CHAPTER VI
CHAPTER I

In this chapter an introduction to the topic is given. This chapter comprises of statement of problem, importance of the study, Objectives of the Study, Review of Literature, Limitations of the Study, Research Methodology, Sampling Design, Data for the Study and Data Analysis, Limitations of the Study and chapter arrangement.

Statement of the Problem

The investors' invest in corporate securities, LIC policies, Bank Deposits, Mutual funds, Post office saving devices and Government saving certificates and securities. There are enactments to protect the interest of the investors. Even after the legislative measures and pragmatic thinking of the Government there is a doubt whether the investors interest are adequately protected or not.

Importance of the study

A huge capital formation is inevitable to meet Indian Industries financial requirements so as to achieve the desired and planned 8 per cent G.D.P growth. Unless the investors interest is protected in the primary and in the secondary market. Capital formation
cannot be reached to such a magnitude of enabling the industries to reach 8 per cent GDP growth.

Scope of the Study

Since Individual Investors constitute a significant percentage of the total number of share owners, there is a wider scope to examine the adequacy of the law in land from the viewpoint of investors to protect investors interest.

Objectives of the Study

1. To analyse the legal framework behind investors protection
2. To examine the rationale behind investors’ protection
3. To examine legal provisions of the SEBI Act to protect the investors interest from the point of view of investors.
4. To examine the preference of ranks on high rate of dividend, increase in market value of securities, participation in the management, Convertibility into Cash without loss and Exemption from capital gain and income-tax.
5. To suggest measures to protect the investors interest from the viewpoint of investors.
Review of Literature

One of the early works on functioning of stock markets and financial institutions was by Simha, Hemalata and Balakrishnan (1979). Bhole (1982) wrote a comprehensive book on the growth and changes in the structure of Indian capital markets and financial institutions.

Pandya (1992) observes that as a regulatory and development body, SEBI's efforts in the direction of investor protection are varied and unlimited. The measures brought in by SEBI broadly cover measures for allocative efficiency in the primary market with fair degree of transparency, reforms in the secondary market for visible and mutual funds, regulation of various market intermediaries and above all for the protection of the investing public.

Research Methodology

Survey method of research is adopted. The survey is conducted within two districts of Karur and Namakkal Districts.

Sampling Design

A large sample of one hundred investors were selected at random. A proportionate random sampling of investors were examined in all the Taluk’s of Karur and Namakkal District.
Data for the study

Both the primary and secondary data were widely used for the purpose of the study. Books, periodicals, journals, articles, Research Publications, Ph.D works, Government Policies, outcomes of the conferences, findings made by several study groups etc., were used as secondary data.

Data Analysis

L.L. Thurstone's paired comparison scaling technique is used to examine the preference of investors over a high rate of dividend, increase in market value of securities, participation in the management, convertibility into cash without cash and exemption from capital gain.

Limitations of the study

The various enactments concerned with investors protection are central legislations. Further there are about 2 crore investors in India. It is impossible to examine all the investors in India and hence, study is confined to Karur and Namakkal District by taking investors on selected basis.
CHAPTER II

Both the Primary and the secondary markets for corporate and Government securities are governed by the Government by means of a few legislations. Here an attempt has been made in this chapter to bring out the legislative measures, except SEBI Act which is summed up in the next chapter.

1. Income – Tax Act, 1961 and the Finance Act of Every Year


2. The Securities Contract (Regulation) Act 1956

The object of the SC(R) Act is to prohibit undesirable transactions in the stock market so as to transform the secondary securities market as a ready market for securities and not as a place for gambling.

3. Capital Issues (Control) Act, 1947

The Act had its origin during the II world war in 1943 when the objective was to channel resources to support the war effort. Under the Act, any firm wishing to issue
securities had to obtain approval from the Central Government, which also determined the amount, type and price of the issue. As a part of the liberalization process, the Act was repealed in 1992 paving way for market determined allocation of resources.

4. Companies Act, 1956

It deals with issue, allotment and transfer of securities and various aspects relating to company management. It also regulates underwriting, the issue of shares at premium and on discounts on issues, rights and bonus issues, payment of interest and dividends, supply of annual report and other informations. The Companies Act, 1956 provides for an Investor Education and Protection Fund (IEPF) to protect the interest of small shareholder. Legal Position of an Auditor. For not detecting misappropriation of money by the employees of the client because of incorrect accounting procedure. Error in preparing the Final Accounts. Dishonesty or carelessness on the part of the audit (or) articled clerk of an auditor.

5. Depository Act, 1996

The Depository Act, 1996 provides for the establishment of depositories in securities with the objective of ensuring free transferability of securities with speed, accuracy and security by (a) making securities of public limited companies freely transferable subject to certain exceptions; (b) dematerialising the securities in the depository mode; and (c) providing for maintenance of ownership records in a book entry form.
Any person, through a participant, may enter into an agreement, in such form as may be specified by the bye-laws, with any depository for availing its services.

Registration of Transfer of Services with Depository

Every depository shall, on receipt of intimate form a participant, registrar the transfer of security in the name of the transferee. If a beneficial owner or a transferee of any security seeks to have custody of such security, the depository shall inform the issuer accordingly.

Securities in Depositories to be in Fungible Form

All securities held by a depository shall be dematerialized and shall be in a fungible form.

