In India, financial liberalization aimed at activating the stock market that the growth in an inextricable part of overall growth of the financial system. The millions of small and middle class investors, in the post reform period are endowed with increased disposable income, were wooed through a variety of sops and incentives. So, the stock market boom had been driven by retail investors, who had considered that every primary issue was a golden opportunity and that virtually any share price would go up irrespective of the macro fundamentals of the economy and concerned individual firm. But, such innocence was jolted by a series of crashes which dashed their hopes completely by wiping
out, their hard earned money. Even institutional authorities such as SEBI simply could not do anything to stop the fly-by-night operators who seemed to do adhere to the legal formalities.

The small investor will always remain small and where the big money game being played by take-over specialists. Protection to the small investors can be notional. The individual investors got good returns from the market in the early years, upto 1992. However, with liberalization many of these companies could not maintain margins and this led to individual investors losing money. This coupled with problems like bad delivery, low liquidity etc., led to individual investor deserting market. In other words, the Indian stock market has no longer remained a place for small investor. Further, the investor is also being treated as a pariah is. Some even question, his relevance in the present day market place. But at the same time he is being constantly wooed by all.

Everyone wants the small investor back. At various platforms, one keeps hearing about the need to bring back small investors. The real intention, unlike the past, should not be to lure the small investor's back in to the market. We should recognize that the small investor is the backbone of the capital market. The economy can grow only if we are able to channelise his savings into the economy, through the capital market route.

With SEBI having divested itself of the power to vet offer documents, there is a growing perception amongst investors that savvy advertisers, merchant bankers, and greedy journalists and last but not least, unscrupulous elements in SEBI abet each other in duping the gullible investors. Dr. Mehta former chairman, SEBI
says we are not responsible for getting the shares traded. Moreover, we cannot file prosecution in such cases as we have limited powers. We can do so in cases of share transfers, etc., it is for the investors to raise the issue with the management and file prosecution proceedings. Here the question arises, how can SEBI wash its hands off these dead scrips? It was the same SEBI, which allowed these scrips to take funds from investors.

It is an established fact that an investor is prepared to take the risk inherent in equity; he should not be exposed to the risk of fraud. First and foremost, he has to be offered a fair and efficient market place, with better disclosures, accountable intermediaries, removal of insider trading and hundred percent dematerialization, in order to revive the sagging capital markets and restore the investors confidence in Indian capital market.

While the Indian capital markets are in the process of reforms and engaged in the battle of survival, their global counterparts are placed on a similar plane. Globally, browsers are increasingly coming under threat from various corners. For the big players in the global arena, technology has stood as a backbone for their success. But now the biggest threat is coming from the technology itself, the utility of technology in trading has become so prominent that stock exchanges are finding it difficult to cope with the unprecedented growth in technology.

With the growth of internet usage among the retail investors, a new class of exchanges have emerged, called as the Electronic Communication Networks (ECN), these new exchanges are making big exchanges run for their money. As the reach of internet is more compared to the trading platforms provided by the
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exchanges, more and more retail investors are shifting to this ECNs.

What we may still witness is a short-term revival. This could happen because the returns on small savings crashed by more than 4% in the recent years. The tax benefits are fast disappearing and the safe governmental institutions have been increasingly on default track.

To achieve a better and efficient capital market in India where the common investor is better protected from market risks the following points can be considered as suggestions to improve the stock market:

1. SEBI should set up a clear monitoring system to ensure that public money raised through issues are used precisely for the purpose stated in the offer document and any diversion, short term or long term is dealt with as strictly as possible. Without strict monitoring of issue funds, the whole system will degenerate into farce. Investors will finally be ruined.

2. SEBI and the government must insist that promoters should disclose their plans, if any, for issuing further capital for the following 12 or 18 months, at the time of floating new issues or GDR's. SEBI should not allow premium on shares of Greenfield projects. It should put a cap on premium, perhaps by using the old controller of capital issues (CCI) formula.

3. SEBI should control the flow of new issues in to the market. Bunching of huge new issues in one month must be avoided as it imposes unnecessary pressure on the new issue market and indirectly on the secondary market.
4. SEBI should increase its scrutiny and vigilance over new issues of large amounts, say, over Rs.50 crores. It should insist on detailed disclosure of the shareholdings of the promoters and perhaps even the directors. Details of the personal financial resources of the promoters, their net worth and borrowings, should also be investigated and disclosed. SEBI should have some capital adequacy norms for promoters.

5. The issue above Rs.100 crores can be defined as a mega issue. Selling such an issue is an erroneous task for the merchant banker, the recent debacle of some high premium issues has taught the merchant bankers a good lesson. In the present market scenario, selling of a mega issue has become a Herculean task. No promoter wants to sell its equity cheap and tries to get maximum premium and since listing of all these shares are taking place nearer to the issue price, leaving a very little scope for capital appreciation's, investors community shy away from such companies. Therefore in the present state of capital markets, the most effective strategy to sell a mega issue will be to make better presentation of the company in the literature and visible forms, approach the investors of all potential centers and offer good incentive package to get mobilization. Brokers should act ethically and not mislead, or misrepresent the investor's by false promises and prospectus.

