

Full Length Research Paper

Investigating the nature of investor's grievances and assessing the role of the grievance redressal agencies

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The present study seeks to examine the nature of investor's grievances and assessing the role of grievance redressal agencies. The respondents were selected by convenient random sampling technique in Valsad district of Gujarat State. The relevant data on the investor's demographic profile, knowledge about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain and their satisfaction level were collected by distributing the structured questionnaire to the investors who are actively involved in securities trading. The chi square analysis shows that there is significant difference between the various demographic variables and investor's knowledge of grievances, awareness of functions of redressal agencies, loading of complain and their satisfaction level.

Key words: Redressal, agencies, securities, investors.

INTRODUCTION

An important requirement for strengthening the securities market in India is to ensure that the system should provide for the very safety and growth in the real value of their investments. This aspect has gained importance during recent years owing to several malpractices and unfair means which came into play to the detriment of the interests of small investors. The real corporate strength, therefore, essentially lies in creating a climate and culture in which the investors find themselves receiving the primary importance they deserve as real owners of the growing volume of corporate assets. The system must offer adequate checks and balances in which the entrepreneurial effort is backed by investors' confidence so as to easily capitalize on it. This has, however, failed to happen at least to the extent expected and desired. The institutional set-up provided in the light of ongoing experiences too has not been able to protect and safeguard investors' interests. The growing numbers of complaints appearing in the daily newspapers alone is enough evidence to the effect that the investors continue to feel aggrieved for various reasons and eagerly want their speedy redressal to satisfaction.

REVIEW OF LITERATURE

Educated and empowered investors always allow the market forces to play their role to shape a fairer and efficient competitive market. In the past, the investors, small and ignorant, have had very unpleasant experiences in the stock market. (<http://ezinearticles.com/?Investors-Education-And-Grievances&id=724370>). There will be occasions when you have a grievance against the company in which you are a stake-holder. It may be that you have not received the share certificates on allotment or on transfer; it may be that you did not receive the dividend/interest warrant or refund order; perhaps you did not receive the annual accounts etc. You should first approach the company in that regard, you may not be satisfied with the company's response then you should know whom you should contact to get your grievance redressed (<http://iepf.gov.in/FAQs-InvestorGrievance.asp>).

SEBI has instituted a process for redressing investor grievances arising from the issue procedure, from investor dealings with brokers and sub-brokers and against

mutual funds. The largest number of investor grievances is caused as part of the issue process. The grievance redressal rate of SEBI has been increasing during the past years. The reasons for the improvement in the rate of investor grievance redressal in the current year are effective follow up with the companies, tightening of the procedure for issuing No Objection Certificate for release of the 1% security deposits kept by the companies with the stock exchanges and periodic meetings held with the recalcitrant companies (www.sebi.gov.in/annualreport).

STATEMENT OF THE PROBLEM

The investors should be alert in their dealings in the capital market. They should have proper knowledge and understanding of the various problems arises in their dealings and how they can be resolved. It has been observed that those who are investing in the capital market have diverse demographic profile and there could be possible association between their various demographic profiles and the occurrence of their grievances as well as their awareness about the functions of the grievances redressal agencies. Hence it has been decided to study such relationship in this paper.

OBJECTIVES OF THE STUDY

- To know the investors' profile with respect to age, sex, income, experience, occupation.
- To investigate the nature of investor's grievances and assessing the role of grievance redressal agencies.
- To make possible suggestions for strengthening the working of securities market in keeping with the expectations of the investors.

MATERIALS AND METHODS

Hypothesis

This hypothesis claims that the income level, experience and occupation of the investors have no association with the grievances of the investors. The investors are aware of the existing grievance redressal agencies and the functions thereof irrespective of length of experience, income and occupation.

Sampling

The type of sample considered in this was convenient random sampling. 200 persons in the Valsad District of Gujarat State were drawn at random from the population. The area of the study has covered different parts of the Valsad district where all classes of people are living.

