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ROLE OF SEBI IN INDIAN CAPITAL MARKET

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ABSTRACT:

It was formed officially by the Government of India in 1992 with SEBI Act 1992 being passed by the Indian parliament SEBI is headquartered in the business district of Bandra Kurla Complex in Mumbai and has Northern,Eastern,Southern and Western regional offices in New Delhi,Kolkata,Chennai and Ahmadabad. Controller of capital issues was the regulatory authority before SEBI came in to existence, it derived authority from the capital issues (control) Act, 1947 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 markets in India under a resolution of the Government of India.The SEBI in managed by the six members ,i.e.by the chairman who is nominated by the central Government and two members ,i.e. officers of central ministry, one members from the RBI and the remaining two are nominated by the central Government. The office of SEBI is statute at Mumbai with its regional offices at Kolkata,Delhi,and Chennai.

Key words: - *SEBI, India, Capital Market, Capital Market Development.*

What is SEBI :-

Securities and Exchange Board of India (SEBI) is an apex for overall development and regulation of the securities market. It was set up on April 12 ,1988 .To start with,SEBI set up as a non statutory body.Lator on it become a statutory body under the securities Exchange Board of India Act 1992 The Act entrusted SEBI with comprehensive powers over practically all the aspect of capital market operation.

Capital Markets & SEBI

A Capital Market is the market where debt or equity securities are traded for more than one year. Here government and business enterprises can raise funds of long term. The short term funds are of the money market and long term funds are related to capital markets.

If the classification is done for the Capital Markets, there are two capital markets, first one is primary markets and other one is secondary market. New bond or stock issues are traded to the investors. The process through which the bond and stocks are sold to the investors is known as underwriting. This is called primary market. The present securities are purchased or sold among the investors, in the secondary markets.

SEBI was formed by the Government of India in 1988 that acquired statutory form in 1992 with SEBI Act 1992 being passed by the Indian Parliament Chaired by C B Bhave. SEBI is basically the regulator for the Securities Market in India.

The main responsibilities and function of the SEBI is for the three groups i.e. the investors, the market intermediaries and the issuers of securities. Drafting regulations in its legislative capacity, it enforces actions in its executive function.

SEBI with its proper and systematic method of working has made the markets electronic.

Capital Market in India

The Capital Market deals in the long-term (for time-periods more than one year) capital Securities (Equity or Debt) offered by the private business companies and also governmental undertakings of India. All New Stocks or Bonds presented by growth-oriented business companies of diverse sectors are sold to the investors in the PrimaryCapital Market through Underwriting. The further trading of these capital market securities and bonds takes place in the Secondary Capital Market, commonly with the help of Stock Exchanges. The Securities and Exchange Board of India (SEBI) governs and regulates the Indian capital market. The capital market of India is among the top ten biggest capital markets of the world, and provides a variety of capital market instruments. There are 25 well-organized Stock Markets in India among which the Bombay Stock Exchange (BSE) and the National Stock Exchange hold the dominant positions.

Indian Economy ranks among the top five largest economies of the world. Its booming financial and capital markets have been impressing and enticing investors and companies from every major and developed countries every year (in addition to thousands of Indian investors) by virtue of extensive investment prospects, rapid growth potential, and bumper profitability. We provide reliable and expert information and support for most lucrative and safest harvesting of these opportunities in India.

The functions of SEBI

• To protect the interests of investors through proper education and guidance as regards 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 complaints received from investors for fair settlement. It also issues booklets for the guidance and protection 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 compulsory and they are expected to follow certain rules and regulations. Effective control is also maintained by SEBI on the working of stock exchanges.

• To make registration and to regulate the functioning of intermediaries such as stock brokers, sub-brokers, share transfer agents, merchant bankers and other intermediaries operating on the securities market. In addition, to provide suitable training to intermediaries. This function is useful for healthy atmosphere on the stock exchange and for the protection of small investors.

• 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 effective supervision on their operations & avoid their unfair and anti-investor activities.

• To promote self-regulatory organization of intermediaries. SEBI is given wide statutory powers. However, self-regulation is better than external regulation. Here, the function of SEBI is to encourage intermediaries to form their professional associations and control undesirable activities of their members. SEBI can also use its powers when required for protection of small investors.

