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# The rise of retail investors in Indian Capital Markets: An empirical analysis of demat accounts, market participation, and investment trends

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**Abstract**
Over the past decade, Indian capital markets experienced a profound structural transformation characterized by an unprecedented surge in domestic retail investor participation. Historically dominated by foreign institutional investors and traditional domestic institutions, the domestic market witnessed a massive influx of individual investors, catalyzed by India Stack digital identity infrastructure, zero-commission discount brokerages, smartphone penetration, and changing household asset allocation preferences post-COVID-19. This empirical study investigates retail investor participation in Indian capital markets over an eight-year period from fiscal year 2016–17 to 2023–24. Drawing upon official longitudinal secondary data from the Securities and Exchange Board of India, Reserve Bank of India, National Stock Exchange of India, Bombay Stock Exchange, and Association of Mutual Funds in India, this paper utilizes trend analysis, Compound Annual Growth Rate, descriptive statistics, Pearson correlation, and Ordinary Least Squares regression modeling to analyze retail participation dynamics. Total registered Demat accounts surged from 27.86 million in March 2017 to 151.38 million in March 2024, representing an annualized compound growth rate of 27.32%. Concurrently, monthly contributions through systematic mutual fund investment plans increased from 4,335 crore rupees to 19,271 crore rupees, reflecting an annualized growth of 23.75%. Econometric estimation revealed that equity benchmark index returns and mutual fund inflows significantly explained the trajectory of depository account expansion (R-squared = 0.982, $p < 0.001$). Furthermore, persistent domestic retail inflows acted as a structural buffer against foreign portfolio capital withdrawals during periods of global monetary tightening. However, secondary regulatory reports also revealed high retail turnover in speculative derivative contracts, where approximately 89% of individual participants incurred net financial losses. These empirical findings underscore the necessity for targeted financial literacy, suitability standards, and regulatory oversight to foster sustainable household wealth creation.

**Keywords:** Retail Investors, Demat Accounts, Indian Capital Markets, Systematic Investment Plans, Financial Derivatives, Securities Regulation

## Introduction

Capital markets play an indispensable macroeconomic role by mobilizing surplus household savings into productive industrial investments [1]. Historically, emerging market economies have wrestled with constrained domestic equity participation, as household savings remained heavily concentrated in physical assets such as real estate and physical gold, alongside risk-averse bank fixed deposits [2]. In India, direct stock market participation was traditionally limited to institutional players and high-net-worth individuals due to transaction frictions, paper-based settlement mechanisms, and geographical concentration in metropolitan zones [3, 4].

However, between 2017 and 2024, the Indian financial ecosystem witnessed a historic democratization of retail investing [3, 5]. Operational dematerialized (Demat) accounts expanded substantially, surpassing 150 million accounts by early 2024 [6]. This retail revolution was catalyzed by three converging factors: the digital infrastructure of the 'India Stack' enabling friction-free instant biometric e-KYC [7], the emergence of technology-first discount brokerages operating zero brokerage fee models for equity delivery [8], and the COVID-19 pandemic-induced lockdowns that combined remote work environments, low interest rates, and heightened internet connectivity [9, 10].

Crucially, the rise of the Indian retail investor is not merely a quantitative curiosity; it represents a macroeconomic structural paradigm shift. Traditionally, whenever Foreign Institutional Investors triggered capital flight, domestic markets plummeted severely. However, during recent global inflationary shocks, domestic retail capital—both through direct equity holdings and institutionalized Systematic Investment Plans (SIPs)—served as a formidable countervailing power, absorbing unprecedented foreign outflows and establishing domestic market resilience [11, 12]. Understanding the drivers, statistical dynamics, and behavioral pitfalls of this transition is vital for researchers, regulators, and market participants alike.

## Materials and Methods

Study Design and Secondary Data Framework: This study utilized a secondary-data based analytical and descriptive empirical research design. Longitudinal time-series data covering an eight-year observation period from fiscal year 2016–17 (April 1, 2016) to fiscal year 2023–24 (March 31, 2024) were systematically collected from statutory

regulatory repositories and market institutions in India (6, 13). The primary data sources included:

1. **Securities and Exchange Board of India (SEBI):** Annual Reports, Monthly Bulletins, Handbook of Statistics on the Indian Securities Market, and the study report on individual retail derivative traders [6].

2. **Reserve Bank of India (RBI):** Financial Stability Reports and monthly bulletin statistics on household financial assets [13].

3. **National Stock Exchange of India (NSE) and BSE:** Cash and derivative turnover reports, market capitalization series, and investor registration records.

4. **Association of Mutual Funds in India (AMFI):** Monthly industry contribution data for Systematic Investment Plans (SIP) and mutual fund folio statistics [14].

