

Effectiveness of Capital Market Reforms and Investor Protection Measures in India – A Systematic Review

Kamalpreet Kaur^{1*} & Navkiranjit Kaur Dhaliwal²

¹Research Fellow, Department of Commerce, Punjabi University Patiala, Punjab, India.

²Professor Department of Commerce Punjabi University Patiala, Punjab, India.

*Corresponding Author: mahalkamal50@gmail.com

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Abstract

The objective of this study is to provide a comprehensive perspective on current dynamics and literature research in the area of investors' information needs, their level of awareness, problems faced by them and also the satisfaction related to various investor protection reforms introduced in the Indian capital market.

Keywords: SEBI, Information Needs, Investors' Protection, Awareness, Education, Satisfaction and Effectiveness of Capital Market.

Introduction

The institutional framework that makes it easier to borrow and lend long-term funds is referred to as the capital market. It is the structured process for the efficient and successful transfer of funds or other financial resources from the interested parties. "This is a market for raising and advancing capital for investment, not a market for capital goods" (P.K. Dhar). "This is a market for long-term investments. Its concentration is on long-term asset financing, as opposed to the money market, which is an institutional avenue for working capital finance" (M.Y. Khan).

The Capital Issues (Control) Act of 1947 became India's first capital market regulation. After that, the Companies Act of 1956 was established to control the establishment, administration, and dissolution of companies. The Companies Act of 1956 allows its members certain rights, but these rights do not address the concerns of private investors, and the Act offers no protection with regard to capital recovery or rate of return on investment. In addition to the Companies Act, the Securities Contracts (Regulation) Act of 1956 was enacted to safeguard investors by prohibiting unfair trading and speculation in the stock market. In the meanwhile, the Indian capital market is affected in a number of ways by the globalization of financial markets. The Securities and Exchange Board of India Act, 1992, has replaced the Capital Issues Control Act. The Securities and Exchange Board of India, also known as "SEBI," is an independent organization established by the SEBI Act. The primary goal of the SEBI Act is to safeguard investors' interests. SEBI laws govern issuers, stock exchanges, stock brokers, and other intermediaries, among others. The SEBI works to make sure that the Disclosure of Information for Investor Protection rules enables investors' to safeguard their interests (Gopalsamy, 2005 and kaur, 2024).

Objectives of the Study

- The main objective of the study is to review the literature available for understanding the factors that governs investor protection measures in Indian capital market.

- To understand the research methodology adopted by researchers to conduct research on investor protection measures in Indian capital market.
- To observe the sample size taken for research by the existing studies.

Research Methodology

The purpose of the paper is to provide an extensive review of the literature on capital market and investor protection. Research articles published in the most appropriate academic databases, including IJNDR, IJltech, IJCRB, IBSSR, IJARM, IJCRB, Emerald and Elsevier were reviewed together with pertinent books. In this study, research papers have been reviewed from the existing literature available globally from year 1977 to 2024. The research work available have been reviewed in terms of key- measures viz, objective of the study, research methodology, sample size, the factors and the major variables that governs a work life balance. Studies were done to recognize the research gap and the present study titled 'Effectiveness of investor protection measures in Indian capital market: a study of retail investors in Punjab' investigates the detailed understanding of Retail investors' information needs, awareness level, their problems and satisfaction from capital market reforms and regulations of SEBI based on the studies already done by various researches at national and international level.

Review of Literature

A literature review is an academic paper's text that summarizes the present state of knowledge on a specific topic, encompassing theoretical and methodological contributions as well as substantive discoveries. The earlier empirical research on investor protection measures in Indian capital market related to retail investors have been discussed and shown in Table I.

Table 1: Literature review on Indian Capital Market and Protection of investors'

S. No.	Author and Year	Research Objective	Sample Size	Research Methodology	Findings of the study
1.	Chenhall and Juchau (1977)	To study the information needs of investors when they invest in capital market.	1025	Mean, Standard Deviation and Coefficients of Variation	Findings of the study states that, Australian investors preferred forward-looking information, such as projected earnings, share price movements, and management quality, over historical data. It also found that investors relied largely on third-party sources such as brokers and financial news rather than exclusively on company reports.
2.	Goraya and Kumar (2005)	To study the awareness level of investors about SEBI guidelines and problems faced by investors.	150	Descriptive statistics and Weighted Average Scores	Findings of the study reveals that investors knowledge and protection mechanisms improved over time, although satisfaction with several SEBI rules remains mixed and significant gaps exist in grievance redressal and insider trading norms.
3.	Taneja and Singh (2005)	The objective of study is to evaluate how capital market reforms affect the grievances and awareness of retail investors in the stock market.	100	Descriptive statistical methods (frequency distributions, percentages, means, multiple-response and ranking analysis)	The result of the study states that 60 percent of investors still face issues when investing in the capital market. The government should strengthen investor grievance cells and simplifies grievance redressal procedures. It also suggests effective ways to raise public awareness of capital market reforms.
4.	Sachithanatham et al. (2007)	To find out the relationship between capital market reforms and the amount of money invested by investors, and to	824	Factor Analysis (Principal Component Method), Multiple	The study evaluated the impact of capital market reforms on investors' investment amounts. Despite being statistically significant, it was discovered that attractive and educational improvements had a

