

Retail Investor Participation and Financial Inclusion in India.

Abstract

India's retail investor base has grown nearly sixfold since March 2020, but participation remains narrow when measured against the country's near-universal bank account ownership. Total demat accounts rose from 4.09 crore in March 2020 to about 23.4 crore by July 2026, and the National Stock Exchange (NSE) crossed 13 crore unique registered investors in April 2026. Monthly SIP contributions to mutual funds reached a record ₹32,490 crore in September 2026. Over the same period the RBI's Financial Inclusion Index rose from 53.9 (March 2021) to 70.0 (March 2026), and Jan Dhan accounts crossed 59 crore.

Yet SEBI's Investor Survey 2025 finds that only 9.5% of Indian households invest in any securities product, even though 63% are aware of one. Participation is also uneven: it is concentrated in a few states, only about one in four NSE investors is a woman, and a large share of young new entrants has moved into equity derivatives, where SEBI found that 87.7% of individual traders made net losses in FY26.

Using secondary data from SEBI, NSE, the depositories (NSDL and CDSL), AMFI, the RBI, NPCI, the Ministry of Finance and the World Bank, this paper argues that India has largely solved the problem of access to the financial system and is now facing the harder problem of *quality of participation*. It concludes with recommendations on financial literacy, product design, investor protection and data.

Keywords: financial inclusion; retail investors; demat accounts; mutual funds; SIP; JAM trinity; financial literacy; equity derivatives; India

1. Introduction

Financial inclusion is usually measured by whether people have a bank account. A fuller definition also asks whether people can save, invest, insure themselves and plan for retirement through formal channels. The Rangarajan Committee (2008) defined financial inclusion as ensuring access to financial services and timely, adequate credit for vulnerable groups at an affordable cost. Participation in capital markets is the most advanced stage of that journey, because it lets households share in the growth of listed companies rather than holding only low-yield deposits.

India's experience since 2014 makes it an important case. The Pradhan Mantri Jan Dhan Yojana (PMJDY), launched on 28 August 2014, opened bank accounts at scale. Aadhaar-based e-KYC, cheap smartphones and the Unified Payments Interface (UPI) then lowered the cost of opening and using financial accounts. After the COVID-19 market crash of March 2020, millions of first-time investors opened demat and trading accounts. This raises a central question: is the surge in retail investing a sign of deeper financial inclusion, or a narrow, risk-prone phenomenon among already-included urban households?

1.1 Research questions

1. How has retail investor participation in India's securities markets changed between FY2020 and 2026?

2. How does this growth relate to broader indicators of financial inclusion such as bank accounts, digital payments and the RBI FI-Index?
3. Who is participating, and which groups (women, rural households, poorer states) remain under-represented?
4. What risks accompany the new wave of retail participation, and what policies can make it more inclusive and sustainable?

1.2 Objectives and scope

The paper documents trends in demat accounts, unique investors, mutual fund folios and SIPs; relates them to banking and payments inclusion; identifies gaps by gender, geography and financial literacy; and assesses regulatory responses. The scope is India, with data mainly from FY2020 (April 2019 to March 2020) to September 2026. Indian financial years run from April to March, so "FY26" means April 2025 to March 2026. Amounts are in Indian rupees; one crore equals 10 million and one lakh crore equals one trillion.

2. Literature Review

The literature points to a consistent finding: access to accounts is necessary but not sufficient for participation in markets; literacy, trust and product design decide whether access turns into productive investing.

Measuring financial inclusion. Sarma (2008) proposed a multidimensional Index of Financial Inclusion combining banking penetration, availability and usage. The World Bank's Global Findex database (Demirgüç-Kunt and Klapper, and later editions) made account ownership and usage comparable across countries. The RBI's FI-Index, first published in August 2021, follows the same logic with three weighted parameters: Access (35%), Usage (45%) and Quality (20%), built from 97 indicators covering banking, investments, insurance, postal services and pensions ([RBI / Vikaspedia summary](#)).

Household finance and stock market participation. Campbell (2006) showed that many households fail to participate in equity markets even when theory says they should, a puzzle later linked to costs, beliefs and knowledge. Guiso, Sapienza and Zingales (2008) found that a lack of trust reduces stock market participation. Van Rooij, Lusardi and Alessie (2011) showed that people with low financial literacy are significantly less likely to invest in stocks. Lusardi and Mitchell (2014) reviewed evidence that financial literacy affects saving, retirement planning and debt.

