

# Indian Stock Market

By

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## ABSTRACT

The Indian stock market plays a pivotal role in the country's economic framework, serving as a critical avenue for the mobilization of resources and allocation of capital across diverse sectors. It acts as a barometer for economic performance, reflecting investor sentiments and broader economic trends. This complex system comprises a wide array of participants including individual investors, institutional investors, brokerage firms, market analysts, and regulators, each playing distinct roles that contribute to the market's functionality and integrity. At the heart of the stock market's operation are the exchanges, specifically the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), which provide platforms for the buying and selling of securities. These exchanges facilitate the matching of buy and sell orders, ensuring liquidity and price discovery in the market. They maintain an orderly and transparent market environment where transactions occur through a well-defined, efficient process. The exchanges use advanced electronic trading systems that enable the seamless execution of trades, contributing significantly to the market's dynamism and accessibility.

The Securities and Exchange Board of India (SEBI) is the regulatory authority tasked with overseeing the stock market's operations. SEBI's role is multifaceted; it enforces regulations to protect investors, ensures transparency, and promotes the development of the securities market. It regulates and monitors market intermediaries, conducts inspections, and enforces rules to prevent malpractice such as insider trading and market manipulation. By establishing robust regulatory frameworks, SEBI enhances investor confidence and promotes fair trading practices.

Individual investors participate directly in the stock market by buying and selling stocks, relying on personal research or guidance from financial advisors. They range from small retail investors to high-net-worth individuals who seek to grow their wealth through equity investments. Institutional investors, including mutual funds, pension funds, and insurance companies, are major participants that bring substantial capital to the market. These entities conduct detailed research and analysis, employing sophisticated strategies to manage large portfolios with diverse investments.

## 1. INTRODUCTION

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Brokerage firms act as intermediaries between investors and the stock exchanges. They provide trading platforms, advisory services, and research reports, enabling investors to make informed decisions. Brokers are licensed by SEBI and must adhere to stringent regulations to ensure the integrity of the market. Their role is crucial in facilitating transactions and offering liquidity, making it easier for investors to enter and exit the market. Market analysts and financial advisors also play a key role by providing insights and analyses into market trends, corporate performance, and economic indicators. They equip investors with the necessary knowledge to evaluate investment opportunities and make prudent financial decisions. Through financial reports, forecasts, and investment recommendations, these professionals contribute to the information flow within the market, which is vital for efficient functioning.

The stock market operates through a complex mechanism that involves the issuance of securities by companies to raise capital. Companies list their shares on the stock exchange through initial public offerings (IPOs), allowing public investors to become shareholders. This process enables companies to fund expansion projects, invest in technology, and improve infrastructure, driving economic growth.

Trading in the stock market involves the continuous buying and selling of these securities. The market operates daily with designated trading hours during which transactions can occur. Prices of securities fluctuate based on supply and demand dynamics, influenced by factors such as economic data releases, corporate earnings reports, global market trends, and geopolitical events.

The Indian stock market is characterized by its robust trading volumes and significant participation from foreign institutional investors (FIIs), who contribute to the depth and liquidity of the market. FIIs are attracted to India's growth potential, stable macroeconomic environment, and the regulatory framework that supports foreign investment.

### 1.1 Structure of the Indian Stock Market

The National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) are the two major exchanges in India, each playing a distinct yet complementary role in the stock market's ecosystem. Both exchanges provide platforms that facilitate the buying and selling of a wide array of securities, including stocks, bonds, and derivatives. They ensure market liquidity, transparency, and efficient matching of buy and sell orders.

- **National Stock Exchange (NSE):** Established in 1992, the NSE revolutionized the Indian stock market with its electronic trading system. This technology-driven approach eliminated the open outcry system, making trading more efficient, transparent, and accessible to a broader range of participants across the country. The NSE has rapidly grown to become the largest exchange in India in terms of trading volume and market capitalization. It offers a comprehensive platform for a diverse range of financial products, including equities, futures, options, currency derivatives, and debt instruments.

The NSE is renowned for its flagship index, the NIFTY 50, which represents the performance of the top 50 companies listed on the exchange. This index serves as a benchmark for market performance and is widely used by investors globally. The exchange operates on the principles of market integrity, continuous innovation, and investor protection, ensuring an efficient, fair, and regulated market environment.

- **Bombay Stock Exchange (BSE):** Established in 1875, the BSE holds the distinction of being Asia's oldest stock exchange. It boasts a rich history and has been a key player in India's financial development. Despite its historical significance, the BSE has kept pace with technological advancements, offering a sophisticated trading platform that supports equities, mutual funds, derivatives, and debt instruments.

The BSE's benchmark index, the S&P BSE SENSEX, comprises 30 of the largest and most actively traded stocks on the exchange. The SENSEX is a critical indicator of market trends and economic health, frequently referenced in financial analyses and investment decisions. The BSE is known for its commitment to technological innovation and investor

services, operating through advanced trading systems that ensure the seamless execution of trades and provide investors with cutting-edge tools for market analysis.

