LEGAL REMEDIES FOR INVESTOR PROTECTION IN INDIA: ANALYZING JUDICIAL AND REGULATORY PERSPECTIVES

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ABSTRACT

Protecting investors is essential to a healthy financial market because it promotes transparency, equity, and trust amongst investors. The Securities and Exchange Board of India (SEBI) Act, 1992, the Companies Act, 2013, and other regulations published by SEBI, the Reserve Bank of India (RBI), and other financial regulators largely control India's legislative framework for investor protection. Government regulations exist to protect investors from several misconducts including inside trading and market manipulation and fraud and corporate violation.

The article investigates the regulatory domains of India. The review includes assessment of its legal frameworks regarding investor defense strategies. The investors possess several vital legal claims under SEBI Act and corporate regulation laws within the Companies Act and banking rules which they should utilize to defend their investment interests. The article functions for investor protection laws but also takes into consideration SAT decisions together with Indian court rulings.

The research found that India maintains robust regulatory structures to protect investors as an essential part however it highlighted persistent issues regarding the enforcement of laws and investor education needs improvement. The corporate scandals triggered by market-related misconduct had negative stability impacts but simultaneously reshaped investor attitudes toward Indian capital markets through fewer business misconduct events and better economic learning with regulatory system technology applications.

Keywords: Investor Protection, legislative framework, Enforcement, Grievance Redressal

1. Introduction

Investor protection is important for maintaining trust in capital markets, particularly for retail and independent investors, by safeguarding against fraud and market manipulation. Investor trust may decline in the absence of sufficient regulatory protections, which could result in economic instability. Governments have responded to this problem by setting forward extensive legal and regulatory structures that protect investors and preserve market integrity. Institutional, legal, and regulatory policies support investor protection, which is essential for fostering financial security and economic growth in India. These technologies shield investors against unethical behavior and corporate fraud while allowing them to participate in business activities. India's marketplaces have changed due to economic changes, technological advancements, and globalization, bringing with them both opportunities and risks.

2. Legislative Framework for Investor Protection

2.1. Securities and Exchange Board of India (SEBI) Act, 1992

The Securities and Exchange Board of India (SEBI) is a quasi-governmental regulatory authority that was formed in 1992 with the aim of safeguarding securities investors' interests and facilitating the growth and monitoring of the Indian securities market. Investors' protection means safeguarding the interest of investors from frauds and increases the confidence of retail investors[1]. One major aim of SEBI exists in creating a market for securities which operates clearly with honesty and freed from corruption. To promote transparency and equity, SEBI enacted the Prohibition of Insider Trading Regulations, 2015[2], and the Prohibition of Fraudulent and Unfair Trade Practices (PFUTP) Regulations[3]. The regulations work to stop manipulations in markets while promoting market confidence thus protecting market integrity alongside investor interests. The Securities and Exchange Board of India Act, 1992 (SEBI Act) was implemented to create a strong regulatory framework for the Indian securities industry.

Under the SEBI Act of 1992, it has been awarded statutory authority. Protecting investors' interests and bolstering India's securities sector were the stated goals of the groundbreaking

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[1] Patwant Kaur and Jasmindeep kaur, Investors' Grievances in India: Role of SEBI,3 MUDRA Journal of Finance and Accounting, 70, 70-83 (2016).
[2] SEBI(Prohibition of Insider Trading) Regulation,2015, Gazette of India, pt. III, sec. 4 (Jan. 15, 2015)
[3] Prohibition of Fraudulent and Unfair Trade Practices (PFUTP) Regulations, 2003, Gazette of India, pt. III, sec. 4 (July 17, 2003).

SEBI Act.Through the establishment of a specialized body, the SEBI, with the power to supervise and implement securities market regulations; it signifies a dramatic change in India's financial regulatory landscape. Concurrently, the Act also touches on systemic risk and the protection of investor interests, in addition to protecting the efficiency, fairness and transparency of the securities market.

