Securities and Exchange Board of India (SEBI): An Overview

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Capital markets have a very important relationship with the economic development of the country. The capital markets promote economic growth through the mobilization of long-term savings and the savings get invested in the economy for productive purpose. The history of the Indian Capital market dates back to the 18th century when East India company securities were traded in the country. Now the capital market is organized, fairly integrated, mature, more global and modernized. Hence, to help in the effective functioning and regulatory activities of the Indian Capital Market the Central government of India constituted the Securities and Exchange Board of India (SEBI) on April 12, 1992 in accordance with the provisions of the Securities and Exchange Board of India Act, 1992. SEBI’s responsibility is to ensure that the securities market of India operate in an effective manner. It is established to protect the interests of investors and traders in the Indian stock market by providing a healthy environment in securities and to promote the development of, and to regulate and develop the securities market. Further, one of the prime reason for establishing SEBI was to prevent malpractices in the Indian capital market. The SEBI can ensure a free and fair market and take India into league of major global capital markets in the next round of reforms. To enable this, it has to thoroughly review its structure and functioning. Since the establishment of SEBI in 1992, the Indian securities market has grown enormously in terms of volumes, new products and financial services.

This study mainly aims to gain insight into the roles and responsibilities of Securities and Exchange Board of India (SEBI). This study consists of role of SEBI in Indian Capital market. SEBI is the regulator for the securities market in India. It was formed officially by the Government of India Being the study descriptive in nature, findings have been made through theoretical analysis in order to know the impact of SEBI on Indian capital market and to provide in-depth analysis of the Indian stock market. It has been found that SEBI has done a lot of work for the development of the Indian capital market.

Keywords: Economic development, stock exchange, regulatory body, financial services, malpractices
Introduction

The Indian securities market has a history of nearly 150 years. However, the modern era in the Indian securities market and its transformation began with the economic reforms in the early 1990s when the government initiated a systemic shift to a more open economy with greater reliance on market forces in which the private sector began to play an important role. The Indian securities market gained greater importance and the SEBI Act, 1992 established the Securities and Exchange Board of India (SEBI) as a statutory authority to oversee the securities market in India. At the end of the 1970s and during 1980s, capital markets were emerging as the new sensation among the individuals of India. Many malpractices started taking place such as unofficial self-styled merchant bankers, unofficial private placements, rigging of prices, non-adherence of provisions of the Companies Act, violation of rules and regulations of stock exchanges, delay in delivery of shares, price rigging, etc. For instance Harshad Mehta, a broker, was charged for diverting funds from the bank to tune of Rs. 4,000 crore to stock brokers between 1991-92, Ketan Parekh securities scam in the year 2001 in which investors, it was reported, had lost heavily; so also the banks in the UTI scam 2001, where it was reported that heavy funds were collected from small investors and money was used to fund large business houses and huge amount were invested in junk bonds; Satyam Computers scam of 2008, where it was reported that, over a number of years, Satyam Computer account was manipulated and money was raised through shares. Due to these malpractices, people started losing confidence in the stock market. The government felt a sudden need to set up an authority to regulate the working and reduce these malpractices. As a result, the Government came up with the establishment of SEBI. On account of tremendous growth of the capital market characterized particularly by increasing participation of the public, to sustain confidence in the capital market it was considered essential to ensure investors protection. Accordingly, it was decided to vest SEBI with statutory powers, so as to enable it to deal effectively with all matters relating to capital market. In the first instance parliament was not in session, keeping in view, the urgency of the matter, the President promulgated the securities and Exchange Board of India Act, 1992. Initially, The Securities and Exchange Board of India (SEBI), was constituted on April 12, 1988 as a non statutory body through a resolution of the government for dealing with all matters related to development and regulation of securities market and investor protection and to advice the government on all these matters. SEBI became an autonomous body and it was given statutory status and powers with the passing of the SEBI Act 1992 by the Indian Parliament. Soon SEBI was constituted as the regulator of Indian capital market through an ordinance promulgated on January 30, 1992. SEBI has its headquarters at the business district of Bandra Kurla Complex in Mumbai and has Northern, Eastern, Southern and Western Regional Offices in New Delhi, Kolkata, Chennai, and Ahmedabad respectively.

