

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

STARRED QUESTION NO:147  
ANSWERED ON:02.12.2005  
PROTECTION OF SMALL INVESTORS  
Singh Kunwar Rewati Raman

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the sensx at Bombay Stock Exchanges (BSE) reached the level of 8400 points on 17th September, 2005 which was not consistent with the economic fundamentals of the country;
- (b) if so, the reasons for Security and Exchange Board of India not intervening after it crossed 8000 points; and
- (c) the steps taken/proposed to be taken by the Government to protect the small investors?

**Answer**

MINISTER OF FINANCE (SHRI P. CHIDAMBARAM)

(a) to (c): A statement is placed on the Table of the House.

Statement referred to in the reply to the Lok Sabha Starred Question No.147 regarding 'Protection of Small Investors' by Shri Rewati Raman Singh for reply on 2nd December, 2005.

(a) The stock markets have shown an upward trend in the recent past. The Sensex, which closed at 8380.96 on Friday, the 16th September 2005, further rose to close at 8444.84 on the next trading day, that is, Monday, the 19th September 2005. On 29th November 2005, the Sensex closed at 8931.16. On 30th November, 2005, the Sensex closed at 8788.81. The movements of the index are a function of changes in investment arising out of perception about the economy and/or a sector or the stocks constituting the index. Besides economic factors, movement of stock indices also depends on various domestic and international events, market sentiments, corporate performance and likely economic growth in future, inducting the fundamentals of the economy.

(b) & (c) The Securities and Exchange Board of India (SEBI) was established to protect the interests of investors in securities and to regulate and promote the development of the securities market. SEBI is not expected to interfere in the market when an index crosses any particular level. However, SEBI keeps a constant vigil on the markets. In view of recent market movements, SEBI has taken several measures as a part of its surveillance activities. These include, inter alia, shifting of several scrips to trade-to-trade segment to discourage day trading and speculation and imposition of circuit filters/price bands on several scrips. SEBI has advised stock exchanges to initiate expeditious demonstrative action wherever warranted so as to protect investors' interests and to ensure orderly functioning of the stock market. Additionally, from time to time stock exchanges are also issuing lists of do's and dont's for investors with regard to dealing in securities, through leading English and Hindi newspapers. SEBI also emphasises this through its periodic investor education programmes.