• **Securities and Exchange Board of India (SEBI):** As the regulatory authority overseeing the Indian stock market, SEBI plays a crucial role in maintaining market integrity, protecting investor interests, and fostering a conducive environment for market growth. Established in 1988 and given statutory powers in 1992, SEBI's mandate includes regulating stock exchanges, market intermediaries, and listed companies. It formulates and enforces regulations to prevent fraudulent and unfair trade practices, ensuring transparency and fair dealing in the securities markets.

SEBI's regulatory framework is comprehensive and dynamic, addressing the needs of a rapidly evolving market. It monitors trading activities, conducts inspections of market intermediaries, and takes enforcement actions against violations. SEBI also focuses on educating investors, promoting financial literacy, and increasing awareness of their rights and responsibilities. Through initiatives like the Investor Protection and Education Fund (IPEF), SEBI conducts various programs aimed at empowering investors with the knowledge required to make informed investment decisions.

Additionally, SEBI has implemented several measures to enhance market infrastructure, including the introduction of risk management systems, surveillance mechanisms, and disclosure norms. These measures ensure that the Indian stock market remains robust, resilient, and transparent, capable of attracting both domestic and international investors. Together, NSE and BSE provide a dual structure that enhances competition and innovation in the market, while SEBI's regulatory oversight ensures that the market operates smoothly and efficiently, safeguarding the interests of all stakeholders. Through their combined efforts, these institutions uphold the integrity of the Indian stock market, contributing significantly to the country's economic stability and growth.

## 1.2 Types of Securities Traded

The Indian stock market offers a diverse array of securities that cater to the varied preferences and risk appetites of investors. Understanding these securities and their distinct characteristics is crucial for making informed investment decisions. The primary types of securities available in the Indian market include equities, derivatives, and mutual funds. Each of these plays a unique role in the financial ecosystem, offering different opportunities and risks.

### Equities

Equities, commonly referred to as stocks or shares, represent ownership interests in publicly traded companies. When investors purchase shares, they acquire a stake in the company and become part-owners. This ownership entitles them to a proportion of the company's profits, usually in the form of dividends, as well as the potential for capital appreciation as the company's stock price increases.

There are two primary categories of equities:

**1. Common Stocks:** These are the most prevalent type of shares that grant investors voting rights in the company's annual meetings. Common stockholders can vote on corporate policy matters and elect the board of directors. While they offer the potential for significant capital gains, common stocks come with high volatility and risk. If a company faces liquidation, common shareholders are the last to be compensated, receiving proceeds only after all debts and preferred shareholders are paid.

**2. Preferred Stocks:** These shares offer a fixed dividend and take precedence over common stocks in the event of liquidation. Preferred stockholders do not usually possess voting rights, but they receive dividends before common stockholders and often enjoy greater financial stability. The returns on preferred stocks tend to be more predictable, but they typically provide less capital appreciation potential than common stocks.

Investors can diversify their equity holdings across various sectors and industries, ranging from technology and healthcare to finance and consumer goods, thereby spreading risk and taking advantage of growth in multiple segments of the economy.

### 1.3 Derivatives

Derivatives are financial instruments whose value is derived from underlying assets such as stocks, indices, commodities, or currencies. The Indian derivatives market offers a range of products that enable investors to hedge risks, speculate on price movements, or enhance portfolio returns. The two most common types of derivatives are futures and options.

**1. Futures Contracts:** These are standardized agreements to buy or sell an asset at a predetermined price on a specific date in the future. Futures are used by investors to hedge against price fluctuations in the underlying assets or to speculate on market movements. For instance, an investor anticipating a rise in stock prices might buy a stock futures contract to lock in the purchase price. Conversely, if an investor expects prices to fall, they can sell futures to benefit from the decline.

**2. Options Contracts:** Options provide the right, but not the obligation, to buy or sell an asset at a specified price before a particular expiration date. There are two main types of options: call options, which allow the holder to buy the asset, and put options, which allow the holder to sell the asset. Investors use options for various strategies, such as hedging against potential losses or generating income through option premiums.

Derivatives are highly leveraged instruments that can amplify returns but also increase risk. They require a thorough understanding of the market dynamics and an ability to anticipate price movements accurately.

### 1.4 Mutual Funds

Mutual funds are collective investment vehicles that pool money from multiple investors to invest in a diversified portfolio of securities, including stocks, bonds, and other assets. They are managed by professional fund managers who make investment decisions based on the fund's objectives. The key advantages of investing in mutual funds include:

**1. Diversification:** Mutual funds allow investors to achieve diversification by spreading investments across a wide range of securities, reducing the impact of poor performance by any single investment.

**2. Professional Management:** Fund managers have the expertise and resources to conduct in-depth research and analysis, making informed decisions to optimize returns.

**3. Liquidity:** Mutual fund units can typically be bought or sold on any business day at the prevailing net asset value (NAV), providing investors with easy access to their funds.