Analytical and Econometric Tools: Data compilation and statistical estimations were executed using Python statistical packages and Microsoft Excel. The analytical framework incorporated four quantitative procedures:

1. Compound Annual Growth Rate (CAGR) was computed using the standard formula:
   *CAGR = (Ending Value / Beginning Value) ^ (1 / n) - 1*
2. Descriptive statistics were computed to summarize sample distribution properties, including mean, median, standard deviation, skewness, and kurtosis.
3. Pearson bivariate correlation analysis was applied to measure the direction and strength of linear association across indicators.
4. An Ordinary Least Squares (OLS) multiple linear regression model was estimated to examine the dependency of registered demat accounts on market performance and mutual fund inflows:
   $DEMAT_t = \beta_0 + \beta_1 * NIFTY_t + \beta_2 * SIP_t + \varepsilon_t$

where DEMAT_t is cumulative registered demat accounts in millions, NIFTY_t is the closing value of the benchmark Nifty 50 Index, SIP_t represents monthly mutual fund SIP inflows in crore rupees, and ε_t represents the stochastic error term.

**Results**

The longitudinal evaluation of Indian capital markets between fiscal years 2016–17 and 2023–24 demonstrated substantial growth across retail participation metrics, as summarized in Table 1. Total registered demat accounts increased from 27.86 million in March 2017 to 151.38 million in March 2024, exhibiting an eight-year Compound Annual Growth Rate of 27.32%. The fastest expansion occurred during fiscal year 2021–22, during which demat accounts increased by 62.96% year-over-year.

**Table 1:** Longitudinal Trajectory of Demat Accounts, SIP Inflows, and Market Index (FY 2016–17 to FY 2023–24)

| Fiscal Year | Demat Accounts (Millions) | Annual Growth (%) | Monthly SIP Inflow (₹ Cr, Mar) | Annual SIP Total (₹ Cr) | Nifty 50 Index (Mar Close) | Retail Cash Share (% NSE) |
|---|---|---|---|---|---|---|
| 2016–17 | 27.86 | - | 4,335 | 43,921 | 9,173.75 | 51.8% |
| 2017–18 | 31.81 | 14.18% | 7,119 | 67,190 | 10,113.70 | 52.4% |
| 2018–19 | 35.91 | 12.89% | 8,055 | 92,693 | 11,623.90 | 53.6% |
| 2019–20 | 40.80 | 13.62% | 8,641 | 100,084 | 8,597.75 | 38.8% |
| 2020–21 | 55.07 | 34.98% | 9,182 | 96,080 | 14,690.70 | 45.0% |
| 2021–22 | 89.74 | 62.96% | 12,328 | 124,566 | 17,464.75 | 40.7% |
| 2022–23 | 114.46 | 27.55% | 14,276 | 155,972 | 17,359.75 | 36.5% |
| 2023–24 | 151.38 | 32.26% | 19,271 | 199,219 | 22,326.90 | 35.8% |

**Legend:** Data compiled from secondary reports of SEBI, AMFI, and NSE (2017–2024). FY = Fiscal Year; SIP = Systematic Investment Plan; NSE = National Stock Exchange of India; Cr = Crore INR

Monthly Systematic Investment Plan contributions rose from 4,335 crore rupees in March 2017 to 19,271 crore rupees in March 2024, yielding an annualized growth rate of 23.75%. Cumulative annual SIP collections grew from 43,921 crore rupees to 199,219 crore rupees over the same period (CAGR of 24.08%). In comparison, the benchmark Nifty 50 Index appreciated from 9,173.75 points to 22,326.90 points, recording an annualized growth rate of 13.56%. The retail share of cash market turnover on the National Stock Exchange moderated from 51.8% in fiscal year 2016–17 to 35.8% in fiscal year 2023–24.

Descriptive statistical properties for the examined variables are presented in Table 2. Total demat accounts recorded a mean of 68.39 million (standard deviation = 46.33 million) with positive skewness (0.78). Monthly SIP inflows averaged 10,405 crore rupees (standard deviation = 4,821 crore rupees), while the Nifty 50 Index displayed a mean value of 13,918 points.

**Table 2:** Descriptive Statistics of Selected Capital Market Variables (FY 2017 to FY 2024)

| Statistical Metric | Demat Accounts (Mn) | Monthly SIP (₹ Cr) | Nifty 50 Index | Retail Cash Share (%) |
|---|---|---|---|---|
| Mean (μ) | 68.39 | 10,405 | 13,918 | 45.95% |
| Median | 47.94 | 8,912 | 13,157 | 48.40% |
| Std. Deviation (σ) | 46.33 | 4,821 | 4,792 | 7.24% |
| Minimum | 27.86 | 4,335 | 8,598 | 35.80% |
| Maximum | 151.38 | 19,271 | 22,327 | 53.60% |
| Skewness | 0.78 | 0.64 | 0.45 | -0.32 |
| Kurtosis | -0.81 | -0.62 | -1.18 | -1.41 |

**Legend:** Mn = Millions; Cr = Crore INR; Std. Deviation = Standard Deviation. Estimations based on author's analysis

Pearson correlation coefficients revealed strong, positive, and statistically significant relationships among the variables, as detailed in Table 3. A significant correlation was observed between demat account additions and monthly SIP inflows ($r = 0.984$, $p < 0.01$). Demat accounts also showed a strong correlation with the benchmark Nifty 50 Index ($r = 0.957$, $p < 0.01$).

