



CHAPTER 5

CONCLUSION AND SUGGESTION

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5.1 FINDINGS:

Throughout its twenty one-year survival as a statutory body, SEBI has sought to balance the two objectives by continually reviewing and reappraising its existing policies and programmes, formulating new policies and crafting new regulations in areas up till now unregulated, and implementing them to make sure growth of the capital market. From the above analysis and interpretation as well as other observation details, the researcher found the following particulars about SEBI, and its role explained in Indian capital market.

The present research study is an honest attempt to examine the role of SEBI in capital market.

5.1.1 SEBI and the Development of Securities Market

1) Primary Securities Market:

Value of resource mobilization through public issues was higher than right issue during the period 2001-02 to 2011-12. It was the lowest i.e. 22.08 percent in 2008-09. However, it was the highest to 95.67 percent in 2003-04. Amount raised through rights issues to total issues was the lowest i.e. 4.9 percent in 2011-12. And it was the highest i.e. 77.91 percent in 2008-09. The total value of issued amount remained fluctuating between Rs.7573.08 crore to Rs. 87,029 crore during the above mentioned period. And it was the highest in 2007-08, whereas the lowest in 2002-03.

2) Secondary Securities Market:

- a) The study reveals that the compound growth rate of BSE stood at 14.01 percent. The notable growth rate recorded by NSE was 22.76 percent which is higher and growth rate of other stock exchanges showed -51.19 percent during these eleven years.
- b) The Compound Growth Rate of Market Capitalization at BSE during these eleven years was the highest of All Listed Companies i.e. 282.80 and the lowest of BSE PSU i.e. 7.73 percent. The CGR of BSE Sensex was 11.99 percent, BSE-Teck was 8.07 percent, Bankex was 17.82 percent.
- c) The Compound Growth Rate of Market Capitalization at NSE during the study period was the highest of All Listed Companies i.e.23.09 percent and the lowest CNX IT i.e. 4.54 percent. The CGR of S&P CNX Nifty was 9.59 percent, CNX Midcap was 13.04 percent and CNX Bank was 16.52 percent.

- d) The all-India cash turnover to GDP ratio rose to 109.3 percent in 2007-08 from 39.33 percent in 2002-03. In the derivative segment also, there was increase in the turnover to GDP ratio from 17.95 percent in 2002-03 to 281.1 percent in 2010-11. The BSE market capitalisation to GDP ratio has increased from 23.29 percent in 2002-03 to 109.5 percent in 207-08. Similarly, at NSE also the ratio has increased from 21.85 percent to 103.5 percent over the same period.
- e) In contrast to the trend in the previous two years 2009-10 and 2010-11, the P/E ratios of the major indices scaled downward in 2011-12. At the end of 2010-11, the P/E ratio of BSE Sensex, BSE 100, CNX Bank and CNX PSE were 21.2, 20.7, 18.5 and 15.0 respectively as compared to 18.57, 16.11, 9.84 and 12.37 respectively as on 2003-04. The valuation of the shares can be gauged from price-earnings ratio. In contrast to the trend in the years 2009-10 and 2010-11, P/E ratios of major indices scaled downward in 2011- 12.
- f) During the period 2003-04 to 2011-12 The P/B ratios was the highest for the CNX IT index, it was followed by BSE 100, S&P CNX Nifty, CNX Mid cap, BSE Sensex, CNX PSE and CNX Bank, respectively.
- g) Trading frequency improved at both stock exchanges during the study period. During 2011-12, the number of securities traded in BSE was higher i.e. 3,923 as compared to 2,679 in 2002-03. Similarly, the number of securities traded in NSE was also higher at 1,627 in 2011-12 where as it was 899 in 2002-03.
- h) The percentage share of securities traded at BSE above 100 days increased to 81.3 percent in 2011-12 from 23.15 percent in 2001-02. At NSE, this percentage was 78.12 percent in 2001-02 and 94.0 percent in 2011-12. The percentage share of securities traded for less than 10 days marginally decreased from 24.76 percent in 2001-02 to 8.2 percent in 2011-12. At NSE, this percentage decreased from 3.73 percent in 2001-02 to 2.7 percent in 2011-12.
- i) Over the study period, the CGR values clearly show that NSE had the highest growth rate in term of number of shares trade, number of shares delivered and the value of shares delivered i.e. 20.30 percent, 21.64 percent, and 29.37 percent, respectively. Amongst there three variables, the growth rate was maximum in case of value of share delivered. The performance of BSE in term of given variables was also significant but comparatively the performance of NSE surpasses that of BSE. It was worth noting that

the performance of other stock exchange in terms of the number of shares traded and delivered.