Trading behaviour. Barber and Odean (2000) found that individual investors who trade most frequently earn the lowest net returns, largely because of transaction costs and overconfidence. This is directly relevant to India's equity derivatives boom (Section 7).

Indian household finance. Badarinar, Balasubramaniam and Ramadorai (2016) documented that Indian households hold most of their wealth in real estate and gold rather than financial assets. The RBI's Household Finance Committee (2017), chaired by Tarun Ramadorai, recommended better product design and default options to move savings into formal financial instruments. The Nachiket Mor Committee (2014) set the goal of universal access to a bank account and to a broader set of financial services for every adult.

Gap addressed by this paper. Much existing work studies either banking inclusion or stock market participation in isolation. This paper connects the two using the most recent data (up to September 2026), including SEBI's Investor Survey 2025 and its FY25–FY26 derivatives studies.

3. Methodology and Data

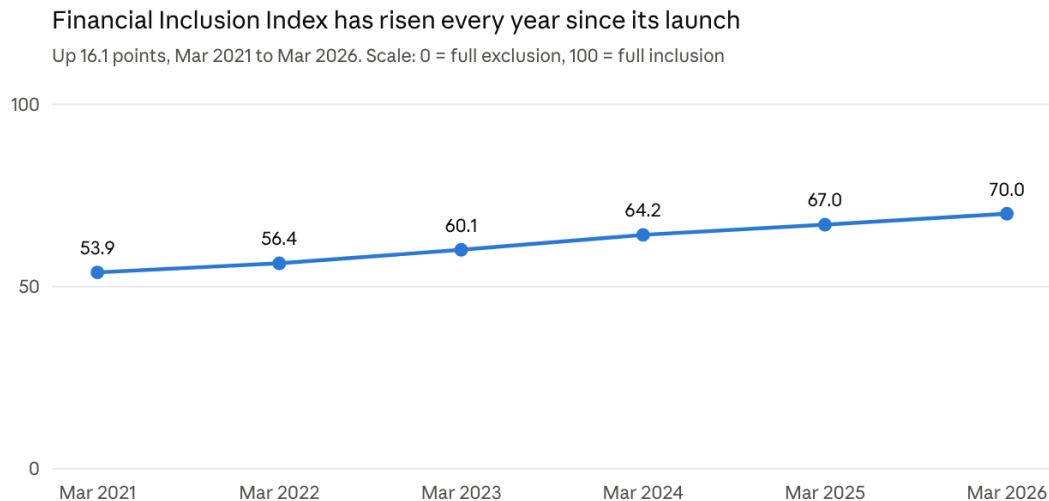
This is a descriptive, secondary-data study. No primary survey was conducted. Indicators were collected from official and regulatory releases and, where a primary release was not directly accessible, from reputable news reports quoting them; every figure is linked to its source in the text and listed in the References.

Dimension	Indicator	Source	Latest period used
Banking access	PMJDY accounts, deposits, share of women and rural accounts	Ministry of Finance	19 Aug 2026
Overall inclusion	FI-Index (0–100)	RBI	March 2026
Account usage	Account ownership, inactive accounts	World Bank Global Findex 2025	2024 survey
Digital payments	UPI volume and value	NPCI	September 2026
Market access	Demat accounts	NSDL, CDSL, SEBI Bulletin	Jul–Sep 2026
Investor base	Unique registered investors, age, gender, states	NSE	April–May 2026
Mutual funds	Folios, AUM, SIP flows, SIP accounts	AMFI	September 2026
Household behaviour	Awareness and participation rates	SEBI Investor Survey 2025	2025
Risk	Profit and loss of individual derivatives traders	SEBI studies	FY26
Savings composition	Household financial assets by instrument	RBI / Ministry of Finance	FY25

Limitations of the indicators. Demat accounts and trading accounts overcount people, because one person can hold several accounts; NSE's count of unique PANs is a better measure of individuals but covers only that exchange. Many demat accounts are inactive: only about 19.4% of demat accounts were active clients in June 2026 ([Asianet Newsable, citing 360 ONE Capital](#)). Household savings data are periodically revised by the RBI. Survey figures are estimates with sampling error. These limits are discussed again in Section 9.

