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**INVESTOR'S AWARENESS AND EFFECTIVENESS OF SEBI ON  
INVESTOR PROTECTION LAWS IN INDIA  
(A STUDY ON SELECTED INVESTORS OF ANDHRA PRADESH)**

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**ABSTRACT**

*Investor participation itself is influenced by the level of protection that is guaranteed to an investor against market irregularities. Protection of Investors is of utmost importance as it is his faith in the stock market that is the foundation stone of further growth of Capital market. It is imperative for the healthy growth of the corporate sector that this confidence is maintained. However, many investors may not possess adequate expertise/knowledge to take informed investment decisions. Some of them may not be aware of the SEBI protection laws. They may not be familiar with the market mechanism and the practices as well as their rights and obligations. The present study is having a different dimension and focus, mainly on investor's awareness and effectiveness of SEBI protection laws. This research finds the impact of age, education and occupation level on awareness.*

**Key words: investors, SEBI, protection laws, awareness**

## **Introduction:**

In a civilized society the law and legal system is supposed to protect the interests of the investors and their encourage them to invest in corporate securities. The protection of law is much needed particularly in risk involved securities like equity shares. In order to boost investors confidence better corporate governance is very essential. Investor protection is the primary objective of SEBI, the sole capital market regulator. Protection of investors takes place at different level viz company level, stock broker's level, stock exchange level, etc. so it is essential that the investors be well aware of the SEBI rules and regulations. The knowledge about the SEBI protection laws helps the investors to take wise and relational investment decisions.

## **Objectives of the Study**

The focus of the study will be on Investor's awareness and Effectiveness of SEBI on investor protection laws in India a study on selected investors of Andhra Pradesh. The specific objectives of the study are as follows:

1. To study the awareness of investors on SEBI protections laws.
2. To analyze the effectiveness of SEBI protections laws among the people of Andhra Pradesh regards to age, education and occupation wise.
3. To make appropriate suggestions to protect the investor in India in general and Andhra Pradesh in particular.

## **Methodology**

The study is based on both primary and secondary data. Selected cities, towns and villages of Andhra Pradesh are taken up for making a field study to elicit the opinions and observations of investors with different backgrounds. The selection of places is made from all the two regions of the state namely, Coastal Andhra, Rayalaseema.

## Sampling design

A stratified random sampling procedure is adopted for the selection of sample informants. The whole state is firstly divided in to two geographical regions namely, Coastal Andhra, Rayalaseema. From each of the regions some cities have been selected. They are: Nellore (40); Vijayawada (90); Bhimavaram (40); Kakinada (40); Visakhapatnam (90) from Coastal Andhra region; Tirupathi (80); Cuddapah (40); Kurnool (40); Anantapur (40) from Rayalaseema region.

## Data analysis:

### Awareness about SEBI protection laws

The information relating to the above aspect has been collected from the respondents and presented in table 1. From the table it is analysed that the investors in Andhra Pradesh has a very high level of awareness about the SEBI protection laws. About 63 per cent of the investors in the state are aware of the SEBI protection laws and 18.80 per cent respondents very much aware of the SEBI protection laws, while the remaining 18.20 per cent are not aware of the SEBI protection laws. Further age wise analysis shows that the highest level of awareness is recorded among those who are in the age group of 40-50 years (77.67%) and the lowest percentage is recorded among the investors above the age of 50 years (50.41%).