**4. Variety:** There is a wide range of mutual funds available to suit different investment goals, such as equity funds, debt funds, balanced funds, and index funds. Equity funds, for example, focus on investing in stocks and are further classified into categories like large-cap, mid-cap, small-cap, and sectoral funds based on the market capitalization or sector focus. Debt funds invest primarily in fixed-income securities like bonds and are ideal for investors seeking stable returns with lower risk. Mutual funds cater to both conservative investors seeking capital preservation and aggressive investors aiming for high returns. The choice of fund depends on the investor's risk tolerance, investment horizon, and financial objectives.

In the Indian stock market, these different securities provide investors with multiple avenues to build wealth, manage risks, and achieve their financial goals. Whether through direct equity investments, strategic use of derivatives, or diversified mutual fund portfolios, the Indian market offers a robust platform for seasoned investors and novices alike. Understanding these securities and their unique features is essential for effective participation in this dynamic and evolving market.

### 1.5 Benefits of Investing in the Stock Market

The Indian stock market, with its dynamic and evolving nature, offers numerous advantages for investors aiming to accumulate wealth. These benefits make the stock market a compelling choice for both seasoned investors and newcomers seeking to build their financial portfolios.

One of the foremost advantages of investing in the Indian stock market is the

• **High returns.** Historically, equities have outperformed many other asset classes over long periods, providing returns that often surpass those of traditional fixed income investments like bonds or savings accounts. This potential for superior returns is largely attributed to economic growth, corporate profitability, and the expansion of consumer markets in India.

As companies grow and their earnings increase, shareholders can benefit through price appreciation of stocks and dividend payouts.

- **liquidity:** Shares listed on Indian stock exchanges, such as the NSE and BSE, are highly liquid, meaning they can be bought and sold quickly with minimal impact on their price. This liquidity provides investors with the flexibility to enter or exit positions as they deem necessary, which is particularly advantageous for those who may need to convert their investments to cash at short notice. The presence of a vast number of market participants ensures a vibrant trading environment, contributing to price discovery and fair valuation of securities.

- **Diversification** allows investors to spread their investments across various sectors and industries. This is crucial in reducing risk, as it minimizes the impact of poor performance on any single investment. By diversifying, investors can protect their portfolios from volatility associated with specific sectors. With the breadth of companies available in the Indian stock market—from IT giants and healthcare innovators to financial institutions and consumer goods companies—investors have ample opportunities to diversify and align their portfolios with their risk tolerance and financial goals.

- **Ownership and voting rights in companies.** Shareholders are part-owners of the companies they invest in, enabling them to vote on critical corporate matters such as board elections and strategic decisions. This ownership aspect can be empowering, offering investors a voice in the direction of the company and a share in its success through capital gains and dividends.

- **Transparency and regulatory oversight provided by SEBI.** The regulatory framework in India ensures a robust and transparent market environment, protecting investors' interests. Regular disclosures, stringent listing requirements, and continuous monitoring foster an environment of trust, making it conducive for retail and institutional investors alike to engage in market activities with confidence.

- **Tax advantages associated with stock market investments.** For example, equity investments held for over a year are subject to a lower long-term capital gains tax. Moreover, dividends received from equity investments are tax-exempt up to a certain limit, which further enhances the net return on investment. These tax efficiencies make equities an attractive option for investors seeking to optimize their post-tax income.

- **Access to corporate growth.** By investing in equities, individuals can participate in the growth stories of leading companies without the need to directly manage or operate a business. As these companies expand and scale their operations, shareholders benefit from value creation that can lead to substantial wealth accumulation over time.

- **Trading technology and platforms** have made investing in the stock market more accessible than ever. Online trading platforms provide investors with real-time market data, analysis tools, and the ability to execute trades seamlessly from anywhere. These technological advances have democratized investment opportunities, allowing a broader demographic to engage with the stock market and build wealth.

- **The educational and informational resources** available to investors have increased significantly, empowering them to make more informed investment decisions. Through various media, investors can stay abreast of market trends, economic developments, and individual company performances. This wealth of information enhances investors' ability to make strategic decisions aligned with their financial objectives, further enabling wealth accumulation.

Overall, the advantages of investing in the Indian stock market are numerous and significant. From high returns and liquidity to diversification and transparency, these benefits provide a fertile ground for investors aiming to grow their wealth. Understanding and leveraging these advantages can position investors to capitalize on the opportunities presented by this vibrant and promising market.

## 1.6 Risks Involved in Stock Market Investing

Investing in the stock market, while offering the allure of significant financial gains, inherently comes with various risks. Understanding these risks is critical for investors who want to manage their portfolios effectively and protect their investments from potential pitfalls.

- **Market Risk:** Market risk, often referred to as systematic risk, affects the entire stock market and arises due to macroeconomic factors such as changes in interest rates, inflation, political events, and economic cycles. These external factors can cause widespread market fluctuations, influencing all stocks and sectors regardless of individual company

performance. For instance, an economic recession can lead to decreased consumer spending and lowered corporate profits, resulting in a broad market decline.

- **Liquidity Risk:** Liquidity risk is associated with the difficulty of quickly buying or selling an asset without significantly impacting its price. In the context of stock market investing, this risk becomes pronounced during periods of high market volatility or when investing in stocks with low trading volumes. An investor holding a position in a less liquid stock may find it challenging to sell shares promptly or may need to do so at a reduced price, affecting the potential returns on their investment.

