in the stock market, and greater tax breaks were provided to encourage investments and capital mobilisation, such as a Rs.15,000 increase in the dividend income exemption from the income tax schedule. In India, there were approximately 2 lakh firms registered, and the number of companies registered expanded in an abnormally rapid manner in a short period of time, and more companies began promoting their products by issuing shares in both the new issue and secondary markets. In India, almost 8,000 businesses have registered with all of the major stock markets. On the Bombay stock exchange, their market value climbed by 35,000 crores in 2007.

## **CHANGES IN THE STOCK EXCHANGE**

### *Makers of markets*

In October 1995, the SEBI amended the rules and regulations for market makers. The firm that wants to be listed must have a minimum paid-up capital of Rs. 3 crores and a minimum paid-up capital of Rs. 5 crores, as well as a two-year track record of commercial output. They must also seek authorization from market makers. Certain facts on OTCEI or normal stock exchanges were included in the bank finance for listing companies.

### *BOLT System*

In January 1995, BSE and NSE both transitioned to an internet trading platform called BOLT, which became fully operational in May 1995. During February 1996, the BSE converted to a weekly settlement method in designated shares and another B1 Category of cash scripts, with around 200 of them. During the year 1995, the BSE enabled the spread of the online trading system to other stock exchanges in order to improve stock market operations.

### *Reforms to the Exchange System*

SEBI transformed the market environment with the online trading system and built the BOLT system for enabling transparency in stock market trading and investing, as well as creating an account for every stock market transaction, which began in 1996. The fundamental topic of the online system is to reduce physical

share transfers and to implement the Depository system, as well as on-line electronic trading for all exchanges and to encourage online registration of various sub-brokers across India. Rolling settlement was established to improve system monitoring and transparency in the stock market.

### ***Reforms in Progress***

The stock market's route involves numerous trading and investing issues, including company, broker, investment, and fund management consultancies' malpractices. Such blunders have a negative impact on investors' confidence and make them uneasy about investing in the stock market.

### **SEBI RECEIVES AUTHORITY**

The board's administration includes a chairman, two members who serve as main functional level heads from the Reserve Bank of India, and five other members, at least three of whom are lifetime members. SEBI has the authority to seek for and obtain pertinent information about the company. SEBI has the right to restrict, control, and authorise trading and investments in a certain script without any external examination because of the connection of securities trading. According to the Securities and Exchange Board of India, a single individual investor cannot invest more than 10% of a scheme's total net assets in a single bank's short-term deposits. The regulator stated that investment funds and shares would also take into account the deposit scheme of the bank's subsidiaries when designing the guidelines for trading and investment of funds short-term deposits of scheduled commercial banks by mutual funds. The SEBI has set standards for 'short term for funds' investing purposes, which are defined as a period of not more than 91 days.

### **Types of valid stock market complaints in India**

The SEBI Act of 1992 covers the majority of the complaints discovered as a result of insider trading.

The Securities Contract Regulation Act of 1956 is constantly in effect in order to limit monopoly systems in the market and to maintain a healthy capital market environment.

The Deposits Act of 1996 was enacted as a result of the market's systematic depository services.

### ***Securities markets are regulated.***

The stock market is regulated by various linked agencies for ensuring transparency and maintaining stability in the trading and investment scenario, such as the Department of Economics Affairs (DAE), the Department of Company Affairs (DC), the Reserve Bank of India (RBI), and the Securities and Exchange Board of India (SEBI). Through a high-level committee on capital and financial markets, the roles of these agencies are coordinated.

### **Securities And Exchange Board of India**

With regard to the 1993 amending act. They are two dimensions of business activities that have been dramatically increased in both the primary and secondary sectors until today. A conformity with the securities exchange board of India's supplies and the Exchange Act of 1992. The security exchange board of India was well-known on April 12th, 1992, in the same year. SEBI's efforts have been to create an effective stock market system for the securities market, as well as to encourage responsible and accountable behaviour on the part of all major market players, who must maintain discipline in order to provide accurate information to individual and institutional investors. This would be possible if intermediaries established themselves as effective self-regulatory bodies. Self-regulation is one of SEBI's recommended strategies for maintaining and controlling the regulatory framework, which, like management by exception, leads to regulation by exception. Self-regulation, on the other hand, can be tremendously effective only if an effective regulatory authority oversees the actions of self-regulatory organisations. Beginning to end, securities market transactions, which leads to market efficiency so that it can provide the necessary services to trade, business, and classify investors in the most efficient and effective economic way, creates competition and builds confidence in modernization, and is accessible to global improvement a market that leads to long-term growth in the capital market.



## THE SEBI'S ROLE IN THE INDIA CAPITAL MARKET

The efforts of the Security Exchange Board of India are always to create an effective stock market system for a safe securities market, as well as to encourage responsible and accountable autonomy and transparency on the part of all players in the capital market, who should have disciplined themselves and followed the rules of the market mechanism to minimise losses. This might be accomplished by intermediaries establishing an effective self-regulatory organisation. As a result, through the regulatory framework advocated by the Securities Exchange Board of India, self-regulation is to maintain harmony in the capital market. Self-regulation, on the other hand, can only operate if there is a competent regulatory authority overseeing self-regulatory organisations' actions. The Security Exchange Board of India possesses a controller structure that allows for successful wealth mobilisation and allocation through capital market structures, which would encourage the effective of the capital market so that it could manage the render essential services to business and commerce and individual investors in the most efficient economic route, reduce competition and promote innovation, be responsive to international growth, have a structure that is flexible and cost-effective so that it has clarity to guide, modifications and other changes, and ultimately turns into trust on the part of investors, traders, and other speculators.

### CONCLUSION

The SEBI is an approved regulatory agency with a twenty-one-year history, and the capital market system has a rich history of over 100 years. All types of regulators, as well as professional investors and traders in the capital market, should work together cross-border. The Security Exchange Board of India has had great success as a regulator by aggressively and consistently implementing systemic reforms. The Security Exchange Board of India has implemented numerous reforms in the primary and secondary markets. For example, there was a time when postal delays, reaching trade and investment receipts, and separating from making the solution action slow and lowering the time, and ensuring the depositories by passing the Depositories Act, 1996 were all issues that needed to be addressed. The Security Exchange Board of India has also played an important role in liberalisation, privatisation, and globalisation, which has resulted in an increase in the participation of individual and institutional investors and traders. It expanded the number of regional investors, dealers, and disclosures required by Indian corporate promoters in October 2011. It has been liberalised for the takeover code in the globalisation scenario to straighten investments by eliminating regulatory structures. In this way, the Securities Exchange Board of India raised the retail investor application limit from Rs. 1 lakh to Rs. 2 lakh.

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