OBJECTIVES

- To gain insight into the Securities and Exchange Board of India (SEBI).
- To examine the roles and responsibilities of a capital market regulator.
- To understand the capital market reforms initiated by a regulatory authority and their benefits to the retail investors.
- To understand the importance and objectives of SEBI as a regulator of Indian Capital Market.

Research methodology of this study consists of following procedures:

Research Design: Being the study descriptive in nature, it will go through theoretical data collection, and its analysis.
**Source of Data:** This study is mainly based on secondary data has also been gathered from various newspapers, journals, magazines and websites for this purpose to know insights about the Securities and Exchange Board of India (SEBI).

**Research Method:** Study is based on sampling not the census method which limits its universality.

**Stock Exchange in India**

At the beginning, SEBI acted as a watchdog and lacked the authority of controlling and regulating the affairs of the Indian capital market. In 1988 the initial capital of SEBI was ~7-5 crore which was provided by its promoters (IDBI, ICICI, IFCI). This amount was invested and with its interest amount day-to-day expenses of SEBI are met. Nonetheless in the year 1992, it got the statutory status and became an autonomous body to control the activities of the entire stock market of the country. All statutory powers for regulating Indian capital market are vested with SEBI itself. The statutory status of the SEBI authorized it to conduct the following activities:-

1. SEBI got the power of regulating and approving the by-laws of stock exchanges.
2. It could inspect the accounting books of the recognized stock exchanges in the country. It could also call for periodical returns from such stock exchanges.
3. SEBI became empowered to inspect the books and records of financial Intermediaries.
4. It could constrain companies for getting listed on any stock exchange.
5. It could also handle the registration of stockbrokers.

SEBI in its circular dated May 30, 2012 gave exit guidelines for Securities exchanges. This was mainly due to illiquid nature of trade on many of 20+ regional Securities exchanges. It had asked many of these exchanges to either meet the required criteria or take a graceful exit. SEBI's new norms for Securities exchanges mandates that it should have minimum net-worth of Rs.100 crore and an annual trading of Rs.1,000 crore. The Indian Securities market regulator SEBI had given the recognized Securities exchanges two years to comply or exit the business. At present, 9 stock exchanges are currently operating in India, including NSE and BSE. The operations of all these stock exchanges are regulated by the guidelines of SEBI.

**List of Stock Exchanges**

<table>
<thead>
<tr>
<th>sr. no.</th>
<th>Name of the Recognized Stock Exchange</th>
<th>Address</th>
<th>Recognition Valid Upto</th>
<th>Segments Permitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Exchange Name</td>
<td>Address</td>
<td>Website</td>
<td>Contact Date</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
<td>----------------------------------------------</td>
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</tr>
<tr>
<td>4.</td>
<td>Indian Commodity Exchange Limited</td>
<td>Reliable Tech Park, 403-A, B-Wing, 4th Floor, Thane-Belapur Road, Airoli (E), Navi Mumbai 400708 Website: <a href="http://www.icexindia.com/">http://www.icexindia.com/</a></td>
<td>PERMANENT</td>
<td>a. Commodity Derivatives</td>
</tr>
<tr>
<td>6.</td>
<td>Multi Commodity Exchange of India Ltd.</td>
<td>Exchange Square, CST No.225, Suren Road, Andheri (E), Mumbai 400093 Website: <a href="https://www.mcxindia.com/">https://www.mcxindia.com/</a></td>
<td>PERMANENT</td>
<td>a. Commodity Derivatives</td>
</tr>
</tbody>
</table>
| 9. | NSE IFSC Ltd. | Unit No. 1201, Brigade International Financial Centre, 12th Floor, Block-14, Road 1-C, Zone-1, GIFT-SEZ, Gandhinagar, Gujarat 382355  
Website :  
b. Currency Derivatives  
c. Commodity Derivatives  
d. Debt Securities (Masala Bonds)  
e. Debt Securities |