4. Financial Inclusion in India: From Access to Usage

India has achieved near-universal *access* to bank accounts; the remaining challenge is *usage*. The RBI's FI-Index reached 70.0 in March 2026, up from 67.0 a year earlier, with growth across all sub-indices and the improvement mainly driven by the Usage parameter ([RBI, July 2026](#)).



Source: RBI FI-Index press releases (July 2024, July 2026); earlier years as reported by Business Standard

4.1 The JAM trinity

The Jan Dhan–Aadhaar–Mobile (JAM) framework is the foundation of India's inclusion model. As of 19 August 2026, PMJDY had 59.09 crore accounts with deposits of ₹3,16,514 crore; women held 32.92 crore accounts (55.7%), and 45.95 crore accounts (77.8%) were in rural and semi-urban areas ([Ministry of Finance, via Indian Masterminds](#)). The average balance was ₹5,356 per account, and deposits have risen from ₹15,670 crore in March 2015 ([IANS](#)). The JAM framework has enabled Direct Benefit Transfer for 327 government schemes ([Swarajya](#)).

4.2 Digital payments

UPI has turned bank accounts into everyday tools. In September 2026 it processed 24.07 billion transactions worth ₹29.37 lakh crore, 23% more transactions than a year earlier ([StartupTalky, citing NPCI](#)). In FY26 as a whole, UPI handled over 24,162 crore transactions worth about ₹314 lakh crore ([YourStory, citing the Finance Ministry](#)). UPI matters for investing too: it is used for IPO applications and for SIP auto-debits (UPI AutoPay).

4.3 The usage gap

Access has not automatically produced active use. The World Bank's Global Findex 2025 puts India's account ownership at or close to 90%, but about 16% of account owners have no active account, against an average of 4% in other low- and middle-income economies ([Vision IAS summary of Global Findex 2025](#)). This gap between owning and using an account is mirrored, at a higher level, in the gap between knowing about investment products and actually investing (Section 5.4).

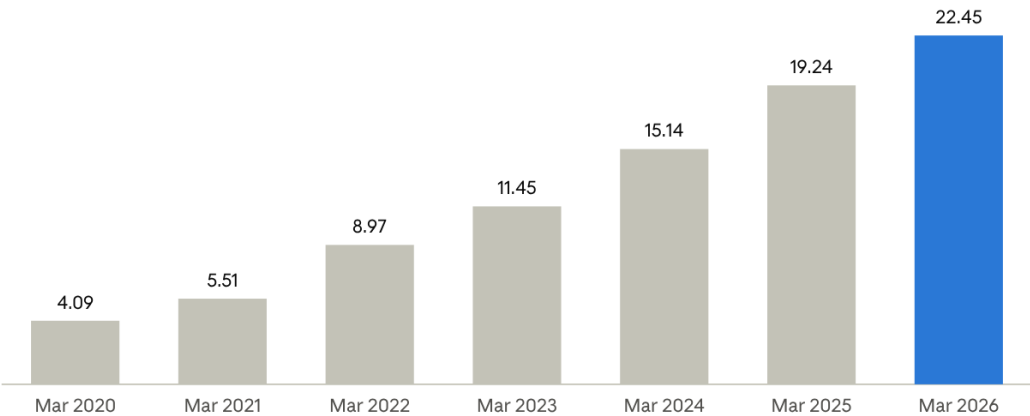
5. The Growth of Retail Investor Participation

Retail participation in Indian securities markets has expanded faster since 2020 than in the previous two decades combined, on every available measure.

5.1 Demat accounts and unique investors

Demat accounts multiplied after the 2020 market crash

Total demat accounts (crore), NSDL + CDSL, end of March: 5.5x growth from Mar 2020 to Mar 2026



Sources: SEBI Bulletin (Mar 2021); Business Standard, Business Today, Deccan Chronicle (Mar 2020–Mar 2025); Mar 2026 = CDSL 18.01 crore + NSDL 4.44 crore (Outlook Money; NSDL statistics)