Power of SEBI

Protection of security investors stands as SEBI's fundamental mission while the organization works to advance securities market development with efficient control mechanisms. SEBI receives extensive regulatory powers from the Securities Contracts (Regulation) Act, 1956 and The Companies Act, 2013 and SEBI Act, 1992 to oversee the securities markets.

Section 11 of the SEBI Act allows the regulator to preserve market integrity and investor interests. It requires firms and intermediaries to give transparent and relevant information in market transactions. Listed firms must disclose financial results, important developments, and related-party transactions. Investors can complain about fraudulent or non-compliant firms via SEBI's grievance redressal methods. Section 11[4]SEBI tracks down along with investigating all instances of insider trading that combines with front running, market manipulation, and price manipulating. SEBI maintains strict laws that forbid such misconduct and issues severe penalties against offenders.

Section 11A authorizes SEBI to establish market-wide guidelines for regulating securities issuance during public offerings, as well as to identify relevant conditions. SEBI decreases the risk of fraud by enforcing transparency, disclosure standards, document scrutiny, and corporate governance norms. It also boosts investor confidence and fosters an efficient and equitable market. Section 11B gives SEBI a authority to issue directions to any company, individual, or intermediary related to the securities market to safeguard investors and maintain market stability.[5] This section has a important role in permitting SEBI to take remedial and preventive steps against organizations involved in fraud or market manipulation.

[4]Securities and Exchange Board of India Act, 1992, No. 15, Acts of Parliament, 1992, sec 11
[5]Securities and Exchange Board of India Act, No. 15 of 1992, section 11B

Sahara India Real Estate Corporation Ltd. & Ors v. SEBI[6]

The Sahara India case concerned financial irregularities committed by Subrata Roy Sahara and his conglomerate, Sahara India Pariwar, which operated in finance, infrastructure, housing, media, and entertainment. The group was ordered to return ₹24,000 crores plus interest to investors for breaking securities regulations. Sahara's primary businesses, SIRECL and SHICL, raised huge sums using Optionally Fully Convertible Debentures (OFCDs), alleging they were private placements to avoid SEBI restrictions. The dispute started in 2008 when Sahara was forced to use OFCDs as a substitute fundraising method after the RBI forbade Sahara from collecting deposits. Sahara, however, was governed by SEBI's disclosure regulations since the agency determined that asking for money from more than fifty individuals was a public affair. During Sahara Prime City's IPO attempt, inconsistencies were found, such as poor investor record-keeping. The Supreme Court and the SAT upheld SEBI's findings, directing Sahara to compensate the investors.

The Supreme Court determined that SEBI has the authority to regulate such offerings, notwithstanding Sahara's argument that the agency lacked jurisdiction because the businesses were not listed. It concluded that OFCDs were securities and qualified as a public offering, putting them under SEBI's regulatory purview. The case illustrated how important it is to enforce securities laws and conduct regulatory oversight in order to stop financial fraud.

Section 11C of the SEBI Act of 1992 authorizes SEBI to inspect and investigate any market participant dealing in securities, as well as their books of accounts and records, in order to guarantee compliance with securities regulations and protect investor interests. Section 11C (3) allows SEBI to ask any person involved in the securities market to disclose relevant records during an investigation. Section 11C (8) permits SEBI to take records deemed necessary for the inquiry, subject to procedural safeguards such as previous clearance from a court.

Under Section 15 of the SEBI Act, 1992, the SEBI has the quasi-judicial power to levy monetary fines for violations of securities regulations. A key element of SEBI's enforcement framework, this provision guarantees adherence to legal obligations and encourages a

[6] Sahara India Real Estate Corporation Ltd. & Ors v. SEBI, (2012) 10 SCC 603

compliance culture among market participants. By preventing insider trading, fraud, and other wrongdoing, the sanctions levied under this section preserve the market's integrity.