**Organizational Structure of SEBI:**

- **Chairman**  
  - Appointed by Government of India
- **Two Members**  
  - Officers from Union Finance Ministry
- **One Member**  
  - From Reserve Bank of India
- **Five Members**  
  - Appointed by the Union Government of India

The SEBI Board consists of nine members-

1. One Chairman appointed by the Government of India
2. Two members who are officers from Union Finance Ministry
3. One member from Reserve Bank of India
4. Five members appointed by the Union Government of India
Importance of the SEBI

The ever expanding investors population & market capitalization has led to a variety of malpractices on the part of companies, brokers, merchant bankers, investment consultants and other involved in new issues and stocks in India. The following are some of the glaring instances of the malpractices

1. Emergence of self-styled merchant bankers, investment consultants without sufficient expertise and infrastructure for proper services;
2. Unofficial private placements;
3. Rigging up of prices;
4. Unofficial premiums on new issues;
5. Manipulation of process even before listing;
6. Allotment with or without premium to favored persons;
7. Delays in finalizing the allotments and dispatch of allotment letters and refund orders before due date,
8. Non-adherence to provisions of the companies Act, and other relevant act.
9. Violation of the rules and regulations of stock exchanges and listing regulations;
10. Rigging of shares, manipulation of prices, insider trading and a large spread between the bid and offer prices of jobbers;
11. Delay in the delivery of shares and in making payments for sales by the bankers to their customers;
12. Problem of odd lots and poor liquidity of a number of shares in the secondary market, and
13. Diversion of finds of the mega issues for a purpose other than intended such as takeover bids of other companies, acquisition of shares or investments of other companies and for working capital.

These malpractices and unfair trading practices have eroded the investors' confidence in the share market, and have multiplied their grievances. The government and the Stock Exchange were rather helpless in redressing the investors' problems because of the lack of proper penal provisions in the existing legislation.

SEBI plays an important role in regulating all the players operating in the Indian capital markets. It attempts to protect the interest of investors and aims at developing the capital markets by enforcing various rules and regulations

Role of SEBI

SEBI acts as a watchdog for all the capital market participants and its main purpose is to provide such an environment for the financial market enthusiasts that facilitate efficient and smooth working of the securities market. To make this happen, it ensures that the three main participants
of the financial market are taken care of, i.e. issuers of securities, investor, and financial intermediaries.

Issuers of securities

These are entities in the corporate field that raise funds from various sources in the market. SEBI makes sure that the issue of IPOs and FPOs can take place in a healthy and transparent environment.

Traders and Investor

The capital markets are functioning only because the traders exist. SEBI is responsible for ensuring that the investors don’t become victims of any stock market manipulation or fraud since investors are the ones who keep the markets active. SEBI is responsible for maintaining an environment that is free from malpractices to restore the confidence of general public who invest their hard earned money in the markets.

Financial Intermediaries

These are the people who act as middlemen between the issuers and investors. They make the financial transactions smooth and safe. They act as mediators in the securities market and ensure that the stock market transactions take place in a smooth and secure manner. SEBI monitors the activities of the stock market intermediaries like brokers and sub-brokers.

Functions of SEBI:

SEBI primarily has three functions-

1. Protective Function
2. Regulatory Function
3. Development Function

1. Protective Functions

As the name suggests, these functions are performed by SEBI to protect the interest of investors and other financial participants.

It includes-

- Checking price rigging
- Prevent insider trading
- Promote fair practices
- Create awareness among investors
- Prohibit fraudulent and unfair trade practices
2. Regulatory Functions

These functions are basically performed to keep a check on the functioning of the business in the financial markets.