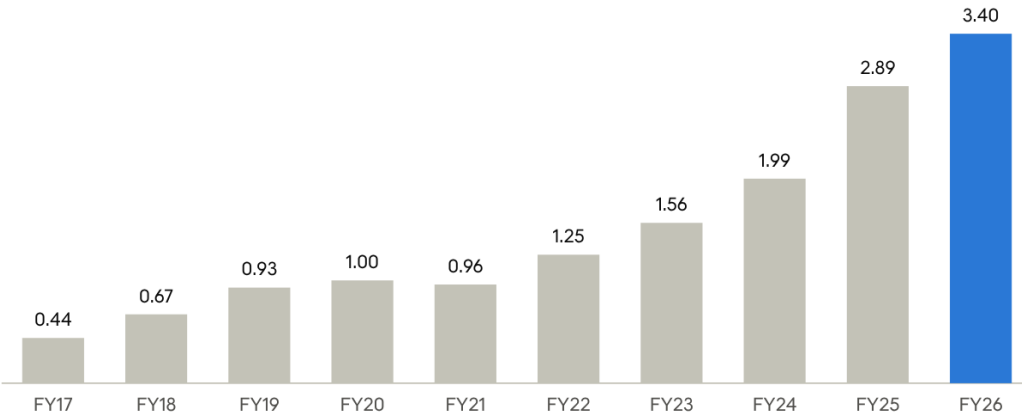
Growth continued into FY27: total demat accounts reached 23.44 crore in July 2026, with 18.83 crore at CDSL and 4.62 crore at NSDL ([Asianet Newsable, citing 360 ONE Capital](#)). CDSL alone reported 19.34 crore accounts at the end of September 2026 ([CDSL periodic statistics, September 2026](#)). The pace has slowed, however: additions in calendar 2025 were 3.06 crore against 4.60 crore in 2024 ([Motilal Oswal](#)).

Because one person can hold several accounts, the NSE's count of unique PANs is a better measure of people. NSE's unique registered investor base crossed 13 crore on 27 April 2026, seven months after crossing 12 crore in September 2025 ([Outlook Money](#)), and stood at over 13.1 crore on 31 May 2026 ([Wealthy, citing NSE](#)). By comparison, it took NSE more than 25 years to reach 4 crore investors in March 2021 ([IANS](#)). Individual investors held 18.7% of NSE-listed market capitalisation, directly and through mutual funds, as of 31 March 2026 ([Wealthy, citing NSE](#)).

131 **5.2 Mutual funds and SIPs**

SIP inflows have grown almost every year for a decade

Gross annual SIP contributions (₹ lakh crore): 7.7x from FY17 to FY26; FY21 was the only dip



132
133 Sources: AMFI SIP data (FY17–FY24, via AMFI and 5paisa); AMFI Annual Report FY25 (₹2.89 lakh crore);
134 AMFI Annual Report FY26 (₹3.40 lakh crore, via Cafemutual)

135 Monthly SIP contributions reached a record ₹32,490 crore in September 2026, from 10.06 crore
136 contributing SIP accounts; SIP assets stood at ₹17.86 lakh crore, 21.6% of industry AUM
137 ([FintechBizNews, AMFI monthly data](#)). Mutual fund folios reached 28.62 crore, of which 21.82 crore
138 were retail folios in equity, hybrid and solution-oriented schemes; total industry AUM was ₹82.64 lakh
139 crore ([AMFI Monthly Note, September 2026](#)). Equity funds recorded net inflows for the 67th
140 consecutive month. SIPs matter for inclusion because they allow small, automatic, regular investments,
141 the market-linked equivalent of a recurring deposit.

142 **5.3 Who is participating**

Dimension	Finding	Source
Age	Median age of NSE investors about 33 years (36 in FY21); nearly 40% are under 30	Outlook Money
Gender	About 1 in 4 NSE investors is a woman; 26% (1.38 crore) of mutual fund unique investors were women in March 2025	Outlook Money ; Business Standard
Geography	Maharashtra 2 crore, Uttar Pradesh 1.5 crore and Gujarat 1.1 crore unique investors (31 March 2026); top 5 states about 49% of the total (January 2026)	Bajaj Broking ; Bajaj Broking
Reach	NSE investors present in 99.85% of India's PIN codes	Outlook Money

143 The presence of Uttar Pradesh as the second-largest state shows that participation has spread beyond
144 traditional financial centres. Still, women remain heavily under-represented compared with their 55.7%
145 share of Jan Dhan accounts.