Section 15 (G) imposes a penalty for insider trading its ten lakh rupees or more., but it can go up to 25 crore rupees or three times the number of profits made out of insider trading, whichever is higher. This law applies to anyone dealing with securities of a company listed on any stock exchange. The only exception is if someone is required by law to share that information or if it is part of their normal business operations.[7]

Rakesh Agrawal v. SEBI:[8]

Rakesh Agrawal v. SEBI was a case in which the petitioning party named Rakesh Agrawal being the Managing Director of ABS Company Pvt. Ltd. A German conglomerate, Bayer A.G., was negotiating the acquisition of 51 percent of the company's shares. As an insider, Rakesh Agrawal was privy to nonpublic information related to Bayer. Rakesh Agrawal's brother-in-law was suspected by the SEBI of buying particular shares through ABS, which he subsequently sold to Bayer in an open offer. This was profitable for ABS. Bayer was acquiring 51% of a non-publicly traded ACT shares effectively making ABS an insider. Thus, the appellant was engaged in insider trading in terms of violation of Regulations 3 and 4 of the SEBI Act. The SEBI subsequently directed Rakesh Agrawal to pay Rs. 34 lakhs towards compensation as the amount is to repay the other investors who have claimed that they have been violated in this process. Additionally, the SEBI ordered Rakesh Agrawal to face criminal charges under Section 24 of the SEBI Act. However, the Securities Appellate Tribunal (SAT) reversed the compensation award and with held payment in an appeal, stating that Rakesh Agrawal acted in his business's best interests, and his acts did not amount to insider trading.

Section 15(k) allows the Central Government to set up one or more Securities Appellate Tribunals (SAT) through notification. The SAT uses the authority, jurisdiction, and powers granted by this Act and other laws. The announcement also outlines the areas and issues that fall within the purview of the SAT. The SAT uses all of the authority given to it by this Act and

[7] Sakshi Rewaria, An Analysis of Insider Trading in India, International Journal of Research Publication and Reviews, Vol (2) Issue (7) (2021) Page 815-821.
[8] Rakesh Agarwal v. Securities Exchange Board of India, (2004) 49 SCL 351 (SAT).

any other applicable laws, including hearing appeals against decisions made by SEBI or adjudicating authorities.

Section 24 of the SEBI Act, 1992, is a major clause that dealing with penalties for breaking securities market laws. It declares that any person or company that violates the SEBI's regulations or conducts any unlawful activity in stock market may be subject to severe consequences. This involves sanctions such as fine, imprisonment or both. The seriousness of the offense determines how severe the penalty will be.[9]

To protect the interests of investors and maintain market integrity, SEBI has established forward several of important regulations. The SEBI (Prohibition of Insider Trading) Regulations, 2015, which require companies to maintain an electronic UPSI database and a code of conduct, prevent the misuse of unpublished price-sensitive information (UPSI), and encourage accountability and transparency among listed companies by requiring timely disclosures of financial results, significant decisions, and ownership changes. To address difficulties like dividend problems and document delivery, it also requires investor relationship committees to establish grievance redressal procedures. In order to improve investor understanding through seminars, publications, and research, the SEBI (Investor Protection and Education Fund) Regulations, 2009 created a special fund for investor education and awareness. This fund is backed by contributions from SEBI, governments, and forfeited funds. Private pooled investments such as hedge funds and venture capital are governed by the SEBI (Alternative Investment Funds) Regulations, 2012, which divide them into Categories I, II, and III based on the risk profiles of investors. Investors in high-risk industries are protected by registration, which is required to guarantee validity and stop fraud.

2.2. The Securities Contracts (Regulation) Act, 1956 (SCRA)

The Securities Contracts (Regulation) Act, 1956 was implemented to protect investor interests, promote fair practices in the market for securities and regulate securities trading in India. This law is important to the Indian financial system as it provides a clear and organized framework for securities transactions, preventing investors from unethical behavior and irregularities in the market.[10] The legislations govern securities contracts, stop unwanted securities trades and

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[9]Securities and Exchange Board of India Act, No. 15 of 1992, Section 24.