		analyze investors' perceptions toward various reform measures in India.		Regression Analysis and KMO Test	negative impact on investors' levels of investment. Investors' occupation and income significantly shaped their investment behavior in response to reforms.
5	Maini and Sharma (2009)	To assess the satisfaction level of retail investors regarding capital market reforms implemented by SEBI.	500	Weighted Average Scores (WAS) and One-Way ANOVA	Most investors in Punjab report satisfaction with major capital market reforms led by SEBI, but many remain unaware of several regulatory measures and express less satisfaction.
6.	Kukreja (2012)	To identify and evaluate the factors influencing investors' perception towards investment in the Indian capital market, particularly in the National Capital Region (NCR) of India.	120	KMO and Bartlett's test, Principal Component Analysis (PCA), Chi-square Test	Demographic characteristics including age, occupation and education have a big impact on investor behavior. Investor perception and satisfaction levels in the Indian capital market are determined by a combination of broker performance, investment influence, benefits, and service satisfaction.
7.	Joshi and Chawla (2014)	To study the perception of retail investors of Surat City regarding the factors affecting the primary market mechanism in India.	175	Reliability Test Cronbach's Alpha, KMO and Bartlett's Test and ANOVA (Analysis of Variance)	The findings of the study states that retail investors in Surat give high importance to company credibility and financial strength when investing in IPOs, while SEBI needs to address transparency and refund-related concerns to improve primary market participation.
8.	Geetha and Vimala (2014)	To examine how demographic variables influence investors' risk-taking ability and to analyze their perception towards selected financial investment avenues.	500	Chi-Square Test , One Sample t-Test and Descriptive Statistics	Study concludes that Investment choices are heavily influenced by demographic criteria including age, income, and education. Investors reflect a balanced approach to risk and return, with an increasing preference for insurance and mutual fund.
9.	Ikeobi (2015)	To the study challenges faced by individual investors in the Nigerian capital market.	130	Frequency distribution table and Simple percentages	It has been stated that Investors faced a number of difficulties, including low returns, lack of transparency, high transaction fees, dishonest brokers, low investor knowledge, the effects of the global financial crisis, inefficient registrars, and inadequate information disclosure. All of these issues made it difficult to mobilize capital and discouraged participation in the Nigerian capital market.
10.	Ravidran and Kanakraj (2015)	To examine the equity investors level of satisfaction in the capital market.	598	Average score analysis, chi-square analysis and concentration indices.	The majority of investors were highly satisfied with regulatory organizations' investor education and awareness programs, followed by dividend returns. Age, education, occupation, and income are all major socioeconomic determinants influencing investor satisfaction, however family size has little effect.
11.	Waqar et al. (2017)	To examine how structured and efficient market factors such as	200	Descriptive, Reliability Analysis	According to the study, investor satisfaction is significantly increased by market transparency, efficient