Data collection

The relevant data on the investor's demographic profile, knowledge

about various grievances, awareness about the functions of various grievances redressal agencies, loading of complain and their satisfaction level were collected by distributing the structured questionnaire to the investors who are actively involved in securities trading. The services of brokers from each of the cities of the district were utilized for randomly distributing the questionnaire to investors approaching them during a specified two weeks time. As is evident from the position stated above, the study has district level coverage since the information base extends to investors approachable. Even as the questionnaires were randomly distributed in the manner described above, appropriate guidelines 'carefully given to the brokers did enable them to reach as far and near as possible to investors of different age group, occupation, income level, and experience.

Tools for analysis

1. Percentage analysis
2. Chi-square analysis
3. Analysis and discussion

Investor's profile

An attempt has been made to study the profile of the investors who invest in the capital market.

Table 1 shows that out of the 200 respondent, majorities of them (24.50%) belonged to the age group 36 - 45 years and very less (13.00%) respondents belonged to the age group 46 - 55 years. Table 2 indicates that male respondents were 71.00% while female were only 29.00%. Table 3 shows that majority of the respondents (32.00%) had faced difficulties in non receipt of allotments followed by non receipt of dividend (28.00%). Misstatement in annual reports and difficulties in transfer has been faced by only 5.5% and 9.5% respectively which is relatively very low as compared to other grievances. Table 4 indicates that nearly half of the respondents (50.50%) are aware of the functions of the SEBI, Surprisingly very less of them are aware of Company Law Board (11.50%) and News Papers (9.0%). Tables 5, 6 and 7 shows that the spread of respondents in various experience group, income group and occupations group is almost equal.

Chi-square analysis

Tables 8, 9 and 10 indicate that the hypothesis is rejected in all the three cases as value of chi square test is less than 0.05. Hence it can be concluded that income level, length of experience of investing in capital market and various occupational background of investors have significant association with their grievances. Tables 11, 12 and 13 indicate that the hypothesis is rejected in all the three cases as value of chi square test is less than 0.05. Hence, it can be concluded that income level, length of experience of investing in capital market and various occupational background of investors have significant association with their awareness of the functions of various grievance redressal agencies.

Conclusion

Occupational affiliations cultivate a set of values and beliefs which may or may not always be supportive to the decision making ability of an individual. For example, professionals and servicemen being more educated are

Table 1. Investors according to age group.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Below 25	40	20.0	20.0	20.0
	26 - 35	40	20.0	20.0	40.0
	36 - 45	49	24.5	24.5	64.5
	46 - 55	26	13.0	13.0	77.5
	Above 55	45	22.5	22.5	100.0
	Total	200	100.0	100.0	

Table 2. Investors according to gender.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Male	142	71.0	71.0	71.0
	Female	58	29.0	29.0	100.0
	Total	200	100.0	100.0	

Table 3. Investors according to their grievances.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Non receipt of allotment	64	32.0	32.0	32.0
	Non receipt of dividend	56	28.0	28.0	60.0
	Non receipt of annual reports	50	25.0	25.0	85.0
	Misstatement in annual reports	11	5.5	5.5	90.5
	Difficulties in transfer	19	9.5	9.5	100.0
	Total	200	100.0	100.0	

Table 4. Investor's awareness on the functions of grievance redressal agencies.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	SEBI	101	50.5	50.5	50.5
	Complain cell in stock exchanges	58	29.0	29.0	79.5
	Company law board	23	11.5	11.5	91.0
	News papers and magazines	18	9.0	9.0	100.0
	Total	200	100.0	100.0	

Table 5. Investors according to their experience.

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Below - 2	36	18.0	18.0	18.0
	2 - 5	46	23.0	23.0	41.0
	5 - 10	51	25.5	25.5	66.5
	10 - 20	41	20.5	20.5	87.0
	Above 20	26	13.0	13.0	100.0
	Total	200	100.0	100.0	

Table 6. Investors according to their income.