5.4 Breadth: awareness versus participation

The large account numbers hide a narrow base. SEBI's Investor Survey 2025 found that 63% of households (about 21.3 crore) are aware of at least one securities market product, but only 9.5% (about 3.21 crore households) invest in one ([Outlook Money](#)). Penetration is 6.7% for mutual funds and 5.3% for direct equity ([Finnovate summary](#)). In the top nine metros, an average of 23% of households invest, far above the national figure. Nearly 80% of households (79.7%) prioritise capital preservation over returns, and fear of losing money is the main barrier, cited by 34% of non-investors ([Value Research](#)).

5.5 The shift in household savings

Household savings are slowly moving toward market-linked instruments. Market-linked instruments made up a record 15.1% of household financial assets added in FY25, up from 8.7% in FY24 and 7.3% in FY23, while the share of bank deposits fell to 35.2% ([IANS, citing RBI data](#)). Mutual funds rose from 2.1% of household financial savings in FY21 to 13.1% in FY25 ([The Wire, citing the RBI Bulletin](#)). These shares are subject to revision as the RBI updates its estimates.

6. Drivers of Participation

Five forces, acting together, explain most of the post-2020 surge.

1. **Digital onboarding.** Aadhaar-based e-KYC and digital signatures let investors open demat accounts from home within minutes ([Motilal Oswal](#)). The JAM trinity supplied the bank account, identity and mobile number that online onboarding needs.
2. **Low-cost, mobile-first brokers.** Discount brokerage apps cut the cost of trading and made markets accessible on a smartphone. By November 2021, top brokerages were opening nearly a million demat accounts a month, about 75% of them for investors under 30 ([Business Standard, quoting the then SEBI chairman](#)).
3. **Market conditions after COVID-19.** The crash of March 2020 was followed by a strong rally; benchmark indices rose about 150% from the pandemic low by late 2021 (same source). Work-from-home time and low interest rates on deposits pushed savers toward equities. Demat growth has since tracked market returns closely, slowing in weak years such as 2025 ([Motilal Oswal](#)).
4. **Payments infrastructure.** UPI made it simple to pay for IPO applications and to set up recurring SIP mandates, linking everyday digital payments to investing (Section 4.2).
5. **Product design and policy.** SIPs, index funds and ETFs lowered the minimum amount and the skill needed to invest. In January 2025 SEBI proposed a standardised ₹250 "small-ticket" SIP for first-time investors, limited to three such SIPs per investor and the Growth option, with part of the cost met from the Investor Education and Awareness Fund ([Angel One](#)). SBI Mutual Fund launched the ₹250 JanNivesh SIP in February 2025 ([Business Standard](#)).

These drivers lowered the *cost* of participation. They did less to raise the *knowledge* and *confidence* that the literature (Section 2) identifies as decisive, which helps explain the risks discussed next.

7. Challenges and Risks

The main risk is that new participants, especially young and lower-income ones, have been drawn into speculative trading rather than long-term investing.

7.1 Losses in equity derivatives (F&O)

SEBI's September 2024 study found that 93% of individual F&O traders lost money between FY22 and FY24, with aggregate losses above ₹1.8 lakh crore ([Open Magazine, summarising SEBI](#)). SEBI's FY25–FY26 studies show the problem persists:

Indicator (individual equity-derivatives traders)	FY26
Share with net losses	87.7%
Aggregate net losses	₹91,685 crore (FY25: ₹1,11,788 crore)
Cumulative net losses, FY22–FY26	about ₹3.85 lakh crore
Transaction costs paid	about ₹24,859 crore
Share of traders under 30 / share of them who lost	43% / 88.5%
Share from beyond the top 30 cities (B30) / share of losses	67% / 58%
Traders with annual income below ₹5 lakh	nearly three-quarters

Sources: [Free Press Journal](#); [Morung Express / IANS](#); [Outlook Money](#); [5paisa](#).

Options accounted for about 92% of individual losses. Losses were persistent: among traders active in every year from FY22 to FY26, 65.6% lost money in all five years and only 0.5% made a profit in all five ([Outlook Money](#)). This matches Barber and Odean's (2000) finding that frequent trading destroys returns. From an inclusion perspective it is worrying that B30 cities, the very regions inclusion aims to reach, bear most of these losses.