		market transparency, information efficiency, and regulatory mechanisms influence the satisfaction level of individual investors in capital market.		(Cronbach's Alpha), Correlation and Multiple Regression Analysis	regulations, and investor education. Weak enforcement and information asymmetry were shown to be the main causes of lower satisfaction scores. In general, it was believed that maintaining investor confidence and participation required a transparent and well-regulated market.
12.	Kaur (2018)	To study the investors' probable solutions to their investment-related problems in the securities market, specifically among retail equity investors in Punjab.	1000	Descriptive Statistics and Factor Analysis (using KMO and Bartlett's Test of Sphericity)	It has been observed that investor protection in India needs stronger regulatory mechanisms, quicker grievance redressal, better investor education and stricter oversight of intermediaries to build investor confidence and market stability.
13.	Joshi (2018)	To analyze the growth of Nepal's security market (2005/06–2016/17) and to identify the key factors influencing individual investors' investment decisions in the capital market.	200 Explana tory and analytic al research design	Ratio Analysis, Growth Analysis, Karl Pearson's Correlation Coefficient, T-test and Durbin-Watson Test	From 2005/06 to 2016/17, Nepal's capital market grew positively yet erratically, suggesting incomplete maturity. The most important influencing variables for investment decisions were corporate reputation, accounting information, and majority stockholder opinions. Investors focus on fundamental analysis and prioritize long-term returns over speculative gains.
14.	Muralidharan and Vimala (2018)	To identify the major factors influencing investment decisions of individual investors in the Indian capital market and to examine the relationship between demographic variables and investment preferences.	150	Percentage Analysis, Factor Analysis, Chi-Square and Correlation Analysis	According to the study, market information, governmental regulations, and business performance are the primary factors influencing investors' choices. Additionally, it showed that occupation and income have a big impact on investment decisions, indicating a trend toward sensible and well-informed investing.
15.	Rana (2019)	To identify and analyze the main factors influencing individual investors' stock investment decisions in stock market and to examine their relative importance based on demographic characteristics.	106	Descriptive, Exploratory Factor Analysis (EFA), Reliability Test, Independent Sample t-test and One-way ANOVA	According to the survey, business image, earnings performance, and firm fundamentals are the primary factors influencing investors' stock choices in Nepal. Although demographic factors like age and marital status also had some influence, fundamental market considerations had the greatest impact.
16.	Azash and Reddy (2022)	To study the level of awareness, extent of usage, and satisfaction of retail investors regarding SEBI's online grievance redress mechanism — SCORES (SEBI Complaints Redress System).	120	Descriptive Analysis, Arithmetic Mean & Standard and Chi-Square Test	According to the report, the majority of retail investors is quite aware of and content with SEBI's SCORES system, acknowledging it as a useful tool for open communication and grievance redress. However, a few investors believed that the system could be improved in terms of response time and general efficiency.
17.	Bhairi and Ramesh	To study the awareness, behavior,	852	Descriptive Analysis,	The study indicates that majority of investors possess a moderate

	(2022)	and investment preferences of Indian investors in the capital market after liberalization.		One-Sample t-test, ANOVA and Regression.	understanding of capital markets, prioritize safety and capital appreciation over dividends, predominantly depend on informal information sources, and favor secure, diversified assets.
18.	Krishna et al. (2022)	To analyze the nature of investors in Chennai and to study their preferences and problems faced in different sources of investment.	200	Percentage Analysis and Chi-Square Test	According to the report, the majority of Chennai's investors favor gold, real estate, and equities as their primary investment choices. Gender differences in investment choices are notable; women choose gold and deposits, while men preferred securities. In general, investors accept moderate risks, but they are not well-informed on a variety of investment options, such as stocks and mutual funds.
19.	Roopa and Bindu (2022)	To examine the level of awareness and satisfaction among investors regarding SEBI's investor protection measures and education initiatives.	150	Percentage Analysis, Tabulation Method and Observation Method	According to the study's findings, SEBI's efforts have greatly enhanced investor confidence and protection. However, investor knowledge of particular initiatives like SCORES, tax advantages, and educational seminars is still low, underscoring the need for more robust and extensive financial literacy initiatives.
20.	Kaur (2024)	To study the Investors' perception towards investor protection measures taken by the government of India and SEBI.	1000	Descriptive Statistics, Factor Analysis and Ordinal Regression Analysis	The results of the study revealed four major elements influencing investor satisfaction: regulations on primary and secondary market transactions, investor awareness and protection rules, regulations to prohibit company malpractices, and corporate governance and investor protection legislation.

Analysis of the Study

After reviewing the empirical literature given in Table – I, the researchers found that there are various factors that affect investors' decision making related to investment in capital market of India which are presented in Table- II. The classification of the research papers on the basis of their sample size is presented in Table – III. Statistical techniques used by researchers to analyze the data are presented in Table – IV.

Table II: Factors that affect investors' decision making related to investment in capital market of India

Factors related to Informational needs of investors'	Accounting information, stockholder opinions, corporate reputation, fundamental analysis, projected earnings, share price movements, management quality, company credibility and financial strength, Past performance
Factors related to Awareness	Profile of investors, investors education and programs, awareness of SEBI, guidelines and compliance, Usefulness of programmes, specifications of programmes.
Factors related to problems faced by investors	Low returns, lack of transparency, high transaction fees, dishonest brokers, lack of knowledge, inefficient registrars, and inadequate information disclosure.
Factors related to Satisfaction and perception	Regulations on primary and secondary market transactions, investor awareness and protection rules, regulations to prohibit company malpractices, and corporate governance and investor protection legislation.
Others	Market information, governmental regulations, and business performance, demographic variables like age, income, occupation and education.