**Table 1: Awareness about SEBI protection laws- age wise**

Age	Awareness			Total
	Very much aware	Aware	Not aware	
<b>Below 30</b>	15 (27.78)	31 (57.41)	8 (14.81)	<b>54</b> <b>(100.00)</b>
<b>30-40</b>	21 (19.44)	55 (50.93)	32 (29.63)	<b>108</b> <b>(100.00)</b>
<b>40-50</b>	19 (8.84)	167 (77.67)	29 (13.49)	<b>215</b> <b>(100.00)</b>
<b>Above 50</b>	39 (31.71)	62 (50.41)	22 (17.88)	<b>123</b> <b>(100.00)</b>
<b>Total</b>	<b>94</b> <b>(18.80)</b>	<b>315</b> <b>(63.00)</b>	<b>91</b> <b>(18.32)</b>	<b>500</b> <b>(100.00)</b>

## Education wise analysis:

Education wise classification of the above data relating to the investors awareness about the SEBI rules relating to investor protection laws is presented in the table 2.

**Table 2: Awareness about SEBI protection laws- education wise**

Educational background	Awareness			Total
	Very much aware	Aware	Not aware	
<b>Below SSC</b>	8 (24.24)	23 (69.70)	2 (6.06)	<b>33</b> <b>(100.00)</b>
<b>Degree</b>	44 (18.03)	146 (59.84)	54 (22.13)	<b>244</b> <b>(100.00)</b>
<b>PG</b>	23 (17.69)	84 (64.61)	23 (17.70)	<b>130</b> <b>(100.00)</b>
<b>Professional</b>	8 (20.00)	23 (57.50)	9 (22.50)	<b>40</b> <b>(100.00)</b>
<b>Technical</b>	10 (24.39)	28 (68.29)	3 (7.32)	<b>41</b> <b>(100.00)</b>
<b>Others</b>	2 (16.67)	8 (66.67)	2 (16.66)	<b>12</b> <b>(100.00)</b>
<b>Total</b>	<b>95</b> <b>(19.00)</b>	<b>312</b> <b>(62.40)</b>	<b>93</b> <b>(18.60)</b>	<b>500</b> <b>(100.00)</b>

It is observed from the table that the majority of the investors in Andhra Pradesh in all education levels have reasonable level of awareness about the SEBI investor protection laws. The highest percentage is recorded among the technical qualification category (68.29%) and lowest is recorded among the respondents with professionally qualified investors (57.50).

## Occupation wise analysis:

**Table 3: Awareness about SEBI protection laws – occupation wise**

Occupation	Awareness			Total
	Very much aware	Aware	Not aware	
<b>Employed</b>	70 (19.44)	220 (61.11)	70 (19.44)	<b>360</b> <b>(100.00)</b>
<b>Agriculture</b>	2 (20.00)	6 (60.00)	2 (20.00)	<b>10</b> <b>(100.00)</b>
<b>Business</b>	16 (17.02)	71 (75.53)	7 (7.43)	<b>94</b> <b>(100.00)</b>
<b>Profession</b>	6 (30.00)	11 (55.00)	3 (15.00)	<b>20</b> <b>(100.00)</b>
<b>Others</b>	0 (0.00)	6 (37.50)	10 (62.50)	<b>16</b> <b>(100.00)</b>
<b>Total</b>	<b>94</b> <b>(18.80)</b>	<b>314</b> <b>(62.80)</b>	<b>92</b> <b>(18.40)</b>	<b>500</b> <b>(100.00)</b>

An occupational classification of the above data is presented in table 3. It can be seen from the table that 75.53 per cent of the investors from business, 60 per cent from agriculture sector, 61.11 per cent from the employee and 55 per cent of the profession have very high awareness about the SEBI investor protection laws. From this it can be inferred that investors in all occupational background have reasonable degree of awareness about it. This may be due to higher level of education and higher exposure to media which disseminating the stock market information.

### **Effectiveness of SEBI investor protection laws to control unfair practices**

Internationally, there is an increased evidence to suggest that investor protection has assumed an important role in the laws and their enforcement encouragement of modern investment habits of the investors. Transparency and integrity of the financial markets and economic well-being of a country depend on corporate accountability and investor's confidence.

It is true that the financial markets have collapsed due to lack of investor confidence which is resulted in financial crisis. The revival of investor's protection with corporate security market is necessary to make market more efficient by converting savings to corporate securities.