7.2 Shallow and inactive participation

Only about 19.4% of demat accounts were active clients in June 2026 (Section 3). In SEBI's survey, 40% of investor households made no fresh investment in the past year, and only 36% of investors showed high or moderate knowledge of securities markets ([Share.Market summary of SEBI Investor Survey 2025](#)). SIP discontinuations are also high; the SIP stoppage ratio was about 76% in March 2026, meaning about 76 SIPs were stopped or matured for every 100 new ones registered ([Finnovate](#)).

7.3 Gender and regional gaps

Women hold 55.7% of Jan Dhan accounts but make up only about 25% of NSE investors. The top five states account for nearly half of NSE's unique investors (Section 5.3), and the top nine metros have household participation of 23% against 9.5% nationally. Financial inclusion in banking has therefore not yet translated into equal participation in markets.

7.4 Fraud and misinformation

The rise of social-media "finfluencers" and online investment scams targets exactly the new, less experienced investors that inclusion brings in. SEBI has launched a nationwide campaign, "Jagruk Niveshak Surakshit Niveshak" (Aware Investor, Secure Investor), against digital and social-media investment frauds ([NISM](#)).

7.5 Risk aversion and trust

With nearly 80% of households preferring capital preservation, and fear of loss the main reason for not investing (Section 5.4), widening participation depends on trust in regulation and on products whose risks households can understand.

8. Policy Measures and Recommendations

Policy has begun shifting from expanding access to protecting and deepening participation; the recommendations below continue that shift.

8.1 Measures already taken

Measure	What it does	Date
SEBI index-derivatives framework (Business Standard)	Minimum contract size raised from ₹5–10 lakh to ₹15–20 lakh; one weekly expiry per exchange; upfront collection of option premium; extra margin on expiry day	Circular 1 Oct 2024; phased from 20 Nov 2024
Higher securities transaction tax on F&O (Independent Directors Databank)	STT on futures raised from 0.0125% to 0.02% and on options from 0.0625% to 0.1%	Union Budget 2024–25
₹250 small-ticket SIP (Angel One)	Low-cost entry to mutual funds for first-time investors	Proposed Jan 2025
"Jagruk Niveshak Surakshit Niveshak" campaign (NISM)	Nationwide awareness drive against digital and social-media investment fraud	Ongoing
NSDL "Women and YUVA Demat Plan" (Outlook Money)	Three-year settlement fee waiver for women opening new demat accounts	2026

The early evidence is encouraging but partial. Active individual derivatives traders fell 18% to 87.5 lakh in FY26, the first year-on-year decline since FY16, and aggregate losses fell 18% ([Morung Express / IANS](#)). Yet 87.7% of those who still trade lost money.

8.2 Recommendations

- Teach investing before people start trading.** Make basic personal finance (compounding, diversification, risk and the cost of frequent trading) part of the school and college curriculum, and deliver investor education in regional languages through the digital channels new investors already use.
- Link the Jan Dhan base to simple investment products.** Offer small SIPs in low-cost, diversified index or hybrid funds through banks, business correspondents and post offices, with UPI AutoPay, so that the 59 crore Jan Dhan accounts become an on-ramp to long-term investing.

3. **Close the gender gap deliberately.** Expand fee waivers and outreach for women, use women's self-help groups for financial education, and publish gender-disaggregated data on demat accounts and mutual fund holdings every year.
4. **Strengthen suitability checks for derivatives.** Building on the 2024 framework, require clear risk disclosures and simple knowledge or appropriateness tests before first-time and low-income investors can trade options.
5. **Build trust and redress.** Publicise SEBI's grievance systems (SCORES and online dispute resolution), act quickly against unregistered advisers and fraudulent apps, and require influencers to disclose registration and conflicts of interest.
6. **Improve the data.** Publish a single count of unique investors across both depositories, regular data on active investors by state, gender and income, and the investment component of the RBI FI-Index separately, so that policy can track the *quality* of inclusion and not only the number of accounts.

9. Conclusion and Limitations

India has built the rails of financial inclusion; the next task is making sure people use them well. Bank accounts are near-universal, digital payments are part of daily life, and the RBI FI-Index has risen every year to 70.0. On top of these rails, retail participation in securities markets has grown faster than at any time in India's history: about 23.4 crore demat accounts, over 13 crore unique NSE investors and SIP inflows of more than ₹32,000 crore a month.