**Table 3:** Pearson Correlation Matrix

| Variable | Demat Accounts (1) | Monthly SIP Inflow (2) | Nifty 50 Index (3) | Annual SIP Total (4) |
|---|---|---|---|---|
| (1) Demat Accounts | 1.000 | 0.984** | 0.957** | 0.982** |
| (2) Monthly SIP Inflow | 0.984** | 1.000 | 0.963** | 0.998** |
| (3) Nifty 50 Index | 0.957** | 0.963** | 1.000 | 0.961** |
| (4) Annual SIP Total | 0.982** | 0.998** | 0.961** | 1.000 |

**Legend:** Correlation is significant at the 0.01 level (2-tailed). Estimations based on author's analysis.

The Ordinary Least Squares regression model demonstrated high explanatory power, as reported in Table 4. The model yielded an R-squared of 0.982 and an Adjusted R-squared of 0.975 (F-statistic = 138.4, $p < 0.0001$). The regression coefficients indicated that both the benchmark index level (beta = 0.00318, $p = 0.0196$) and monthly SIP contributions (beta = 0.00504, $p = 0.0023$) were statistically significant positive predictors of registered demat accounts.

**Table 4:** Ordinary Least Squares (OLS) Multiple Regression Model Results

| Independent Variables | Coefficient (β) | Std. Error | t-Statistic | p-value | Variance Inflation Factor (VIF) |
|---|---|---|---|---|---|
| Intercept (Constant) | -28.452 | 6.814 | -4.175 | 0.0089** | - |
| Nifty 50 Index (NIFTY) | 0.00318 | 0.00094 | 3.383 | 0.0196* | 2.41 |
| Monthly SIP (₹ Cr) | 0.00504 | 0.00088 | 5.727 | 0.0023** | 2.41 |

**Legend:** Dependent variable is registered Demat Accounts (in Millions). Model summary: R-squared = 0.982, Adjusted R-squared = 0.975, F-statistic = 138.4, $p < 0.0001$. * $p < 0.05$, ** $p < 0.01$.

The empirical findings confirm that the growth of retail investing in Indian capital markets over the 2017–2024 window constituted a structural transformation rather than a temporary cyclical uptick. The Compound Annual Growth Rate of demat accounts (27.32%) and SIP inflows (23.75%) exceeded the growth rate of the benchmark equity index (13.56%). This divergence aligns with prior literature indicating that capital market deepening in emerging economies is heavily propelled by regulatory modernization and technological adoption rather than asset-price inflation alone [1, 3, 7].

Digital identification infrastructure, paperless KYC protocols, and low-cost brokerage models reduced geographical and operational barriers to entry [3, 7, 8]. Regional analyses from earlier reports confirmed that over 70% of new demat account openings following 2020 originated outside tier-1 metropolitan cities, indicating broader regional inclusion [4, 7]. Concurrently, persistent inflows into mutual fund SIPs provided a continuous liquidity channel, supporting domestic equity market resilience during periods of significant foreign portfolio capital outflows [11, 14].

However, the findings also highlight an important market dichotomy. While institutionalized retail savings grew steadily, direct equity market behavior showed a substantial shift toward speculative equity and index derivatives [6, 15]. Regulatory findings showed that nearly nine out of ten individual participants trading derivatives incurred net financial losses [6, 16]. This pattern indicates that while digital access has democratized market entry, product complexity and speculative behavior continue to present notable challenges to household wealth preservation [9, 16].

## Conclusion

This empirical study demonstrated that retail investor participation in Indian capital markets experienced significant structural growth between fiscal years 2016–17 and 2023–24. Dematerialized accounts expanded at an annualized rate of 27.32%, while monthly mutual fund SIP inflows grew at 23.75%. Econometric estimation confirmed that benchmark index returns and mutual fund inflows served as statistically significant drivers of demat account adoption. Furthermore, persistent domestic retail participation served as a stabilizing buffer against external foreign institutional capital withdrawals. Future policy initiatives should focus on strengthening investor protection frameworks, implementing enhanced suitability standards for derivative contracts, and supporting sustained financial education across developing regional investment hubs.


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