**Table 4: Effectiveness of SEBI investor protection laws – age wise**

Age	Level of Effectiveness					Total
	Very much effective	Effective	Neither or nor effective	Not effective	Not at all effective	
<b>Below 30</b>	10 (18.86)	32 (60.37)	6 (11.32)	5 (9.43)	0 (0.00)	<b>53</b> <b>(100.00)</b>
<b>30-40</b>	21 (19.26)	31 (28.44)	31 (28.44)	23 (21.10)	3 (2.75)	<b>109</b> <b>(100.00)</b>
<b>40-50</b>	23 (0.64)	105 (48.61)	31 (14.35)	49 (22.69)	8 (3.70)	<b>216</b> <b>(100.00)</b>
<b>Above 50</b>	11 (9.80)	52 (46.40)	23 (20.54)	28 (25.00)	8 (7.14)	<b>112</b> <b>(100.00)</b>
<b>Total</b>	<b>65</b> <b>(13.00)</b>	<b>220</b> <b>(44.00)</b>	<b>91</b> <b>(18.20)</b>	<b>105</b> <b>(21.00)</b>	<b>19</b> <b>(3.80)</b>	<b>500</b> <b>(100.00)</b>

If the investor have not been protected properly by means of rate of return and capital, the corporate sector will not be able to collect funds from the market with cheap rate and effectively in future days. For gaining the confidence of investors in the security market there is a need to provide an adequate rate of return improved operating efficiency of companies' transparent disclosure system in the security market then only the investors lure back to market. By all means ethics based good corporate governance is to be implemented on sustainable basis. The authorities in the country can accomplish this endeavor by series of systematic measures that would build their confidence in the systems and processes and protect the interest of investors. In this context it is desirable to assess the role played by SEBI in the surveillance and control of activities of the investors and capital market.

The data relating to the opinion of sample investors about the effectiveness about the SEBI rules relating to controlling unfair practices and investor protection have been collected and presented in table 4. It is revealed from the table that 44 per cent of the investors in Andhra

Pradesh have the opinion that the SEBI protection rules are effective. It is also observed that the investors below the age of 30 years (60.38%) have satisfied with the effectiveness where as it are low in the age category of 30-40 years (28.44%).

### Education wise analysis

The table 5 shows the opinion of the investors about the effectiveness of the SEBI protection rules to control the unfair trade practices. It can be seen from the table that comparatively a larger percentage of the investors in all groups according to qualification except others are of the opinion that the SEBI protection rules are effective in controlling the unfair trade practices to major extent.

**Table 5: Effectiveness of SEBI investor protection laws – education wise**

Educational background	Level of Effectiveness					Total
	Very much effective	Effective	Neither or nor effective	Not effective	Not at all effective	
<b>Below SSC</b>	10 (30.30)	15 (45.45)	3 (9.09)	5 (15.15)	0 (0.00)	<b>33 (100.00)</b>
<b>Degree</b>	26 (10.52)	98 (39.67)	54 (21.86)	54 (21.86)	15 (6.07)	<b>247 (100.00)</b>
<b>PG</b>	11 (8.39)	75 (57.25)	16 (12.21)	29 (22.13)	0 (0.00)	<b>131 (100.00)</b>
<b>Professional</b>	3 (7.69)	18 (46.25)	8 (20.51)	8 (20.51)	2 (5.12)	<b>39 (100.00)</b>
<b>Technical</b>	11 (8.39)	13 (33.33)	6 (15.38)	6 (15.38)	3 (7.69)	<b>39 (100.00)</b>
<b>Others</b>	3 (27.27)	3 (27.22)	3 (27.27)	2 (18.18)	0 (0.00)	<b>11 (100.00)</b>
<b>Total</b>	<b>64 (12.80)</b>	<b>222 (44.40)</b>	<b>90 (18.00)</b>	<b>104 (20.80)</b>	<b>20 (4.00)</b>	<b>500 (100.00)</b>

## Occupation wise analysis

The occupation wise analysis of the effectiveness of the SEBI protection rules is presented in the table 6. The table shows that the investors who are Profession (68.18%) are satisfied with the effectiveness of the SEBI protection rules to control the unfair trade practices.