The answer to this paper's central question is therefore mixed. The surge *is* a sign of deeper inclusion: investors are younger, more geographically spread and increasingly investing through regular SIPs, and household savings are shifting toward market-linked assets. But participation remains narrow (9.5% of households), unequal (about one in four investors is a woman, and a few states dominate) and, for a large group of young and lower-income traders, harmful, as SEBI's derivatives studies show. The policy priority should move from counting accounts to improving the quality of participation through literacy, simple long-term products, targeted outreach to women and smaller towns, and strong investor protection.

Limitations. This study relies on secondary data and descriptive analysis; it does not establish causal relationships. Demat and trading-account counts overstate the number of investors, NSE data cover only one exchange, and survey and household-savings estimates carry sampling error and are subject to revision. Several 2026 figures were obtained from news reports quoting official releases rather than from the releases themselves. Future research could use investor-level or district-level data to test whether banking inclusion (for example, Jan Dhan coverage) directly predicts later investment participation.

References

Academic literature and committee reports

- Badarinza, C., Balasubramaniam, V., & Ramadorai, T. (2016). The Indian household finance landscape. *India Policy Forum 2016–17*. National Council of Applied Economic Research.

- Barber, B. M., & Odean, T. (2000). Trading is hazardous to your wealth: The common stock investment performance of individual investors. *Journal of Finance*, 55(2), 773–806.
- Campbell, J. Y. (2006). Household finance. *Journal of Finance*, 61(4), 1553–1604.
- Demirgüç-Kunt, A., Klapper, L., Singer, D., & Ansar, S. (2022). *The Global Findex Database 2021*. World Bank.
- Guiso, L., Sapienza, P., & Zingales, L. (2008). Trusting the stock market. *Journal of Finance*, 63(6), 2557–2600.
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
- Reserve Bank of India. (2014). *Report of the Committee on Comprehensive Financial Services for Small Businesses and Low Income Households* (Chair: N. Mor).
- Reserve Bank of India. (2017). *Report of the Household Finance Committee* (Chair: T. Ramadorai).
- Government of India. (2008). *Report of the Committee on Financial Inclusion* (Chair: C. Rangarajan).
- Sarma, M. (2008). *Index of financial inclusion* (ICRIER Working Paper No. 215). Indian Council for Research on International Economic Relations.
- van Rooij, M., Lusardi, A., & Alessie, R. (2011). Financial literacy and stock market participation. *Journal of Financial Economics*, 101(2), 449–472.
- World Bank. (2025). *The Global Findex Database 2025*. World Bank.

Data sources (accessed October 2026)

- AMFI. [Monthly Note, September 2026](#); [Annual Report FY25](#); [Annual Report FY26](#); [SIP statistics](#).
- CDSL. [Periodic statistics, September 2026](#).
- NSDL. [NSDL at a Glance, 31 March 2026](#).
- Reserve Bank of India. [Financial Inclusion Index for March 2026](#) (16 July 2026); [Financial Inclusion Index for March 2024](#) (9 July 2024).
- SEBI. [Monthly Bulletin, April 2021](#); Investor Survey 2025; *Profitability of Individual Traders in the Equity Derivatives Segment (FY25–FY26)*; *Trading Behaviour of Individual Traders in the Equity Derivatives Segment (FY25–FY26)*.
- Ministry of Finance (PMJDY), as reported by [Indian Masterminds](#), [IANS](#) and [Swarajya](#) (August 2026).
- NSE investor milestones, as reported by [Outlook Money](#), [Bajaj Broking](#), [Wealthy](#) and [IANS](#).
- NPCI UPI statistics, as reported by [StartupTalky](#) and [YourStory](#).
- Demat account history: [Business Standard, FY25](#); [Business Standard, FY23](#); [Business Today, FY24](#); [Spaia, March 2020](#); [Outlook Money, FY26](#); [Asianet Newsable, July 2026](#).
- Household savings: [IANS, citing RBI data](#); [The Wire, citing the RBI Bulletin](#).

Note: Indian financial years run April–March (FY26 = April 2025 to March 2026). 1 lakh = 100,000; 1 crore = 10 million; 1 lakh crore = 1 trillion.