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## Investors' Grievances Redressal Mechanism in SEBI

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### ABSTRACT

*This conceptual paper attempts to make an analysis on investors' grievances redressal mechanism in SEBI. The Indian securities markets have come a long way in the last two and a half decades in terms of both quantitative as well as qualitative transformations. They have also witnessed quite a few ups and downs including a global financial crisis. The relationship between the rate of economic growth and growth in the securities market is two-fold and symbiotic. Strong economic growth helps securities market to develop and developed securities market mobilizes capital to fuel economic growth. SEBI has been mandated to protect the interest of the investors in securities market of the country. SEBI Act, 1992 clearly specifies that SEBI has been formed for the development, regulation of securities market and to protect the interest of the investors. Also SEBI has put in dedicated grievance cell for grievances against listed companies, against stockbrokers, against Depository Participants and other market intermediaries. Each complaint received by SEBI is acknowledged and reference no. is sent to the complainant. Each complaint is taken up with the company, and if the complaint is not resolved within a reasonable time, this division carries out periodical follow up with the concerned company. The officials of SEBI regularly hold meetings with company officials to impress upon their obligations to redress the grievances of investors. SEBI is ensured that the effective grievance redressal mechanism to provide better investors' protection.*

**Key Words: Grievances Redressal Mechanism, Indian Securities Market, Investors' SEBI.**

### 1. INTRODUCTION

The Indian securities markets have come a long way in the last two and a half decades in terms of both quantitative as well as qualitative transformations. They have also witnessed quite a few ups and downs including a global financial crisis. The relationship between the rate of economic growth and growth in the securities market is two-fold and symbiotic. Strong economic growth helps securities market to develop and developed securities market mobilizes capital to fuel economic growth. Since SEBI was established in 1992, we have witnessed this virtuous cycle. Since the establishment of SEBI, the securities market in India has developed significantly. Establishing SEBI led to successful transition from a highly controlled merit based regulatory regime to a market oriented disclosures based regulatory regime. Over the last two and a half decades, SEBI has at all times ensured that Indian securities market develops in terms of products, technology, participants, surveillance and enforcement in tandem with international standards. SEBI has incessantly strived for a well regulated modern securities market in India by adopting various global standards and international best practices. With the implementation of different regulations prescribed by SEBI, access to information has increased, risk of defaults has gone down and the overall governance has become conducive for the protection of investors' interests and overall development of the securities market in India.

### 2. SIGNIFICANCE OF THE STUDY

Securities and Exchange Board of India (SEBI) is a statutory body established under the SEBI Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities

market. SEBI has been taking various steps, including regulatory measures to facilitate the redressal of investor grievances. The grievances lodged by investors are taken up with the respective listed company or intermediary and monitored on a regular basis. Grievances pertaining to stock brokers and depository participants are taken up with concerned stock exchanges and depositories for redressal and monitored by the concerned department through periodic reports obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and monitored by the concerned SEBI department. The study will help the investors' to get awareness about the grievances redressal mechanism in SEBI.

### **3. INVESTOR GRIEVANCES**

There will be occasions when an investor has a complaint against, a listed company or an intermediary registered with SEBI. In the event of such complaint, the investor should first approach the concerned company/ intermediary against whom there is a complaint. Sometimes the response received may not be satisfactory. Therefore, investors should know as to which authority they should approach, to get their complaints redressed.

### **4. ENTITIES AGAINST WHICH COMPLAINTS ARE HANDLED BY SEBI**

- i. Listed companies
- ii. Stock Brokers/Sub-brokers
- iii. Stock Exchanges
- iv. Depository
- v. Depository Participants
- vi. Registrars to an Issue / Share Transfer Agent
- vii. Mutual Funds
- viii. Portfolio Managers
- ix. Bankers to an Issue
- x. Collective Investment Schemes
- xi. Credit Rating Agencies
- xii. Custodians of Securities
- xiii. Debenture Trustees
- xiv. Merchant Bankers
- xv. Underwriters
- xvi. SEBI also has a separate department to look into market irregularities. If any irregularities are found in trading in shares or manipulation in price or violation of Insider trading regulations, the same can be reported to SEBI.