[10]Pankaj Kumar Srivastava, SEBI's Regulatory Role in Strengthening Capital Market in India, vol 18, Institute of Law & Research, 2021

provide stock exchanges legitimacy and regulation. The main operational goals of SCRA serve to protect investors against exploitation along with facilitating security trading under normal conditions.

All securities transactions must occur on registered stock exchanges in accordance with the SCRA. The regulatory environment, which helps to lower fraud risks through this standard, ensures that every transaction has a legitimate settlement. Through its regulations that establish permitted securities trading sites, the Act upholds an open trading environment for investors, thereby fostering safe transactions.

According to this statute, securities are defined broadly as any tradable financial asset, including bonds, shares, and debentures. The SCRA's broad definition of financial instruments allows it to cover the whole list of securities that are available on the market. In addition to protecting investors from unethical behavior, a broad range of protected financial products guarantees market integrity.

A vital element under SCRA allows approved stock exchanges to become subject to regulatory oversight. Sections 3 & 4 of the Securities Contract (Regulation) Act, 1956 include the requirements pertaining to the recognition of Stock Exchange. The Act also requires the Central Government to prescribe stock exchanges so that these trading platforms are regulated with prescribed rules and standards. This regulation helps maintain the integrity of the market by protecting investors from trading on unregulated or unreliable exchanges. This recognition process only enables exchanges that satisfy strict financial requirements security and transparency to act.

Section 5 (1) deals with the withdrawal of recognition of the stock exchanges. The Central Government is required to notify the governing board of a stock exchange in writing if it determines that revoking the exchange's registration is essential for the welfare of trade or the public. The notification must include the grounds for cancellation residents are asking for. The Central Government has the power, by notification in the Official Gazette, to withdraw the recognition so granted, but only after giving an opportunity to the governing body to be heard.

Section 12 of the Securities Contracts (Regulation) Act authorizes the Central Government to prevent the operations of approved stock exchanges when necessary, such as in circumstances of irregular trading activity. The ban can last up to seven days and may be extended if considered necessary. The reasons and conditions for such acts must be published in the Official Gazette, along with any extensions. Section 12(A) empowers SEBI to issue directions following an investigation if it deems it necessary to protect investor interests, ensure the orderly operation of the securities market, or prevent any stock exchange, clearing, or settlement facility from acting in a manner harmful to the market or investors.

Section 21 (A) (2) says if a company or investor is unhappy with a decision made They have 15 days from the date of the decision to appeal a recognized stock exchange's decision to remove securities from the list to the Securities Appellate Tribunal. Sections 22B to 22E of the Act will apply to the appeal, which will apply to such appeals as appropriate.

Section 23 (C) provides for imposing penalties for failure to redress investor's grievances, if a stock broker, sub-broker, or A business that has securities listed or plans to list on a recognized stock exchange faces penalties if it fails to resolve investor complaints within the time frame set by the SEBI or a recognized stock exchange. A fine of one lakh shall be imposed daily for each day that the failure to address grievances continues. The penalty cannot exceed one crore rupees.

The SCRA gives regulatory agencies like SEBI the authority to check records, look for anomalies, and punish non-compliance in order to stop market malpractices. This structure for enforcement discourages fraud and encourages transparency and fairness in the market. The Act regulates securities issuance, trading, and listing in order to safeguard investor interests, improve transparency, stop manipulation, and guarantee timely and accurate information. In general, it encourages investor trust and facilitates the steady expansion of the Indian securities market.

2.3. The Companies Act, 2013[11]

The Companies Act of 2013 was enacted to establish a comprehensive legal framework for Indian enterprises. It covers all areas of corporate operations, including establishment, management, and governance. This Act revised the Companies Act of 1956, bringing updated regulatory requirements and corporate governance rules that are consistent with worldwide practices. Parliament passed the Act in August 2013, with most clauses taking effect in 2014.