- **Credit Risk:** Although less prevalent in stock investments compared to fixed income securities, credit risk can influence investors in certain sectors or through indirect investments, like corporate bonds held within mutual funds. This risk involves the possibility of a company defaulting on its financial obligations, affecting its creditworthiness and, subsequently, its stock price. A company's inability to meet its debt obligations can lead to a decline in investor confidence and a drop in stock value.

- **Operational Risk:** Operational risk arises from failures in a company's internal processes, people, or systems. This can include management incompetence, fraud, or technological failures that disrupt operations. Such risks can significantly impact a company's stock price as they often lead to operational disruptions, loss of reputation, and financial penalties. An investor in a company plagued by operational issues may see decreased returns or even a total loss of investment.

- **Regulatory and Compliance Risk:** The regulatory environment of the stock market is ever-evolving, and changes can pose significant risks to investors. New regulations or changes to existing laws can impact company operations, profitability, and stock valuations. Additionally, non-compliance with regulatory standards can lead to fines, sanctions, or operational restrictions. For instance, heightened regulations on environmental practices can increase operational costs for companies in the energy sector, affecting their profit margins and stock performance.

- **Concentration Risk:** Concentration risk occurs when an investor holds a large portion of their portfolio in a single stock or sector. This lack of diversification can lead to significant losses if the chosen stock or sector performs poorly. For example, an investor heavily invested in technology stocks might face substantial losses if the sector undergoes a downturn due to regulatory challenges or technological disruptions.

- **Interest Rate Risk:** Interest rate changes can directly influence stock prices, particularly those of companies in sectors sensitive to borrowing costs, such as real estate and utilities. When interest rates rise, the cost of borrowing increases for these companies, potentially impacting their profitability and stock valuations. Conversely, falling interest rates can enhance borrowing capacity and The Indian stock market plays a pivotal role in the country's economic framework, serving as a critical avenue for the mobilization of resources and allocation of capital across diverse sectors. It acts as a barometer for economic performance, reflecting investor sentiments and broader economic trends. This complex system comprises a wide array of participants including individual investors, institutional investors, brokerage firms, market analysts, and regulators, each playing distinct roles that contribute to the market's functionality and integrity.

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### 1.7 Factors Influencing Stock Market Return

#### Economic Growth:

The overall growth of the economy, measured by GDP growth, directly impacts corporate earnings and investor sentiment. High economic growth periods often correlate with strong stock market performance as companies expand and profits increase, thereby enhancing shareholder value.

#### Inflation Rates:

While moderate inflation is generally positive for the stock market as it can lead to higher nominal returns, hyperinflation can erode real returns. Conversely, deflation can hurt business profitability, leading to weaker stock market performance.

#### Interest Rates:

The Reserve Bank of India's (RBI) monetary policy heavily influences market returns. Lower interest rates tend to boost

stock market returns by reducing the cost of borrowing and encouraging corporate investment. Conversely, high interest rates can suppress economic activity and dampen investor enthusiasm.

#### □ **Political Stability:**

Political events and stability are crucial, as they affect investor confidence. Political uncertainty or instability can lead to market volatility, whereas stable governance and clear economic policies typically foster a conducive environment for market growth.

#### □ **Global Market Trends:**

The Indian stock market is not immune to global market trends. Global economic crises, changes in foreign investment policies, or international trade agreements can significantly impact the returns of the Indian market.

#### □ **Sectoral Performance:**

Different sectors contribute differently to market returns. In India, technology, pharmaceuticals, and financial services have been leading sectors, often providing higher returns compared to traditional sectors like textiles or agriculture.

#### □ **Volatility and Risks:**

Market volatility is an inherent aspect of stock market investment. Various external shocks, such as global financial crises or pandemics, can lead to sharp declines in stock prices. The 2008 financial crisis is a case in point, where global market interconnectedness led to significant losses across the Indian market. Similarly, the COVID-19 pandemic induced a brief market downturn, despite a rapid recovery fuelled by liquidity inflow and digital transformation initiatives.

#### □ **Dividends and Capital Appreciation:**

Returns from the stock market can be bifurcated into dividends and capital appreciation. Dividends provide a regular income stream, particularly attractive during volatile market phases when capital appreciation potential is limited. Blue-chip companies often distribute a significant portion of their profits as dividends, providing a cushion to investors. Capital appreciation, on the other hand, represents the increase in stock price over time and is the primary source of returns for growth-oriented investors.

#### □ **Impact of Exchange Rates:**

Given India's increasing integration into the global economy, exchange rate fluctuations can impact the returns on foreign investments and multinational companies. A depreciating rupee can erode returns for foreign investors, while an appreciating rupee can impact Indian exporters' competitiveness.

#### □ **Technological and Regulatory Developments:**

Advancements in technology and changing regulatory frameworks also play a pivotal role. The emergence of fintech solutions has made investing more accessible, impacting trading volumes and liquidity. Meanwhile, regulatory changes by SEBI aimed at protecting investors and ensuring market transparency can affect market dynamics and investor sentiment.

## 1.8: STOCK MARKET AWARENESS & FINANCIAL LITERACY

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### **Current State of Financial Literacy**

Despite the surge in demat account openings, financial literacy in India remains a significant challenge. According to the National Centre for Financial Education (NCFE), only approximately 27% of Indian adults are considered financially literate. This stands in stark contrast to the rapid growth in trading participation and highlights a concerning gap between market access and market knowledge.

SEBI's 2025 Investor Survey found that while 63% of Indian households are aware of at least one securities product, only 9.5% actually invest.

Securities Product	Awareness	Penetration Rate
Mutual Funds	53%	6.7%
Direct Equities	49%	5.3%
F&O / Derivatives	10%	<1%
Any Securities Product	63%	9.5%

### Digital Platforms and Social Media

Mobile applications like Zerodha, Groww, Upstox, and Angel One have dramatically simplified the account opening and trading process. YouTube, Instagram, and podcast platforms have created a large ecosystem of financial content creators ('finfluencers'). However, SEBI's March 2025 report on finfluencers found that only 2% of financial influencers are SEBI-registered to offer investment advice, yet 33% provide explicit stock recommendations — a situation that has contributed to uninformed retail participation in high-risk instruments.

### Government and Regulatory Awareness Initiatives

SEBI conducted over 35,700 investor awareness programs across 724 districts in FY2024–25 alone. The RBI's Financial Inclusion Index reached 67 in March 2025 (up from 64.2 in 2024), reflecting progress across banking access, usage, and financial education quality. The National Strategy for Financial Education 2020–2025, anchored on a '5C' framework (Content, Capacity, Community, Communication, Collaboration), provided the policy blueprint for expanding financial literacy nationally.

## 1.09: PROFITABILITY OF RETAIL INVESTORS: SEBI FINDINGS

### ➤ Overall Profitability Profile

Despite the dramatic increase in market participation, profitability among retail traders remains deeply skewed. The overwhelming majority of retail traders — particularly those active in the equity derivatives segment — consistently incur losses. This finding has been confirmed by multiple SEBI studies conducted between 2023 and 2025.

Category	Estimated Share	Key Context
Profitable Traders (consistent)	7–10%	Primarily long-term equity investors
Break-even Traders	2–3%	Cover transaction costs minimally
Loss-making Traders	~90%	Concentrated in F&O / derivatives

### ➤ SEBI Studies: Derivatives Segment

SEBI's comprehensive July 2025 study, which analysed data from approximately 9.6 million individual traders across 13 top brokers, revealed the following:

- 91% of individual traders in the equity derivatives segment incurred net losses in FY2024–25.
- Net losses of individual traders reached Rs. 1,05,603 crore in FY25 — a 41% increase from Rs. 74,812 crore in FY24.
- The average per-person loss in FY2024–25 was Rs. 1.1 lakh.
- Between FY2021–22 and FY2024–25, cumulative retail losses in F&O exceeded Rs. 2.88 lakh crore (approximately USD 34 billion).
- In FY2022–FY2024 combined, 93% of individual traders made losses, with aggregate losses exceeding Rs. 1.8 lakh crore (SEBI, September 2024).

Financial Year	Net Loss (Individual Traders)	% Loss-Making	Avg. Loss/Person
FY2022–23	Part of 3-yr aggregate	~89%	—
FY2023–24	Rs. 74,812 crore	~91%	~Rs. 75,000
FY2024–25	Rs. 1,05,603 crore	91%	Rs. 1.1 lakh

Source: SEBI Studies (January 2023, September 2024, July 2025)

➤ **SIP and Mutual Fund Investors: A Brighter Picture**

A more constructive trend is visible among systematic investors. Monthly SIP contributions reached Rs. 29,500 crore in October 2025, a significant milestone. Total mutual fund AUM reached Rs. 80 lakh crore, with SIP accounts crossing 9.45 crore. Long-term, disciplined SIP investors have generally generated positive returns, contrasting sharply with the outcomes of speculative derivatives traders.

**1.10: GROWTH OF RETAIL INVESTORS 2020–2025: ENHANCED DATA**

The most measurable indicator of retail investor participation in India is the number of active demat accounts, supplemented by NSE registered investor data, SEBI survey findings, and broker-level statistics.

➤ **Unique Investors vs. Total Accounts**

It is important to note that total demat accounts do not equal unique investors. Many individuals hold multiple accounts across different brokers — particularly to improve their chances of IPO allotment. Estimates peg the number of distinct (unique) investors at approximately 120 million, meaningfully lower than the 216 million total demat accounts. SEBI's 2025 Investor Survey found that approximately 9.5% of households (32.1 million) actively invest in securities, against a total of 337 million households surveyed.

➤ **Digital Broker Market Share (FY2024–25)**

Broker	NSE Active Clients (Mar 2025)	New Accounts Added (FY25)	Key Market
Groww	1.29 crore	34 lakh	Tier 2/3 cities, first-time investors
Angel One	~75 lakh	14.6 lakh	Mobile-first, equity & F&O
Zerodha	~77 lakh	Flat growth	Active traders, tech-savvy
Upstox	~55 lakh	~10 lakh	Youth, low-cost platform
ICICIdirect / HDFC Sec	~40–50 lakh	Moderate	Bank-linked, conservative investors

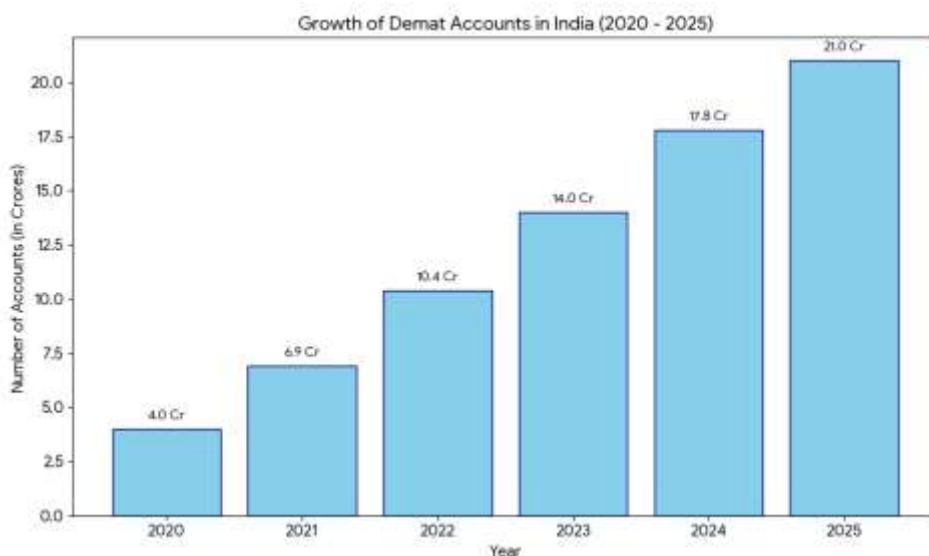
Source: NSE Market Statistics, IBEF April 2025

➤ **Annual Growth Trends**

The growth of demat accounts in India has been nothing short of astonishing. India recorded one of the highest-ever

yearly increases in FY2024–25 with 41.1 million new demat accounts added, reflecting a 27.1% annual growth rate. Key drivers behind this rapid expansion include simplified online account opening processes, PAN–Aadhaar-linked documentation, seamless e-verification, and the rise of discount brokers offering zero brokerage equity delivery trades.

Year	Total Demat Accounts	YoY Growth	Key Driver
2019 (Dec)	3.94 crore	Baseline	Traditional brokers
2020 (Dec)	~5.0 crore	~27%	COVID-19 lockdown / digital surge
2021 (Dec)	8.06 crore	~61.7%	Bull market, Zerodha/Groww expansion
2022 (Dec)	~10.8 crore	~34.3%	IPO boom, Tier 2/3 city penetration
2023 (Dec)	~14.4 crore	~28.7%	SIP growth, fintech adoption
2024 (Dec)	~18.53 crore	~33%	Record IPOs, discount broker surge
2025 (Dec)	21.59 crore	16.5%	Market volatility, SEBI tightening

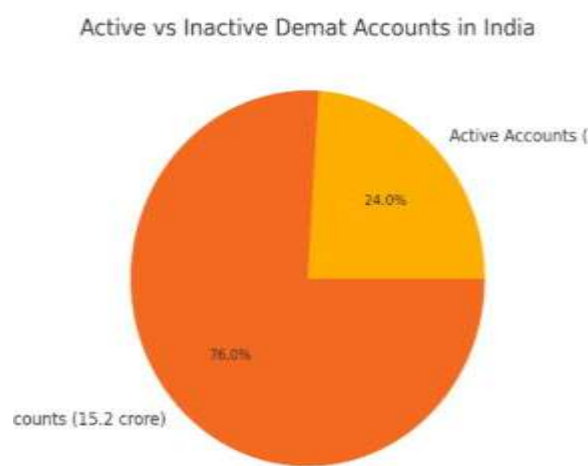


### 1.11 Overview of Demat Account Growth in India

Over the past decade, India has experienced a remarkable transformation in its financial investment landscape, driven largely by the rapid adoption of digital platforms and increasing financial awareness among the population. This transformation is clearly reflected in the exponential rise in the number of demat accounts across the country. A demat account, essential for holding shares and securities electronically, has become a basic requirement for participation in the stock market. By 2024–2025, India surpassed the historic milestone of **20 crore (200 million) demat accounts, making it one of the largest retail investor bases in the world. In August 2024, the total number of demat accounts stood at 17.10 crore, which increased to 17.9 crore by October 2024, and further reached 19.24 crore by March 2025.** This rapid expansion showcases not only the rising interest of Indian citizens in stock market participation but also reflects the increased accessibility of investment channels through mobile technology, online KYC processes, and UPI-enabled transactions.

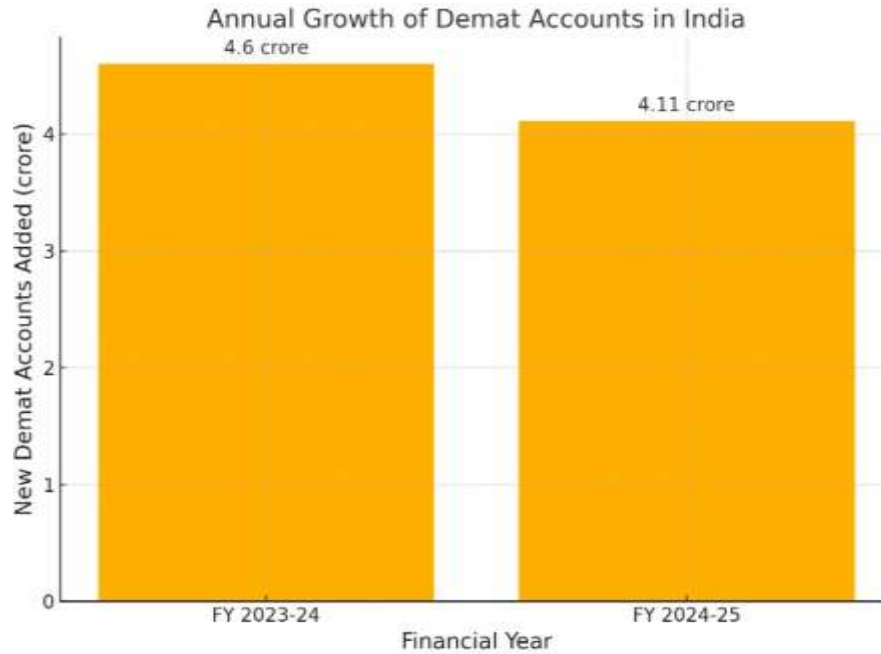
## 2. Active vs. Inactive Demat Accounts – A Deeper Analysis

While the total number of demat accounts presents a strong picture of rising financial inclusion, a closer examination reveals a significant distinction between active and inactive accounts. Active demat accounts are those that place at least one trade within a specific year. Despite having over **20 crore total accounts, only around 4.8 crore (24–25%) accounts are actively used for trading or investing activities**. This means that nearly 75% of demat accounts remain inactive or are used only occasionally, particularly for purposes such as IPO applications. This gap highlights that although millions of Indians are opening demat accounts, a substantial proportion are still at an early stage of financial participation. Many individuals lack the knowledge, confidence, or consistent habit required to systematically invest in equities. This indicates a strong need for ongoing financial education, government initiatives, and investor awareness programs to convert these dormant accounts into active, wealth-building channels.



## 3. Annual Growth Trends of Demat Accounts

The growth of demat accounts in India has been nothing short of astonishing. India recorded one of the highest-ever yearly increases in FY 2024–25 with **41.1 million new demat accounts** added, reflecting a **27.1% annual growth rate**. In the previous year (FY 2023–24), the number of new accounts grew by approximately **33%**, adding around **4.6 crore** accounts. Although the *percentage* growth rate has moderated due to the expanding base, the *absolute* number of new accounts added each year continues to break records. Key drivers behind this rapid expansion include simplified online account opening processes, PAN–Aadhaar-linked documentation, seamless e-verification, and the rise of discount brokers offering zero brokerage equity delivery trades. Post-pandemic financial awareness, attractive IPO markets, high returns from equity indices, and the popularity of mutual fund SIPs have further encouraged participation. Overall, this sustained growth underscores the Indian population’s increasing confidence in the stock market as a legitimate avenue for wealth creation.



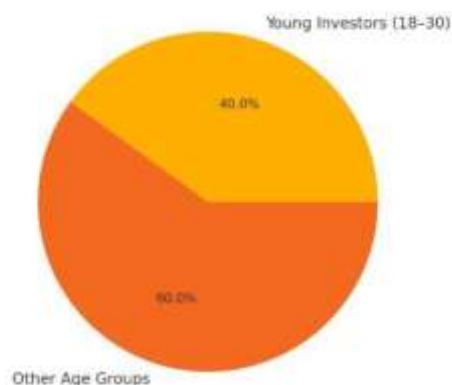
#### 4. Influence of Online Trading Platforms & Digital Adoption

A major factor fueling the rise in demat account numbers is the widespread adoption of online trading platforms and mobile-based investment apps. Leading discount brokers such as Zerodha, Upstox, Groww, and Angel One have significantly transformed the investing experience by offering seamless interfaces, low fees, and educational content. The rise of **digital KYC**, instant e-verification, and UPI-based payments has reduced the demat account opening time from several days to just a few minutes. This ease of access has opened the doors of the stock market to millions of first-time investors, particularly from Tier-II and Tier-III cities. Additionally, social media platforms— YouTube, Instagram, and finance-based communities—have contributed heavily to financial literacy among younger audiences, encouraging them to explore trading and investment opportunities. The convergence of technology, convenience, and affordability has made the Indian stock market more democratic and inclusive than ever before.

#### 5. Demographic Shift: Rise of Young Investors

One of the most striking trends in recent years has been the increasing participation of young Indian investors in the stock market. Individuals aged **18 to 30 years** account for a substantial share of new demat accounts opened between 2022 and 2025. This demographic shift is driven by growing exposure to financial content online, increasing interest in passive income, awareness of inflation, and accessibility to simplified investment tools. Younger investors are more inclined to explore diverse investment options such as equities, mutual funds, ETFs, derivatives, and even digital gold. Unlike previous generations, who primarily relied on traditional savings instruments like fixed deposits, young investors view the stock market as an essential part of their long-term financial planning. This trend is expected to strengthen India's domestic investment culture and contribute significantly to market stability and liquidity.

Demographic Shift: Rise of Young Investors in India



## 6. Economic & Market Implications of Rising Demat Accounts

The massive increase in demat accounts has had profound implications for India's financial markets. The strong domestic retail participation has made Indian markets more resilient during periods of foreign investor volatility. For example, when FIIs withdrew funds during global economic uncertainties, the consistent contributions from domestic investors, especially through SIPs **crossing ₹20,000 crore per month**—played a crucial role in stabilizing the markets. Retail investors now form a sizable portion of daily trading volumes, particularly in the derivative segment where India has emerged as the world's largest derivatives market by volume. The democratization of the market ensures that wealth creation is no longer limited to institutional investors but is now accessible to the public. The surge in demat accounts also reflects the growing trust in regulatory bodies like SEBI, which continues to enhance transparency, investor protection, and market efficiency.

## 7. Future Outlook: Penetration Potential & Growth Opportunities

Despite reaching over 20 crore demat accounts, India's market penetration remains modest compared to global standards. With a population of 1.4+ billion, only about **15–18% of Indians hold a demat account**, far lower than developed economies such as the U.S., where over 50% of households actively invest in equities. This indicates enormous, untapped potential for future growth. As financial inclusion initiatives expand, and more young investors join the workforce, demat account penetration is expected to rise significantly. The government's push for digital payments, SEBI's investor protection reforms, and the increasing popularity of equity investments as a hedge against inflation will likely accelerate growth in the coming years. Analysts predict that India may reach **30–35 crore demat accounts by 2030**, strengthening its position as a global financial powerhouse.

### 1.12 Conclusion

The Indian stock market stands today as one of the most vibrant and rapidly developing financial systems in the world. Through this report, various dimensions of the market have been explored—its structure, regulatory framework, types of securities traded, benefits, risks, growth trends, and the evolving participation of investors. The collective insights highlight that the Indian stock market is not merely a platform for trading shares but a critical component of the country's economic foundation, supporting capital formation, business expansion, and long-term economic growth.

The market's structure, anchored by the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE), demonstrates an advanced, technology-driven system capable of handling extremely high volumes with efficiency and transparency. The regulatory oversight by the Securities and Exchange Board of India (SEBI) further strengthens this system by ensuring fairness, investor protection, and discipline among market intermediaries. Measures such as enhanced

disclosures, investor education programs, risk management systems, and strict guidelines for brokers and listed companies have significantly boosted investor confidence.

The analysis of different securities—equities, derivatives, and mutual funds—shows how the Indian financial landscape offers diverse investment avenues catering to various risk levels and financial goals. Investors today are no longer restricted to traditional instruments; they now have access to sophisticated tools and wide-ranging opportunities that enable wealth creation, diversification, and long-term financial planning. The benefits of participating in this market, such as high return potential, liquidity, transparency, and tax advantages, have collectively contributed to a surge in retail participation.

One of the most notable trends highlighted in this report is the exponential increase in demat accounts, reflecting rising financial awareness and improved accessibility. With India surpassing 20 crore demat accounts, the stock market has become increasingly inclusive. The significant rise in young investors between the ages of 18–30 signals a generational shift in attitudes toward wealth creation. However, the gap between active and inactive accounts suggests that financial literacy and sustained engagement remain areas for improvement.

While the market offers immense potential, it also comes with inherent risks—market volatility, liquidity challenges, operational and regulatory risks, and global uncertainties. Understanding these risks is essential for investors to navigate the market successfully. The best strategies for profitable participation include disciplined investment, technical and fundamental analysis, proper diversification, and the use of risk management tools. The importance of emotional discipline, long-term vision, and continuous learning cannot be overstated.

Looking ahead, the future outlook for the Indian stock market remains highly promising. India's strong economic fundamentals, expanding digital ecosystem, structural reforms, and growing domestic investor base position the country as a global investment destination.

Technological advancements such as algorithmic trading, AI-driven market analysis, and T+1 settlement have made India a global leader in market efficiency. Additionally, increased SIP flows, rising corporate earnings, and India's young demographic profile will continue to support market growth.

In conclusion, the Indian stock market is poised for significant expansion in the coming years. For investors, it presents a landscape rich with opportunities—provided they approach it with knowledge, preparedness, and a long-term perspective. As India continues its journey toward becoming one of the world's largest economies, the stock market will play an increasingly vital role in shaping the nation's financial future and empowering millions of individuals to participate in wealth creation.

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