### **5. HOW INVESTOR COMPLAINTS ARE HANDLED IN SEBI?**

SEBI has a dedicated department viz., Office of Investor Assistance and Education (OIAE) to receive investor grievances and to provide assistance to investors by way of education. Investors who are not satisfied with the response to their grievances received from the Stock Exchanges/Depositories can lodge their grievances with SEBI. Grievances pertaining to stock brokers and depository participants are taken up with respective stock exchange and depository for redressal and monitored by SEBI through periodic reports obtained from them. Grievances pertaining to other intermediaries are taken up with them directly for redressal and are continuously monitored by SEBI. Grievances against listed company are taken up with the respective listed company and are continuously monitored. The company is required to respond in prescribed format in the form of Action Taken Report (ATR). Upon the receipt of ATR, the status of grievances is updated. Where the

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response of the company is insufficient / inadequate, follow up action is initiated. If the progress of redressal of investor grievances by an entity, is not satisfactory, appropriate enforcement actions (adjudication, direction, prosecution etc.) are initiated against such entity.

## 6. WHAT ARE THE TYPES OF COMPLAINTS HANDLED BY SEBI?

Complaints arising out of activities that are covered under SEBI Act, 1992; Securities Contract Regulation Act, 1956; Depositories Act, 1996 and Rules and Regulations made there under and provisions that are covered under Section 55A of Companies Act, 1956 are handled by SEBI.

## 7. REVIEW OF LITERATURE

**Venugopal<sup>1</sup>(2012)** states that investors face some more grievances other than listed by SEBI. These are mainly due to lack of market liquidity in many securities, excessive speculation in the market, price rigging on many scrips, insider trading by those possessing price sensitive information, excessive premium charged by some company promoters under the guise of free pricing norms etc.

**Angela<sup>2</sup>(2010)** a well-known online trading specialist, talked about Investor Grievance Redressal Mechanism and investor grievances on account of failure on the part of market intermediaries like merchant bankers, depository participants, brokers, sub-brokers, RTA agents, etc. The author talked about the redressal of grievances through audit trial, and stressed upon the need for greater communication between the market intermediaries and the investors. The author also talked about various grievances like non-receipt of shares/sale proceeds, non-settlement of accounts, disputes regarding rate differences, non-implementation of arbitration awards, etc. The author advised the investors to approach the concerned authorities without any delay in case they have any grievances.

**Kaboor A<sup>3</sup>(2010)** examined the individual investor's Financial Literacy of the investment options. The results of the study have brought out the investors attributes that determine investor financial literacy. The expanding and examining investor financial literacy would enable a researcher to understand the spread of financial literacy among investors of different cities. Inter regional disparities in financial literacy could be discerned and methods could be suggested to attain equal distribution of financial literacy among investors. Further grievance redressal mechanism operating at different levels may be studied for its efficiency.

**Jogendra Kumar Nayak & Dr.Subhas Chandra Das<sup>4</sup>(2007)** in their article point out that the new issue market, also known as primary market has undergone an exponential growth in the last decade or so. The paid up capital as well as the number of listed companies has risen sharply. Undoubtedly this is an indication of a healthy trend in the development of the nation. But the moot question to be answered is whether the growth of the new issue market has witnessed a decline in investor grievances or it has been on the rise. In this paper an attempt has been made to find out the common grievances and the regulatory measures undertaken to provide protection.

**Desigan et al.<sup>5</sup>(2006)** conducted a study on women investor's perception towards investment and found that women investor's basically are indecisive in investing in MFs due to various reasons like lack of knowledge about the investment protection and their various investment procedures, market fluctuations, various risks associated with investment, assessment of investment and redressal of grievances regarding their various investment related problems.

**P.M. Deleep Kumar and G Raju<sup>6</sup>(2006)** are concerned with the pushing of grievances in the Indian Stock Market. They pointed out that in spite of the market reforms and regulatory measures initiated by those at the helm of affairs, many investors continue to face several difficulties from a multitude of elements involved in the capital market. The gullibility of the investors is a major factor inviting difficulties to them. The authors suggest that if the investors educate themselves better in the intricacies of the market and show more restraint and caution, a major share of their problems could be averted.

**P. Viswanadham**<sup>7</sup>(2005) in his paper titled ‘Investor Protection the Role of SEBI’ outlines the Endeavour’s of the SEBI towards a proactive approach by conducting several Investors’ awareness/ Investor’’ education programme across the country. The SEBI is equally active in its reactive approach also by redressing the investors’grievances, conducting investigations and appointing enquiry officers against financial intermediaries and also taking action in a number of cases.