[11]The Companies Act,2013, No. 121-C of 2011

The Act incorporates required legislative modifications to meet the obstacles that enterprises encounter throughout their formation and operation. It provides legal protection for investors against corporate fraud and strengthens corporate governance. The Act has two goals: increasing corporate sector competitiveness and encouraging openness. It also focuses on environmental conservation and sustainable development.

The Act was enacted in response to the demand for increased investor protection, corporate accountability, and transparency in the business world. It emphasizes on optimizing operations, simplifying company processes, maintaining financial transparency, and adhering to ethical standards. By filling in the holes in the 1956 Act, it fits the present economic demands of an expanding market.

The Companies Act of 2013 contains multiple safeguards to protect the Investors through its provisions. The President of India approved the Bill on August 29, 2013 which led to the Companies Act, 2013 becoming effective as of August 30, 2013. Accordingly, Companies Act, 2013 shall be applicable to all the Companies, i.e. Companies Act, 2013 would prevail over Companies Act, 1956.[12]

Section 134[13] requires the Board of Directors to include a detailed report with the company's financial statements that covers its performance, financial health, dividend statements, share capital changes, and essential obligations. The report must also include information about corporate social responsibility, risk management, energy saving, technology adoption, and foreign currency rates. This ensures that investors have the necessary knowledge to make educated decisions and fosters accountability by allowing stakeholders to review the company's compliance with operational and ethical standards.

Section 129 of the Companies Act of 2013 mandates that all businesses submit financial statements that accurately depict their current situation. The cash flow statement, profit and loss statement balance, and other financial statements must adhere to accounting rules. In case the establishment of these principles upholds the consistency, precision, and comparability of monetary information, enabling an efficient assessment of the company's monetary health by

[12]Kavita Pradhan, Protection of Investors: An Analysis, (January 11, 2014), SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract _id=2377855,
[13] The Companies Act, 2013, No.18, Acts of Parliament, 2013 (India), Section 134.

regulators and investors.

Section 245 provides investors and depositors with a strong remedy to jointly pursue claims against companies, their directors or other officers. Shareholders and depositors seek redress of their interests that have been harmed through acts of fraud, mismanagement or negligence through class action suits. This is especially potent because it allows people with similar grievances to come together to bring a single piece of litigation, thus decreasing the cost and effort associated with bringing separate claims.

The Serious Fraud Investigation Office (SFIO), formed under Section 211, demonstrates the legislature's commitment to combating corporate fraud. SFIO, a specialist organization within the Ministry of Corporate Affairs, investigates complicated corporate fraud cases harming the economy or the public interest in response to Central Government referrals. Once the SFIO has sole investigative control, other authorities, such as the police, are unable to proceed, assuring concentrated and successful investigations. The SFIO also investigates violations of the Companies Act, financial wrongdoing, and other scams.

Central Bureau of Investigation v. B. Ramalinga Raju & Ors (Satyam Scam Case)[14]

The Satyam Scam was one of the biggest business frauds in India that involved investor deceit and financial misrepresentation. Satyam Computer Services, a prominent IT firm founded in 1987 by B. Ramalinga Raju, achieved both domestic and international success and even took home a Corporate Governance Award. Nevertheless, a huge fraud was discovered in January 2009, which included falsified bank records, exaggerated sales data, and falsified financial statements. The fraud totaled over Rs. 7,800 crores by inflating assets and revenues. Significant anomalies were discovered during investigations in the audits, disclosures, and balance sheet. A Special CBI Court found Ramalinga Raju, his brother, and eight other people guilty of purposefully falsifying financial data in order to deceive investors. Ramalinga Raju got a fine of Rs. 5.5 crores and a severe seven-year prison sentence; other individuals received similar punishments. PricewaterhouseCoopers (PwC) was also found accountable by the court for audit carelessness, and as a result, its license was suspended and it was fined heavily. The case demonstrated how corporate deception undermines public confidence, the economy, and

[14]Central Bureau of Investigation v. B. Ramalinga Raju & Ors, Special CBI Court, Hyderabad, (2015)

investors.