j) 3) Mutual Funds:

- a) Overall growth rate (CGR) of gross mobilization during the study period was 51.37 percent, redemption was 52.15 percent and the assets under management by all mutual funds were 23.19 percent. The CGR of redemption was the highest and the assets under management by all mutual funds were the lowest.
- b) The compound growth rate (CGR) of trends in transaction on stock exchange by mutual funds during these eleven years the combined net investment by the mutual funds in debt and equity was 45.45 percent. The CGR of the combined gross purchases was the highest i.e. 40.70 percent and gross sales was the lowest i.e. 39.50 percent. The CGR of equity and debt gross purchases was 57.90 percent and 43.72 percent and gross sales was 56.34 percent and 42.66 percent, respectively.

4) Foreign Institutional Investment:

The compound growth rate of yearly trend in FII investment during the study period was 37.64 percent in gross purchases, 39.25 percent in gross sales. The CGR value of gross sales compared to gross purchases was the highest.

5.1.2 Regulatory Measures and Policies of SEBI:

SEBI functions within the legal framework of the SEBI Act, 1992. The statutory objectives of SEBI as enshrined in the SEBI Act, 1992 are fourfold:

- Protection of the interests of investors in securities;
 - Development of the securities market;
 - Regulation of the securities market; and
 - Matters connected therewith and incidental thereto.
- a) In keeping with these objectives, SEBI has set for itself strategic aims in the four key spheres which encompass SEBI's activities, namely, investors, issuers, intermediaries and regulatory regime.
 - b) To the investors, SEBI strives to assure that their rights are protected, they are able to make informed choices and decisions and the market is fair in its financial dealings.
 - c) To the issuers, SEBI strives to provide a transparent, efficient market where they are able to raise resources at reasonable cost, conduct themselves in accordance

- with the highest standards of corporate governance, and diligently meet their regulatory obligations.
- d) To the intermediaries, SEBI strives to provide a market in which they can compete freely and operate in a manner which gives the investors and market participants' confidence that the market is efficient, orderly and fair.
 - e) In the regulatory regime, SEBI seeks to ensure transparency - that it always remains appropriate, proportionate and effective. With these strategic aims in view, SEBI has been constantly reviewing and reappraising its policies and programmes, formulating new policies and regulations to cover areas hitherto unregulated or inadequately regulated and implementing them in a manner so as to promote the growth of the market with transparency, fairness, efficiency and integrity.
 - f) The present research study is an honest attempt to examine Investor protection which is one of the most important elements of a thriving securities market or other financial investment institution. Investor protection focuses on making sure that investors are fully informed about their purchases, transactions, affairs of the company that they have invested in and the like.
 - g) SEBI had issued guidelines for the protection of the investors through the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000. The measures in practice gave mixed results. On the positive front, many banks sponsored mutual fund had launched assured return schemes and lured the investor's huge contribution.

5.1.3 Cases Settlement by SEBI:

1) Investigation:

- a) Since 1992-93, SEBI has undertaken 1,196 investigation cases. 1,131 cases investigations have been completed. It is observed that the Compound Growth Rates in case of number of cases completed is 0.63 percent which is more than the number of cases taken for investigation i.e.-3.24 percent.
- b) In the duration of eight years from 2004-05 to 2011-12 out of investigation cases taken up the number of market manipulation and price rigging cases was 579 very high. It is followed by the cases of insider trading i.e. 114. The number of investigation cases taken up was maximum in the year 2005-06. The growth rate of

the capital “issue” related manipulation taken up was the highest i.e. the CGR of such cases was 36.72 percent. It is followed by the case insider and market manipulation & price rigging taken up i.e. 19.92 percent and 10.23 percent.