**Pawan Kumar Taneja and Singh**<sup>8</sup>(2004) In this study titled, “Capital Market Reforms- A Case Study of Grievances and Awareness of Retail Investors in Stock Market”, the authors wanted to know the retail investors perception towards stock exchanges education programs and grievances redressal system. Ultimately he opinions that almost all the respondents are aware of the education programs, and they could be protecting themselves from the fraudulent activities.

**R.L. Tamboli**<sup>9</sup>(2004) this paper analyses the impact of disclosure and regulatory authorities efforts on investor protection. The author discusses philosophy, concept, accounting disclosure norms and actual practices. Based on the information collected from 100 respondents, the study concludes that the individual investors relied very much upon “Materials on Financial Products” followed by ‘Annual Reports’ and ‘Verbal advice’. Investors preferred small saving schemes to corporate securities, followed by consumer durables and real estates. Personal lending remained the last and least preference. The Investors faced grievances on corporate investments as they did not know about the right authorities to be approached for the redressal. This paper analyses the issues relating to accounting disclosure and investor protection.

**Dr. N.L. Mitra Committee**<sup>10</sup>(2001) in his study report on Investor Protection submitted to the Government. The following are the recommendations (1) There was a need for a specific Act for protecting investors’ interest (2) A judicial forum was needed for the redressal of investors’ grievances (3) The provisions relating to investor education and protection fund should be removed from the companies Act, 1956 (4) The SEBI should be the only regulator for the entire capital market, both primary and secondary. It should have powers for investigation and to attach the public fund and all converted assets to prevent misappropriation (5) The regulator might require all IPOs to be insured on the principle of third party insurance with differential premium based on risk study by the insurance companies (6) The SEBI Act, 1992 should be amended to provide for statutory standing committees on investors’’ protection, market operation and standard setting,(7) The Securities Contract (Regulations) Act, 1956 should be amended to provide for corporatization and principles of good governance for stock exchanges.

## 8. SEBI COMPLAINTS REDRESS SYSTEM

The following table 1 presents the number of investor complaints received by SEBI on cumulative basis increased from 29,24,516 as on March 31, 2015 to 29, 63,454 as on March 31, 2016. But, during the same period the number of pending actionable complaints reduced from 5,736 to 5,452.

**Table - 1**

**Status of Investor Grievances Received and Redressed**

Year	Grievances Received		Grievances Redressed		Pending Actionable Grievances*
	Year-wise	Cumulative	Year-wise	Cumulative	
1	2	3	4	5	6
2014-15	38,442	29,24,516	35,090	27,91,936	5,736
2015-16	38,938	29,63,454	35,145	28,27,081	5,452

[Source: SEBI Annual Reports for the period 2015 to 2016]

## 9. DISCUSSIONS

The study concludes that the SEBI has been mandated to protect the interest of the investors in securities market of the country. SEBI Act, 1992 clearly specifies that SEBI has been formed for the development,

regulation of securities market and to protect the interest of the investors. That is why the protection of the investors' interest has always been the priority of SEBI. An investor would like to trade in securities market only if he knows how to invest, if he has full knowledge of the market, if the market is safe and there are no miscreants, and more importantly there is a strong mechanism to redress his grievances, if any. SEBI has established a comprehensive and robust investor grievance redressal mechanism and has also directed the Stock Exchanges to do the same at their level. Investor assistance and education division of SEBI located at Mumbai takes up the complaints from the investors. Office of Investor Assistance and Education (OIAE) acts the single window interface, interacting with investors seeking assistance of SEBI. Also SEBI launched the toll free helpline service numbers (1800 22 7575/1800 266 7575) for investors to provide guidance and assistance on various matters such as lodging complaints and transferring shares. The helpline service is available in English, Hindi and various regional languages. During 2015-16, SEBI attended to 1,67,759 calls on the helpline. SEBI has put in dedicated grievance cell for grievances against listed companies, against stockbrokers, against Depository Participants and other market intermediaries. Each complaint received by SEBI is acknowledged and reference no. is sent to the complainant. Each complaint is taken up with the company, and if the complaint is not resolved within a reasonable time, this division carries out periodical follow up with the concerned company. The officials of SEBI regularly hold meetings with company officials to impress upon their obligations to redress the grievances of investors. It is concluded that during 2015 – 2016, SEBI receive 38,938 grievances from investors and resolved 35,145 grievances as compared to 38,442 grievances receive and 35,090 grievances resolved in 2014 – 2015. SEBI is ensured that the effective grievance redressal mechanism to provide better investors' protection.

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