These functions include-

- Designing guidelines and code of conduct for the proper functioning of financial intermediaries and corporate.
- Regulation of takeover of companies
- Conducting inquiries and audit of exchanges
- Registration of brokers, sub-brokers, merchant bankers etc.
- Levying of fees
- Performing and exercising powers
- Register and regulate credit rating agency

3. Development Functions

SEBI performs certain development functions also that include but they are not limited to-

- Imparting training to intermediaries
- Promotion of fair trading and reduction of malpractices
- Carry out research work
- Encouraging self-regulating organizations
- Buy-sell mutual funds directly from AMC through a broker

Objectives of SEBI:

SEBI has following objectives-

1. **Investor Protection**: Without active investors, the capital market is worthless. For that reason, it is essential to safeguard the interests of the investors. The protection of the interests of investors implies shielding them from erroneous information provided by the businesses, lowering the likelihood of default, etc. Thus, the top objective of the SEBI (Securities and Exchange Board of India) is to offer security to the investors. The primary objective of SEBI is to protect the interest of people in the stock market and provide a healthy environment for them.

2. **Regulation of Stock Markets**: SEBI regulates the stock markets to ensure that effective services are offered to all the parties involved like brokers, merchant bankers, and other intermediaries to promote professionalism. Moreover, it also has to ensure fair practices.

3. **Checking for Insider Trading**: Insider trading means the trading of a company’s securities by individuals (like directors, promoters, etc) with access to non-public information about the company. These people have access to secret information about the company. This harms the interests of the common investors. In a number of countries insider trading is illegal. The reason being that it is unfair to other investors who do not
have access to the information. Quite a few steps have already been taken to check insider trading by SEBI.

4. **Control over Financial Intermediaries**: It is essential to keep close track of the activities of the brokers and other intermediaries in order to regulate the capital markets. Since its creation, SEBI (Securities and Exchange Board of India) has been working towards the achievement of its objectives with commendable zeal. The advancements in the securities markets like capitalization requirements, margining, establishment of clearing organizations etc. has decreased the risk of default.

5. **Prevention of malpractices**: This was the reason why SEBI was formed. Among the main objectives, preventing malpractices is one of them.

3. **Fair and proper functioning**: SEBI is responsible for the orderly functioning of the capital markets and keeps a close check over the activities of the financial intermediaries such as brokers, sub-brokers, etc.

In response to the growing securities market in India, SEBI as a regulator has been making continuous efforts to meet the changing requirements and fulfill the mandated objectives. Due to consistent efforts, today, SEBI has evolved standards of transparency and accountability. It follows a consultative approach while framing regulations and adheres to the principles of natural justice in all its enforcement actions.

Among others, some of the important measures taken by SEBI include:

   a. Preparation and notification of various regulations for intermediaries from time to time.
   b. Review and amendment of these Rules and Regulations to adapt to the dynamic Indian market environment from time to time.
   c. Enforcement actions against market manipulators and non-compliant market intermediaries.
   d. Upgrading technological capacity and expertise as per the need of the respective departments to adapt to the changing securities market landscape such as creation of data warehouse to enhance capability and capacity for effective regulatory oversight.
   e. Developing infrastructural facilities and planning for manpower.
   f. Enhance knowledge base for employees by way of providing appropriate training, conducting monthly and weekly lectures on current issues primarily related to the securities market.
   g. Organizational restructuring in 2003

**Powers of SEBI:**

When it comes to stock exchanges, SEBI has the power to regulate and approve any laws related to functions in the stock exchanges:-
● It has the powers to access the books of records and accounts for all the stock exchanges and it can arrange for periodical checks and returns into the workings of the stock exchanges.
● It can also conduct hearings and pass judgments if there are any malpractices detected on the stock exchanges.
● When it comes to the treatment of companies, it has the power to get companies listed and de-listed from any stock exchange in the country.
● It has the power to completely regulate all aspects of insider trading and announce penalties and expulsions if a company is caught doing something unethical.
● It can also make companies list their shares in more than one stock exchange if they see that it will be beneficial to investors.
● Coming to investor protection, SEBI has the power to draft legal rules to ensure the protection of the general public.
● It also has the power to regulate the registration of brokers and other middlemen who will deal with investors in the market.

