

Regulatory Intervention and Grievance Redressal: A Study of Women Stock Investors of Punjab

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Abstract

The resolution of investor grievances is an indicator of the efficient working of the regulatory mechanism in a country. Although the securities market in India has witnessed a significant growth since the establishment of SEBI but as far as SEBI's performance in redressing the grievances of investors is concerned especially in case of women investors, SEBI needs to review its grievance redressal mechanism. Winning the confidence of its investors especially women investors is very important for the regulator. Women being risk averse investors have greater concerns about the efficiency of the grievance redressal mechanism and are less likely to invest in the securities market in the absence of an effective grievance redressal mechanism. Therefore, the study is an attempt to probe into the efficiency of the grievance redressal mechanism set up by SEBI in solving the problems of women stock investors of Punjab. For the purpose of the study, data was collected from primary sources using a pre tested, well structured questionnaire. Descriptive Statistics as well as Percentage Analysis have been used in order to analyze the collected data. The results of the study brought out that majority of the women did not register a complaint with SEBI because they were not aware about the procedure of complaint registration. Among those who registered their complaints, had registered their complaints online, but still a number of them made use of the investor helpline numbers in order to register their complaints. As far as the reply to these complaints is concerned, all the complaints were attended to but grievance cases with multiple issues were found difficult to resolve and hence the complaints in such cases remained pending. The paper suggests that SEBI needs to carry out extensive investor education initiatives in order to educate the women investors about its grievance redressal mechanism, to empower them and to increase their participation in the stock market. Moreover, SEBI should invite suggestions from the investors in order to improve its already existing grievance redressal mechanism.

Key Words:

Grievance, Investor, Redressal, Regulator, Women Investors.

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Introduction

The need to protect the investors is obligatory for a regulator. Resolution of investor grievances is an indicator of the efficient working of the regulatory mechanism in regulating the securities market in a country (Ajit et al., 2015).

Since the establishment of SEBI, the securities market in India has developed significantly. SEBI's main focus has been to develop a well regulated modern securities market in India. With the implementation of various rules and regulations prescribed by SEBI, access to information has increased, the risk of defaults has gone down and overall governance and ambience have become conducive for the protection of investors' interests and the development of the securities market in India (NCAER, 2011).

Although, SEBI has come a long way in protecting the interests of investors in India but as far as women investors are concerned, a lot still needs to be done in order to improve their participation in the securities market in India. According to Hemingway (2009), certain changes in investor protection need to be undertaken for the benefit of women being an under protected segment of investors in securities market.

Moreover, academic researchers have identified that due to low risk tolerance, women are less likely to invest in stocks and tend to invest more in fixed income securities. The high risk aversion among women is due to higher level of financial insecurity and lack of financial resources that are likely to arise due to longer life expectancy and less earnings (Bernasek and Bajtelsmit, 2002; Suganya and Parvathi, 2014).

Review Of Literature

The review of literature highlights the importance of regulatory framework in regulating as well as redressing the grievances of investors in the securities market in a country.

Hemingway (2009) attempted to analyze the gender based differences in investment behavior in order to predict the market phenomenon and to illuminate the defects in the regulatory framework and provisions. The authors suggested that certain changes in investor protection should be undertaken for the benefit of the women as well as the other under protected investors. Sabarinathan (2010) identified some of the major interventions of SEBI relating to the securities market and critically examined the economic consequences of these interventions. The author's objective was to take a well-rounded and objective review of SEBI's performance. Using data related to the variables namely market activity, number of intermediaries, disclosure, corporate governance, corporate control, trading mechanism, settlement system, dematerialization, institutionalization of trading and ownership of securities, market integrity, insider trading, governance of stock exchanges and compliance enforcement, the authors used Descriptive Statistics in order to analyze the results of the