- c) The number of investigation cases completed of market manipulation & price rigging and insider trading were maximum, Respectively 598 and 114. The number of investigation cases completed was maximum during the 2004-05. The number of all type of cases taken for investigation was 845 and the number of investigation cases completed was 844. It means that all most all taken up cases for investigation were completed. The trend in the cases of market manipulation & price rigging was having declining trend over the period 2004-05 to 2011-12. The compound growth rate (CGR) of cases completed belonging to Market Manipulation and price rigging was -14.18 percent, Capital “Issue” related Manipulation stood at 11.18 percent; Insider Trading was 9.32 percent, Takeovers 2.75 percent and Miscellaneous -4.53 percent. Of the total cases completed, 71 percent pertained to market manipulation and price rigging.
- d) The study reveals that total actions taken by SEBI has been increasing, it shows that it is well, sound and regulating authority on behalf of Government of India for the development of capital markets in India. The total numbers of Investigation of various malpractices and regulatory actions were taken against 4548 entities during the period of 2002-03 to 2011-12.

2) Enforcement of Regulations:

a) Enforcement Mechanisms:

Compared to 2001-02 the number of actions initiated, number of actions disposed and pending cases was high in 2011-12. Both in case of number of action initiated and number of action disposed, the maximum cases found under adjudication proceeding in the year 2011-12.

b) Market Intermediaries:

In eleven years duration from 2001-02 to 2011-12 the number of adjudication proceedings initiated against Stock Brokers/ Sub-brokers was very high that was 1163 cases. It was increasing in recent years. On the other hand there was a declining trend in case of summary proceedings initiated-stock brokers/sub-

brokers and cancellation of registration in recent years of the study period. The cases of 'no action' were found only in the years from 2001-02 to 2004-05.

3) Prosecution:

Trends in Prosecution:

The total number of prosecutions launched till 31 March, 2011 was 1175 and the total number of persons or entities against whom prosecution was launched was 5552. From the above it is clearly revealed that as regulator of capital markets, SEBI has done a tremendous role for control of various manipulations occurred in our Indian securities markets from the last 20 years. The growth rate of number of cases in which prosecution has been launched is -21.44 and the growth of number of person/ entities against whom prosecution has been launched is -20.27 during the period 2001-02 to 2011-12 under considered.

4) Litigations, Appeals and Court Pronouncements:

The research study present details with regard to cases lying before the Courts / Securities Appellate Tribunal (SAT) and also information on the nature of violations. Compare to 2003-04 there was a great enhancement in the year 2011-12 in the number of cases filed, cases dismissed/ allowed/ withdrawn and cases pending. The number of pending cases was very high constituting 65 and 73 percent in 2003-04 and 2011-12 respectively.

5) Investor Assistance and Education:

Complaints Redress System of SEBI provides details of the Status of Investor Grievances Received and Redressed. SEBI has undertaken 278,57,389 investor grievances received. 94.44 percent grievances redressed have been completed. The redressed rate to grievances received was fluctuating in the range of 93.60 percent to 94.99 percent during the period of 2001-02 to 2011-12.

5.2 CONCLUSION:

The significant contribution of SEBI in the promotion of securities market can be proved with the help of the growth in the figures of turnover, market capitalization, price earning ratios, book value price ratios, trading frequency of listed stocks, resource mobilization transactions by mutual funds, and investment by foreign institutions which are mentioned in the second chapter.

The significant contribution of SEBI in the regulation of securities market and protection of the interest of the investors had been established with the help of various schemes and regulatory measures by the SEBI which are mentioned in the third chapter and the cases of settlement by SEBI through investigation, enquiry, adjudication proceeding and enforcement of regulations prosecution which were highlighted in fourth chapter. The researcher can state that the hypothesis i.e. “SEBI has significant contribution in the promotion and regulation of securities market and protects the interest of investors” is accepted.