**Mutual Fund Regulations by SEBI:**

SEBI has also made few policies and laid down guidelines for the mutual funds in order to safeguard the interests of the investors.

These guidelines have been laid to bring uniformity in the working of the similar mutual funds’ schemes which will help the investors to make their investment decisions more clearly.

To bring uniformity in the functionality of the similar mutual fund scheme, SEBI has categorised mutual funds in the five broad categories:

They are:

- Equity Schemes
- Debt Schemes
- Hybrid Schemes
- Solution Oriented Schemes
- Other Schemes

**Other SEBI guidelines for Mutual Funds are as follow:**

- SEBI has reclassified large, mid and small-cap companies as follows:

<table>
<thead>
<tr>
<th>Market Capitalization</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-cap company</td>
<td>1st to 100th company in terms of full market capitalization.</td>
</tr>
<tr>
<td>Mid-cap company</td>
<td>101st to 250th company in terms of full market capitalization.</td>
</tr>
<tr>
<td>Small-cap company</td>
<td>251st company onwards in terms of full market capitalization.</td>
</tr>
</tbody>
</table>
- There is a lock-in period specified for solution-oriented schemes
- Permission of only one scheme in each category, except for Index Funds/Exchange Traded Funds (ETF), Sectoral/Thematic Funds and Funds of Funds.

**Major Achievements of SEBI**

SEBI has enjoyed success as a regulator by pushing systematic reforms aggressively and successively. SEBI is credited for quick movement towards making the markets electronic and paperless by introducing T+5 rolling cycle from July 2001 and T+3 in April 2002 and further to T+2 in April 2003. The rolling cycle of T+2 means, Settlement is done in 2 days after Trade date. SEBI has been active in setting up the regulations as required under law. SEBI did away with physical certificates that were prone to postal delays, theft and forgery, apart from making the settlement process slow and cumbersome by passing Depositories Act, 1996.

SEBI has also been instrumental in taking quick and effective steps in light of the global meltdown and the Satyam fiasco. In October 2011, it increased the extent and quantity of disclosures to be made by Indian corporate promoters. In light of the global meltdown, it liberalised the takeover code to facilitate investments by removing regulatory structures. In one such move, SEBI has increased the application limit for retail investors to ₹ 2 lakh, from ₹ 1 lakh at present. The following are some of the significant achievements of the SEBI:

1. **Primary Market Reforms:** SEBI has successfully taken up primary market reforms in order to remove the inadequacies and deficiencies in the issue procedures of new shares and debentures. There is now transparency in fixing price and premium of a share. Issuing companies are required to disclose all material facts and risk factors in the prospectus.

2. **Secondary Market Reforms:** To bring efficiency in the working of the secondary market, SEBI has laid down specific rules and regulations for intermediaries in the secondary market. Such intermediaries are merchant bankers, portfolio managers, underwriters, registrars, brokers and sub-brokers, and share transfer agents. They are required to adhere to specific capital adequacy norms, meet certain eligibility criteria and follow a code of conduct towards investors. They are penalised by SEBI in case of default.

3. **Help in Institutional and Market Development:** SEBI has helped in the process of institutional and market development in the secondary market. It approves ‘market makers’ on the recommendations of stock exchanges. By dealing in scrips, market makers impart liquidity in them and reduce volatile movements in share prices. SEBI has encouraged the participation of foreign institutional investors (FIIs) in the Indian capital market. It has simplified the procedure for their registration and operation in the stock exchanges. FIIs have been permitted to repatriate capital, capital gains, dividends and interest on shares and debentures. SEBI issues guidelines to various stock exchanges including the National Stock Exchange of India (NSEI) for their efficient operation in order to improve their working and make them safe and friendly for investors.

4. **Regulating Working of Institutions:** SEBI regulates the working of such institutions as mutual funds, money market mutual funds, merchant bankers, portfolio managers, etc. By regulating their working, SEBI has tried to improve the working of primary and secondary capital markets in India.
5. Modernization of Stock Exchanges: SEBI has modernized the entire operations of stock exchanges in India. All stock exchanges are computerized. The stock market trading is 100% computerized and is online. In many developed countries of the world, including America and Japan, the trading is not fully computerized and a large part of their trade is still on-the-floor. This is a big achievement of SEBI. The introduction of electronic trading in all the 23 stock exchanges has reduced transaction costs.

6. Dematerialization of Shares: The Government introduced the depository system in 1996 by establishing the National Securities Depository Ltd. (NSDL) and a number of depository participants. The aim was to start “paperless” transactions in stock exchanges. But its progress had been slow. So SEBI introduced an element of compulsion by making dematerialization of shares compulsory for trading. This has been done in phases for shares being traded daily on a large scale. At present more than 50% of the trade in stock exchanges is in the demat form. Dematerialization of shares has encouraged trading especially by FIIs because it removes the fear of fake or forged shares and bad deliveries. It has also eliminated transfer problems.

7. Internet Trading: SEBI has allowed internet trading under Order Routing System (ORS) through registered stock brokers on behalf of clients. It has thus facilitated investors to buy and sell shares through the internet on their computers. It is a major advancement in trading shares at stock exchanges in India.

8. Derivatives Trading: With the introduction of derivatives trading in securities, the secondary market has been modernized. There is the cash market, the forward market and the badla system.

9. Solving Investors’ Complaints: SEBI has set up a separate cell where complaints received from the investors are attended to. According to SEBI, more than 2 lakh investors complain against companies every year regarding transfers, non-receipt of share certificates, dividend, interest on debentures, etc. It is able to solve about 90% of them. SEBI hopes to remove such complaints with more shares coming under the demat form.

10. Safety Measures: SEBI has adopted a number of measures to safeguard the interests of investors. Companies have been directed to call for the bank account number of a share/debenture holder and mention it on the dividend/interest certificate or deposit it direct in his bank account. It has guided stock exchanges in setting up Investor Protection Fund and Trade Guarantee Fund to safeguard the interests of investors. Further, it has set up the Clearing Corporation for Trade Settlements. Further, it has made it obligatory for the broker to make the payment within 21 days even if there is a bad delivery. Thus an investor cannot lose his money.

11. Circuit-Breaker System: SEBI has introduced a circuit-breaker system based on the market volatility of individual stocks. According to this system, if market volatility in a stock crosses a certain limit, the trading in this stock is stopped for a few days so that speculators may not take undue advantage. This is a better system than the American circuit-breaker system which is related to the index of stocks. The New York Stock Exchange is closed even for half-an-hour or more whenever the market volatility crosses the index limit. Thus SEBI has developed a better circuit-breaker system whereby there is no need to close the stock exchange.

12. Fostering mutual fund industry: While the Indian mutual fund industry has grown manifold from being a monopoly until the early 1990s—when Unit Trust of India, set up in 1964, was the only game in town—their reach remains low outside India’s top 20 cities. The market regulator has taken several steps to increase the popularity of mutual fund products and prevent mis-selling of products by distributors.
KEY CHALLENGES

Enforcement processes: Despite statutory powers on par with a civil court, SEBI hasn’t made much headway when it comes to enforcement. The regulator needs to engender greater confidence among investors and display greater consistency when it comes to enforcement of laws, experts said. Some violations are ignored or go unnoticed due to the regulator’s limited access, insufficient resources or government intervention. “It must complete the processes, particularly those relating to investigation and enforcement action, in a time-bound manner,” said M.S. Sahoo, lawyer and former whole-time member of SEBI.