study. The study brought out the fact that a considerable progress has been made in the securities market after the establishment of SEBI. NCAER (2011) National Council of Applied Economic Research, New Delhi and Securities and Exchange Board of India conducted an All India Survey on 'How Households Save and Invest: Evidence from NCAER Household Survey' of over 38,000 households in 44 cities and 40 villages across the states and estimated that there were 24.5 million investors in India. The survey focused on understanding the investment behavior of household investors in dealing with various financial instruments which were traded in markets regulated by SEBI. The results of the study brought out that in spite of the growth in the investor population in India over the past 10 years, the households were still reluctant to invest in the securities market. It was found that 54 per cent of all households preferred to save in the form of deposits with commercial banks and insurance companies. The degree of risk aversion was found to be extremely high in Indian households. Information asymmetry was found to be the most significant reason that prevented Indian households from investing in the securities market. Pasha *et al.* (2012) attempted to evaluate the performance of SEBI relating to the supervision of securities market and to know what kind of investor protection measures are taken by SEBI in order to safeguard the interest of investors in India. Both primary and secondary data were used for the purpose of the study. Primary data was collected by interviewing the staff of selected broking firms while secondary data was collected from text books, websites, brochures and financial press reports. Descriptive statistics were used to analyze the results of the study. The results of the study revealed that the fundamental infrastructure for regulation, disclosure, surveillance and trading are all in place. The results of the study also portrayed that a matured capital market system requires monitoring rather than over-regulation and therefore SEBI should stop being pre-occupied with day-to-day regulations and become more of a visionary. Ajit *et al.* (2015) tried to examine the efficacy of SEBI's securities dispute resolution system. The authors based their study mainly on the widely used three attributes of a good dispute resolution system namely, accessibility, efficiency and fairness. Gaining insights from the previous literature the authors suggested that SEBI enjoys a good reputation as a regulatory agency. The authors also suggested that SEBI should make use of social media in educating and well as communicating with the investors. Devraja and Hiremat (2015) attempted to study the recent trends in grievance redressal rate and to examine the fluctuations in the pending grievance redressal rate. Using secondary data from SEBI's website, the authors applied percentage analysis, t test as well as Z test and concluded that SEBI is making efforts not only to resolve the grievances but also initiating action towards pending grievances. The authors suggested that SEBI needs to maintain a consistent grievance mechanism in order to achieve sound investor protection. Umamaheswararao (2015) tried to analyze whether SEBI is able to regulate the activities in the mutual fund

market and whether it is capable to protect the interest of huge investors. The author's objective was to analyze the shortcomings in the regulatory regime and suggest some measures to increase its effectiveness. The study made use of both primary as well as secondary data. Secondary data was collected from various journals, periodicals, newspapers, newsletters of mutual fund companies, SEBI's documents and mutual fund companies reports etc. Primary data for the study was obtained from the investors, intermediaries and professionals associated with 30 leading mutual fund companies. The data was collected from 296 respondents. Statistical techniques namely averages, ratios, percentages, z test and t-test were used for the purpose of the study.

Research Design

Need of the Study

Although the securities market in India has witnessed a significant growth since the establishment of SEBI but as far as SEBI's performance in redressing the grievances of investors is concerned especially in case of women investors, SEBI needs to review its grievance redressal mechanism.

Intending an increase in participation of women on corporate boards, the securities market regulator SEBI has called for penalizing companies that fail to meet the requirement of at least one woman director on their boards. Similarly, in order to increase women's participation in the securities market in India women, SEBI needs to carry out extensive investor education initiatives in order to educate the women investors about its grievance redressal mechanism in order to empower them and improve their participation in the stock market.

The study aims to find out the efficiency of the grievance redressal mechanism set up by SEBI so as to suggest measures to improve its efficiency and thereby the participation of investors especially women investors in Indian stock market.

Objective of the Study

The overall objective of the study is to probe into the efficiency of the grievance redressal mechanism set up by SEBI in solving the problems of investors while investing in the stock market especially women stock investors.

Data Base and Research Methodology

The role played by SEBI in protecting the interest of investors, in promoting the orderly development of stock exchanges in India and regulating the activities of securities market in India was examined with the help of a pre-tested, well-structured questionnaire. The questionnaire was divided into two parts. The first part of the questionnaire was designed to

find out the role played by SEBI in solving the problems of women investors in Punjab while dealing in the securities market. The respondents were asked questions relating to the registration of their complaints with SEBI, the number of times they had registered such complaints, with whom had they registered their complaint, how much time did it take to get the first reply and the status of the complaint registered. The respondents were asked to choose one option out of the given options as shown in Table 2.

The second part of the questionnaire was related to the demographic profile of women investors. Demographic variables, namely age, marital status, occupation, education and monthly income were considered for the purpose of the study. The data were collected from 200 women stock investors from the four major cities of Punjab, i.e. Amritsar, Jalandhar, Ludhiana and Chandigarh. Sampled respondents were selected using Purposive Sampling Method. The respondents were chosen from a list of women investors. The list was prepared with the help of brokerage firms. 5 brokerage firms were selected from each city and then 10 clients from each brokerage firm were selected from their client database. Thereafter, the questionnaires were sent to the respondents by post. Online questionnaires were also mailed to the respondents. The survey was conducted during December, 2013 to September, 2014. Descriptive statistics were used in order to analyze the collected data.

As far as the demographic profile of the respondents is concerned, the sample comprised of variety of respondents belonging to different economic and professional backgrounds. The demographic background of the sampled respondents is presented in Table no. 1. The table shows that the majority of the respondents (42%) belonged to the age group between 30-40 years, followed by 40% of the respondents belonging to the age group of less than 30 years. The next category of respondents was of the age group of 40-50 years (12%). The respondents falling in the age category of 50-60 were 5.5%, while those falling in the age category of above 60 formed just 0.5% of the sample. With regard to the marital status of the respondents, most of the respondents i.e. 76.5% respondents in the sample were married while 20.5% of them were single, 2% were divorced and the rest 1% widowed.

As far as respondent's occupation is concerned, the table shows that majority of the respondents belong to service category (45.5%), followed by businesswomen/self employed women (39.5%). Professional women constituted 15% of the sample. Since the sample respondents were only working women, therefore housewives did not form a part of the sample. Table 1 also shows the education level of the sampled population. It brings out that 49% of the respondents were post graduates followed by graduates (44.5%). Few of them were undergraduates (3%) followed by 2% of the respondents with a matriculation degree and only 1.5% of the respondents had a doctoral degree.

Table 1: Demographic Profile of Respondents

Demographic Variables		No. of Respondents (%)
Age (Yrs)	Less than 30	80(40.0)
	30-40	84(42.0)
	40-50	24(12.0)
	50-60	11(5.5)
	Above 60	1(.5)
	Total	200(100)
Marital Status	Married	153 (76.5)
	Single	41(20.5)
	Divorcee	4(2.0)
	Widow	2(1)
	Total	200 (100)
Education Level	Matriculation	4(2.0)
	Under Graduation	6(3.0)
	Graduation	89(44.5)
	Post Graduation	98(49.0)
	Doctorate	3(1.5)
	Total	200(100)
Occupation	Businesswoman/Self employed	79(39.5)
	Professional	30(15)
	Service	91(45.5)
	Total	200(100)
Personal Monthly Income(Rs.)	Less than 40000	85(42.5)
	40000-60000	48(24.0)
	60000-80000	19(9.5)
	More than Rs 80000	48(24.0)
	Total	200(100)

Source: Author's own Calculations. Based on collected data.

The income categorization, shows that 42.5% of the respondents belonged to the personal monthly income category of less than Rs.40000 followed by 24% belonging to the income category of Rs. 40000-60000. Only 9.5% of the respondents were of the income category of 60000-80000 while 24% of the women belonged to the income category of above Rs.80000 income.

Analysis and Discussion

Descriptive Statistics and Percentage Analysis were used in order to analyze the collected data. The respondents were asked questions relating to the registration of their complaints with SEBI, the number of times they had registered such complaints, with whom had they registered their complaint, how much time did it take to get the first reply and the status of the complaint registered in order to probe into extent of SEBI's intervention in solving the problems of women investors while dealing in the securities market. The respondents were asked to choose one option out of the given options as shown in Table 2.

