ABSTRACT

Transparency is the key for successful securities markets and the fundamental ideas if free market stands on effective regulation and transparency. It is of paramount importance to all concerned to Securities Market, to protect the interest of the investors. National Stock Exchange of India is India’s leading Stock Exchange set up as company limited by shares and recognized in the year April 1993. NSE has set up infrastructure that serves as a role model for the securities industry in terms of trading systems, clearing and settlement practices and procedures. The study has addressed then reforms required to win the trust of parties from the viewpoint of effective regulation and transparency.

Overview of Indian Securities Market:

National Stock Exchange of India is India’s leading Stock Exchange set up as company limited by shares and recognized in the year April 1993. NSE has set up infrastructure that serves as a role model for the securities industry in terms of trading systems, clearing and settlement practices and procedures. The standards set by NSE in terms of market practices, products and technology have become industry benchmarks and are being replicated by many other market participants. It provides screen-based automated trading system with a high degree of transparency and equal access to investors irrespective of geographical location. The high level of information dissemination through online system has helped in integrating retail investors across the nation. The Exchange has a network in more than 350 cities across India and reports an average daily turnover of about Rs. 9158 crores and 18.85 lakh trades in the Cash Market per day. The Wholesale Debt Market segment of NSE, which provides a trading platform for Government Securities, also has been reporting record turnover and at times surpasses the volume in the cash market. The Derivatives Market has been on a developing trend with introduction of Index Futures, Stock Futures, Stock and Index Options on individual securities. The Exchange has also introduced retail trading in government securities.

The implementation of reforms in the securities industry from last two decades, Indian stock markets have stood out in the world ranking as well as in the developed and emerging markets. India has a turnover ratio of 113.7%, which is quite comparable to the other developed market like the US and UK which has turnover ratios of 126.5% and 140.5% respectively. As per the Standard and Poor’s Fact book, India ranked 12th in terms of market capitalization, 13th in terms of total value traded in stock exchanges and 11th in terms of turnover ratio as on December 2004. India ranked second in terms of listed securities on the Exchange next only to the USA. These data, though quite impressive, do not reflect the full Indian market, as S&P (even other international publications) does not cover the whole market. For example, India has approximately 9000 listed
companies, while S&P considers only 4,730 companies. If whole market were taken into consideration, India’s position vis-à-vis other countries would be much better. India in terms of transparency and effective regulation of stock markets has slipped 62nd place, where last in 2013 it stood at 27th place as per the World economic forum report. This is the grave concern for effective working of securities exchanges. Transparency is the key for successful securities markets and the fundamental idea if free market stands on effective regulation and transparency.

Transparency and Regulatory System:
Since investors are the backbone of the securities market, awareness among the investors about their rights and responsibilities, do’s and don’ts etc is the foremost concern. It is of paramount importance to all concerned to Securities Market, to protect the interest of the investors and hence NSE has taken various initiatives to safeguard the interest of the Investors. NSE has put in place systems to ensure availability of adequate, up to date and correct information to investors to take informed decisions. It ensures that critical and price sensitive information reaching the Exchange is made available to all classes of investors at the same point of time. Such price – sensitive information as bonus announcements, mergers, and new line of businesses etc., received from the companies is disseminated to all the market participants through the network of NSE terminals all over India. Action is initiated by the Exchange where such price – sensitive information is not provided to the Exchange at the prescribed time.

It ascertains the veracity of rumors and disseminated facts in the interest of investors. It conducts various seminars and programs for the investors all over the country with a view to educating them on their rights and obligations and precautions they should take while dealing in the Securities market. It makes an audit trail available on request for all transactions executed on NSE to enable investors to counter check trade details for the trades executed on his behalf by the member. It has also prescribed and makes effort to ensure the implementation of various safeguards like time schedules for issuing contract notes, for receiving funds and securities from those of members, etc. The Exchange has also launched a facility to verify trades on the NSE website. Using this facility, an investor who had received a contract note from the trading member of the exchange can check whether the trade has been executed or not. Despite all precautionary measures by the NSE and investors, certain grievances and issues do arise in the day – to – day functioning. To address these issues/complaints reported to the NSE, an Investor Grievances Cell (IGC) has been set up to handle the complaints lodged by investors against trading members/companies. The IGC is manned by a team of professionals possessing relevant experience in the areas of securities market, company and legal affairs, and specially trained to identify problems face by the investor and to find and affect a solution quickly. It takes up complaints in respect of trades executed on the NSE through its NEAT terminal and routed through the NSE trading member or SEBI registered sub – broker of NSE trading member and trades pertaining to companies traded on the NSE. Investor Grievances can be handled by two ways: Investor Services Cell’s Normal Redressal Mechanism & Arbitration

The main objectives of an Investor Grievance Handling Mechanism are as follows:

- To increase the level of investor satisfaction with delivery of
services and to enhance broker–investor/Company–Investor relationships. It also enhances investor–Exchange relationships.