**Table 6: Effectiveness of SEBI investor protection laws – occupation wise**

Occupation	Level of Effectiveness					Total
	Very much effective	Effective	Neither or nor effective	Not effective	Not at all effective	
<b>Employed</b>	45 (12.60)	154 (43.13)	67 (18.76)	73 (20.25)	18 (5.04)	<b>357</b> <b>(100.00)</b>
<b>Others</b>	0 (0.00)	5 (31.25)	6 (37.50)	5 (31.25)	0 (0.00)	<b>16</b> <b>(100.00)</b>
<b>Agriculture</b>	3 (30.00)	3 (30.00)	2 (20.00)	0 (0.00)	2 (20.00)	<b>10</b> <b>(100.00)</b>
<b>Business</b>	15 (15.78)	42 (44.21)	15 (15.78)	23 (24.21)	0 (0.00)	<b>95</b> <b>(100.00)</b>
<b>Profession</b>	2 (9.09)	15 (68.10)	2 (9.09)	3 (13.71)	0 (0.00)	<b>22</b> <b>(100.00)</b>
<b>Total</b>	<b>65</b> <b>(13.00)</b>	<b>219</b> <b>(43.80)</b>	<b>92</b> <b>(18.40)</b>	<b>104</b> <b>(20.80)</b>	<b>20</b> <b>(4.00)</b>	<b>500</b> <b>(100.00)</b>

**Conclusion:** The SEBI conducting so many seminars, workshop and awareness programs to create awareness on investor's protection act. Investor education campaigns have been yielding positive results to some extent, still lot more needs to be done. Indian investors have been steadily fleeing the market, despite the apparent spread of 'equity culture', which calls for immediate attention of the apex body to frame and effectively implement the measures to protect the interests of investors, and restore their confidence in the stock market..The credibility of SEBI as a regulator also appears to have been facilitated hugely by the creation of specialised courts with specialised domain knowledge that can rapidly review regulatory actions. In the process of ensuring that the markets develop in such a way that the objective of securities markets continue to be met, the legal processes at SEBI have also continued to evolve along the



lines of higher levels of transparency of processes, clarity of actions and credibility of legal action. In order that the regulator continues to evolve and bridge any gaps between current process and what the principles driving a good regulatory functioning would suggest, we suggest that SEBI continues to improve the legal processes, particularly in enforcement, to achieve better levels of clarity on regulation and the legal process.

### **Suggestions:**

1. Investor Awareness Programmes should be organized for specific demographics of population to cover the length and breadth of the country. Basically, to cover the remote areas, Investor Awareness Programmes and media campaigns should be rigorously organized.
2. Increased investor education and awareness in semi-urban centers to cover each and every corner of the country. It is necessary to increase the awareness among general public in rural area as they are less aware. Investor Camps /Investor Awareness Programmes should be organized on continuous basis.
3. Investors' Confidence need to be rebuilt through Enhanced Investor Protection, Better Transparency, Market Integrity, Market Efficiency, and Enhanced Quality of Supervision over market intermediaries
4. Control the speculative transactions of Institutions which influence markets;
5. Taking strict action against the fraudulent merchant bankers and stockbrokers;
6. Severe punishments are prescribed for wrong doers.
7. A judicial forum is needed for the redressal of investors' grievance for the purpose of remedying the same with the award of compensation. The consumer forum should be the redressal forum only for the purpose of compensating the investors.
8. Stringent Rules/ Regulations be introduced for better monitoring of companies post IPO/FPO for use of funds. There should be provision for refund in case the discrepancies are noted.

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