International Journal for Innovative Engineering and Management Research

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IJIEMR Transactions, online available on 01st Feb 2022. Link

:http://www.ijiemr.org/downloads.php?vol=Volume-11&issue=ISSUE-01

DOI: 10.48047/IJIEMR/V11/I01/17

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Volume 11, Issue 01, Pages: 101-104

Paper Authors

M. SHANKER

International Journal for Innovative Engineering and Management Research
A Peer Revieved Open Access International Journal
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ROLE OF SEBI IN INDIAN CAPITAL MARKET

M. SHANKER
RESEARH SCHOLAR OSMANIA UNIVERSITY, HYDERABAD.

Abstract
Global economic recession, depressions, mal-practices and various scams in the Capital Markets have not only shaken investors' confidence but have tarnished the Indian Capital Market image at global level. the role of SEBI, in the present scenario as regulator and developer of capital market has become more challenging, in view of fast paced global integration of capital markets. As far as infrastructure reach, volume of trade and market capitalization is concerned, the Indian Capital Market has achieved major transformation parallel to many emerging capital Market.

Introduction:

The capital market is a market for long – term funds both equity and debt- and funds raised within and outside of the country. The primary market refers to the long – term flow of funds from the surplus sector to the government and corporate sector (through primary issues) and to banks and non-banks financial intermediaries (through secondary issues). A primary issue of the corporate sector leads to capital information (creation of net fixed assets and incremental change in inventories). The secondary market is a market for outstandingsecurities. Unlike primary issues in the primary market which result in capital information, the secondary market facilitates only liquidity and marketability of outstanding debt and equity instruments. The history of the capital market in India dates back to the 18th century when East India company securities were traded in the country. It has been a long journey for the Indian capital market. Now the capital market is organized, fairly integrated, mature, more global and modernised. The Indian equity market is one of the best in the world in terms of technology as well as value- cum-volume of business. On 31stAugust, 2010 our Indian equity stocks total market capitalization value was over Rs.70 lakh crores.

The Securities and Exchange Board of India (SEBI) is the regulatory body for dealing with all matters related to the development and regulation of securities market in India. SEBI was established on 12th of April in 1988. SEBI was given statutory powers on 12 April 1992 through the SEBI Act, 1992.

To the safeguard the interests of investors and to regulate capital market with suitable measures. To regulate the business of stock exchanges and other securities market. To regulate the working of Stock Brokers, Sub-brokers, Share Transfer Agents, Trustees, Merchant Bankers, Underwriters, Portfolio Managers etc. . The challenge before the Indian capital market is the expanding investor base and to provide them access to high quality financial services. With a population of more than 100 crores, a mere 1% of population participates in capital market and of that only a fraction is active. Trading volume in Indian capital market is lower as compared to other markets such as US, China, UK, Germany etc. Another Challenge faced by the investor is the cost involved in trading, which is comparatively higher in India, than in developed markets. Upward trend in the disposable income, increasing specialization, growing fashion, increasing standard of living and the optimum utilization techniques of resources have paved the path for Mutual Fund Companies to play. Since, the Mutual Fund is an instrument used by the population which has low-savings and belongs to the middle income group. So, the author has taken the Mutual Funds as an opportunity for the present study entitled “Healthy Capital Market Practices & Role of SEBI”. Thus, there is the need to develop its capital market especially its bond market which is underdeveloped because of policies constraint. Also, India has a huge market for the infrastructure which requires huge funds. The creation of deep and innovative bond market can fill this gap. Steps have been taken up to develop the equity market but there is lots to be done in case of the bond market development. Reforms need to be initiated, bottlenecks need to be removed, policies need to be changed to deepen the bond market in India and to make it as competitive as the world best bond markets. Key Words: Capital Markets, SEBI, Mutual Funds, Insider Trading, CCI, Diversified Equity Mutual Fund, Large Cap, Small Cap, AMC, UTI, NAV.

Organisational Structure of SEBI

SEBI is managed by six members-one chairman (nominated by Central Government), two members (officers of central ministries), one member (from RBI) and remaining two members are nominated by Central Government. The office of SEBI is situated at Mumbai with its regional offices at Kolkata, Delhi and Chennai.

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. All statutory powers for regulating Indian capital market are vested with SEBI itself.

SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008.

SEBI issued (Issue and Listing of Debt Securities) Regulations, 2008 pertaining to issue and listing of debtsecurities which are not convertible, either in whole or part into equity instruments. They provide for a rationalizeddisclosure requirements and a reduction of certain onerous obligations attached to an issue of debt securities.

These Regulations are applicable to –

(i) public issue of debt securities and

(ii) listing of debt securities issued through public issue or on private placement basis on a recognizedstock exchange. As per SEBI (ILDS) Regulations, 2008, debt securities means a non-convertible debt securities which create oracknowledge indebtness, and include debenture, bonds and such offer securities of a body corporate or anystatutory body constituted by virtue of a legislation, whether constituting a charge or the any sets of the

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bodycorporate or not, but excludes bonds issued by Government or such other bodies as may be specified by SEBI,securities receipts and securitized debt insturments.

Functions of SEBI

1.To safeguard the interests of investors and to regulate capital market with suitable measures.
2.To regulate the business of stock exchanges and other securities market.
3.To regulate the working of Stock Brokers, Sub-brokers, Share Transfer Agents, Trustees, Merchant Bankers, Underwriters, Portfolio Managers etc. and also to make their registration.
4.To register and regulate collective investment plans of mutual funds.
5.To encourage self-regulatory organisations.
6.To eliminate malpractices of security markets.
7.To train the persons associated with security markets and also to encourage investors' education.
8.To check insider trading of securities

Mutual Funds and SEBI:

Mutual funds are managed by Asset Management Companies (AMC), which have to be approved by SEBI. A Custodian registered with SEBI holds the securities of various schemes of the fund. The trustees of the AMC monitor the performance of the mutual fund and ensure that it works in compliance with SEBI Regulations.Recently, a self-regulation agency for mutual funds has been set up called the Association of Mutual Funds of India (AMFI). AMFI focuses on developing the Indian mutual fund industryin a professional and ethical manner.AMFI aims to enhance the operational standards in all areas with a view to protect and promote mutual funds and their stakeholders.

.New SEBI Guidelines Effective from 1st September 2021

Stock Exchange Board of India has announced that from September 1, 2021, there will a tectonic shift in India’s stock market i.e. the new intra-day trading margin rules of the Securities and Exchange Board of India started with full force.In 2020, Sebi introduced the new margin rules for day traders under which it was necessary for the stockbrokers to collect minimum margins on leverage-based trade upfront as against the earlier practice of collecting it at the end of the day.The main objective of SEBI in this whole exercise of peak margin system was for reducing speculation in the market so that retail investors do not end up incurring losses in volatile markets. The protests made by bodies like ANMI are that the volumes will reduce in the intraday market, but we did not see that when the rules became effective.From the trader’s perspective, they should be prepared for paying up margins upfront for any position in the market. For the brokers, this will surely reduce the risk of open positions as they would be covered by margins for peak risk. Also, the shares bought today cannot be sold tomorrow and the funds from today cannot be used tomorrow.

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Conclusion:

SEBI plays a very prominent role in the smooth functioning of the Indian Capital

Markets. The constitution of SEBI ensured that the loopholes and fraudulent practices in the system are eliminated. However, as an investor, it is important for you to understand your role and deal only with SEBI registered brokers and SEBI registered investment advisors, because these entities have been thoroughly verified by the SEBI.

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