Rights of Depositories and Beneficial Owner

1) The depository as a registered owner shall not have any voting rights or any other rights in respect of securities held by it.

b) The beneficial owner shall be entitled to all rights and benefits and be subjected to all the liabilities in respect of his securities held by a depository.
CHAPTER III

The SEBI Act was brought into force to replace The Control of Capital Issues Act with a view to protect the interest of investors through regulating primary and secondary market. The preamble of the Act he is to protect the interest of the investors. The SEBI board issues guidelines, then and there for the appointment of brokers, issue of securities, grievance redressal, imposition of penalty ... etc.

Functions and Powers of the SEBI Board

Functions

a). Regulating the business in stock exchanges and any other securities markets.
b). Registering and regulating the working of collective investment schemes including mutual funds.
c). Promoting and regulating self-regulatory organizations.
d). Prohibiting insider trading in securities.

Powers

a). Powers to call for periodic returns from authorised / recognised stock exchanges under section (6(1)).
b). Powers to prescribe maintenance of certain documents by the stock exchanges under section (6(2)).
c). Power to license dealers in secured in certain cases.(section 17)

Rules and Regulation

The Government have framed rules under the SC[R] Act, SEBI Act and the Depositories Act. Under these Act, Government and SEBI issue notifications, guidelines, and circulars which need to be complied with by market participants.

Regulators

In the absence of conditions for a perfect competition in the securities market, the role of regulators are extremely important. The rules under the securities laws are framed by Government and regulations by SEBI.

Investor Awareness

Investors are the backbone of the securities market. It is the investor education and awareness that holds the key to reviving and sustaining the interest of the investors in the securities market and infuse confidence in them.
Investor Protection

a. The SEBI Act, 1992 should be amended to provide for statutory standing committees on investors’ protection, market operation and standard setting.

b. SEBI should have power and function of an on-and-off-the-field regulator. The report has listed a number of additional powers to be conferred on SEBI.

Investors Grievances

The consumer forum provides an expeditious remedy to a consumer who has suffered loss on account of deficiency in goods/services purchased by him. A similar arrangement is called for redressal of investor grievances, given the rate of disposal of our judicial system.

Registration of Stock Brokers

i). Stock brokers in all the recognised stock exchanges in the country are required to register themselves with SEBI.

ii). Every stock broker is required to keep and maintain the proper books of account, records ...etc. and intimate to SEBI the place where the books of account, records and documents are kept, records and documents.
Imposition of penalty and Corporate defaulters

a). To furnish any document, return or report to the board, fails to furnish the same, he shall be liable to a penalty not exceeding one lakh and fifty thousand rupees for each such failure;

b). To maintain books of accounts or records, fails to maintain the same, he shall be liable to a penalty not exceeding ten thousand rupees for every day during which the failure continues.

There are several guidelines to protect the interest of investors which are preferential issues, Raising foreign equity in existing companies through preferential allotments of shares to non-residents, book building process, initial public offers through stock exchanges on-line system, Issue of capital by designated financial institutions and OTCEI issues, operational and miscellaneous guidelines.

CHAPTER IV

There cannot be two opinions in protecting the interest of investors in corporate securities. However, there may be arguments as to answer the question why investor protection should be considered significant by all the sections of the society at the national level and at the international level.
Individual Investor

The investors in corporate and government securities may be broadly classified into individual investors and institutional investors. The individual investor may further classified into Indian and Foreign investors. The Indian individual investor are individuals other than institutions who invest their funds in securities.

Investors' Interest

Among other things investors' interest is concerned with safety, liquidity, profitability and shiftability of securities upon which the investment is made.

Investors' Protection

Primary and Secondary market for corporate securities are under organised sector and governed by the Government. There is a probability that individual investors may be scattered throughout the country.

There are arguments in favour of protecting investors. They are

1. For Promoting Capital Formation
2. For Promoting Savings
3. For Promoting Investment
4. To Prevent from Liquidating Investment
5. For Promoting Employment Opportunity to Factors of Production
6. For Promoting GDP Growth
7. For having a Sound Capital Market
8. For Establishing Interest Rate and Yield on Investment Arbitrate
9. For Attracting Foreign Investment
10. For Developing Financial Derivative Market

CHAPTER V

60 per cent of investor are between 25 to 40 years.

70 per cent of investor are male.

44 per cent investor are P.G degree holders.

54 per cent of the investor are salaried class and investment is an additional business to the investors.

54 per cent of the investor average monthly income is more than Rs. 10,000.

66 per cent of the investor are having Television, 64 per cent of the investor are having house, and 64 per cent of the investor are having two wheelers.

80 per cent of the investor used to go through Hindu Newspapers,
64 per cent of the investor invest in fixed deposits.

76 per cent of the investor have taken the LIC policies.

52 per cent of the investor are aware of the SEBI Act.

40 per cent agree that SEBI Act will protect investors interest.

56 per cent of the investors are of the view that the price of shares will not increase after Harsath Metha Scam.

64 per cent of investor invest their funds in securities were tax concessions is not available.

68 per cent of the investor get information for making investments in securities.

52 per cent of the investor considered that availing tax concession is very important.

58 per cent are of the view that there is a high volatility in security prices.
Increase in market value of shares ranks first followed by high rate of dividend, participation in the management of the company, convertible into cash with out loss and exemption from capital gain and income-tax.

The impact of SEBI Act to protect the investors has been surveyed, 50 per cent of the investor strongly agree that have impact on SEBI board prohibit unfair trade.