Table III: Classification of research papers on the basis of Sample Size

Sample Size	No. of Research Papers	Percentage (%)
Below 250	12	60%
251-500	2	10%
501-750	1	5%
751-1000	4	20%
Above 1001	1	5%

Table IV: Classification on the basis of Statistical techniques adopted by researchers

Statistical Techniques	Researchers
ANOVA	Bhairi and Ramesh (2022), Rana (2019), Joshi and Chawla (2014), Maini and Sharma (2009)
Chi- Square Test	Krishna et al. (2022), Azash and Reddy (2022), Muralidharan and Vimala (2018), Ravidran and Kanakraj (2015), Geetha and Vimala (2014)
Correlation	Muralidharan and Vimala (2018), Joshi (2018), Waqar et al. (2017)
Cronbach's Alpha Reliability	Rana (2019), Waqar et al. (2017), Joshi and Chawla (2014)
Descriptive Analysis	Taneja and Singh (2005), Taneja and Singh (2005), Kaur (2024), Roopa and Bindu (2022), Bhairi and Ramesh (2022), Azash and Reddy (2022), Rana (2019), Kaur (2018), Waqar et al. (2017), Geetha and Vimala (2014)
Durbin-Watson Test	Joshi (2018)
Factor analysis (using KMO, Principal Component Method, and Bartlett's Test of Sphericity)	Kaur (2024), Rana (2019), Muralidharan and Vimala (2018), Kaur (2018), Sachithanatham et al. (2007)
Regression Analysis	Kaur (2024), Bhairi and Ramesh (2022), Waqar et al. (2017), Sachithanatham et al. (2007)
Standard Deviation	Azash and Reddy (2022)
T-Test	Bhairi and Ramesh (2022), Rana (2019), Joshi (2018), Geetha and Vimala (2014)
Weighted Average Scores	Maini and Sharma (2009), Goraya and Kumar (2005)
Other tests (average score, mean, ratio analysis, ranking analysis percentage analysis)	Chenhall and Juchau (1977), Taneja and Singh (2005), Ravidran and Kanakraj (2015), Roopa and Bindu (2022), Bhairi and Ramesh (2022), Muralidharan and Vimala (2018), Ikeobi (2015), Bhairi and Ramesh (2022)

Research Gap

The foregoing reviews of literature revealed that investor protection in the capital market is a universal concern for all investors' who invest in the capital market such as individual investors, traders, and retail investors. While many studies have looked at different elements of investor protection and capital market reforms in India, the results are quite dispersed and lack a comprehensive viewpoint. The majority of research concentrates on individual elements, such as investor knowledge, grievance redressal procedures, or satisfaction with certain changes; very few investigations assess all these elements collectively. Furthermore, there is a lack of information on the efficacy of SEBI's protection-oriented policies, as much research focuses more on investment behaviour than on investor protection measures. Additionally, a large portion of the current work is out of date because it was done before significant regulatory changes including digital onboarding, improved disclosure standards, T+1 settlement, and the reinforcement of SCORES. As a result, there is a lack of up-to-date information assessing investors' understanding, concerns, and satisfaction with SEBI developments. Another significant gap is the lack of studies on Northern Indian states, especially Punjab, despite rising investor participation in this field. Additionally, there isn't a thorough model in the literature that links information requirements, awareness levels, issues encountered, and satisfaction with capital market changes. In the

light of above, the proposed study will be a comprehensive study covering various aspects in detail related to investor protection and would evaluate the effectiveness of investor protection measures taken during the post- crises period. The study will also investigate into the diverse information needs of the investors, will assess the awareness level of investors related to various aspects, will identify the challenges being faced by the investors. Thus, the proposed study is intended to evaluate the effectiveness of capital market reforms in meeting the needs of investors and in affecting the growth of the securities market in India.

Conclusion

The study concludes that, despite SEBI implementing numerous reforms to enhance transparency, safeguard investors, and promote market efficiency, a significant number of investors remain unaware about these initiatives. Persistent challenges, including limited financial literacy, inadequate enforcement, and broker-related concerns, continue to undermine investor confidence. It is crucial to improve regulatory supervision, strengthen investor education, and streamline compliance procedures. Overall, the study demonstrates the importance of ongoing improvements to investor protection frameworks in order to foster a more reliable and inclusive capital market.

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