- To recognize, promote and protect rights of investors, including the right to comment and complain.
- To provide an efficient, fair and accessible mechanism for resolving investor complaints.
- To create an investor–friendly ambience in the Indian stock market to ensure a profitable and fraud-free avenue for people to save and invest.

In the Normal Redressal Mechanism, the Exchange just acts as a mediator between the complainant and the Trading Member(TM)/Company on which complaint is received. The complainant has to submit all the relevant documents to the Exchange and on the basis of those documents, the Exchange asks the concerned TM/Company to give clarifications within a given time. If the complainant is not satisfied with the clarifications given by the TM/Company, he can apply for Arbitration (in case of Company complaints, only some cases mentioned in the Bye Laws of NSE). Arbitration is the alternative dispute resolution mechanism for resolving the investor grievances where an Arbitrator is appointed to give judgment, which is called an Arbitration Award. An application for arbitration has to be filed within 6 months from the date of dispute and Award has to be passed within 3 months from the date of receipt of Arbitration application. This process of resolving a dispute is comparatively faster than other means of redressed.

**REGULATORY FRAMEWORK**
The four main legislations governing the securities market are (a) the SEBI Act, 1992 (b) the Companies Act, 1956 (c) the Securities Contracts (Regulation) Act, 1956, and (d) the Depositories Act, 1996. A brief about these legislations are as given below.

**SEBI Act, 1992:** The SEBI Act, 1992 was enacted to empower 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 corporate in the issuing capital and all intermediaries and persons associated with securities market. It can conduct enquiries, audits and inspection of all concerned participants and adjudicate offences under this Act. It has powers to register and regulate all the market intermediaries. Further it can also penalize them in case of violations of the provisions of the Act, Rules and Regulations made there under. SEBI has full autonomy and authority to regulate and develop an orderly securities market.

**Securities Contracts (Regulation) Act, 1956:** It provides for direct and indirect control of virtually all aspects of the securities trading including the running of stock exchanges which aims to prevent undesirable transactions in securities. It gives the Central Government regulatory jurisdiction over (a) stock exchanges through a process of recognition and continued supervision, (b) contracts in securities, and (c) listing of securities on stock exchanges. As a condition of recognition, a stock exchange complies with the requirements prescribed by the Central Government. The stock exchanges frame their own listing regulations in consonance with the minimum listing criteria set out in the Rules.

**Depositories Act, 1996:** The Depositories Act, 1996 provides for the establishment of
depositories for securities to ensure transferability of securities with speed, accuracy and security. For this, these provisions have been made: (a) making securities of public limited companies freely transferable subject to certain exceptions; (b) dematerializing the securities in the depository mode; and (c) providing for maintenance of ownership records in a book entry form. In order to streamline the settlement process, the Act envisages transfer of ownership of securities electronically by book entry without moving the securities from persons to persons. The Act has made the securities of all public limited companies freely transferable, restricting the company’s right to use discretion in effecting the transfer of securities, and the transfer deed and other procedural requirements under the Companies Act have been dispensed with.

Objectives
- To understand the Investor grievance handling mechanism at NSE.
- To examine and analyze the nature and type of complaints received by the National Stock Exchange.
- To analyze the redressal time for investor grievances.

Research Design:
The study is based on the complaints received by the Exchange and hence involves the secondary data directly from the exchange. To collect the secondary data regarding the investor grievances, I designed a close ended, informal questionnaire (enclosed in Annexure Section) which contains questions regarding. Complaint type and Details, Date of action by the Exchange, Claim Amount and Details, Type of Redressal i.e. Close/Resolve/Referred to Arbitration, Date of Close/Resolve/referred to arbitration. Data is collected separately for the complaints against companies and complaints against trading members. In case of company complaints, complaint is not referred to arbitration except in some cases mentioned in the Bye Laws of the Exchange. But in case of Trading Member complaints, complaint can be referred to arbitration (even a complainant can directly apply for arbitration).

Random Sampling Method to choose the elements of the sample. Sample size is, 50 for complaints against companies: The companies are randomly selected mainly from the Nifty, Nifty Junior, Bank Nifty constituents. The complaints which are lodged after May 2012 and redressed before June 2013 by the NSEIL, Mumbai are considered for the study. 50 for complaints against Trading Members: The Trading Members are randomly selected mainly on the basis of the frequency of complaints received against them (the TM’s who usually receive considerable number of complaints). The complaints which are lodged after May 2012 and redressed before June 2013 by the NSEIL, Mumbai are considered for the study.