Table 2: Extent of SEBI's Intervention in solving the Problems of Women Investors while dealing in the Securities Market

Did you ever face any problem while investing in the stock market?		
	Frequency	Percentage
Yes	101	50.5
No	99	49.5
Total	200	100.0
Have you ever registered a complaint with SEBI regarding your problems?		
	Frequency	Percentage
Yes	18	18
No	83	82
Total	101	100.0
How many times have you registered such complaints?		
	Frequency	Percentage
Once	13	72
Twice	4	22
Thrice	0	0
Four Times	0	0
Five Times	1	6
More than five times	0	0
Total	18	100.0

With whom was the complaint registered?		
	Frequency	Percentage
SEBI by accessing the investor helpline telephone numbers provided by SEBI.	5	28
With Stock Exchanges by accessing the investor helpline telephone numbers provided by Stock Exchanges.	2	11
With the grievances cell setup by the Stock exchange.	0	0
With the complaint cell setup by the SEBI.	3	17
Online at scores.gov.in.	8	44
Total	18	100.0
In how much time did you get the first reply?		
	Frequency	Percentage
Within a week	9	50
Within a month	9	50
Within six months	0	0
Total	18	100.0
What is the status of the complaint that you had registered?		

Source: Calculated through SPSS

Table 2 shows that out of 200 women investors, 101 investors (50.5%) reported that they had faced a problem while investing in the stock market. Interestingly, only 18 (18.0%) women investors out of 101 had registered a complaint with SEBI. The reason behind the non registration of complaints was found to be the lack of awareness among women. Majority of the women reported that they did not register a complaint because they were unknown to the procedure of complaint registration. A study by NCAER, 2011 stated that it is lack of education and awareness about the stock market that prevents women from investing in securities. Moreover, in most of the cases the complaint was registered only once i.e. 13 (72%) or twice 4 (22%). Most of the women 8 (44%) had registered their complaints online. A centralized web based complaints redressal system (SCORES) launched by SEBI in 2011 enables the investors to lodge their complaints and track the status of redressal of such complaints from anywhere. Women investors are of the view that the complaint registration system has improved with the introduction of SCORES. Nevertheless, 5 (28%) of women still make use of the investor helpline numbers provided by SEBI in order to register their complaints. As far as the reply to the complaints is concerned, majority of the respondents 9 (50%) reported that they got the reply to their complaint within a week or a month. Regarding

the status of the complaint it was reported that in 6 (33%) cases SEBI has taken action against the defaulters, 5 (28%) of the complaints have been forwarded to the concerned entities while in 7 (39%) cases the complaint is still pending. The finding of the study is in consonance with that of Ajit et al., 2015. According to Ajit et al., 2015 the grievance cases with multiple issues are difficult to resolve and hence the complaints of the investors remain pending.

Recommendations of the Study

On the basis of above discussion, following recommendations can be made:

- Resolution of securities market grievances is an indicator of the efficient working of the securities market regulator. SEBI needs to design an effective feedback mechanism in order to find out whether the investors are satisfied with its grievance redressal mechanism and should invite suggestions to improve its already existing grievance redressal mechanism.
- SEBI needs to carry out extensive investor education initiatives in order to educate the women investors about its grievance redressal mechanism in order to empower them and improve their participation in the stock market.
- Although the grievance redressal rate of SEBI improved with the introduction of SCORES but still the grievance redressal rate still needs to be improved further.

Conclusion

SEBI is a watch dog of the securities market in India. It has been assigned the responsibility of the orderly growth and development of the securities market as well as investor protection. Although, the securities market has witnessed commendable growth since the establishment of SEBI but at the same time it has been observed that SEBI has not been able to generate greater investor confidence about the securities market in India. Winning the confidence of its investors especially women investors is very important for the regulator. Women are less likely to invest in the securities market in the absence of an effective grievance redressal mechanism. Therefore the current study attempted to probe into the efficiency of the grievance redressal mechanism set up by SEBI in solving the problems of women stock investors of Punjab while investing in the stock market. The results of the study brought out that majority of the women did not register a complaint with SEBI because they were unknown to the procedure of complaint registration. Among those who had registered their complaints, had registered their complaints online, but still a number of them make use of the investor helpline numbers in order to register their complaints. As far as the reply to these complaints is concerned, all the complaints were attended to but grievance cases with

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