	Frequency	Percent	Valid percent	Cumulative percent
Valid	Under 200000	48	24.0	24.0
	200000 - 300000	64	32.0	56.0
	300000 - 400000	65	32.5	88.5
	Above 400000	23	11.5	100.0
	Total	200	100.0	100.0

Table 7. Investors according to their occupations.

	Frequency	Percent	Valid percent	Cumulative percent
Valid	Business	51	25.5	25.5
	Agriculture	58	29.0	54.5
	Professional	33	16.5	71.0
	Services	46	23.0	94.0
	Others	12	6.0	100.0
	Total	200	100.0	100.0

Table 8. Chi-square tests.

	Value	Df	Asymp. sig. (2-sided)
Pearson chi-square	426.367(a)	16	.000
Likelihood ratio	404.322	16	.000
Linear-by-linear association	169.635	1	.000
N of valid cases	200		

Table 9. Chi-square tests.

	Value	Df	Asymp. sig. (2-sided)
Pearson chi-square	432.750(a)	12	.000
Likelihood ratio	387.845	12	.000
Linear-by-linear association	169.769	1	.000
N of valid cases	200		

Table 10. Chi-square tests.

	Value	df	Asymp. sig. (2-sided)
Pearson chi-square	418.463(a)	16	.000
Likelihood ratio	390.938	16	.000
Linear-by-linear association	169.044	1	.000
N of valid cases	200		

Table 11. Chi-square tests.

	Value	df	Asymp. Sig. (2-sided)
Pearson chi-square	310.070(a)	12	.000
Likelihood ratio	314.478	12	.000
Linear-by-linear association	149.115	1	.000
N of valid cases	200		

Table 12. Chi-square tests.

	Value	df	Asymp. sig. (2-sided)
Pearson chi-square	311.751(a)	9	.000
Likelihood ratio	301.407	9	.000
Linear-by-linear association	147.416	1	.000
N of valid cases	200		

Table 13. Chi-square tests.

	Value	df	Asymp. sig. (2-sided)
Pearson chi-square	367.635(a)	12	.000
Likelihood ratio	331.065	12	.000
Linear-by-linear association	157.363	1	.000
N of valid cases	200		

expected to be more rational in their decisions. Those doing business are more daring, risk bearing, and instinctively investment - minded. Agriculturists are generally less informed and passive to making investment so that they suffer from all the traits of being prone to grievances. Longer the period one has been in the line of investment in securities, the more conversant one becomes with the formal and informal procedural requirements. Even as a grievance complaint may remain unattended on account of procedural deficiencies or due to lack of required knowledge on the part of investors, length of experience does play an important role.

While the volume of investment in securities is a positive function of the level of income, there are no reasons for the latter in any way affecting investors' knowledge of the grievance redressal machinery. But the chi square tests reveal an association between the knowledge aspect and the level of income. As the proportion of investors aware of the grievance redressal agencies increases with the increase in their income level.

SCOPE FOR FURTHER RESEARCH

The new financial institutions entering the market have paved its way as a challenge because the efficiency, merit and the performance would count for their capacity to attract the investors. The involvement of SEBI to register the institutions and its activities has made the market to go through proper scrutiny and control. This makes the market more responsible in their relation with the investors. The entering of foreign companies into the securities market throws a further challenge to the Indian companies. The recent Economic and Financial Reforms has proved to be a challenge and an opportunity to companies. Until these challenges are met by all the players in the market, the need for regulation grows rather than decreases. The introduction of on- line trading have brought in strong elements of accessibility, efficiency and transparency in operations. The payments system has to gear itself to meet the challenges in the new operational environment. There is a lack of effective legal framework due to the British inherited legal system.

New financial instruments like Hedge Funds and financial institutions entering the market have started affecting the market with an increase in volume of funds mobilized or traded and greater complexity in both practices and procedures. It would be necessary that a proper system of self-discipline and a code of conduct be followed by the government, Mutual fund industry and the self-regulatory bodies. Financial innovations are a boon as well as a curse because it can work wonders but when misused can create problems. From the above discussion it can be concluded that there is a huge scope for the research work in the areas of problems and opportunities of the securities market.

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