• To regulate mergers, takeovers and acquisitions of companies in order to protect the interest of investors. For this, SEBI has issued suitable guidelines so that such mergers and takeovers will not be at the cost of small investors.

• To prohibit fraudulent and unfair practices of intermediaries operating on securities markets. SEBI is not for interfering in the normal working of these intermediaries. Its function is to regulate and control their objectionable practices which may harm the investors and healthy growth of capital market.

• To issue guidelines to companies 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 companies. SEBI is expected 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 function is undertaken for orderly working of stock exchanges & intermediaries.
- To restrict insider trading activity through suitable measures. This function is useful for avoiding undesirable activities of brokers and securities scams.

SEBI And Capital Market Development

To introduce improved practices and greater transparency in the capital markets in the interest of healthy capital market development, a number of steps have -been taken by SEBI. The important steps are:

- SEBI has drawn up a program me for inspecting stock exchanges. Under this program me, inspections of some stock exchanges has already been carried out. The basic objective of such inspections is to improve the functioning of stock exchanges.
- SEBI has introduced a number of measures to reform the primary market. The objective is to strengthen the standards of disclosure, introduce certain procedural norms for the issuers and intermediaries, and remove the inadequacies and systemic deficiencies in the issue procedures.
- The process of registration of intermediaries such as stock brokers and sub-brokers has been provided under the provisions of the Securities and Exchange Board of India Act, 1992.
- Through an order under the Securities Contracts (Regulations) Act, 1956, SEBI has directed the stock exchanges to broad-base their governing boards and change the composition of their arbitration, default and disciplinary committees.
- SEBI issued regulations pertaining to "Insider Trading" in November 1992 prohibiting dealings, communication or counseling in matters relating to insider trading. Such regulations will help in protecting and preserving the market's integrity, and in the long run inspire investor confidence in the market.
- SEBI issued a separate set of guidelines for development financial institutions in Septembers 1992 for disclosure and investment protection regarding their raising of funds from the market. As per the guidelines, there is no need for promoter's contribution. Besides, underwriting is not mandatory.
- SEBI has notified the regulations for mutual funds. For the first time mutual funds are governed by a uniform set of regulations which require them to be formed as trusts and managed by a separate asset management company (AMC) and supervised by a board of trustees or trustee company.
- The 'Banker to the issue' has been brought under purview of SEBI for investor protection. Unit Trust of India (UTI) has also been brought under the regulatory jurisdiction of SEBI.

CONCLUSION :

The Indian capital market has witnessed a radical transformation within a period of just over one decade. During the early part of 1990s the ranking of Indian capital market with reference to global standards of efficiency, safety, market integrity etc., was low. With reference to the risk indices, in particular, the Indian capital market was regarded as one of the worst as it figured almost at the bottom of the league. However, the scenario has now completely changed. Because of extensive capital market reforms carried out over the period of the last one decade or so, the setting up and extension of activities of NSE. and steps taken by SEBI, the Indian capital market is now ranked in the top league. In fact, it is now considered to be way ahead of many developed country capital markets.10

A significant feature of the primary market activity after abolition of capital controls has been that the corporate attempted to diversify the range of instruments. A wide variety of innovative/ hybrid instruments were introduced to suit varied needs of investors and issuers/borrowers. Some of the instruments which became quite popular were secured premium notes (SPN) with detachable warrants, non-convertible debentures with detachable equity warrants, zero-interest equity shares with detachable equity warrants, fully convertible cumulative redeemable preference shares etc. Despite setback in some years due to stock market scams, the sentiments look positive due to revival of retail investor interest in the market following encouraging corporate performance in recent period. However, what continues to be a matter of concern is the fact that it is the foreign institutional investors (Fils) that call the shots in the Indian capital market due to the vast amount of resources at their command. And, as correctly pointed out by R.H.Patil, "The operations of the Fils in India are often sporadic as their buy and sell decisions are governed by global strategies in which the Indian market continues to be a marginal player.", Therefore, external shocks can destabilize the Indian capital market at any time and it is necessary to take adequate precautionary steps to avoid/prevent this possibility.

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