2.4. The Depositories Act, 1996

The Depositories Act of 1996, enacted by the Indian Parliament, establishes a legal framework for the operation of depositories in India. It enables the electronic transfer of securities while maintaining secure and efficient documentation. The Act establishes operating rules for depository institutions, which keep securities electronically and facilitate market transactions for investors. It introduced the dematerialized (demat) technology, which makes securities trading safer, faster, and more dependable.

Through the Act's online features, managing physical securities is made easier by simplifying ownership and transfer procedures. By facilitating quicker settlements, this improves market efficiency and boosts investor and financier engagement. By requiring safe and transparent documentation, the Act reduces the risk of fraud and manipulation and protects investors. The Act increases public and investor confidence in the financial system by encouraging information transparency and keeping thorough electronic records.

Section 10 says about beneficial owners' rights. It demonstrates that the advantageous owner of the securities retains all rights and responsibilities related to the securities, and this section is important for protecting investors. This section gives rights to vote, dividends, and interest payments.

Section 12 explains about the procedures for establishing a pledge or hypothecation of securities maintained in demats form. It guarantees that securities owned by investors can be used as loan collateral without ownership being transferred. This process's transparency guarantees that investors' securities are used only in accordance with their instructions and protects them from unlawful activity. Section 19C explains about the penalty for failure to redress investors' grievances. The section says that if any depository, participant, issuer, agent, or person registered in accordance with section 12 of the Securities and Exchange Board of India Act, 1992, if an intermediary fails to address investor grievances within the time frame specified by the Board after being called upon in writing to do so, the depository, participant, issuer, agent, or intermediary will be subject to a penalty with a minimum of one lakh rupees and a maximum of one lakh rupees for each day that the failure persists one crore rupees.

3. Role of Regulatory Authorities

3.1. Securities and Exchange Board of India (SEBI)

To safeguard investors' interests, SEBI has put in place a variety of plans and regulations throughout the years. It is working to ensure transparency, increase awareness, address grievances, and advice investors. Some of these measures are explained here:

SEBI Issues Guidelines for Corporates, P/E Funds, Portfolio Managers and Other Financial Intermediaries. This fact also leads to new investor protections standards and encouraging operating transparency. SEBI has also framed a code of advertisement for public problems to ensure fair and equitable disclosures. To safeguard investors against malpractices, SEBI closely monitors intermediaries' compliance with the regulations and takes corrective actions wherever necessary.

SEBI has also conducted surveys on investment and opportunities for small investors. The results from the survey are widely shared in order to advise investors accurately when making investment decisions. SEBI also regularly issues public advertisements in public interest for the education & protection of the investors. SEBI further releases booklets to familiarise investors regarding their rights and options, if there are any problems with their investments. In a bid to enhance transparency, SEBI has mandated the companies to publish their half-yearly unaudited financials. Providing small and average investors with the knowledge they need to make safe investments is the objective of these efforts.

3.2. Reserve Bank of India (RBI)

The Reserve Bank of India (RBI) was formed in 1935 as a privately owned central bank to manage India's economic concerns at the time. Realizing that the power had to be owned and watched over by the public at large, the Indian government nationalized the RBI in 1949. The Reserve Bank of India (RBI) is the primary monetary authority that manages foreign exchange and issues currency. It also regulates and supervises the financial system of the country.[15]

The RBI regulates financial institutions including banks, payment processors, and non-banking financial companies (NBFCs) in order to keep the financial system stable and transparent. The

[15]Akanksha Arvind Kashyap, Role of RBI in Financial Market, University of Mumbai, 2024

regulatory authority of RBI reduces investment risk by ensuring corporate governance and prudential norms. The RBI is also backed by various provisions like the Banking Regulation Act, 1949, that allows it to scrutinize banks, issue directives, and impose sanctions for noncompliance, to guarantee the security of depositors and investors. It is also empowered to regulate money market instruments, such as government securities and debentures, under the Reserve Bank of India Act, 1934. The RBI helps to protect investors against fraudulent activity by making certain that equitable practices are followed in these markets.

