Investor Awareness Programme

The Chamber organised an 'Investor Awareness Programme' in association with the Ministry of Corporate Affairs, Government of India on 21st February, 2013 at 4.30 p.m. at Hotel Hindusthan International, Kolkata. Shri D Bandopadhyay, Registrar of Companies, West Bengal, Ministry of Corporate Affairs, Government of India was the Guest-in Chief and Shri Monoj Banthia, M K B & Associates was the principal Speaker at the Programme.

In his Welcome Address, Mr. Ashok Aikat, President, observed that a country that has a strong regulatory system in place and also has transparency in equity markets attracts investments at a faster pace. Initiatives taken by SEBI and the enactments introduced by the Ministry of Corporate Affairs, Government of India, in this regard, have improved the savings and investment rates of our country. For the year 2011, savings as a percentage of GDP was 32 and India ranked fifth in this criteria globally. Similarly, the Gross Domestic Investment as a percentage of GDP for the year 2011 was 34 and India ranked third, Shri Aikat stated.

Shri Aikat highlighted that in comparison to the developed economies, the rate of bank interest is quite high and thus, the common man prefers to make investments in term deposits rather than in the capital market. In order to bring out the pros and cons of investing in the capital market, awareness programmes should be conducted by the Government so as to educate the investors. Besides, the long term investment returns in the capital market being exempted from taxes may prove to be attractive for investors and thereby help in development of the capital market, Shri Aikat felt.

In course of his Welcome Address, Shri Santosh Choraria, Co-Chairman, Taxation and Company Affairs Standing Committee observed that in India investor confidence had not yet fully recovered from the shocks of the stock market crash of 2007-08 triggered by the financial meltdown in USA and the Euro Zone. The damage to the confidence of the investors, caused by the meltdown, both at individual and investors level, is one of the principal reasons for the slowdown in the trajectories of growth, he said. Lack of market interest had, in turn, marginalised the role of the capital market in mobilising long-term funds for economic development. Shri Choraria felt that the Capital Market plays a critical role in mobilising savings for investment in productive assets, and enhancing thereby the country's long-term growth prospects. Keeping in mind this need, the Government of India has initiated a reform agenda which has helped in uplifting the investor sentiment and business confidence, he said.

Shri Choraria further observed that the year 2012 had proved to be fruitful for the Stock market with about 25 per cent appreciation in benchmark indices despite investors looking forward to a more favourable climate for investment. This had also induced the Government to introduce the provision for class-action lawsuits in the proposed Companies Bill, 2012. Most of the Indian households, however, traditionally prefer to deposit their savings into banks and other Government instruments and or gold instead of investing in capital markets. Thus, in order to sustain the growth of our capital market, it is necessary that this segment of our population is not only educated about the benefits of making investments in the capital markets but are also provided with necessary protection when they invest in corporate organisations. In the past, the Regulatory System was conspicuous by its absence. Now, however, due to reforms, the scope of fraudulent proposals are being eliminated providing a better climate for investment, Shri Choraria felt.

He, emphasised that the Ministry of Corporate Affairs, Government of India and the Reserve Bank of India along with Regulators have been commendably working for the development of investment as well as for safeguarding the earnings of the common man invested in capital markets. An Investors Education and Protection Fund (IEPF) was created by the Government of India in 1999 to address the concerns of the prospective investors. The Ministry of Corporate Affairs has also been propagating the same through Investor Awareness Programmes (IAPs). Shri Choraria felt that personal interaction with experts, in this regard, can immensely benefit investors in looking forward to safe investments.

Shri Manoj Banthia, M K B & Associates observed that Indians are largely dependent on banks rather than on capital markets for their savings. Such a trend is followed by individuals in India largely because capital market in India is not as well regulated as the money market. The capital market however, holds a lot of potential for investors since even a single company can raise finances as high as Rs. 221 lakh, Thus, the investors of the capital market need to focus on regulation of deposit outside the capital market and not within it.

According to Shri Banthia, raising of finances through the issue of equity shares is always a safer procedure than through debentures. The debentures are susceptible to scams and the Indian security market despite having stringent measures have loop holes which give way to monetary misappropriations. Such scams and misappropriations can be rectified only when procedures and certificates issued to the Registrar of Companies (RoC), seeking approval, are not treated as the licence to raise money by the investors, Shri Banthia felt.

Debentures as a mode of raising finances by investors can be revamped to make it safe in a variety of ways. Creation of a ‘Debenture Trustee’ for secured debentures would prove to be helpful in this regard, he felt. Besides, full information of the company seeking to be debenture trustees must be a mandate, Shri Banthia stated. Removal of information bottlenecks prevailing in capital market in India is, thus, necessary in order to make it more vibrant and investor friendly, he opined.

Shri D Bandopadhyay, Registrar of Companies, West Bengal, Ministry of Corporate Affairs, Government of India observed that with the increase in greed among humans, need for stringent regulation and control of public money being invested have become imperative. Besides, there should be increasing awareness on misappropriation of funds and fraudulent activities inorder to eliminate such activities. Savings of the household sectors are largely being misappropriated by the establishment of numerous chit funds, Shri Bandopadhyay stated. Small savings nowadays have been shifted from banks and post offices to chit funds. Secondly, in view of the decline in the deposits of banks and post offices, scope of provisions for Government loan had reduced resulting in fall in investments, Shri Bandopadhyay stated.

According to Shri Bandopadhyay, a rise in chit funds conversely has raised hapless investments without any business edge. Such investments have also led to scope of increase in misappropriation of funds and frauds on a large scale. Lack of awareness about reviving the lost investment has often resulted in dead weight losses, Shri Bandopadhyay felt. The capital market by virtue of its risk, receives less than 4 per cent of the total savings of the country. This reduces the pace of investments and also provides opportunities for more fraudulent deals in the investment markets. Growth of stock exchanges in the economy, is the reflection of the health status of the corporate sector in that economy. Thus, for increasing investment opportunities, greater dependence on the capital market is a mandate as it tends to increase the opportunities and the volume of investments.

Shri Sajjan Bhajanka, Senior Vice-President of the Chamber offered a hearty Vote of Thanks to the learned Speakers.

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