Talent pool and market intelligence: The regulator needs to significantly improve its market intelligence, technology and talent pool in order to boost enforcement processes, protect investors, and allow the launch of more investment products without raising concerns regarding its ability to manage the resulting risks.

Deepening capital markets: SEBI needs to deepen the capital market. The regulator, along with the government, has taken several measures to widen the scope of investment for all categories of investors—retail, corporate, foreign institutional investors and high-net worth individuals in capital markets. The number of retail investors and the share of household savings flowing into the capital market haven’t risen by much.

Matching up to global standards: With the capital markets growing rapidly, regulators need to keep abreast of global standards. The regulator, according to market observers and former SEBI officials, should emulate global peers. Key areas to focus on are establishing self-regulatory organizations (SROs), a better and transparent consent order mechanism, and rules over market intermediaries.

Result and Discussion

SEBI as a regulator plays a vital role in the proper functioning of stock markets. Having witnessed scams like Mehta’s and Parekh’s it has to be vigilant on all of the stakeholders of the capital market. Investors’ interest and fair deals are the top priority of this regulator. SEBI works as a watch dog of the stock exchanges of India. SEBI has issued a new set of comprehensive guidelines governing issue of shares and other financial instruments, and has laid down detailed norms for stock-brokers and sub-brokers, merchant bankers, portfolio managers and mutual funds. With a view to regulate functions of stock exchanges in country the government passed the Securities contracts (Regulation) Act in 1956. The general view remains that the Indian securities market is still subject to several manipulative practices and instances of insider trading. Governance of Stock Exchanges From its early days SEBI’s approach towards governance of stock exchanges seems to have been influenced by the findings in the inspection completed in 1992-93. The principal finding of this inspection was that the exchanges were not functioning as effective SROs, not regulating their members through the enforcement of bye-laws, rules and regulations and paid minimal attention to redressal of investor grievances with long pending arbitration cases. SEBI (1993). In 1993-94 SEBI called for numerous amendments to the rules and articles of association of stock exchanges. These amendments mainly had to do with including public representatives on the governing bodies of stock exchanges and in the various statutory committees and a forced break before members could be reelected to the Board.

SEBI has been less effective in prosecutions and penalizing erring market participants or non-compliance. Some observers attribute it to its lack of authority to prosecute while others attribute the lack of effectiveness to its inability to make a convincing case with the Securities Appellate
Tribunal and the Supreme Courts. The absence of specialized courts that have the capacity to deal with matters involving the financial markets is cited as a third reason for SEBI’s lack of success in securing prosecution against various offences.

Conclusion

The stock market is one of the most crucial indicators of a country’s economic health. If people lose faith in the market, the number of participants will go down. Furthermore, the country will also start losing FDIs and FIIs considerably which will substantially hamper the country’s foreign exchange inflows.

SEBI by its guidelines, regulations and directions, statutorily promoted disclosure of all relevant information has strengthened the securities market. Still there exist some worries among investors. Their biggest worry is ‘too much volatility’. The next major worry is ‘too much price manipulation of stocks’. They also worry about ‘fraudulent company managements’ and ‘unfair practices of brokers’. However, they are not that much worried about the cost of dematerialization.

Before SEBI was established many scams and malpractices took place in the Indian stock market. One of the famous Indian stock market scams was “Harshad Mehta scam.”

After SEBI came into power, stock market affairs started becoming healthier and more transparent. Nonetheless, some securities market scams have taken place even after SEBI came into power. One famous such scam was “Ketan Parekh scam”

Although unfair activities do happen in the Indian capital market even as of today, their frequency is quite less. Moreover, the security market statutes and regulations are updated time and again. Therefore, day by day, SEBI is getting more and more stringent with its authority.

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