Sebi Power to make rules for controlling capital management in india

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I. Abstract:-Indian Capital market have shown tremendous growth in the post Liberalization era. It remains one of the most resilient globally and poised to be one of the top destinations for domestic and global business to expand and invest into. It promotes economic growth through the mobilization of long term saving and the savings get invested in the economy for productive purpose. The capital market deals with capital. Capital Market is generally understood as a market for long term funds and investments in long term instruments available in this market. Capital markets mean the market for all the financial instruments, short term and long term as so commercial industrial and government paper. Generally for the economic growth of a country an investment plays very important role. People expect best returns by investing some portion of their hard earned income into stock market such as shares, debentures, bonds etc,. More risk is associated with investment in stock market. For the protection of such investors interest and to safe guard their hard earned money a regulatory authority officially formed by Government of India, named as Securities and Exchange Board of India (SEBI). This chapter aims to gain insight into the role of SEBI as a regulatory authority and its impact on Indian Capital market. The study is descriptive in nature. Thus the findings have been made by analysis in order to know the role and impacts of SEBI in Indian Capital market.

II. Meaning and Concept of Capital Market:-Capital Market is one of the significant aspects of every financial market. Hence it is necessary to study its correct meaning. Broadly speaking the capital market is a market for financial assets which have a long or indefinite maturity. Unlike money market instruments the capital market instruments become mature for the period above one year. It is an institutional arrangement to borrow and lend money for a longer period of time. It consists of financial institutions like IDBI, ICICI, UTI, LIC, etc. These institutions play the role of lenders in the capital market.

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Business units and corporate are the borrowers in the capital market. Capital market involves various instruments which can be used for financial transactions. Capital market provides long term debt and equity finance for the government and the corporate sector. Capital market can be classified into primary and secondary markets. The primary market is a market for new shares, where as in the secondary market the existing securities are traded. Capital market institutions provide rupee loans, foreign exchange loans, consultancy services and underwriting.

III. Composition of the Indian Capital Market:-Capital market is the market for long-term funds, just as the money market is the market for short-term funds. It refers to all the facilities and the institutional arrangement for borrowing and lending term funds. It does not deal in capital goods but is concerned with the raising of money capital for purposes of investment.

A. Government Securities Market-The government securities market is at the core of financial markets in most countries. It deals with tradable debt instruments issued by the Government for meeting its financing requirements. The development of the primary segment of this market enables the managers of public debt to raise resources from the market in a cost effective manner with due recognition to associated risks. A vibrant secondary segment of the government securities market helps in the effective operation of monetary policy through application of indirect instruments such as open market operations, for which government securities act as collateral. The government securities market is also regarded as the backbone of fixed income securities markets as it provides the benchmark yield and imparts liquidity to other financial markets. The existence of an efficient government securities market is seen as an essential precursor, in particular, for development of the corporate debt market. Furthermore, the government securities market acts as a channel for integration of various segments of the domestic financial market and helps in establishing inter-linkages between the domestic and external financial markets.

a) Significance of the Government Securities Market- The need to develop the government securities market emerges from the three roles it seeks to play, *i.e.,* for the financial markets, for the Government and for the central bank.[1] As alluded to earlier, the government securities market serves as the backbone of fixed income markets through the creation of risk-free benchmarks of a sovereign

borrower. Ipso facto, it acts as a channel of integration of various segments of the financial market. The government securities market constitutes a key segment of the financial market, offering virtually credit risk-free highly liquid financial instruments, which market participants are more willing to transact and take positions. The willingness of market participants to transact in government securities, in turn, imparts liquidity to these instruments, which benefits all segments of the financial market. Consequently, government securities are used by dealers as a major hedging tool for interest rate risk and as underlying assets and collateral for related markets, such as repo, futures and options.[2] Furthermore, large borrowings by the Government also provide an impetus to the development of the bond market.

C) Magnitude of Government Securities-With the phasing out of ad hoc Treasury Bills and earmarking of small saving collections for the States, the Central Government has been financing its deficit largely through market borrowings. Accordingly, the share of market borrowings in financing Central Government's gross fiscal deficit increased to around 70 per cent in 2005-06 from around 18 per cent in 1990-91. The share of market borrowings in financing the gross fiscal deficit of the State Governments, however, showed a modest increase on account of availability of other sources of financing such as small savings. As a result, market borrowings financed around 46 per cent of combined gross fiscal deficit of the Centre and States in 2015-16 as compared with around 20 per cent in 1990-91. Accordingly, the outstanding stock of both the Central and State Governments' securities has increased significantly over the years. Implementation of the MSS from 2015-16 has also contributed to the growth of outstanding government securities in recent years

A. Corporate Securities Market-Corporate securities market is a market where securities issued by firms (i.e., shares, bonds and debentures) can be bought and sold freely. This market further divided into the new issue market (primary market) and the old capital market meaning the stock exchange (the secondary market).