6. The main source of the problem is the receiving of the late applications. SEBI has to somehow put an end to this. Infact, SEBI should make moves to computerize the entire collection process. All collection centers should have a fax or modem connected to the mainframe at the registrar. This will ensure that any given point of the time the registers will have a ready record of all the applications and any discrepancy if suspected, can be traced back to the mainframe immediately.
7. Allotments should be finalized in 15 days. Right now the companies deposit the money collected in fixed deposits. The companies wait for the 45 days to elapse as they earn a fat sum via interest, there are companies who finalize the allotment on the 46th day and in case of more greedy companies, it even goes upto 60 days. SEBI can stipulate the companies to mandatory put the money collected in current accounts, automatically there will be speed allotments in 15 days.

8. Since the office of the controller of the capital issues ceased to exist, existing companies have begun to issue right shares at premium ranging from 200 percent to 600 percent. In short, the value of the rights equals the market rates. In consequence of this practice, the small investors are delicately placed in a very sad plight. In many cases, the rights do go unsubscribe due to want of funds on the part of the small investor. Though in terms of legal parlance, the shareholders and the company are two different entities, in reality they are one and the same.

9. SEBI should limit minimum amount to be raised from public issues, so that promoters can't say their issue was small, that's why they didn't prefer to spend on advertisements. SEBI should also make it mandatory for every company to release press handouts to all financial newspapers and magazines. This will at least make general investor aware of issues entering the market. The present SEBI guidelines have made it mandatory for companies to advertise in one leading English newspaper and one regional language newspaper 10 days before the date of issue with the opening and closing dates.

10. There is heavy speculation in a company's share soon after it is listed on the market. The decline in returns after listing indicates that there is a certain degree of rigging by
managements while issuing equity. They also tend to manipulate the subscriptions and response data to get higher listing price. Thus investors in New Issues market should surely benefit from disinvesting soon after listing.

11. The steady decline in returns after listing suggests that it is unprofitable for investors to buy recently listed shares from the secondary market. It could mean that, as a principle, if an investor does not get allotment in a public offer then he should not purchase the shares from the secondary market for at least one year from the date of listing. Then after following the progress of the company in the market and its financial performance, the investor can take a position in the scrip. This would save him from getting caught in the pincer of bulls & bears.

12. The need is to make underwriting a serious business by ensuring that underwriting commitments are strictly enforced, so that underwriters do not support weak issues. Price-rigging and grey-market operations should also be stopped with a firm hand so that weak issues do not get support from other sources also. Investors should also become much more discerning while applying for issues, regardless of whether market conditions are bad or good, so that even when market conditions are good, weak issues cannot enter.

13. As investors have lost heavily of their money in recent years as the new issues of securities purchased with high premium, but the prices opened substantially at a discount market price or crashed in a few days on browses. Such drastic decline could happen because of aggressive pricing, inadequate disclosure, misuse of funds by the promoters. To control this, the idea of providing a price guarantee for all IPOs, that is to indemnify the investor for the losses that he may suffer on
account of erosion in value of his holding upto a period of six months from the date of issue.

14. Introduction of straight through processing, which reduces the trading cycle to T+1day. The benefit of this system is it reduces risk to fewer trade fails, improves the efficiency of handling larger volumes, provides more transparency, and market surveillance etc. It is done by connecting broker offices with banks and DPs on real time basis, the risks will be checked gets sale order through internet on spot for trading execution which reduces investor risks.

15. To avoid the involvement of member directors of stock exchanges in manipulation and mis-use of information, a complete overhaul to be made to organizational structure of stock exchanges through corporatisation and demutulisation. Which divides management, members and brokers separate in stock exchanges, which minimizes scams and insider trading in future.

16. The present investor is in confusion of many stock exchanges (23) in operation. As the development of technology on-line trading facility is available especially NSE, made the role of these regional exchanges limited and these are causing more illiquidity of shares in the market as majority of investors are shifted to on-line trading terminals.

17. The present investor is in dilemma of listing of securities. If a company is unable to get listed in one stock exchange it gets listed on a different exchange because each exchange follow different criteria for listing. The shares of that company are available for trading in exchanges as permitted securities. If SEBI introduces a Central Listing agency, which only can receive requests, grants, and monitors and have power to
suspend or cancel the listing from trading will control companies and regulates also.

18. Regarding mutual fund units, which are least, controlled by regulating authorities, it is suggested to bring mutual fund units in the purview of SEBI like other securities. As SEBI has mandate to protect the interests of investors in securities, it is appropriate to protect the interests of unit holders of mutual funds also.

19. There are several agencies regulating different aspects of the securities market, which causing a lot of confusion among market participants. To avoid inconsistency, overlapping and gaps, it is suggested, consolidation of all laws relating to securities market into a single piece of legislation, preferably called Securities Act and assigning one agency to look after. And it should prevail over laws like, Companies Act, UTI Act, Consumer Protection Act, Contract Act etc., and this agency works in coordination with regulators of other areas of financial markets.

20. There should be a investor forum like consumer forum, which compensates the consumers, like this investor forum should have powers to dispose off the grievances and to award compensation to investors.