The RBI also launched the Banking Ombudsman Scheme, a grievance redressal systems to resolve disputes of consumers and investors against banks. Strict measures are taken by the RBI to prevent financial market fraud and RBI tries to prevent money-laundering, insider trading and indirectly protect investors from systemic risks.

4. Challenges and Gaps in the Legal Framework

Jurisdictional scope of SEBI is one of its main limitations, while it regulates the securities market, but some financial transactions and institutions are managed by other regulators like the RBI, Insurance Regulatory and Development Authority of India (IRDAI) and Competition Commission of India (CCI). For example, where SEBI is in charge of monitoring of mutual funds, and it do not possess direct regulatory authority over insurance -linked securities or banking-related financial instruments.[16] This fragmented regulatory framework frequently results in overlapping authority and regulatory arbitrage, where entities make benefits of regulatory gaps to escape scrutiny.

SEBI has limited criminal enforcement powers, and it can only levy civil penalties or prohibit corporations from trading. It lacks the authority to pursue criminal charges such as market manipulation, insider trading, and significant fraud, instead depending on agencies such as the police, Enforcement Directorate, and CBI. This inter-agency dependency produces large delays, which reduces SEBI's deterrence effect.

Even while investor awareness is crucial for fair market practices and protection against unethical behavior, many investors, especially those in retail and rural regions, are unaware of their rights and possible legal remedies. Because of this ignorance, SEBI finds it more difficult

[16]Securities and Exchange Board of India Act, 1992, Section 11 (India).

to enforce the law and allows malfeasance to persist. SEBI has established a multi-tier grievance redressal system that includes arbitration, the Securities Appellate Tribunal (SAT), the SEBI Complaints Redress System (SCORES), and Investor Grievance Redressal Committees (IGRC) at stock exchanges. However, many investors are still dissatisfied since dishonest people tend to evade accountability.

Another reason why many investors decide not to register complaints is the lengthy, costly, and complex legal process; this leads to underreporting of fraud. This ignorance and reluctance to engage legally still hinder an open and equitable securities market. Retail investors, particularly those in rural regions, are still unaware of the safeguards against insider trading and market manipulation, as well as the ability to take action through SEBI. Reliance on brokers, anxiety over legal issues, and a lack of investor knowledge are some of the factors that make the issue worse. As a result, a large number of frauds remain disclosed, jeopardizing investor safety and regulatory action.

5. Conclusion

India's investor protection has advanced tremendously, with SEBI playing an important role in regulating the securities industry and guaranteeing fair practices. A solid basis for fighting against corporate fraud and market manipulation is provided by significant rules such the SEBI Act (1992), the Companies Act (2013), and the SCRA (1956). Investors can seek dispute resolution through grievance forums such as SEBI's SCORES, stock exchange arbitration, and SAT. Enforcement, advanced processes, and investor education are necessary for effective financial crime prevention. With courts having the last word in disputes and SEBI conducting proactive market surveillance, the judiciary and SEBI work in tandem. However, enforcement is weakened and deterrence against frauds is diminished by judicial delays and numerous challenges to SEBI rulings.

Maximum effectiveness necessitates faster resolution courts and greater cooperation between SEBI and the judiciary. Increased enforcement, harsher penalties, and better safeguards against financial fraud and Ponzi schemes are all necessary. To safeguard investors, SEBI ought to have separate jurisdiction over criminal investigations from other law enforcement agencies. The robustness of India's legal system is mostly attributed to its enforcement, robust regulation, efficient judiciary, and active investor participation. Regulatory improvements, improved dispute resolution, and greater investor education are required to ensure a securities market that is transparent, equitable, and resistant to fraud.