A market where new securities are bought and sold for the first time is called the new issues market or the IPO market. In other words the first public offering of equity shares or convertible securities by a company, which is followed by the listing of a company's shares on a stock exchange, is known as an initial public offering (IPO). The primary market also includes issue of further capital by companies whose shares are already listed on the stock exchange.

There is different type of intermediaries operating in the capital market. They play a crucial role in the development of capital market by providing a variety of services. These intermediaries' viz., marchant bankers, brokers, bankers to issues, debenture trustees, portfolio manager's registrars to issues and share transfer agents, etc., are regulated by SEBI.

These are securities issued by the corporate sector to finance their long term and working capital requirements. The Major Instruments that fall under Industrial Securities are

- Debentures,
- Preference Shares And
- Equity Shares.

Debentures-Debentures have a fixed maturity and pay a fixed or a floating rate of interest during their lifetime. The company has an obligation to pay interest and the principal amount on the due dates regardless of its profitability position. The debenture holders are not members of the company and do not have any say in the management of the company. Since these carry a predefined rate of return, there is no scope for any major capital appreciation. However, in case of fixed rate debentures, their market price moves inversely with the direction of interest rates. The debenture issues are rated by the professional credit rating agencies regarding the payment of interest and the repayment of the capital amount. Apart from the 'plain vanilla' variety of debentures (periodic payment of interest during their currency and repayment of capital on maturity), a number of variations have been devised. For example, zero coupon bonds are issued at a discount to their face value and redeemed at the full face value. The difference constitutes return for the investor.

Preference Shares -Preference Shares carry a fixed rate of dividends. These carry a preferential right to dividends over the equity shareholders. This means that equity share holders cannot be paid any dividends unless the preference dividend has been paid in full. Similarly on the winding up of the company, the preference share holders get back their capital before the equity share holders. In case of cumulative preference shares, any dividend unpaid in past years accumulates and is paid later when the company has sufficient profits. Now all preference shares in India are 'redeemable', i.e. they have a fixed maturity period. Thus, preference shares are sometimes called a 'hybrid variety' – incorporating features of debt as well as equity.

Equity Shares Equity Shares are regarded as high return high risk instruments. These do not carry any fixed rate of return and there is no maturity period. The company may or may not declare dividend on equity shares. Equity shares of major companies are traded on the stock exchanges. The major component of return to equity holders usually **IV. Securities and Exchange Board of India (SEBI):-**The Securities and Exchange Board of India (SEBI) is the regulatory authority in India established under Section 3 of SEBI Act, 1992. SEBI Act, 1992 provides for establishment of Securities and Exchange Board of India (SEBI) with statutory powers for (a) protecting the interests of investors in securities (b) promoting the development of the securities market and (c) regulating the securities market. Its regulatory jurisdiction extends over corporates in the issuance of capital and transfer of securities, in addition to all intermediaries and persons associated with securities market. SEBI has been obligated to perform the aforesaid functions by such measures as it thinks fit. In particular, it has powers for:

V. An Analysis of performance of Indian Capital Market:-Indian capital markets have been one of the best performing markets in the world in the last few years. Fuelled by strong economic growth and a large inflow of foreign institutional investors (FIIs) as well as the development of the domestic mutual funds industry, the Indian stock market indices have delivered truly explosive growth during the last 5 years rising over 3 times during the period. However, it would be a mistake to think that growth has happened only in valuation. During this period Indian capital markets have exhibited explosive growth in almost every respect.

Annexure Table 5.2 shows the growth in the number of players in the different segments of the Indian capital markets since 1993. In the new century, a huge derivative market has been created from scratch, foreign institutional investors have almost doubled in number, venture capital funds have made their appearance and exhibited sound growth, and the number of portfolio managers has risen over three-fold. The entire industry has therefore gone through a major transformation during the period.

VI. Conclusion:-This chapter is an attempt to assess empirically the performance of the Indian capital market in the aftermath of the global financial crisis in terms of the key market parameters like size ratio, liquidity ratio, turnover ratio, market volatility, and market efficiency. The study provides the evidence of growing market size, market liquidity, greater volatility and weak form inefficiency of the market. The time varying

volatility study infers that the recent sluggish performance of the market was basically due to spread of global contagion that originated from the US sub-prime crisis. However, the nature of size ratio and liquidity ratio indicates the repeat of the previous steady growth of the market.

Finally, despite the good economic performance in recent years India remains developing country with about a quarter of its massive population in acute poverty. Withal its sheen and dazzling capital market performance, the financial system still excludes about 40% of the population, mostly the rural poor. Poverty alleviation and development have traditionally been thought of as government prerogatives to be funded out of taxpayers' money. However, as privatization progresses and the importance of the public sector wanes, private endeavor and commercial involvement in these efforts are becoming increasingly important. The progress of microfinance, often viewed as profitable method of poverty alleviation and development, therefore, is of considerable importance to India.

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