DATA ANALYSIS AND INTERPRETATION
Regarding the types of complaints, most of the complaints against Companies are related to Shares (66%) such as non receipt of shares after splitting, non receipt of dividend, rights issue, bonus shares, shares sent for demat and non receipt of duplicate certificates on submission etc. Most of the complaints against TMs are related to Securities (22%) such as non receipt of securities purchased, delay in receipt of securities, short receipt of securities etc and Trading (22%) such as delay in execution of orders, difference in security traded and ordered and execution of trades without any orders from the complainant etc.
ANALYSIS OF THE TYPES OF COMPLAINTS RECEIVED AGAINST COMPANIES

<table>
<thead>
<tr>
<th>Complaint Types</th>
<th>No. of Complaints</th>
<th>Percentage</th>
<th>Status of Complaint</th>
<th>Closed</th>
<th>Solved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debentures/bonds</td>
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<td>2</td>
<td></td>
<td>1</td>
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<tr>
<td>Issue/Offers</td>
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<td>28</td>
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<td>10</td>
<td>4</td>
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<tr>
<td>Miscellaneous</td>
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<td>4</td>
<td></td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Shares</td>
<td>33</td>
<td>66</td>
<td></td>
<td>27</td>
<td>5</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>40 (80%)</strong></td>
<td><strong>10 (20%)</strong></td>
</tr>
</tbody>
</table>

ANALYSIS OF THE TYPES OF COMPLAINTS RECEIVED AGAINST TRADING MEMBERS

<table>
<thead>
<tr>
<th>Types of Complaints</th>
<th>No. of Complaints</th>
<th>Percentage</th>
<th>Status of Complaint</th>
<th>Closed</th>
<th>Arbitration</th>
<th>Solved</th>
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<td>Account Closure</td>
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<td>1</td>
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<td>1</td>
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<td>Auction</td>
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<td>2</td>
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<td>F &amp; O</td>
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<tr>
<td>Funds</td>
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<td>5</td>
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<tr>
<td>Trading</td>
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<td></td>
<td>2</td>
<td>2</td>
<td>7</td>
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<tr>
<td>Others</td>
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<td>6</td>
<td></td>
<td>-</td>
<td>-</td>
<td>3</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>50</strong></td>
<td><strong>100</strong></td>
<td></td>
<td><strong>18</strong></td>
<td><strong>11</strong></td>
<td><strong>21</strong></td>
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</table>

Regarding the status of complaints, most of the complaints against Companies are Closed (80%) because of complainant did not revert the matter. But in case of complaints against TMs most of the complaints are Solved (42%) than the Closed and referred to Arbitration. Average Redressal Time (A.R.T.) for complaints against Companies is 71 days and TMs is 73 days. Standard Deviation of redressal time for TMs is more (i.e. 0.46) than the Companies (i.e. 0.40). It clearly shows that the deviation of redressal time for individual complaints from the Average Redressal Time is more in case of TMs than the Companies. It leads to higher volatility in redressal time taken for complaints against TMs than that of the Companies. As Coefficient of Variation (C.V.) of redressal time for complaints against Companies (i.e. 0.63%) is less than the TMs, consistency in redressal time taken for complaints against Companies is more than that of TMs. In case of complaints against Companies, only 44% of the total complaints exceeds the Average Redressal Time of 71 days and in case of complaints against TMs, only 34% of the total complaints exceeds the Average Redressal Time of 73 days. But volatility in the redressal time for TMs complaints is more than that of Companies.
FINDINGS AND SUGGESTIONS:
Delay by the Complainant: complaints take more time to redress because of delay by the complainant in submitting the relevant documents and reply. Out of the complaints which took more days to redress than the Average Redressal Time, about 60% of them are delayed because of lack of relevant documents. Delay by the TM/Company: it happens because of the delayed response by the TM/Company. Out of the complaints which are having delayed redressal, about 20% of them are delayed due to the above reason. Postal Delays: this is because of wide geographical area of investors, climatic conditions, incorrect address, non receipt of letter etc. this is negligible as it cannot be avoided.

CONCLUSION:
The Investor grievances and time taken to redress those grievances thus leading to a more efficient and speedy redressal mechanism. It highlights areas in the grievance redressal mechanism which need to be considered with respect to further improvement. In order to promote a healthy stock market and to improve investor confidence to invest, they must be given an assurance that their funds and securities are in safe hands. This is the main objective of any grievance redressal system. Therefore it is of immense importance to any stock exchange or stock market regulator to keep investor confidence at a high priority level. This study aims at looking into and analyzes those steps taken by the National Stock Exchange to fulfill this objective.
SEBI is playing an important role in the area of investor awareness and protection. It is largely due to the constant efforts of SEBI that the redressal rate has kept on increasing over the years. As NSEIL is the largest Stock Exchange in India, its initiatives for investor protection is playing a crucial role which includes Establishment of Investor Services Cell, Investor Protection Fund up to 10 lakhs, Arbitration, Unique Grievance Redressal Mechanism etc.

After understanding the process of investor grievance redressal thoroughly, I focused my study on the redressal time taken for investor grievances. The result of my study reveals that Average Redressal Time for redressing the complaints against Companies is 71 days and complaints against Trading Members is 73 days. But there is higher volatility in the redressal time taken for complaints against TMs than that of Companies as they have higher Standard Deviation and Coefficient of Variation. There is no consistency in the redressal time taken for both Companies as well as TMs. But consistency in redressal of companies’ complaints is little bit favorable than that of TMs. Main reason for delayed redressal is, delay in submission of relevant documents by the complainant. Consistency in redressal time is the one area which needs to be focused more.

REFERENCES:


